June 2024

Task Force on Climate-related Financial Disclosures (TCFD) Entity Report

Lindsell Train

Contents

Foreword

The risks associated with climate change and the transition to a low-carbon economy affect all businesses, irrespective of their size, sector or geographic location. Therefore, no company's revenues are immune and the assessment of such risks must be considered within any effective business strategy and investment approach, particularly one like ours that seeks to protect our clients' capital for decades to come.

We are committed to improving both in the way we run our business and also in the way in which we engage with our investee companies so that we understand, and where necessary influence, how they are adapting their strategies to deal with the tangible risks and opportunities presented by climate change.

More broadly, we are also committed to expanding our reporting and disclosure, with the objective of advancing our investors' understanding of how climate change may impact their investments over time. In this respect, we believe the TCFD framework offers a practical way of explaining our approach to integrating climate-related risks and opportunities. To that end, we hope you find this report both encouraging and insightful.

Lindsell Train is proud to be a signatory of the Net Zero Asset Managers (NZAM) initiative and we have set a fair and achievable interim target in line with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework.

Finally, I can confirm under the FCA rule ESG 2.2.7 that the disclosures in this report comply with the requirements as stated in the FCA's ESG sourcebook.

Nick Train
Chair, Lindsell Train ESG Committee

All data in this report as of 31 December 2023, unless stated otherwise.

Introduction

Lindsell Train is an investment company that specialises in the management of Global, UK, Japanese and North American equity portfolios, managing over £16bn of client assets as of 31 December 2023.

Global	UK	Japan	North America
£9,066m	**£6,880m**	**£157m**	**£36m**
Lindsell Train Global Equity Fund (2011) £4,525m	WS Lindsell Train UK Equity Fund (2006) £3,757m	Lindsell Train Japanese Equity Fund (2004) £101m	WS Lindsell Train North American Equity Fund (2020) £38m

We focus on a small number of equity strategies using a single investment approach, implemented by one investment team.

The company was founded in 2000 with the premise that keeping corporate complexity to a minimum would foster an optimal environment for fundamental research, high-conviction portfolio management, and long-term performance and stewardship outcomes for clients. As such, Lindsell Train continues to maintain a small and simple organisational structure, employing fewer than 30 professionals across all business lines.

Furthermore, our independence – with our founders and employees maintaining majority ownership – ensures we can continue to prioritise the integrity of these principles on which the company was founded. We believe our disciplined application of our business and investment principles is ultimately what underpins our ability to meet the diverse needs and objectives of our clients.

Operational and investment climate-related exposure

In expecting our investee companies to adapt and respond to the risks and opportunities presented by climate change, we know that we must set an example ourselves. Our business strategy therefore considers the impact that climate has on all aspects of our business, including our physical office space, as well as the implications for our regulatory and client reporting, firm infrastructure and product offering. That said, Lindsell Train's operational emissions (the emissions discharged from our business operations), and the climate-related opportunities available to our business, are significantly dwarfed by the risks and opportunities presented by Lindsell Train's investment portfolios. Therefore the climate strategy that Lindsell Train has developed in relation to our investment portfolios, which centers on the impact climate change may have on the value of the assets we manage on behalf of our investors, is the focus of this report.

Our Investment Approach

At the heart of our approach is a conviction that inefficiencies exist in the valuation of 'exceptional' companies. Specifically, we note that durable, cash generative franchises are not only rare but also appear to us to be undervalued by other investors for most of the time. We invest in such 'exceptional' companies with the expectation of holding them for the very long-term.

Our truly strategic time horizon means we must be continually alert to all relevant long-term issues, with the objective of pre-empting risk and enhancing returns. Hence the consideration of ESG factors, including climate change, has always been central to our investment approach. Indeed, we have historically found that these 'exceptional' companies tend to exhibit characteristics associated with good corporate governance and responsible business practices. Furthermore, we believe that companies which observe such standards, and that are serious in their intention of addressing environmental and social factors, will not only become more durable, but will likely prove to be superior investments over time.

Our experience and research tell us that 'exceptional' companies are found only in a limited number of sectors, which means that many sectors are never (or rarely) represented in our portfolios. These are the sectors that the transition to a low-carbon economy will likely effect more than others, most notably, we do not invest in capital intensive manufacturing industries or any companies involved in the extraction and production of coal, oil or natural gas. But there is no escaping the magnitude of the risks resulting from climate change and our clients rightly expect us to protect their capital from these effects. So, despite this positive starting point in our investment portfolios, it is imperative that we are able to identify and monitor transition risks (and opportunities) within our research process.

Governance

Assessing and managing climate related risks and opportunities

Board oversight of climate-related risk and opportunities

Over 24 years on from Lindsell Train's inception, our common desire to build a business where corporate complexity is kept to a minimum remains strong. We have avoided as far as possible the bureaucracy and hierarchy that accompanies many large businesses. Instead, we have intentionally maintained a small and dedicated team of staff, currently numbering less than 30, who have a wide range of experience and skill sets. Although aware of the limitations and potential risks associated with a smaller team, we believe that these are well balanced by the maintenance of a robust governance structure.

Lindsell Train's Board of Directors (comprising five executive directors and three non-executive directors) has overall responsibility for assuring processes and policies and assessing the effectiveness of the firm's activities, including those relating to climate change.

In addition to the Board of Directors, and to facilitate the day to day running and oversight of Lindsell Train's regulated investment business, there is a Management Committee. The purpose of the Management Committee is to ensure the proper execution of the company's business strategy, as agreed by the Board of Directors. ESG (including climate change) is a standing agenda item at all Board and Management Committee meetings.

In addition, an ESG Committee ensures the clear definition of our ESG strategy and how this is put into practice, as well as to oversee the identification and mitigation of risks relating to climate change. The ESG Committee is also responsible for ensuring that as a business we monitor the sustainability of our operations. The ESG Committee approves all reports and policies relating to responsible investment, including this TCFD report.

Further governance structures at Lindsell Train include the Risk and Compliance Committee and the Valuation Committee.

The aforementioned committees were formed to manage all aspects of the firm's investment, distribution, administration, and control oversight functions as well as to encourage the sharing of knowledge and ideas across the various business functions at Lindsell Train. Each committee has its own terms of reference and committee members have been selected from relevant areas of the business to ensure that each committee has the appropriate level of knowledge and experience to execute its mandate effectively. The table overleaf shows the governance structure specific to the oversight of, and responsibilities for, ESG (including climate-related) matters.

