



Independent
**Franchise
Partners**

Stewardship *Code Report*

2025

Registered in England & Wales Partnership No. OC344319
Registered office: Level 1, 10 Portman Square, London, W1H 6AZ
Authorised and regulated by the Financial Conduct Authority

Risk disclosure

Franchise portfolios are available for professional clients only.

Reflects the views of Independent Franchise Partners, LLP at the date of publication and subject to change without notice. Any references to securities or industries are provided for information purposes only and should not be deemed as recommendations to purchase or sell the securities or industries mentioned.

Past performance is not an indicator of future results. The value of investments and the income from them can go down as well as up, and an investor may not get back the amount invested.

Franchise portfolios are concentrated in a limited number of securities and may be concentrated in only a few countries or industries. A concentrated portfolio may be subject to a greater degree of volatility and risk than one following a more diversified approach.

The composition and volatility of the indices shown in this document differ materially from the securities comprising the Franchise portfolios. You cannot invest directly in an index.

Investments denominated in currencies other than the client's base currency carry the risk of exchange rate movements. These movements may have a separate effect, unfavourable or favourable, on gains and losses in the portfolio.

Please note that any investment return and portfolio data included in this document for periods prior to June 2009 reflect returns generated by the investment team when they managed the strategy at Morgan Stanley Investment Management (MSIM). The Franchise Partners investment team applies the same philosophy, research process and portfolio construction tools as they did when they managed the Franchise strategies at MSIM from April 2002 until the Firm's creation in June 2009.

Franchise portfolios are designed for investors who understand and accept these risks.

Independent Franchise Partners at a glance¹

Specialist investment partnership	Serve sophisticated institutional clients globally	Long-only, active, developed-market equities	Low turnover, buy-and-hold strategy
1 strategy, 3 flavours: Global Franchise, Global Franchise II and US Franchise	Typically 20–40 positions	USD 25.5bn assets under management	35 employees, including 10-person investment team

¹ As at 31 December 2025, with the exception of the employee figures, which are as at 1 January 2026.

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² Principle 5 is not applicable to the Firm and we have not reported against it. This is because we invest 100% of client assets directly and do not use external managers. None of the assets we manage are managed by a third party. We discuss our oversight of the third-party service providers we do use under Principle 6.

Foreword

We are pleased to present Franchise Partners' 2025 Stewardship Code Report, our first report under the UK Stewardship Code 2026. This report describes how we have applied the principles of the Code during the 2025 calendar year and provides examples of our stewardship activities and their outcomes.

Our aim is to deliver attractive absolute long-term investment returns, with low downside capture. We believe stewardship is an important tool in achieving this. It helps us better understand the companies in which we invest, assess the durability of their competitive advantages, and encourage them to manage financially material risks and opportunities.

Our approach to stewardship is returns led, like our approach to incorporating ESG considerations into our investment process. This means we focus on financially material topics that impact a company's Franchise quality and valuation.

During 2025, we continued to engage actively with portfolio companies on a range of financially material issues. We also continued to undertake in-depth investment research, which informs our ongoing and future engagement work. In addition, we continued our efforts to address broader market and systemic risks where we believe these may affect our clients' investments.

Looking ahead, we will continue to refine our stewardship work to support our goal of delivering attractive, long-term investment returns for our clients.

The Firm's partners have reviewed and approved our 2025 Stewardship Code Report.



Jayson Vowles, CFA
Managing Partner & Co-Lead Investor



Lottie Meggitt, CFA
ESG Analyst

Richard Crosthwaite
Partner & Co-Lead Investor

Terence Fisher, CFA
Partner & Investor

Sandeep Ghela
Partner & Chief Operating Officer

Karim Ladha, CFA
Partner & Head of Research

Part 1: Policy and context disclosure

A: Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship

Who we are and our purpose

Independent Franchise Partners, LLP is an active, global equity manager established in June 2009 as an owner-managed partnership.

Our purpose is to deliver attractive absolute long-term returns for our clients, with low downside capture. We measure our success in achieving this purpose through our enduring client relationships and long-term investment results.

To support our purpose, we have deliberately structured the Firm as a focused, independent investment management partnership.

Our Firm is managed by its five partners, four of whom are investors.³ The fifth partner is our Chief Operating Officer, who is responsible for the non-investment activities of the Firm. Our partnership structure directly aligns our interests with our clients' portfolio returns, and ensures ownership stability and the consistency of commercial priorities.

