March 2022

Task Force on Climate-related Financial Disclosures (TCFD) Report 2022

Lindsell Train

Contents

Introduction	03
Governance	04
Strategy	06
Managing Risks	09
Metrics & Targets	11

Introduction

The risks associated with climate change represent the great issue of our era and the transition to a low-carbon economy will 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 investment approach, particularly one like ours that seeks to protect our clients' capital for decades to come.

That said, evidently the transition to a low-carbon economy will affect some sectors more than others and 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. Indeed, and as we illustrate later in this report, our investment portfolios are well below their relevant market benchmarks in terms of carbon intensity.

But there is no escaping the magnitude of climate change and our clients rightly expect us to protect their capital from its 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.

If we are exploring the behaviours of our portfolio companies in relation to climate change then we must also think about ours.

However, we do think some context is appropriate. Lindsell Train is an independent investment manager based in a single location with 22 employees. Therefore, our exposure to this systemic risk comes predominantly from the investment portfolios that we manage on behalf of our investors, and upon which this report is focussed.

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 ESG, including climate change.

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.

Nick Train
Chair, Lindsell Train ESG Committee
31st March 2022

All data in this report as of 31 December 2021, unless stated otherwise.

Governance

Assessing and managing climate related risks and opportunities.

Describe the board's oversight of climate-related risk and opportunities.

Lindsell Train's Board of Directors (comprising five executive directors and two non-executive directors) has overall responsibility for ensuring that all appropriate processes and policies are in place and for assessing the effectiveness of the firm's activities. ESG, including climate change, is a standing agenda item at quarterly meetings of the Board or Management Committee (comprising the five executive directors), who are together responsible for Lindsell Train's responsible investment strategy.

In addition, an ESG Committee was established by the Board in March 2021 to ensure 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. Nick Train is Chair of the committee, which has representation from investment, marketing/client services and compliance. The committee meets at least twice a year.

The ESG Committee approves all reports and policies relating to responsible investment, including this TCFD report.

Lindsell Train's Risk Committee oversees the risk management processes of the business, and the adequacy and effectiveness of the firm's risk controls (including ESG risks). The Risk Committee advises the Board of Directors on the establishment, implementation, and maintenance of adequate risk management policies and procedures. The Risk Committee is chaired by one of our independent non-executive directors, Julian Bartlett. Our Chief Operating Officer (COO) is responsible for the implementation of the internal control process which is appropriate to the size, nature and complexity of our business.

Enterprise-wide operational 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 which records all risks and the mitigating controls. We also monitor how these risks change over time in relation to their impact and probability. The Corporate Risk Register 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.

Describe management's role in assessing and managing climate-related risks and opportunities.

As a relatively small company with a single location and 22 employees, 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.

Given that responsible investing is and has always been a natural part of our investment approach, we think it most appropriate that all seven investment team members take shared responsibility for ensuring that ESG is integrated throughout the investment process. Within the investment team, the three Portfolio Managers have ultimate oversight in that they have the final decision-making authority as to whether a stock is added or removed from a portfolio. All ESG research conducted by the team is catalogued via a proprietary database of risk factors, Sentinel, which is continuously updated and reviewed by the team. Findings are incorporated into the investment process through a combination of voting, engagement and investment decision-making. Reports generated from Sentinel are presented to the ESG Committee for monitoring.

The ESG Committee is also responsible for ensuring that Lindsell Train as a business 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.

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.

In 2021, the ESG Committee instructed Acclaro Advisory to support us in our journey to achieve net-zero carbon. This involved measuring the carbon footprint of Lindsell Train Limited, with the overall intention of becoming carbon neutral. We have included the results of this study later in this report.

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 focussed on a desire to invest responsibly. As such, our corporate strategy remains largely consistent, 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.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

As a product of our investment philosophy, 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 from a climate-risk perspective (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 four broad industry categories (consumer branded goods, internet/media/software, financials and healthcare). 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 very 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. At present, climate regulation is in its infancy; however, it is moving at pace and therefore the financial materiality of the risks associated with our portfolio companies not meeting the required objectives must not be underestimated over the longer term. We are also acutely aware of the risks associated with the demands of a discerning consumer and the associated changes in their preferences. As owners of global brands, it is imperative that we monitor and manage this risk.

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 – those risks that arise directly from changing climate conditions; and Transition – those risks that occur in the transition to a lower-carbon economy) over the three identified time-horizons. These are illustrated in the table overleaf.

	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 extreme weather interferes with crop production or presents supply chain interruptions. However, our companies generally have insignificant exposure to geographies subject to the threat of cyclones and extreme flooding.

