

Japan Stewardship Code

Lindsell Train's Statement of Compliance

Lindsell Train is an asset management company that specialises predominantly in the management of Global, UK and Japanese equity portfolios. The primary aim of Lindsell Train is to protect and grow the real value of our clients' capital over the long term. To achieve this aim, Lindsell Train invests in what we determine to be "exceptional" companies with the expectation of holding them for the very long term. We will always endeavour to act in the best interests of our clients as stewards of their capital, although we do not aspire to be activist investors.

Principle 1: Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.

As long-term investors our aim is to identify companies that can generate long-term sustainable growth. To achieve this aim, Lindsell Train invests in what we have determined to be "exceptional" companies, that is durable, cash generative businesses that achieve higher than average returns on capital. We have historically found that these companies more often than not exhibit characteristics associated with good corporate governance. Indeed, we believe that those companies that observe high standards of governance should increase their chances of survivability. To that end our analysis includes, but is not limited to; a company's acquisition/disposal policy, effective deployment of capital within the company, its dividend policy and its remuneration and incentive structures. Moreover, there is widespread recognition that environmental and social factors must also be addressed by company management in order to increase the prospects of a company's long-term survival. Thus, whilst not a separate function, our evaluation of ESG factors is a natural part of our investment process.

The Lindsell Train investment team is made up of Portfolio Managers and Analysts/Portfolio Managers' Assistants who are responsible for identifying, investing in and monitoring companies that fulfil our investment criteria. There are relatively few quoted companies that meet the durable or exceptional business qualities that we seek. The team's core competence is to identify these characteristics to the exclusion of others and not to deviate from that focus. All members of the investment team are generalists, within the context of the team's core competence, which helps encourage informed debate. Research is undertaken, reviewed and debated by all members of the team.

Portfolio construction is entirely bottom-up and index agnostic. We aim to construct a portfolio of typically 20 to 35 companies, at a significant discount to our judgement of intrinsic value. When we invest in an "exceptional" business we intend to hold it for the long term, which for us means several economic market cycles. We resist the temptation to trade and rarely sell out of a position on valuation



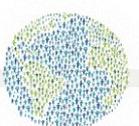
grounds alone.

As a result of our focus on “exceptional” companies (as defined above), we do not invest in capital intensive industries (energy, commodities or mining) or any companies involved in the extraction and production of coal, oil or natural gas. We also avoid industries that we judge to be detrimental to society and, as a result, may be exposed to burdensome regulation or litigation (e.g. tobacco, gambling or arms manufacturers) that could impinge on financial returns. Finally, we note that a fortuitous (if coincidental) outcome of our process is that a number of holdings in our portfolios play an important positive social role, for example through providing access to education or encouraging saving for the future.

Where appropriate and/or necessary, the Investment Team has extensive dialogue with the senior management of investee companies in order to ensure they are effective in implementing their long-term strategy. Our long-term approach generally leads us to be supportive of company management; however, where required and if in the best interests of our clients, we will try to influence management on specific matters or policies. We will engage in dialogue either through meeting directly with company management or through written communications. If we are not satisfied that the matters raised with company management have been addressed appropriately and in the best interest of our clients, we may use our voting power to communicate our dissatisfaction. Our intention, however, is to have open and constructive dialogue with management and board members, in order to broaden our knowledge of the company’s strategy and operations and to ensure any concerns we might have are assuaged. However, where we have concerns about their strategy or the company’s long-term performance, or where we deem it necessary to protect our clients’ interests, we will consider escalating our engagement and stewardship activities. 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) engaging with Lindsell Train.

The primary voting policy of Lindsell Train is to protect or enhance the economic value of its investments on behalf of its clients. Lindsell Train’s Portfolio Managers are responsible for proxy voting decisions and it is our policy to exercise all voting rights which have been delegated to us by our clients. Proxy voting decisions are the result of careful judgement in order to ensure the best possible outcome to generate long-term shareholder value. The manager will vote against any agenda that threatens this position, in particular concerns over inappropriate management remuneration or incentives, changes in capital structure and mergers or acquisitions which are seen as detrimental to the investment held.

