

The UK Stewardship Code

Statement of Compliance

Lindsell Train is an asset management company that specialises 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 have determined to be "exceptional" companies - that is durable, cash generative businesses that achieve higher than average returns on capital - 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.

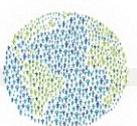
The UK Stewardship Code (the "Code"), published by the Financial Reporting Council (the "FRC"), aims to enhance the quality of engagement between asset managers and companies in which they invest. The Code, first published in 2010, sets the benchmark in the UK for institutional investors to meet ownership obligations in respect of their holdings of UK companies. Lindsell Train is pleased to set out how we apply the seven principles of the Code.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

As long-term investors our aim is to identify companies that can generate long-term sustainable growth. 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. Moreover, we recognise that management must address environmental and social factors in order to increase the prospects of long-term survival of their companies. Thus, whilst not a separate function, our evaluation of ESG factors is a natural part of our investment process and the exercise of our stewardship responsibilities is integral to our research process.

The Lindsell Train investment team is made up of Portfolio Managers and Portfolio Manager 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 to not stray away 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 30 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 or reduce a position on valuation grounds alone.

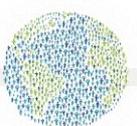
We want “exceptional” companies to also exhibit good governance. To that end our analysis includes, but is not limited to; a company’s acquisition/disposal policy, effective deployment of capital within the company, its dividend policy and its remuneration and incentive structures. As a result of our 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 they judge to be sufficiently detrimental to society that they may be exposed to burdensome regulation or litigation that could impinge on financial returns (e.g. tobacco, gambling or arms manufacturers). 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. 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.

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.

Principle 2: Institutional Investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Lindsell Train is a privately owned partnership with the executive owners taking an active role in the business; as such they have strong incentives to ensure that there are no conflicts of interest that 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 recorded electronically.
- *Individual clients voting differently to Lindsell Train (on behalf of other clients) on a certain resolution:* Lindsell Train's clients generally delegate to us the right to vote as proxy on their behalf. However, some clients retain the right to vote for themselves. Additionally, most clients retain the right to direct their votes, if they so choose. Lindsell Train will always disclose to clients our rationale for voting a particular way. Our clients, however, are the ultimate owners of the shares and can choose how they wish to direct their vote.

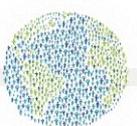
Lindsell Train conducts an annual risk assessment and maintains a conflicts register. All identified conflicts of interests are reported at least annually to senior management. The compliance department carries out a periodic review of identified conflicts to ensure that appropriate steps have been taken 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 [here](#).

Principle 3: Institutional Investors should monitor their investee 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, 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 and Market Conduct policy, which are available on request.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

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 that their strategy, company 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 escalation of engagement may be triggered. If we become aware of a significant governance issue a member of the investment team will contact company management to discuss the matter. We will make clear our concerns and expectations. In most circumstances we arrange a meeting with their board members, 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 response requires escalation. At Lindsell Train there is no single approach to escalating our stewardship activities, as decisions are made on a case by case basis. Usually we will consider writing to management, making a public



statement or in more extreme circumstances we will 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 be willing to act collectively with other investors where appropriate.

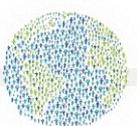
At Lindsell Train we recognise that there may be some benefits to our clients of acting collectively. Our preference, however, is to engage with management privately, as this enables us to build a more effective relationship with boards and management. It also allows us to express our own nuance on the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

Lindsell Train does not outsource any Stewardship activities and 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.

Principle 6: Institutional Investors should have a clear policy on voting and disclosure of voting activity.

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 business 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. Given their enhanced reporting capabilities, this will more easily enable us to publish an annual record of our voting which we expect to be able to provide from 2021. We also



believe that their research and engagement platform will further improve the inputs to our decision making. However, we do not intend to outsource the 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.

Lindsell Train reports to segregated clients details of all voting decisions on a quarterly basis, as part of their regular reporting. This report includes details of the reasons for any abstentions or votes against company management. To date, we have taken the decision not to make this level of voting information publicly available for the time being. The reason for this is that our style of investment - concentrated portfolios, with the intention to hold portfolio companies for the very long term – means that we often have meaningful ownership stakes in individual companies for multiple years and we believe it is in our clients' long-term interests for us to engage and build trust with company managements. This is particularly so given our votes may carry significant weight in the outcome of a resolution, notably when voting against management. However, we are aware of our regulatory obligations and it is our intention to publish voting records going forward.

We do not participate in any stock lending arrangements. A copy of our Proxy Voting policy is disclosed on our website [here](#).

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

Lindsell Train reports to all clients on a monthly basis through written reports. 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. Our pooled fund reports are available on our website www.lindselltrain.com.

Where appropriate, we report more extensively on our engagement activities within a dedicated ESG report which is available to clients on a quarterly basis on request. This includes details of what matters were discussed and also any follow-up steps that should be taken.

Lindsell Train reports to segregated 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.

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

For further details on Stewardship please contact Jessica Cameron on +44(0)20 7808 1210.