All Committees as of 31st December 2023.

Board of Directors

Executive Directors:
Nick Train (Chair), founder and Portfolio Manager;
Michael Lindsell (CEO), founder and Portfolio Manager;
Michael Lim, IT and Company Secretarial;
Joss Saunders, Chief Operating Officer;
Keith Wilson, Head of Marketing and Client Service

Non-Executive Directors:
Rory Landman;
Julian Bartlett;
Jane Orr

Responsible for:
- Setting the strategy of the firm.
- Establishing and maintaining a robust internal control framework.
- Ensuring compliance with all applicable legal and regulatory requirements.

ESG, including climate change, is a standing agenda item at all meetings of the Board, underlining the importance with which we view ESG and sustainability from a corporate perspective.

Frequency of meetings: Three times per year

Management Committee

Michael Lindsell (Chair), founder and Portfolio Manager;
James Bullock, Portfolio Manager;
Jessica Cameron, Marketing & Client Service;
Joss Saunders, Chief Operating Officer

Responsible for matters relating to the day-to-day management of the company.

Ensure that the frameworks of internal systems and controls within each function are operating effectively.

Frequency of meetings: Quarterly

Risk and Compliance Committee

Julian Bartlett (Chair), Non-executive Director;
Michael Lim, IT and Company Secretarial;
Joss Saunders, Chief Operating Officer;
Mathew McNeill, Chief Compliance Officer,
Richard Lambert, Risk and Projects Manager

Ensuring that all risk and compliance matters regarding the company are considered and addressed as appropriate, as well as alignment to Lindsell Train's risk appetite statement (as set by the Board);

For compliance, this includes regulatory developments, regulatory filings, internal compliance metrics, and reviewing compliance related policies;

For risk, this includes ensuring the risk control framework of the firm operates effectively covering all risk matters (strategic, business, operational and financial), reviewing risk related policies, procedures, ICARA, and BCP.

Frequency of meetings: At least twice per year

ESG Committee

Nick Train (Chair), founder and Portfolio Manager;
Jessica Cameron, Marketing & Client Service;
Mathew McNeill, Chief Compliance Officer;
Madeline Wright, Deputy Portfolio Manager and Head of Investment ESG

Ensuring the clear definition of the Company's ESG strategy and to provide a formal forum to discuss ESG risks and opportunities to our business, with the objective of identifying, monitoring and mitigating ESG risks and effecting change.

Responsible for ensuring that Lindsell Train Limited monitors the sustainability of its operations and adopts the necessary policies and objectives to meet the standards expected of us by our clients, stakeholders, and regulators.

Frequency of meetings: At least twice per year

Valuation Committee

Joss Saunders, (Chair) Chief Operating Officer;
Michael Lim, IT and Company Secretarial;
Mathew McNeill, Chief Compliance Officer

Responsible for reviewing and maintaining the firm's valuation policy, as well as ensuring that any valuation matters are suitably addressed.

Frequency of meetings: At least twice per year

Management's role in assessing and managing climate-related risks and opportunities

Key individuals involved in the oversight of climate-related risk and opportunities at Lindsell Train are senior members of staff who are either Certified Persons or Senior Managers under the Financial Conduct Authority's (FCA) Senior Managers & Certification Regime (SMCR). They bring to the table a wide variety of experience and expertise, having in most cases enjoyed multi-decade careers in investment management.

As detailed previously, Lindsell Train's ESG Committee, in collaboration with the Management Committee, is central to our climate-related governance structure. Together these committees carry out the following climate-related responsibilities:

- The establishment and ongoing approval of Lindsell Train policies that include climate-related schedules or implementation/oversight undertakings. For example, Lindsell Train's Responsible Investment and Engagement policy;
- Set and monitor progress towards climate targets;
- Ensure that regulatory and client reporting responsibilities are met;
- Review and approve the appointment of climate-related service providers;
- Respond to the company's energy consumption, greenhouse gas emissions, generation and use of renewable energy, the reduction and management of waste, and the environmental impact of the company's supply chain.

From 2021, the ESG Committee has formally engaged the services of Acclaro Advisory to support us on our climate journey. This involves measuring the carbon footprint of Lindsell Train Limited, with the overall intention of ensuring our business operations align with our net zero ambitions. The primary areas of focus are: monitoring energy consumption with the objective of finding energy efficiencies, limiting business travel to a needs must basis, recycling all recyclable materials, and minimizing office waste.

Investment climate-related risks and opportunities

Lindsell Train's climate exposure comes predominantly from the investment portfolios that it manages on behalf of its clients. Our Responsible Investment & Engagement policy, which incorporates our approach to climate change, is therefore key, and it is the responsibility of our investment team to implement this policy.

Madeline Wright (Deputy Portfolio Manager and Head of Investment ESG) is responsible for coordinating the Investment Team's ESG endeavours. However, given that responsible investing is and has always been a natural part of our investment approach, we think it most appropriate that all six investment team members take shared responsibility for ensuring that ESG is integrated throughout the investment process. With our concentrated approach and relatively small number of strategies we are typically invested in around 75 investee companies across all four of our strategies at any time. As a result, our Investment Team are fortunate to be able to dedicate appropriate time and capacity to interact with all our portfolio companies on a regular basis and in particular on pressing topics, such as climate change.

Within the investment team, ultimate oversight and decision making (including voting decisions) lies with the three Portfolio Managers, who have extensive experience in deploying our long-term investment approach. Portfolio Managers Michael Lindsell and Nick Train boast over four decades of expertise each, while James Bullock has accrued over 13 years of investment experience. Their multi-decade experience includes the assessment of various risks and opportunities that may influence a company's long-term prospects, as well as the engagement on such topics with company management.

Name	Responsibility	Years in Industry	Years at LT
Michael Lindsell	Co-Founder, Portfolio Manager (Global & Japan)	42	24
Nick Train	Co-Founder, Portfolio Manager (Global & UK)	43	24
James Bullock	Portfolio Manager (Global & North America)	13	13
Madeline Wright	Deputy Portfolio Manager	11	11
Alexander Windsor-Clive	Deputy Portfolio Manager	8	8
Ben van Leeuwen	Deputy Portfolio Manager	5	5

Incentives

Our remuneration arrangements take into account sound and effective risk management, do not encourage excessive risk taking and are in line with our business strategy, objectives, values and the interests of shareholders and clients.