We focus exclusively on a single investment discipline – Franchise investing – for institutional clients. We offer three portfolios: Global Franchise (global equities), Global Franchise II (global equities excluding tobacco) and US Franchise (US equities). This focus on a single investment discipline ensures all our investment resources are dedicated to identifying and monitoring high-quality Franchise companies.

We have deliberately capped the size of the assets we manage to ensure we do not compromise our ability to deliver attractive returns and high-quality client service. We managed USD 25.5bn on behalf of our clients as at 31 December 2025. In addition, we have chosen to share the benefits of scale with all our clients by lowering our management fee over time. Along with the cap on capacity, this helps align the Firm's interests with our clients' interests.

One of the key organising principles when we established the Firm was to keep it small and manageable. The Firm has 35 full-time permanent employees across portfolio management, trading, investment tools, client service, operations, legal and compliance.⁴ Our small size allows us to concentrate on what matters most to our clients: investment research, portfolio

³ Michael Allison was a partner and investor as at 31 December 2025 and retired at the end of June 2026. Terence Fisher, an investor, became a partner in April 2026.

⁴ As at 1 January 2026.

management, stewardship, trading and client service. To enable our investment and client service focus, we partner with best-in-class service providers across a range of functions including fund administration and technology. Our independence also enables us to invest in the best people, technology and tools without intervention from a third party.

Assets under management (AUM) and our clients

We are a long-only, active equity manager. We invest directly on behalf of our clients through the Franchise portfolios and do not use an external manager.

100% of our USD 25.5bn AUM is invested in developed market listed equities and cash.⁵ Portfolios are typically fully invested with cash below 5%.

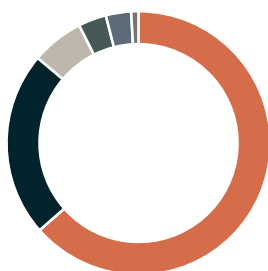
We only serve institutional clients. These include endowments and foundations, pension plans, healthcare organisations and family offices from around the world.

Our clients are located across nine jurisdictions. US-domiciled clients represent the largest proportion of the Firm's AUM at 39%, followed by Ireland and the UK at 20% and 16% of AUM, respectively.⁶

Below we provide a country breakdown of the Firm's investments as well as a regional breakdown of the Firm's clients.

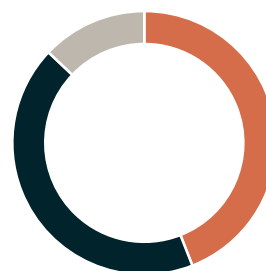
Investment breakdown by country*

- United States: 63%
- United Kingdom: 23%
- Netherlands: 6%
- Switzerland: 3%
- Japan: 3%
- France: 1%



Client breakdown by region**

- North America: 44%
- Europe: 43%
- Australia & Asia: 13%



* Excludes cash holdings. The United States includes one security that is incorporated in Canada but its primary listing is on the New York Stock Exchange. As at 31 December 2025. Source: Independent Franchise Partners, LLP.

** Reflects legal domicile of our segregated accounts and pooled funds as at 31 December 2025. Cayman Islands is included in North America. Source: Independent Franchise Partners, LLP.

Our investment beliefs

The Franchise investment approach is founded on the belief that a concentrated portfolio of exceptionally high-quality companies, whose primary competitive advantage is supported by a hard-to-replicate intangible asset, will earn attractive long-term returns with less than average volatility.

⁵ Reflects AUM as at 31 December 2025.

⁶ Client domicile reflects the domicile of segregated and pooled funds. Investors in our Irish-domiciled pooled funds are located in a number of jurisdictions. As at 31 December 2025, the Firm managed eight pooled funds, of which three were domiciled in the United States and five in Ireland.

We are highly selective about what qualifies a business to be a Franchise, and therefore consider all financially material risks and opportunities when making this judgement, including financially material ESG factors.

Franchise portfolios are concentrated and typically contain between 20 and 40 stocks. We invested in fewer than 40 companies across all three portfolios at the end of 2025, reflecting the selective nature of our Franchise quality criteria and strict valuation discipline.