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 (e.g. coastal flooding), for example companies with operations in potentially more vulnerable locations such as Amsterdam, India and China. We believe this is a long-term risk and not one that is currently meaningful to quantify.

Transition Risks:

Policy & Legal

Whilst we have identified costs associated with navigating and responding to climate change regulation, we believe the risk associated with non-compliance is greater over the longer term. Although in the short term, we expect fines and litigation costs to be minimal, the likelihood of increased carbon taxes, plus the cost of carbon offsets (as yet not well understood), will likely be a more material financial risk in the lead-up to the net zero target date.

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.

Market

Our companies are facing increased costs associated with rising input prices and waste treatment. This affects in particular our companies with large distribution networks, companies with significant water consumption and those with 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.

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.

Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning

Given our climate exposure comes predominantly from the investment portfolios we manage for our clients, this is our key focus. 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 ESG (and specifically climate change), enhancements have been introduced along the way in order to respond to the evolving material risks and opportunities posed to our companies. The most notable of these enhancements was the introduction (in Q2 2021) of our ESG database, Sentinel, to help centralise and formalise the team's ESG research.

All ESG research conducted by the team is now catalogued via a proprietary database of risk factors, as described in detail on page 9. In addition, we would note the following developments, relating to both our firm and our investments:

- Over the last few years and in particular since 2020, we have dedicated significant time and resource to ensuring that we better articulate our approach to active ownership, including ESG integration, engagement and proxy voting. As a result of these efforts, we have published new policies, improved existing policies, reviewed and responded to upcoming regulation, reflected on the appropriateness of our governance structures and worked with our clients and consultant partners to understand how we can best serve their interests.

- ESG is now a standing agenda item at all meetings of the LTL Board and the Management Committee.

- The ESG Committee established a strategic framework to guide our future ESG work, including assessing the impact of climate related risks and opportunities. This included setting objectives for the year.

- We produced our inaugural Stewardship Report in response to the 2021 Stewardship Code. This sets out how we are responding to the rapidly increasing focus on how the investment industry can contribute to a more sustainable world.

- We have continued to upgrade our ESG client reporting, which now forms an important part of our client communications and specifically addresses our climate related work, where relevant.

- We appointed Glass Lewis to aid the administration of proxy voting and provide additional support in this area.

- We have built in-house tools to enable us to monitor our investee company's net zero transition pathways and assess the carbon intensity of our portfolios, in accordance with TCFD.

Please refer to our website for relevant policies and reports.

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

Lindsell Train's corporate strategy is unlikely to change significantly under different climate change scenarios, as our clients are long-term investors that in most plausible scenarios will continue to require investment services. However, we are acutely aware 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 of our decision not to label our strategies with this specific objective.

That said, as we have described in this report, ESG is 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.

Within Sentinel we track which of our companies have set science-based emission reduction targets in line with the Paris Agreement goals. These targets are officially validated by the SBTi and hence are an important factor in informing our own emission reduction strategy for our portfolios.

Managing Risks

Assessing and managing climate related risks and opportunities.

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

From an investment risk perspective, climate risks are identified and assessed through stock level research conducted by the investment team. All ESG research is catalogued via Sentinel. 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. Sentinel helps us to centralise and codify our team's views, as well as to prioritise our ongoing research and engagement work.

We cross-reference this work with the Sustainability Accounting Standards Board (SASB) Materiality Map©, which identifies likely material sustainability issues on an industry-by-industry basis, allowing us to coordinate research along (increasingly 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.

At a portfolio level, we have built a proprietary tool that measures the carbon footprint/intensity of our portfolios. However, we understand that transition risk monitoring goes far beyond an assessment of the relative carbon intensity of our portfolios. Given we do not typically make use of complex quantitative analytics or proprietary technologies, we are reviewing the tools currently available and are committed to putting in place an appropriate framework to test and support our transition conclusions and also ensure that our investment portfolios are decarbonizing in a way that is consistent with achieving global net zero greenhouse gas (GHG) emissions by 2050.

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.

Concentrated Portfolios

Portfolio concentration has enabled meaningful stock-level analysis that can be leveraged to enact change. We are fortunate that collating data across our portfolios is significantly simplified by the fact that across all our portfolios we invest in a total of around 70 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

When we meet with company management we engage with them on all factors that we believe will affect the company's ability to deliver long-term sustainable value to shareholders. As long-term investors we are entirely focussed on the longevity and durability of the franchises that we own; ESG and specifically climate change are therefore essential considerations. 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.