We seek to pay competitive rates of fixed salary remuneration, supplemented by discretionary bonuses when appropriate to reflect the company's success and to reward individual and team contributions. Importantly we do not reward on the basis of short-term targets. Discretionary bonus payments recognise an employee's contribution to the overall business, including supporting the culture and values of our company, and their overall job performance (taking into consideration both qualitative and quantitative measures) and are subject to the employee's compliance with Lindsell Train's internal policies and procedures. Given the significant and growing importance of ESG in the investment industry and to the future of our business, management take into account all work that has contributed to our efforts in this area.

For key employees there is also the opportunity to acquire shares in Lindsell Train Limited as well as the opportunity to share in the profit of the company through a dedicated profit share scheme. The ownership of equity in our company encourages those employees who are shareholders to take a more strategic view on their careers at Lindsell Train, and moves to align their long-term interests with those of our clients.

Conclusion

In summary, we believe that Lindsell Train has a robust governance structure, rigorous processes and appropriate resources given the size and nature of our business. Critically, we also have the ability to recognise where we might not have the appropriate skills in-house and in these instances we are prepared to work with professional providers who offer exceptional services in their areas of expertise.

Strategy

How climate change impacts our strategy

The firm's strategic mission is to consistently meet our clients' expectations. This relates not only to the achievement of strong investment results over the long term but also to fulfilling our clients' wider requirements, which have increasingly focused on a desire to invest responsibly. As such, our corporate strategy remains largely unchanged, given that responsible investing embraces the rapidly growing focus on climate change.

The ESG Committee is responsible for ensuring that:

- Lindsell Train monitors and reviews current and emerging ESG trends and relevant UK and international standards and legislative requirements;
- Identifies how those are likely to impact on the strategy, operations, and reputation of the Company and its investment activities on behalf of its clients; and
- Determines whether and how these are incorporated into or reflected in the Company's ESG policies and objectives.

As discussed previously, the climate risks and opportunities exposed to our investment portfolios far outweigh the risks and opportunities faced by our business, on account of its small operational footprint. That said, on account of our significant assets under management and the success of our business and brand, particularly in the UK, we are aware of the meaningful role that we can play in the global effort to reach net zero. Fortunately we have an investment strategy that is well aligned with this objective.

Similarly, given the nature of our business and our investment approach, we believe that transition risks, rather than physical risks, are more likely to shape the future prospects of the companies in which we invest and hence our strategy is formed accordingly.

Physical Risks:

Physical risks resulting from climate change can be acute (driven by an event such as a flood or storm) or chronic (arising from longer-term shifts in climate patterns), presenting increasing financial risks including damage to assets, interruption of operations, and disruption to supply chains.

Transition Risks:

Transition risks are the risks associated with the transition to a lower-carbon economy. These are divided into four categories: policy and legal risk, technology risk, market risk and reputation risk.

Climate-related risks and opportunities over the short, medium and long term

As a product of our investment philosophy (long term, low turnover and focused on finding durable and cash generative businesses), we have a structural preference for capital-light companies. This means that we do not invest in capital intensive industries (such as car manufacturers and telecommunications) or any companies involved in the extraction and production of coal, oil or natural gas. In the context of the transition to a low-carbon economy, the omission of these sectors, by their nature, means we are starting from a relatively good place (we also acknowledge that it means that climate-related transitional opportunities may be more limited). That said, all companies are affected to a greater or lesser extent by climate change and we must ensure that we are able to identify and monitor the risks (and opportunities) within our research process as well as our ongoing monitoring of the companies in which we are invested.

Since our inception, one of the features ingrained in Lindsell Train's philosophy is the search for truly sustainable brands – those which have survived the challenges of the past and have the potential to continue to grow, adapt and appeal to consumers worldwide. Often these are owners of unique and valuable intellectual property. We find the large majority of our candidate investments in three broad industry categories (consumer & healthcare franchises, media/software, and financials & networks). Consequently, the key risks presented to our businesses from a climate perspective are primarily transition risks, including but not limited to the following: reputational risk, litigation risk, increased operating costs, rising R&D costs and reduced demand for products and services because of shifts in consumer preferences.

Our investment time horizons are strategic and so when we commit to an investment we intend to hold it for the very long term, which for us means 20+ years, covering several economic and stock market cycles, and so we must be continually alert to all relevant long-term issues – including those related to climate change – with the objective of pre-empting risk and enhancing returns.

So, whilst we have not made any changes to the fundamentals of our investment philosophy or process in response to the increased attention given to climate change, enhancements (for example how we gather and store data and qualitative analysis) have been introduced along the way in order to respond to the evolving material risks and opportunities posed to our companies.

Short-term (0–5 years)

Certain transition risks could impact our holdings over the short-term: namely reputational risk, litigation risks and rising R&D costs.

Medium-term (5–20 years)

Over the medium term, as climate reduction strategies take hold, we would expect that our companies could face increased operating costs, reduced demand for products and services because of shifts in consumer preferences, risks associated with meeting regulatory changes and technological disruption.

Long-term (20+ years)

Physical risks arising from climate change are likely to be felt in the long-term. However, given the nature of our portfolios we believe the risks associated with severe weather events are limited over all time frames. Of course, it should be expected that the transition risks associated with the short and medium term will likely also be present in the long-term.

It should also be noted that Lindsell Train focuses on companies listed in developed market exchanges including the UK, US, Japan, the Netherlands, France and Hong Kong. All of these geographies have made climate commitments in the form of 2050 net zero goals and hence our investee companies should achieve an orderly transition, guided by policy and regulation. However, should adequate progress not be achieved policy responses may need to intensify nearer 2050 and hence the risks associated with a disorderly transition may escalate in the long-term.