Once identified, we believe a patient, buy-and-hold approach is the best way to allow these Franchise companies to compound wealth for shareholders over the long term. We will hold investments as long as the company's valuation remains attractive and it continues to demonstrate strong Franchise quality characteristics.

Our stewardship approach

As long-term investors, our investment goals are inherently aligned with the principles of the Stewardship Code.

First, our long-term time horizon requires us to consider a broad range of factors that may impact the durability of a business. This naturally leads us to incorporate financially material ESG factors, many of which are long-term in nature. We take a broad view of materiality and consider how ESG factors impact a company's brand, reputation, and its appeal to employees. These are hard to quantify but can be important factors in maintaining the health of a company's intangible assets.

Second, we undertake frequent and active engagement with our portfolio companies. This is a crucial component of our buy-and-hold strategy. It allows us to test our investment thesis through regular meetings with our portfolio companies and to advocate for change at companies where we believe it is in our clients' best interests.

Importantly, our stewardship and ESG work is conducted entirely within our investment team.

Our approach to investment controversy

We incorporate ESG into the investment process to gain a more comprehensive perspective of a company's quality and appropriate valuation, not to avoid ESG risks altogether. This means we may see investment opportunities in companies facing some form of ESG-related controversy, or that have room to improve their management of material ESG risks. We think these opportunities can help us deliver attractive long-term investment returns for our clients.

However, we will only invest if we have confidence that the ESG risk does not impair the company's competitive advantage, we think the valuation pays us to bear those risks, and that the company can address its challenges. We gain this confidence through our in-depth, proprietary research.

Our approach serves our clients

We believe our approach to stewardship is appropriate for the size of our organisation and our investment strategy, and that it has been effective in serving our clients' best interests. We measure the success of our stewardship work in the same way as all our business activities: through the strength of our client relationships and our long-term investment performance.

Many of our client relationships are over ten years old and our first client, which invested on the day we launched the Firm in 2009, remains a client over sixteen years later. We believe this

demonstrates the effectiveness of our client-centric business model, culture and values in meeting the needs of our clients.

The Franchise strategy has generated attractive returns compared to the broader equity market. Between 28 February 2005 and 31 December 2025, the Global Franchise strategy has generated a total return of 795% in USD net of fees, compared to the MSCI World (Net) Index total return of 457%,⁷ including returns from the investment team's time at MSIM. This translates into an annualised return of 11.1% for Global Franchise and 8.6% for the MSCI World (Net) Index. These returns have been achieved with lower volatility than the broader equity market; the annualised standard deviation for Global Franchise was 13.6% versus 15.3% for the index. This return also ranks favourably with other active equity managers. On a risk-adjusted basis, the strategy ranks in the top 8% of eVestment's Global Large Cap Equity peer group.⁸

We believe this attractive performance and the strength of our client relationships demonstrate the effectiveness of our investment beliefs, investment process and stewardship approach in creating long-term value for our clients.

B: Describe how your resources enable effective stewardship

Governance and accountability

We have designed our business model and governance structures to support our sole focus of delivering attractive risk-adjusted investment returns over the long term and an outstanding client experience.

Franchise Partners is an owner-managed partnership. Four of the five partners are members of the investment team. The fifth partner is our Chief Operating Officer, who is responsible for the non-investment activities of the Firm.

The partners form our governing body, and all significant business decisions are made by the partners, with input from the Firm's employees. This partnership structure promotes long-term stability, consistency in our commercial priorities and an investment-first mindset. Our independence means we are unrestricted in our ability to allocate resources towards achieving our investment goals and serving our clients.

Ultimate accountability for our ESG and stewardship work rests with the Firm's partners. Karim Ladha, a partner and investor, has direct oversight of our ESG and stewardship work. Lottie

⁷ The investment returns provided reflect returns for the Morgan Stanley Global Franchise Equity Composite for the period 28 February 2005 to 31 May 2009 and for the Independent Franchise Partners, LLP Global Franchise Equity Composite (Hedged) from 1 June 2009 to 31 December 2025. Past investment returns are no guarantee of future results. The returns are shown net of investment advisory fees, are quoted in USD and include the reinvestment of dividends and income. Net returns are shown after the impact of transaction costs and management fees, applied using the fee that would have been effective at the time. The impact of fees is applied on a daily, time-weighted, geometric basis. Long-term return data has been provided for informational purposes only as an indication of the investment team's record in managing Global Franchise portfolios at Morgan Stanley Investment Management (MSIM). The comparison index is the MSCI World (Net) Index. The composition and volatility of the index shown may vary materially from the securities comprising the portfolio. Please refer to the disclosure at the end of this document for further detail about the composite and the benchmark.