Lindsell Train has appointed Glass Lewis to aid the administration of proxy voting and provide additional support in this area. We also believe that their research and engagement platform improves the inputs to our decision making. However, we do not outsource the proxy voting decisions, as this forms an important part of our investment process and proactive company engagement strategy. Proxy voting decisions are based on the Portfolio Managers’ detailed knowledge of the companies in which we invest.



Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Lindsell Train is a private company majority owned by its two founders, who take an active role in the business; as such they have strong incentives to ensure that there are no conflicts of interest that might affect the running of the business. Furthermore, Lindsell Train is an independent asset management business and does not carry out any other activities which might compromise our ability to invest assets in the best interests of our clients.

Lindsell Train has a strong culture of compliance and all staff are expected to exercise their business dealings with the highest standards of integrity. We seek to always act in the best interests of our clients and where possible avoid conflicts. Occasions may arise where a conflict or perceived conflict of interest exists. In such instances, we have put in place a framework of policies and procedures which govern our approach to conflicts and how we manage them. The first step is to identify any conflicts that might arise, we then determine how we can manage those conflicts to ensure that the best interests of our client(s) are met. If we are unable to manage a conflict of interest satisfactorily we will disclose the conflict to the client.

Examples of where conflicts of interest exist or may potentially arise, and how we address them, include but are not limited to;

- *Personal account dealing undertaken by members of staff:* Lindsell Train has a robust personal trading policy that requires all staff to seek approval in advance of all reportable trades, including trades in Lindsell Train funds. All personal trades are managed and recoded electronically.
- *Individual clients voting differently to Lindsell Train (voting on behalf of other clients) on a certain resolution:* Lindsell Train's clients with segregated mandates generally delegate to us the right to vote as proxy on their behalf. However, some clients retain the right to vote for themselves or direct their votes, if they so choose. Lindsell Train will always disclose to clients our rationale for voting a particular way.

Lindsell Train conducts an annual risk assessment and maintains a conflicts register. All identified conflicts of interests are reported at least annually to senior management. The compliance team carries out a periodic review of identified conflicts to ensure that appropriate steps have been taken to address and manage them. All staff should notify compliance if they think there is a conflict of interest or the potential for a conflict of interest.

Lindsell Train's Conflicts of Interest policy can be found on our website www.lindselltrain.com.



Principle 3: Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

Lindsell Train's Investment Team continuously monitor all investee companies with the overriding objective of satisfying themselves that a company will be able to endure through different economic and regulatory environments and prosper over the longer term.

Engaging with and monitoring investee companies is an integral element of our investment strategy. The team's monitoring includes reviewing annual reports and accounts, together with other publicly available information, and meeting with company management, when appropriate, on an ongoing basis. All members of the Investment Team are involved in this process. The Investment Team is tasked with evaluating the effectiveness of a company's management and poor corporate governance would be reflected in our overall assessment of the company.

When we meet with company management we will engage with them on all factors that we believe will affect the company's ability to deliver long term sustainable value to shareholders. Such factors include but are not limited to; corporate strategy, operating performance, competitive positioning, governance, environmental factors (including climate change), social factors, remuneration, reputation and litigation risks, deployment of capital, regulation and any other risks or issues facing the business. These meetings are integral to building a better understanding of a business. As a result of our long term investment horizon, our dialogue with companies has developed over a number of years. We actively promote a two-way dialogue and generally find management appreciative of our views and observations.

We maintain an audit trail of our dialogue with companies. Records of all meetings and correspondence are maintained, as well as a record of all proxy voting decisions. This enables us to monitor the effectiveness of our engagement and also set priorities for future engagements.

Lindsell Train rarely attends General Meetings, as we prefer to meet with management one-on-one and we vote our clients' share by proxy.