To measure the likely impact of these risks, we measure Scope 1, 2 and 3 emissions for all our holdings. We are able to quickly identify the companies that contribute most to each of our portfolio's carbon footprints and can then form a view on the likely impact of climate-associated risks on the investment case for each holding. This analysis also informs our engagement strategy with our portfolio companies. The investment team have also conducted thematic research studies on the likes of scope emissions and water scarcity, which has allowed us to identify companies most vulnerable to these environmental risks. We are also acutely aware of the risks associated with the demands of a discerning consumer (with younger people in particular more educated about climate risk and increasingly unnerved about the prospects for their future) and the associated changes in their investment preferences. As owners of global brands, it is imperative that we monitor and manage this risk.

Climate-related investment opportunities

Climate-related matters have had an increasingly significant impact on the investment industry, particularly when considering regulatory expectations, reporting requirements and changing investor demands. Whilst we do not intend to change our business or investment strategy in response, as we feel we are well positioned to continue to meet our client's expectations, it is possible that some of the risks we have identified could also become opportunities, if adequately managed.

Our investment approach, which avoids capital intensive industries, means that it is unlikely we will invest in climate solutions. However, our focus on 'exceptional' franchises, that are durable and cash generative gives them every opportunity to take advantage of the opportunities associated with the low-carbon transition for example, through the provision of valuable data and analytics, via efficient and targeted corporate strategy or by the effective allocation or capital and resources, where investment is required. In general our companies have strong balance sheets, which should ensure a robust response to any policy, legal or technological change.

Business strategy and financial planning

To date, Lindsell Train as a business has not been significantly affected by climate-related issues. The largest change has been the increased allocation of time and resource to meet the ongoing regulatory and client requirements associated with climate reporting. As such, we have continued to review our resourcing of these activities to ensure that we can continue to deliver the level of service that our clients have come to expect and deserve.

In addition, as ESG has moved up the agenda of Lindsell Train's Board, senior management understand the need both to ensure that we continue to effectively integrate climate change into our investment process and also assess the risks posed to our business strategy. We are very conscious that investors are increasingly looking to invest in portfolios aligned with climate change considerations and solutions and hence we must be aware of the risk to our business if we do not offer strategies with this specific objective. Currently, and as we have described in this report, ESG, and climate analysis specifically, is fully integrated in the investment process underlying all our strategies, and we believe that our commitment to responsible investing through building long-term partnerships with our investee companies is well understood and endorsed by our clients.

Therefore, we will continue to closely watch developments in regulation and be alert to our clients' preferences, although we do not expect Lindsell Train's corporate strategy to change significantly under different climate change scenarios.

In anticipation of regulatory reform and to ensure accountability surrounding our net zero aspirations, Lindsell Train became a signatory of the Net Zero Asset Managers (NZAM) initiative in December 2021 and, in accordance, during 2022 established and disclosed our interim target, in line with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework, as detailed later in this report.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

As detailed above, from a business perspective we do no expect Lindsell Train's corporate strategy to change significantly under different climate change scenarios.

From an investment perspective, our approach is biased towards qualitative analysis and our assessment of climate-change is no exception. That said, we are open to broadening our understanding and investor 'toolkit' to incorporate quantitative metrics (for example Climate Value-at-RIsk (CVAR)) in the future. To date our scenario analysis has focused on understanding the level of transition and physical risk associated with each of our holdings, and then combined at portfolio level, to determine the implications for their prospects under different scenarios. In general, the level of risk for each risk definition (please refer to page 16) over all time horizons is relatively low.

We have considered both orderly and disorderly transitions. In the former, climate policies are introduced early and become gradually more stringent. In the latter, scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Given Lindsell Train invests in only a limited number of sectors, all of which are domiciled in developed market countries, and we have good access to data in terms of their own climate-change ambitions we believe that we are credibly able to assess the readiness and ability of each of our companies to commit and/or meet their net zero ambitions.

Risk Management

How we identify, assess and manage Climate-related risks

The Board is ultimately responsible for the oversight of internal controls and risk management issues at the firm. Whist maintaining this responsibility, the Board has delegated the day to day risk management to a dedicated risk function, who report to Joss Saunders, COO. The COO works closely with each business unit to identify, monitor and address all Enterprise (including operational) and Investment risk matters.

The Board has appointed a Risk and Compliance Committee chaired by a non-executive director to oversee the effectiveness of risk controls and review emerging risks that may materially impact the business. The committee meets at least twice yearly and reports to the Board.

A key element of the ESG Committee's remit is to work in conjunction with the Risk and Compliance Committee to oversee the identification and mitigation of risk relating to ESG, including climate change, in the context of both enterprise risk management and investment risk management. The ESG Committee is also responsible for establishing climate-related policies and procedures and ensuring their effective implementation.

Enterprise Risk Management

Enterprise-wide risk is monitored through the maintenance of a framework of firm-wide risk assessments. These risk assessments are aggregated into a consolidated Corporate Risk Register (CRR) which records all risks and the mitigating controls. The ESG Committee maintains a dedicated risk matrix, where relevant climate-related risks (both physical and transition) are identified. This matrix is integrated into the CRR by the risk team. The CRR details risks identified and the key controls used to mitigate the risks. We also monitor how these risks change over time in relation to their impact and probability. The CRR is reviewed formally at least once a year, but also on an ad hoc basis as required as a result of regulatory changes, significant internal risk events or any other circumstances which might be viewed as having a material impact. The risks deemed most material are presented to the Board, by the Chair of the Risk and Compliance Committee, for their consideration. Where a risk exceeds the firm's risk appetite there will be an action plan in place to ensure that the risk is mitigated and brought back within the firms' risk appetite by a certain date. Climate-related enterprise risk management is therefore integrated into overall risk framework.

Investment Risk Management

From an investment risk perspective, climate risks are identified and assessed through stock level research conducted by the investment team both prior to investment and on an ongoing basis. All ESG research is catalogued via a proprietary database (Sentinel), which helps to centralise and codify our team's views. The database enables us firstly to consider broad risks at industry and sector level, then to drill down into company-specific risks across all categories Like all our company analysis, this research is bottom-up and sourced from published reports and accounts, together with other publicly available information and meetings with management.