⁸ Source: eVestment. From 28 February 2005 to 31 December 2025. The eVestment Global Large Cap Equity peer group comprises Global, ACWI, or Global ex-Japan Equity products that primarily invest in large capitalisation stocks regardless of the style (growth, value, or core) focus. The Global Large Cap Equity peer group included 121 products for the period shown.

Meggitt, our ESG analyst and member of the investment team, reports directly to Karim. Karim and Lottie are responsible for setting our ESG and stewardship priorities and overseeing their implementation.

Stewardship resourcing

Our investment team is responsible for stewardship. We do not outsource any aspect of our ESG incorporation or stewardship to a third party, just as we do not outsource any other element of our investment process.

Our investment team had ten members with an average of sixteen years' finance industry experience at the end of December 2025.⁹ The ten-person investment team consisted of nine investors and an ESG analyst. We believe this is a well-resourced investment team in the context of our concentrated investment portfolios and highly selective investment universe.

Responsibility for ESG integration and stewardship sits directly with the lead investor for each portfolio company. The lead investor is responsible for identifying, assessing and incorporating financially material ESG risks and opportunities into their assessment of Franchise quality, valuation and ultimately the investment decision. The lead investor is also responsible for voting their companies' proxies and conducting engagement work. The investors are supported by our ESG analyst, who provides specialist support and expertise.

We believe stewardship is integral to the success of our long-term buy-and-hold investment approach. The members of the investment team are therefore incentivised to fulfil the Firm's stewardship priorities to the best of their ability. Our evaluation of an investor's contribution incorporates an evaluation of the quality of their research work, including the incorporation of financially material ESG considerations and stewardship activities.

Outside of the investment team, the Firm also has an ESG specialist on the client team, Sarah Swarbreck. Sarah works closely with the ESG analyst on ESG policies, regulatory developments and client communication.

Training and development

The primary means for training our investment team on ESG and stewardship is through our in-depth ESG research, as well as knowledge sharing within the team. We discuss our research in further detail in Principle 1.

Outside of research, the investment team reserves time in its investment meetings to share knowledge on stewardship-related topics on an ad hoc basis. In 2025, this included the benefits and challenges of investing in family-owned and founder-led businesses. In 2024, the ESG analyst and senior members of the team provided training on proxy voting.

We believe it is important to invest in our people and strongly support the ongoing education and development of our employees. We offer all staff full financial reimbursement for the costs associated with further education and training. For instance, we provided full funding and study leave support to our ESG analyst to complete a Masters in Finance from London Business School. We also funded a sustainable investment and stewardship course for the ESG specialist in the client team and the Firm's RFP writer.

⁹ Michael Allison, previously a partner and investor, retired at the end of June 2026. Following his retirement, the investment team comprises nine members, effective 1 July 2026.

We keep abreast of stewardship-related developments in a number of ways. These include our ongoing research activities, engagement with portfolio companies, participation in industry initiatives, industry publications, and external experts such as stewardship, legal and compliance specialists.

Investment team diversity

One member of the investment team has two or more ethnicities, and the remaining team members identify as white. Three of the ten members of the team are women and seven are men.

Diversity of thought is important in investing, and we have actively sought team members with different cognitive backgrounds, from different industries and with different levels of work experience. Our investment team has a variety of academic backgrounds, ranging from English literature and Russian, to accounting and finance. Recent hires have brought experience from portfolio management, investment banking, and venture capital and technology backgrounds.

We aim to attract candidates from diverse backgrounds in a variety of ways, including through the use of specialist recruiters, ensuring a diverse pool of candidates and ensuring our interview panel is diverse.

Investment in systems and research

Our investment process is built on proprietary, in-house research and stewardship. Investing in our toolkit, data and information sets is therefore vital. Our independence means the investment team has full discretion in this investment.

We subscribe to a broad variety of research from over 50 providers, including traditional sell-side houses, specialist research firms and external consulting firms. We source data from over 30 different providers on a range of subjects from employee satisfaction to mobile app usage. Three full-time employees are dedicated to developing and managing our investment tools and data sets and are supported by the equivalent of four full-time external resources. The level of investment in our research, trading and investment toolkit is material for a firm of our size and represents the Firm's second largest expense.