Case study - Heineken Brewery, Meoqui Northern Mexico

During Q3 we engaged with Heineken's recently appointed CEO, Dolf van den Brink regarding his ambitions for the company, including his ESG and brand protection initiatives. Mr van den Brink has been with Heineken for 22 years and understands the importance of a long-term focus that ultimately protects a family business for the next generation, as well as its broader base of shareholders.

Much of Heineken's recent growth success can be attributed to the phenomenal sales of Heineken 0.0 (their non-alcoholic lager beer) which is now available in over 60 countries, making it the fastest scaling of a brand in the history of the company. The brand continues to see double digit growth overall, and growth in every region in which it operates. Mr van den Brink and Heineken management recognise the potential rewards from anticipating consumer demands, which in today's world are increasingly focussed on living a healthier and more socially conscious lifestyle.

Our investment team asked about Heineken's ESG endeavours more generally and whether the driving force behind these initiatives was cost efficiency, or to protect and improve brand health. Mr Van den Brink explained that their initial ESG efforts, some ten years ago, were mostly motivated by the risk of reputational damage and he admitted that these efforts were secondary to their mainstream corporate agenda. This is no longer the case. Heineken now has a new generation of Managing Directors that are very personally engaged in these issues. Mr van den Brink counts himself as one such example. He learnt first-hand about water scarcity during his stint in Mexico (2015).

In many cases, including this one, positive environmental practices and good business sense are not mutually exclusive and they are certainly no longer a box ticking exercise or 'nice to have'. Similarly, Mr van den Brink remarked on the cost benefits of renewable energy.

The new Heineken brewery Meoqui in Northern Mexico

Environmental considerations had been central to the construction of their new brewery Meoqui in Northern Mexico, demonstrating the benefits of a dramatic reduction of the usage of water and a strategically located bottling factory that captured the brewery's energy, resulting in a 35% reduction in the usage of external energy.

Indeed, it should be noted that some of Heineken's most successful operating companies are those which have driven sustainability agendas – for example, in Vietnam they won the award for being the most sustainable company in the country – which, fortuitously, is also good for brand protection.

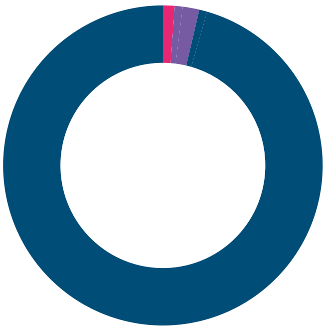
Metrics & Targets

Metrics

Lindsell Train Limited

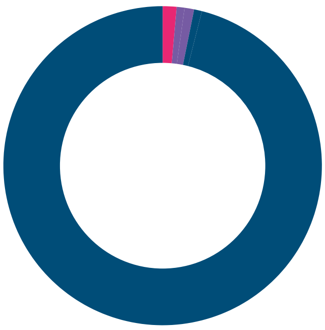
Lindsell Train Limited's financial year end is 31st January. To date we have calculated Lindsell Train's carbon footprint for financial year 2020 (baseline) and 2021 and we are in the process of calculating our footprint for 2022, for which the findings will be included in our financial report and accounts due to be finalised in April 2022. Even when excluding investment emissions (category 15 of Scope 3 emissions), the vast majority of LTL's carbon footprint is made up of Scope 3 emissions, as can be seen in the chart below:

LTL Carbon Footprint 2020



Scope 1	9 tCO2e, 1%
Scope 2	19 tCO2e, 3%
Scope 3	736 tCO2e, 96%
Total	**764 tCO2e**

LTL Carbon Footprint 2021



Scope 1	12 tCO2e, 1%
Scope 2	15 tCO2e, 2%
Scope 3	823 tCO2e, 97%
Total	**849 tCO2e**

Excludes category 15 Scope 3 emissions. The increase in carbon footprint in 2021 reflects an increase in capital expenditure resulting from our office move and the associated refurbishment.

These operational emissions are significantly dwarfed when adding in our investment emissions (291,998 tCO2e)* to reach our total carbon footprint (292,847 tCO2e)*, demonstrating the importance of a firm-wide strategy that prioritises a reduction in emissions of the companies in which we invest. That said, we are working with Acclaro Advisory and our building manager to embed and improve our own carbon reduction practices through active initiatives to improve the energy efficiency of our building, training, workshops and partnerships (for example with carbon offsetting programs). It is our intention to offset all remaining non-investment emissions, making LTL's operations carbon neutral, by end 2022.