We cross-reference this work with the SASB Materiality Map©, which identifies likely material sustainability issues on an industry-by-industry basis, allowing us to coordinate research along standardised industry reporting methods, and to mitigate against potential blind-spots. Importantly, however, the extensive research conducted to identify the ESG risks posed at a stock-specific level is our own. The majority of this work is qualitative in nature, however there is a quantitative element to the database to the extent that we score the ESG risks posed to each business based on a proprietary scale of materiality – a key factor in pattern-spotting and the prioritization of our ongoing research and engagement work. This includes the development of our Engagement Framework, which aims to address the issues we judge to be most relevant to our portfolios (Modern Slavery and Climate Change) and where we have the best chance of influencing for positive change.

At a portfolio level, we have gathered net zero alignment information for each of the 75 or so companies we invest in across our firm. We also collate Scope 1, 2 and 3 (where available) emissions data, which is stored within Sentinel and then used to measure the carbon footprint/intensity of our portfolios. We cross reference our work with the Transition Pathway Initiative (TPI) to test and support our transition conclusions and also ensure that our investment portfolios are decarbonizing in a way that is consistent with achieving net zero greenhouse gas emissions by 2050. Please refer to page 21 for further details.

We have two advantages that make us confident of achieving this goal: the fact that our portfolios are highly concentrated (20–30 companies), and our long-term investment horizon, which leads to well-established strategic partnerships built with company management over time. Indeed, the role that company engagement plays in our process has never been more critical.

We expect improvement to be driven mainly by targeted engagement with management (together with overall industry pressure). It is imperative therefore that we continue to leverage the aforementioned Engagement Framework that we have in place.

Concentrated portfolios

Portfolio concentration has enabled meaningful, multi-year stock-level analysis that can be leveraged to enact change. We are fortunate that collating climate risk data is significantly simplified by the fact that across all of our portfolios we invest in a total of around 75 holdings. This has enabled us to source meaningful data, which the team can then easily and holistically integrate into their ongoing due diligence of each company.

Company Engagement

Whilst our long-term approach generally leads us to be supportive of company management, where required and if in the best interests of our clients, we will lean more heavily on management to influence specific matters or policies. Given we often build up large, long-term stakes in the businesses in which we invest, we find that management are open to (and very often encourage) engagement with Lindsell Train. Constructive dialogue has often resulted in satisfactory outcomes, thus limiting the need for escalation. However, where this is not the case, we will consider escalating our engagement and stewardship activities (as described in our Responsible Investment & Engagement Policy found **here**).

Transition Risk

Our exposure to high-impact sectors, i.e., those with a higher carbon footprint, is limited on account of our bias towards capital-light and non-cyclical businesses, which naturally excludes a large proportion of higher emitting sectors. This gives us a "head start" in terms of managing our exposure to transition risk. That said, we are alert to the reputational, legal and technological risks facing our companies.

Physical Risk

The capital-light nature, and geographic domicile, of the majority of our investments means that the risks posed by physical risks (e.g., severe weather conditions or rising sea levels) are generally low. However, as we consider risk on a company-by-company basis we do capture in Sentinel instances of highly specific physical riske.g. the luxury and consumer goods companies in our portfolios typically have long global supply chains and therefore have some exposure to physical risk in certain manufacturing or operational locations.

Risk Summary

In accordance with TCFD, for the companies we invest in, we have assigned a risk measure (Low to High) to each category in the two broad types of climate-related risk; Physical and Transition over the three identified time-horizons (defined by Lindsell Train on page 11):

	Physical Risks		Transition Risks			
Time horizon	**Acute**	**Chronic**	**Policy & Legal**	**Technology**	**Market**	**Reputation**
Short	Low	Low	Low	Low	Low	Medium
Medium	Low	Low	Medium	Medium	Medium	Medium
Long	Low	Low	Medium	Medium	Medium	Medium

For additional clarification, our research to date has identified the following key physical and transition risks associated with our portfolio companies' businesses:

Physical Risks:

Acute

Given the nature of our portfolios we believe the risks associated with severe weather events are limited over all time frames. We have a small number of stocks which we identify as possibly exposed to damage by extreme weather events, for example where data centres may theoretically be vulnerable to overheating, or where shifts in weather patterns Interferes with crop (for example cocoa or barley) production, or presents supply chain interruptions.

Chronic

We believe our portfolios have limited exposure to risks categorised as chronic. We have a handful of stocks that may be exposed to the negative externalities associated with rising sea levels, for example companies with operations in potentially more vulnerable locations to coastal flooding such as Amsterdam, India, China – and even some localities in the United Kingdom at risk of coastal or fluvial flooding. However at present we believe this is a longer-term risk and not one that is currently meaningful to quantify.

Transition Risks:

Policy and Legal

We have identified costs associated with navigating and responding to climate change regulation and we believe the risks associated with non-compliance are greatest over the longer term. Although in the short term we expect fines and litigation costs to be minimal, for our companies, the likelihood of increased carbon taxes, plus the cost of carbon offsets, will likely be a more material financial risk in the lead-up to net zero target date. We believe that companies paying attention to, and investing resources into, their readiness for these shifts are likely to be better positioned for the future, and so we scrutinize our portfolio companies for evidence that this is happening.

Technology

The costs to date have largely been associated with strategy and planning as opposed to a large-scale shift to new technologies. That said, there are areas (e.g. plastic packaging) where the pressure to find alternate solutions is greater and hence the associated costs are higher. As regulation and taxes bed in, we expect greater costs associated with R&D and technological advancement. We also expect companies to collaborate more closely and perhaps pool investment with other industry participants to advance technology research and develop solutions with benefits across industries and the whole of society.

Market

In recent years our companies have faced increased costs associated with rising input prices and waste treatment. In particular, this has impacted our companies with large distribution networks, significant water consumption and significant electricity consumption.

However, whilst their reduction commitments are currently an economic drag, company managements are optimistic that the costs associated with this strategy will be more than outweighed by the positive sentiment and subsequent economic value derived over the longer term. In some cases investment into fully-owned infrastructure has already paid handsome dividends, e.g. Heineken's investment into wastewater treatment plants physically connected to its breweries means that today it has the ability to treat 97% of its waste water at source.