In our stewardship and ESG integration work specifically, we have developed a number of proprietary tools, including our ESG taxonomy, climate risk framework and culture framework. These frameworks help us identify, assess and monitor financially material ESG risks and opportunities.

In addition, we also maintain an ESG engagement tracker which we developed in-house. The investment team's ESG analyst records engagement objectives, activity and outcomes, helping us monitor engagement progress and support reporting to clients.

External service providers

While responsibility for stewardship remains with the investment team, we obtain data, research and expertise from best-in-class third parties to inform our stewardship work. We discuss these third parties on the next page.

ESG data	Our primary environmental data providers are MSCI ESG Research, the Science Based Targets initiative (SBTi) and the Carbon Disclosure Project (CDP). We source our social and governance metrics from MSCI ESG, Bloomberg and Institutional Shareholder Services (ISS). We also make use of a variety of sector-specific raw data. We use all of these data points to inform our ESG analysis and engagement work.
Proxy platform and research	We use ISS's proxy voting platform to execute and record all votes. We also purchase voting research from ISS. We use this research to inform our decisions, but it does not dictate how we vote as our investment team is responsible for all voting decisions.
Industry consultants	We harness the insights of industry specialists through consultants and our own networks. This includes individuals from industry, academia and independent research groups.
External research	We make use of written research from a broad variety of sources, including non-governmental organisations, academia, industry groups and investment brokerage firms.
ESG scores	We access headline ESG scores through Bloomberg. We also make use of scores and rankings from specialist groups such as the Tobacco Transformation Index, the CDP and the Access to Nutrition Index.
Arkadiko Partners	Arkadiko Partners is a consultancy focused on implementing ESG and stewardship within the investment process. Arkadiko provides a helpful external viewpoint and industry knowledge.

We are highly selective in our use of third-party ESG ratings and data and seek to understand the methodologies employed by providers before incorporating their outputs into our research and stewardship activities. We also undertake annual reviews of our stewardship-related service providers, including ISS.

C: Describe your stewardship policies and processes, and how you review them

ESG and stewardship policies

We have three policies that guide our stewardship work. These are:

- ESG integration policy
- Stewardship policy
- Voting policy

These policies are available on our [website](#).

Review and approval

We follow the same approach to the review and assurance of our stewardship-related policies as we do with all other policies. Each policy is reviewed annually and approved by the partners. During this process, we consider developments in industry practices, client feedback and regulatory changes. The review is overseen by our compliance function and incorporates a review by our ESG analyst and ESG specialist in the client team. The partners formally approve the policies to ensure senior accountability and oversight. We have adopted this approach because the Firm's small size and simple structure enable the partners to have direct oversight of our stewardship activities.

In addition to this, our proxy voting process is reviewed by external independent auditors as part of our internal controls audit. This audit incorporates a review of ISS's systems to confirm that we have submitted our voting decisions ahead of the relevant deadlines, and that we cast our votes in accordance with the Firm's voting policy.

Each year, we also engage external compliance consultants to undertake a firmwide review through an SEC compliance lens. This typically includes our ESG integration process and activities.

All ESG-related marketing communications, such as our annual ESG and Stewardship Report and stewardship-related content on our client portal, require a three-level sign-off which includes the author of the piece, compliance and a partner. This is to ensure that all information is accurate and we can substantiate the report's content.

Monitoring stewardship activities

We regularly review the effectiveness of our stewardship activities as part of our investment process. For example, all company meetings are discussed in our weekly investment meetings, which provide an opportunity to discuss the progress of ongoing engagements and whether we should escalate the engagement. Further, the partner responsible for ESG will bring any significant ESG and stewardship matters to the attention of the partnership at the partner meeting, which is typically held weekly.

We also record all ESG engagements in our ESG engagement tracker, which allows us to monitor the progress of our engagements.

Together, these policies, processes and assurance mechanisms provide a framework for the oversight, implementation and continuous improvement of our stewardship activities.

D: Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first

Conflicts of interest framework

The Firm's business model and ownership structure help to minimise exposure to conflicts of interest. However, as an asset management firm with multiple clients, we nonetheless face a

variety of potential conflicts of interest. These conflicts relate to our trading and investment activities, our clients and our staff.