Lindsell Train does not encourage becoming an insider. In the unlikely event that we are made an insider we have strict controls in place. These are set out in Lindsell Train's Market Abuse policy.



Principle 4: Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

Engaging with management is an important part of our research process. As an increasingly large shareholder in a number of our portfolio holdings, our experience has demonstrated that constructive dialogue has more often than not resulted in satisfactory outcomes, thus limiting the need for escalation. However, where we have concerns about the company's strategy or their long-term performance, or where we deem it necessary to protect our clients' interests, we will consider escalating our engagement and stewardship activities.

Lindsell Train has a clear procedure for when an escalation of engagement may be appropriate. If we become aware of a significant governance issue then a senior member of the Investment Team will contact company management to seek further information and make clear our concerns and expectations. In most circumstances we arrange a meeting with appropriate members of the company's board, or if appropriate with the company chairperson or the senior non-executive director. The feedback from these meetings is then discussed amongst the Investment Team who will decide whether the responses received require further escalation. All such decisions are made on a case by case basis. Usually we will consider writing formally to management, making a public statement (generally through our reports to investors) or in more extreme circumstances we might initiate collaborative engagement with other shareholders. Our preference however is for private and confidential conversations, as this enables us to build a more effective relationship with boards and management.

If we do not believe that raising our concerns in these ways is having the desired effect we will, where appropriate and if possible, use our voting rights. As our holdings in individual companies tend to be large our votes often carry significant weight in the outcome of a vote. Where we are voting against management, we will communicate with them ahead of a vote to confirm the reasons why.

Finally, if concerns are raised with an investee company about fundamental changes to the business model on which we do not receive sufficient comfort, then in an extreme case Lindsell Train would think seriously about disposing of the position, should we believe that action to be in the best interest of our clients.

Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies.

The primary voting policy of Lindsell Train is to protect or enhance the economic value of its investments on behalf of its clients. Lindsell Train will vote against any agenda that threatens this position, in particular concerns over inappropriate management remuneration or incentives, changes in capital structure and mergers or acquisitions which are seen as detrimental to the creation of shareholder value. Where we plan to abstain or to vote against a resolution, contrary to management advice, our intentions will be communicated to the company management in advance of voting.



We vote all shares where we have our clients' authority to do so, assuming there are no conflicts of interest. All voting decisions are made in consultation with, and approval by, the portfolio managers. Lindsell Train has appointed Glass Lewis to aid the administration of proxy voting and provide additional support in this area. We also believe that their research and engagement platform improves the inputs to our decision making. However, we do not outsource the proxy voting decisions, as this forms an important part of our investment process and proactive company engagement strategy. Proxy voting decisions are based on the Portfolio Managers' detailed knowledge of the companies in which we invest.

We do not participate in any stock lending arrangements.

A copy of our proxy voting policy is disclosed on our website www.lindselltrain.com.

Principle 6: Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

Lindsell Train reports to all clients on a monthly basis through written reports. Our pooled fund reports are available on our website www.lindselltrain.com. We also hold regular investment review meetings with our clients. As a result of our bottom-up investment process, this reporting is highly focussed on our views of individual companies.

We report more extensively on our engagement activities, where such disclosure is appropriate, within a dedicated ESG report. This includes details of who we met with, what matters were discussed and also any follow-up steps that should be taken.

Lindsell Train reports to clients details of all voting decisions on a quarterly basis. This report includes details of the reasons for any abstentions or votes against company management. Client confidentiality is maintained regarding voting activity and for this reason we do not publically disclose this information.

Our proxy voting procedures are independently verified on an annual basis as part of our AAF 01/06 Assurance Report on Internal Controls, which is available to clients on request.

Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgements in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

Our focus on what we analyse to be "exceptional" businesses means that we know where we are likely to find the best ideas. The investment team has extensive experience of investing in Japan and the



cumulative research that they have built up over the years lies behind the compilation of the list of durable businesses that is the effective universe from which companies are chosen for inclusion in the portfolio. This universe is well defined, comprising 80-90 companies, and our resources are directed at ensuring in-depth knowledge of each of these companies. In most cases this has involved on-site visits with management to better understand the dynamics of the business and the management principles. Our long-term investment approach means that we build relationships with companies over many years, helping in constructive dialogue and engagement with them.

At Lindsell Train we recognise that there may be some benefits to our clients of acting collectively. Our preference, however, is to engage with management privately, as this enables us to build a more effective relationship with boards and management. It also allows us to express our own nuance on a particular issue, which is seldom the same as other investors who are often more focused on shorter-term considerations

In the case of collaborative engagement we are careful to ensure that we comply with insider dealing or concert party rules and also do not rely on other investors to communicate our views.

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Principle 8: Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.

Lindsell Train only employs the services of one outsource provider, Glass Lewis in order to fulfil our stewardship responsibilities.

As mentioned previously, we do not outsource proxy voting decisions, as this forms an important part of our investment process and proactive company engagement strategy. The Portfolio Managers maintain final decision making responsibility, which is based on their detailed knowledge of the companies in which we invest. Glass Lewis has been employed to support proxy administration and also provide additional research and an engagement platform which we believe improves the inputs to our decision making process.

Glass Lewis is dedicated to helping shareholders of public companies better understand the companies in which they invest. Glass Lewis' duty, as a global proxy advisory firm, is to support – not usurp – the role of its clients as investors/owners, a distinction it takes very seriously. Glass Lewis uses publicly available sources of information to inform research and employs robust processes and procedures to meet the highest standards for accuracy,



quality and timeliness. These include but are not limited to: (i) employee hiring and training procedures; (ii) management review of research services; (iii) data checks; (iv) application of the four eyes principle; (v) vote recommendation audits; (vi) procedures for responding to the disclosure of supplemental material information following the publication of a Proxy Paper research report; and (vii) online, auditable process for receiving, tracking and responding to alleged errors or omissions in reports that are brought to Glass Lewis' attention.

Glass Lewis encourages corporate issuers to contact Glass Lewis via its Issuer Portal, which is designed to facilitate and track communication with companies, including arranging calls, meetings and Proxy Talk conference calls on high-profile meetings, key proposals and timely governance topics. Proxy Talk conference calls facilitate an in-depth discussion of a specific meeting, proposal or issue. Typically, calls are held so the participants (e.g., company representatives, directors, dissidents and shareholder proposal proponents) have an open forum to provide further rationale on specific issues. The Issuer Portal also provides a means for corporate issuers to comment on and provide feedback on Glass Lewis' Proxy Paper research reports and to notify Glass Lewis of subsequent proxy circulars and press releases, as well as perceived errors or omissions in Glass Lewis Proxy Paper reports.

Glass Lewis' experienced, multi-disciplinary team leverages formal training and commercial experience in finance, accounting, law, business management, public policy and international relations, and collectively speak 25+ languages. The research department comprises multiple research practices: Annual General Meeting (AGM), Remuneration, Mergers & Acquisitions, Quantitative Analysis and ESG. The AGM team is divided into regional teams, each of which is led by an analyst with relevant, specialized experience. Glass Lewis has a detailed research process requiring several levels of review and approval prior to publication of research and recommendations.

Glass Lewis has an office in Tokyo and its Japanese research team has approximately 30 team members working out of three offices (i.e. San Francisco, Sydney and Tokyo) to produce research on a nearly 24-hour cycle during its proxy season. Glass Lewis continually evaluates the resourcing demands of each market, including Japan, based on the evolving trends and expectations in the market. Glass Lewis expects the staffing levels for the Japanese team to increase as its research universe and engagement demands evolve over time.

For further details on Stewardship please contact Jessica Cameron, Head of Institutional Marketing and Client Services on +44(0)20 7808 1210 or email jessica.cameron@lindselltrain.com.