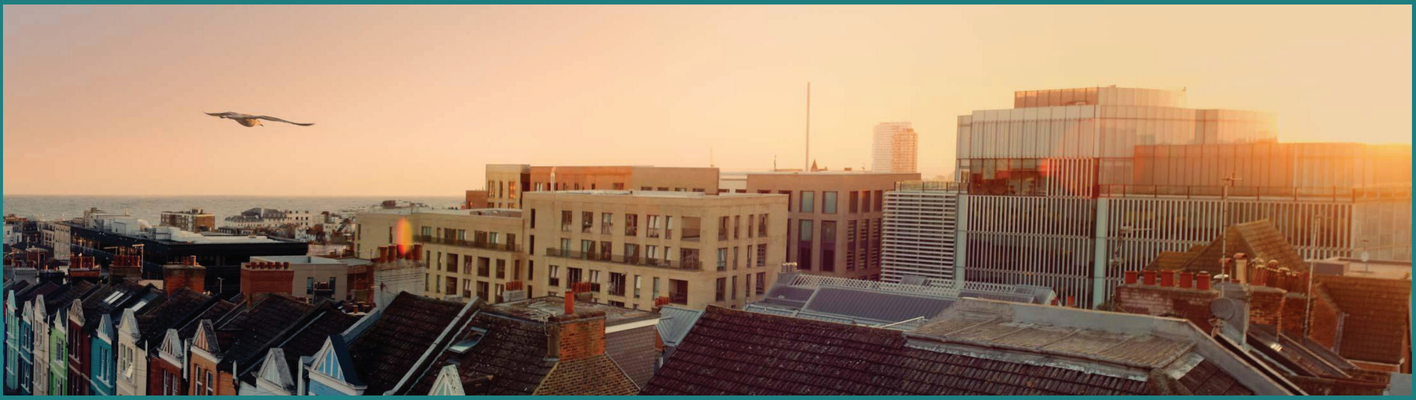
Reputation

As with the costs of fines and litigation, we believe that the reputation risks posed by non-compliance with climate regulation are greater over the longer term.

However, as mentioned previously, we are also acutely aware of the reputational risks associated with the demands of an increasingly educated and discerning consumer – and the growing emphasis placed on environmental concerns when selecting brands and products. As owners of global brands, it is imperative that we monitor and manage these risks appropriately and that we maintain an ongoing dialogue with our portfolio companies in which we share our views on the urgency of this area of risk.

Case study: ESG evaluation for investment buy case

rightmove



Consideration of ESG risk and opportunity is integrated into the pre-investment work we do on all of our holdings, so we have been monitoring Rightmove in Sentinel – our ESG risk and opportunity database – for some time as we have long considered it a serious potential investment. As with existing holdings, any ESG risk that we deem to be materially significant requires careful assessment to ensure that we are comfortable that it does not pose an existential threat to the business. In the case of Rightmove, the UK's largest online property portal, we have identified no ESG risks that we would deem materially significant. Perhaps the key risk – common to all data owners – is the potential for leakage of sensitive information (Rightmove's customers are estate agents, who ultimately deal with details of individuals' houses), necessitating the robust cyber security measures the company has in place. But having this unique view into the housing market also brings opportunity, as political changes drive more demand for data on properties – for example the mandatory displaying of Energy Performance Certificate (EPC) ratings on all houses put on the market – and Rightmove has more data than anybody in the UK. As a capital-light, primarily digital company with low carbon emissions, Rightmove's inclusion marginally decreases the weighted carbon footprint of the Portfolio. Additionally, from a net zero alignment perspective, Rightmove is currently "Aligning", which suggests that they are moving in the right direction, however we will engage with management to encourage further progress.

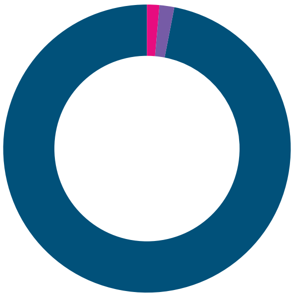
Metrics & Targets

Lindsell Train Limited's operational carbon footprint

We have dedicated significant resource to measuring our carbon footprint and ensuring an appropriate response to ensure we meet our desired outcome of net zero by 2050.

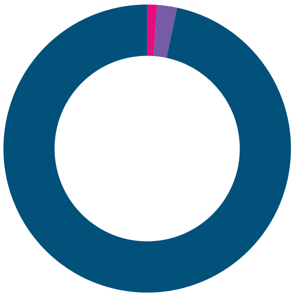
Lindsell Train Limited's financial year end is 31st January and we have provided the firm's carbon footprint for 2023 and 2024 below.

LTL Carbon Footprint 2023



Scope 1	12 tCO2e, 2%
Scope 2	12 tCO2e, 2%
Scope 3	739 tCO2e, 97%
Total	**763 tCO2e**

LTL Carbon Footprint 2024



Scope 1	8 tCO2e, 1%
Scope 2	15 tCO2e, 2%
Scope 3	636 tCO2e, 97%
Total	**659 tCO2e**

Source: Acclaro Advisory. Excludes category 15 Scope 3 emissions

Excluding investment emissions, the vast majority of Lindsell Train's carbon footprint is made up of Scope 3 emissions in the form of purchased goods and services (97% of FY24 emissions), which are linked to business growth and inflation. That said, with improved data, supplier engagement and a drive towards lower emissions within the supply chain, emissions reduction should still be possible in an inflationary environment.

Overall Lindsell Train Limited's operational emissions have decreased by 13.7% from baseline FY20 to FY24. Natural gas, electricity, business travel and employee commuting/remote working have all seen a reduction since baseline. These reductions are attributed to grid decarbonization, internal energy reduction initiatives and the retention of remote working practices (e.g., reduced need for business travel and face-to-face meetings).

During 2023 we continued to engage with our building management company to ensure continued progress with their emissions reduction plan. To date these engagement efforts have resulted in the building's boilers being upgraded (late 2022), the installation of solar panels on the roof of our premises (2023) and more recently the initiation of a plan to introduce zonal heating.

Whilst every effort is being made to reduce our operational emissions, these emissions are significantly dwarfed when adding in our investment emissions (category 15 of Scope 3 emissions) (125,648 tCO2e) to reach our total carbon footprint (126,307 tCO2e), demonstrating the importance of a firm-wide strategy that prioritises a reduction in emissions of the companies in which we invest.