*As at 31st December 2021

Investee companies

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.

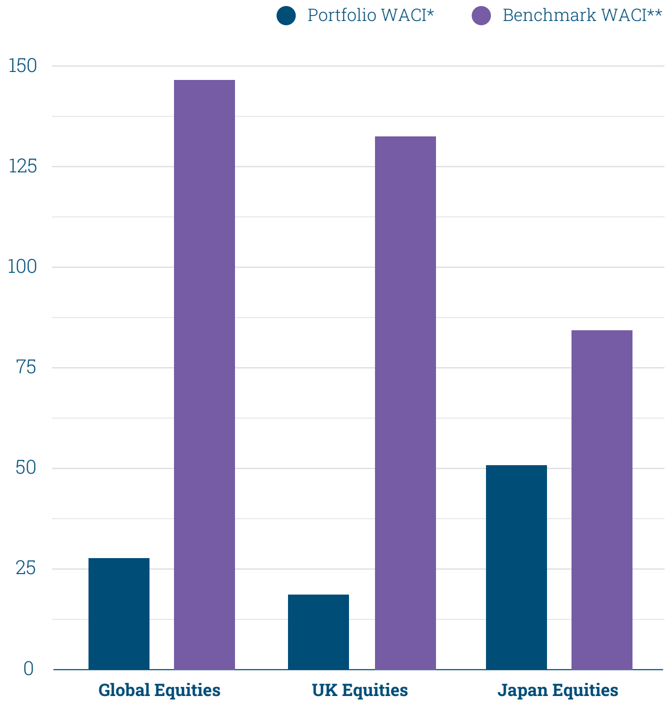
As described previously, we have sought to source data directly from the companies themselves wherever possible. Most often this data is found in the company's annual report or a designated sustainability report. Where information is not available, we have written to management requesting that they endeavour to publish this essential information going forward.

In the meantime, we rely on estimates and assumptions from third-party data providers such as Bloomberg. The table below shows the current availability of emissions data across our strategies. We would note that this is a big improvement on the data available only 6 and 12 months ago and applaud our companies on their progress.

	% companies publishing Scope 1 + 2 emissions data	% companies publishing Scope 1, 2 + 3 emissions data
Global Equities	96%	79%
UK Equities	90%	48%
Japan Equities	67%	41%

Source: Lindsell Train. As at 31st December 2021

When we look across our holdings, we are pleased to note that all three of our core strategies have a significantly lower than average weighted average carbon intensity than their comparable benchmarks:



In addition to this, we also calculate 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 ratify this data using The Transition Pathway Initiative (TPI) and Climate Action 100+.

*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. As at 31st December 2021.

The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. It uses a framework to evaluate the quality of companies' management of greenhouse gas emissions associated with their business. 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.

The TPI currently covers 400+ publicly listed companies, with a focus on the highest emitting sectors. When considering the stocks in our three core strategies, **only four Lindsell Train owned companies have been selected for assessment by TPI**, one of which is rated level 3 and three of which are rated Level 4 (with Level 0 being 'Unaware' and Level 4 at the top of the range, meaning a company has made a strategic assessment of climate change as a business issue).

Three of these four companies also appear on the **Climate Action 100+** list, which is a list of 167 focus companies that have been selected for engagement, as together they account for over 80% of corporate industrial greenhouse gas emissions and hence are key to driving the global net-zero emissions transition. We will continue to monitor both these lists and incorporate the scores into our database, Sentinel.

Finally, we are exploring the use of more advanced climate metrics, such as temperature alignment and net zero transition alignment, but we need to be sure that these metrics will provide an accurate and useful view before we integrate this data into our investment process and client reporting.

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.

Targets

We have been impressed by the number of our portfolio companies that have already set net-zero targets, the majority of which have been ratified by the Science-based Targets initiative (SBTi), and in our (regular) discussions with investee companies, we have been encouraging those that haven't yet made a commitment.

	% companies with net-zero targets	% companies with SBTi 1.5° or 2° targets
Global Equities	75%	58%
UK Equities	62%	38%
Japan Equities	27%	18%

Source: Lindsell Train. As at 31st December 2021

Three-quarters of companies in Lindsell Train's Global Equity strategy have already committed to net-zero targets.

Finally, we are delighted to confirm that Lindsell Train became a signatory of Net Zero Asset Managers in December 2021. This reflects our enhanced efforts as a firm to support the goal of net zero greenhouse gas emissions by 2050 or sooner. The ESG Committee is currently in the process of deciding which target setting methodology to adopt, as well as determining our interim targets.