Investment emissions

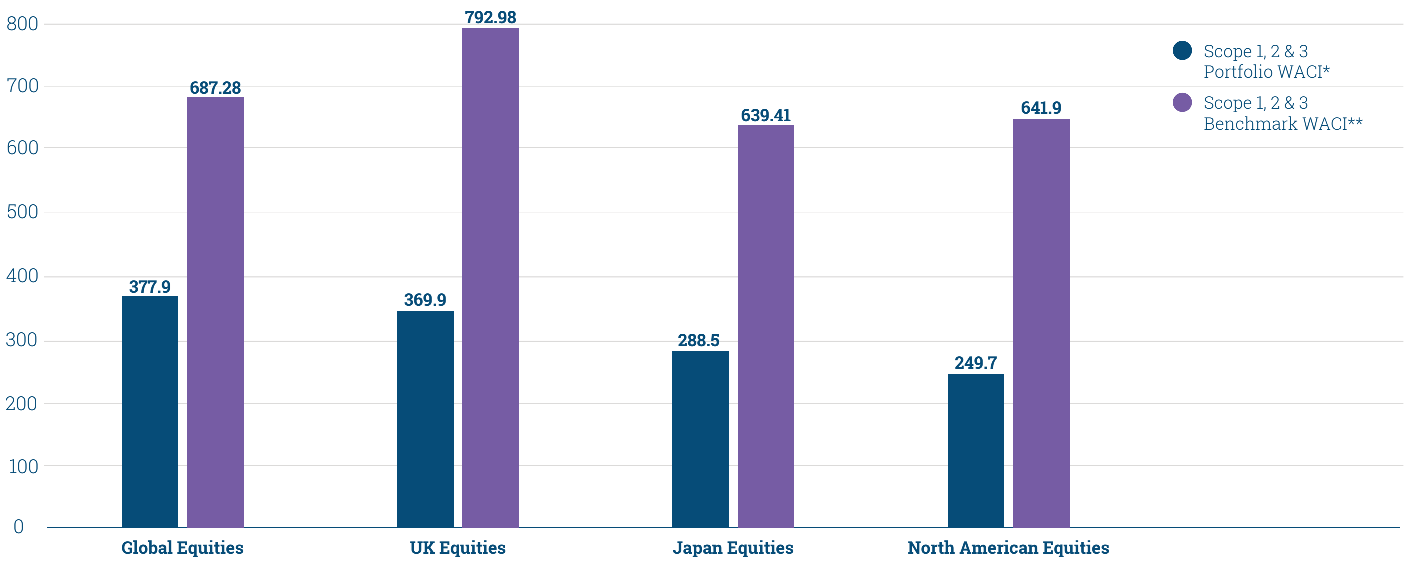
We have talked already about the benefits of a concentrated approach when it comes to data gathering. However, the notable proliferation of metrics and the lack of uniformity of how the data is presented means that we fully support the aims of any organisation promoting transparency and consistency of information.

As described previously, we have sought to source data directly from the companies themselves wherever possible. Most often this data is found in the company's annual report or a designated sustainability report. Where information is not available, we have written to management requesting that they endeavour to publish this essential information going forward. In the meantime we rely on estimates and assumptions from third-party data providers such as Bloomberg. Pleasingly however, many of our companies now report emissions data, as shown in the table below.

	% representative account publishing Scope 1 + 2 emissions data	% representative account publishing Scope 1, 2 + 3 emissions data
Global Equities	91%	90%
UK Equities	97%	96%
Japan Equities	78%	69%
North American Equities	87%	87%

Source: Lindsell Train. As at 31st December 2023

As stated previously, we believe that the risks associated with climate change and the transition to a low-carbon economy will affect all businesses, irrespective of their size, sector or geographic location. That said, evidently the transition to a low-carbon economy will affect some sectors more than others and, as mentioned above, these are typically the sectors that Lindsell Train avoids, most notably capital-intensive industries and companies involved in the extraction and production of coal, oil or natural gas. As a result, when we look across our holdings, we are pleased to note that all four of our strategies have a significantly lower than average weighted average carbon intensity (WACI) than their comparable benchmarks.



*WACI = weighted average carbon intensity (t CO2e/ £M Sales). This measure is a portfolio's exposure to carbon intensive companies. Companies with higher carbon intensity are likely to face more exposure to carbon-related market and regulatory risks. This metric can serve as a proxy for a portfolio's exposure to potential climate change-related risks relative to other portfolios or relative to a benchmark. Carbon emissions are apportioned based on portfolio weights/exposure, rather than the investor's ownership share of emissions or sales. **Source: Morningstar.

In addition to this, we also track the total carbon emissions, carbon footprint ($tCO2e/\$M$ invested) and carbon intensity ($tCO2e/\$MSales$) of our portfolios. By looking at the underlying data we are able to quickly identify which stocks in our portfolio are most exposed to climate-related risks.

We can corroborate this data using The LSE Transition Pathway Initiative Centre (TPI Centre) and Climate Action 100+.

The TPI Centre is an independent source of research and data to assess the progress of the financial and corporate world in transitioning to a low-carbon economy. The TPI Centre's analysis considers corporate climate governance and carbon emissions. It uses a framework to evaluate greenhouse gas emissions and quality of company management. It also assesses companies' planned or expected future carbon performance and how this compares to international targets and national pledges made as part of the Paris Agreement. Companies are rated on a scale of 0 to 4, with companies rated Level 0 being 'unaware' of (or not acknowledging) climate change as a business issue, whilst those rated Level 4 are recognised for having made a strategic assessment of climate-related risk and opportunities.

The TPI Centre currently covers 1060 publicly listed companies, with a focus on the highest emitting sectors. When considering the stocks across Lindsell Train's four strategies, to date only 17 companies have been selected for assessment, eight of which are rated Level 4, eight Level 3 and one company (Nintendo) has been rated Level 1, i.e., the company acknowledge climate change as a business issue but has not yet set a net zero goal. We have engaged extensively with Nintendo management on this matter.

Two Lindsell Train portfolio companies that feature on the TPI Centre list also appear on the Climate Action 100+ focus list, which is a list of 170 focus companies that are critical to the net zero emissions transition.

Climate Action 100+ tracks the progress of these focus companies against the following three goals through regular progress reporting and benchmarking:

1. Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk;

2. Take action to reduce greenhouse gas emissions across the value chain;

3. Provide enhance corporate disclosure and implement transition plans to deliver on robust targets, in line with the recommendation of TCFD and other relevant sector and regional guidance.

Lindsell Train monitor both these lists and incorporate the scores into our database, Sentinel. Our engagement work is informed by these independent company assessments.

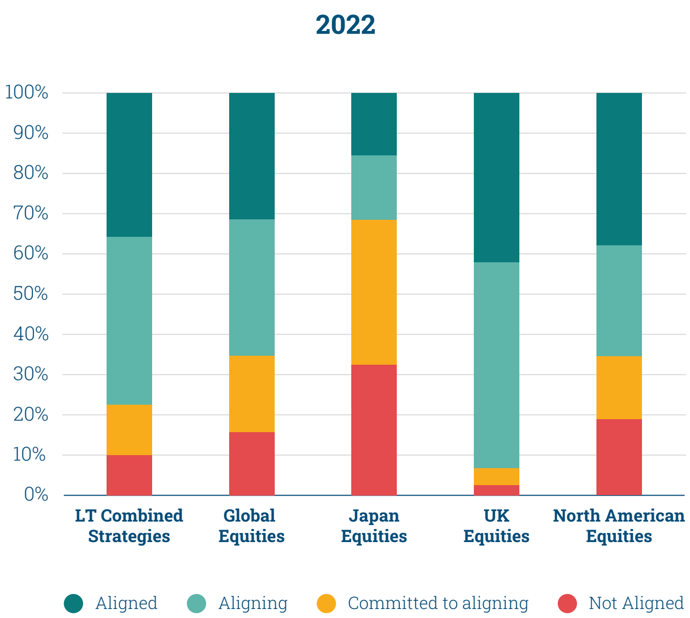
Our Targets

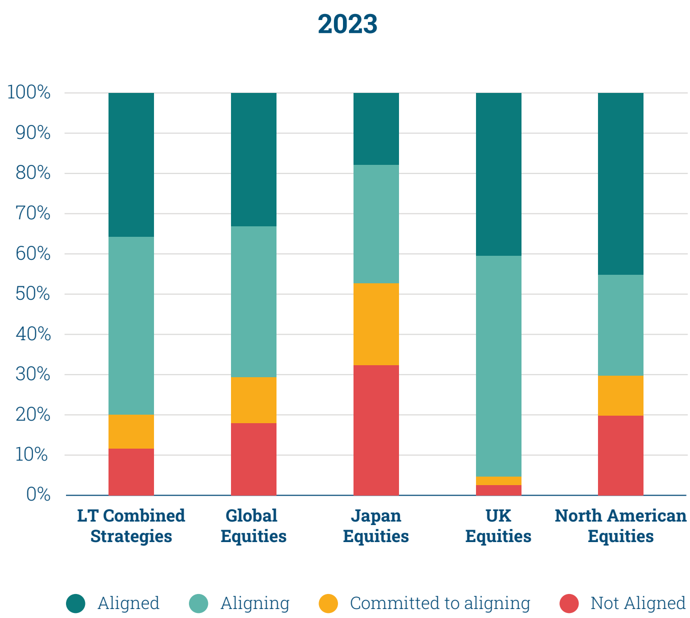
As signatories of NZAM, Lindsell Train is committed as a company to support the goal of net zero greenhouse gas emissions by 2050 or sooner, and have set the goal for all our investments to be net zero within this timeline.

In accordance with the initiative, during Q4 2022 we established and disclosed our interim target, in line with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework. Given our long-term approach to investing, we expect the majority of our progress to be driven by targeted engagement with management, fostering alignment between us and our investee companies' ESG aspirations. This was our principal motivation for electing to adopt a portfolio coverage interim target, in line with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework, which seeks to increase the proportion of a manager's AUM aligning to a Net Zero pathway using specific and comprehensive criteria (Appendix I). We also believe this method of improvement (targeted engagement as opposed to divestment) to be most likely to drive real-world change as we aim to actively support companies in improving the sustainability of their practices by understanding their individual goals and, where appropriate, providing our thoughts on their road maps.

The portfolio coverage target Lindsell Train has set has an objective of increasing the percentage of our AUM achieving aligned status from 36% in August 2022 (baseline) to 55% by 2030. To achieve this, we will continue to engage proactively with the management of companies we hold across our portfolios, our aim being to understand their individual goals and, where appropriate, to provide our thoughts on their road maps, with the overall ambition of reaching an absolute reduction in global carbon emissions.

The chart below shows the alignment of each of the representative accounts for our strategies, and our company when combined, on an asset-weighted basis as at August 2022 and 2023.





To conclude: we are acutely aware of the imperative for all capital allocators to play their part in the transition to a low-carbon economy and, whilst the nature of our portfolios leads to relatively low carbon footprints, our focus is on identifying and managing the transition risks through long-term engagement with our investee companies.

Appendix I

Alignment Categories	Description	Criteria
Not Aligning	Any company that has not set a long-term 2050 goal consistent with achieving global net zero.	
Committed to Aligning	A company that has complied with criterion 1 by setting a clear goal to achieve net zero emissions by 2050.	**Criterion 1** – Ambition: A long term 2050 goal consistent with achieving global net zero.
Aligning towards a net zero pathway	Companies that: • Have set a short or medium-term target (criterion 2); • Disclose scope 1, 2 and material scope 3 emissions data (criterion 4), and • Have a plan relating to how the company will achieve these targets (partial criterion 5) but has yet to show sustained performance against those targets.	**Criterion 2** – Targets: Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3). **Criterion 4** – Disclosure: Disclosure of scope 1, 2 and material scope 3 emissions. **Criterion 5** – Decarbonisation Strategy: A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues.
Aligned to a net zero pathway	Companies that: • Meet criteria 1-d for high impact companies or criteria 2, 3 or 4 for lower impact companies; or • Have adequate performance over time in relation to criterion 3, in line with targets set.	**Criterion 3** – Emissions Performance: Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets. For High Impact Sectors Only: **Criterion 6** – Capital Allocation Alignment A clear demonstration that the capital expenditures of the company are consistent with achieving net zero emissions by 2050.
Achieving net zero	Companies that have current emissions intensity performance at, or close to, net zero emissions with an investment plan or business model expected to continue to achieve that goal over time.	

Source: Paris Aligned Investor Initiative's Net Zero Investment Framework (NZIF)

Important Information