We apply two principles to managing conflicts of interest:

- The Firm should act in the best interests of clients at all times.
- All clients should be treated fairly.

Our conflicts of interest policy is available on our [website](#). The policy is reviewed as part of the Firm's wider governance and compliance framework.

Stewardship-related conflicts of interest

Our independent partnership structure minimises the Firm's exposure to stewardship-related conflicts of interest. We are not affiliated with any other investment management company, fund distributor or bank, and are therefore not subject to the interests or sensitivities of a third-party organisation.

This means we are able to conduct our corporate engagement and proxy voting in a manner aligned with the best interests of our clients.

Escalation and oversight

We did not identify any material conflicts of interest in 2025. Where conflicts arise, they are managed on a case-by-case basis. The partners, general counsel, compliance and other support and control functions determine the appropriate course of action. Depending on the circumstances, this may include concluding that:

- The Firm is unable to manage the conflict and should decline to act.
- The Firm can manage the conflict and put in place appropriate internal procedures to remediate the recurrence of the conflict.
- The conflict can be eliminated by a change in business practice or removal of the competing interest.

Examples of potential conflicts

Potential conflict: Voting on companies that are clients

A potential conflict could arise in relation to voting on resolutions if a company were held in the Franchise portfolios and were also a client of the Firm.

We would manage this conflict through oversight by the Firm's managing partner (or another partner) and our compliance function. Appropriate procedures would be implemented, such as voting resolutions in accordance with our voting policy.

However, we do not currently manage assets for any of the companies in our investment universe. This eliminates conflicts that could emerge as a result of voting at our clients' annual general meetings.

Potential conflict: Unequal treatment of clients

A potential conflict could arise if one client were treated more favourably than another.

We manage this potential conflict through our commitment to treating all clients fairly. We do not accept side letters that would give preferential treatment to one client over another. We consider all strategies when making an investment decision. All accounts within the same strategy are managed in line with each other and, under the Firm's allocation policy, all trades are allocated on a pro rata basis as standard.

Potential conflict: Staff personal interests

Co-investment alongside clients

The partners of the Firm are required to invest in the Franchise portfolios, alongside clients. Many other members of the Firm also invest in the Franchise portfolios. A potential conflict could arise if these investments were favoured over clients' investments.

We manage this potential conflict by considering all strategies when making an investment decision. All accounts within the same strategy are managed in line with each other. Further, under the Firm's allocation policy, all trades are allocated on a pro rata basis as standard.

Personal account dealing

A potential conflict could arise if employees traded personal accounts in securities that are held in, or under consideration for, the Franchise portfolios.

We manage this potential conflict by prohibiting staff from trading personally in securities held in the Franchise portfolios or the universe of companies in which we invest.

Gifts and entertainment

A potential conflict could arise if investment, stewardship, trading or outsourcing decisions were influenced by gifts, entertainment or other benefits provided by third parties.

We manage this potential conflict through our gifts and entertainment policies, which help ensure decisions are made in the best interests of clients and are not unduly influenced by third parties.

External business interests and directorships

A potential conflict could arise if employees held external business interests or directorships that were not aligned with the interests of our clients.

We manage this potential conflict by requiring staff to obtain pre-approval for any external directorships or business interests, ensuring that potential conflicts are identified and appropriately managed.

E: Describe how you maintain a dialogue with clients and/or beneficiaries

Seeking the views of our clients

We measure our success as a firm through the strength of our long-standing client relationships. We value the trust our clients place in us and seek their feedback to ensure we are meeting their expectations. We seek this feedback through formal update meetings with clients and their

investment consultants, as well as through informal discussions and correspondence, and our semi-annual webinars. Questionnaires and email queries from clients also provide insights into their needs.

We have also twice engaged an external firm to undertake in-depth client surveys to help us better understand our clients' priorities. The external firm surveyed clients and their consultants, as well as former clients.

The first survey took place in 2020. It led us to make a number of changes, most notably reducing our investment management fees for all clients, evolving how we integrate ESG considerations into our investment decision-making, and appointing an ESG specialist within our client team. Another area for improvement was to provide greater transparency on our ESG integration and stewardship work. This led us to enhance our ESG-related communications through a range of reporting, including our annual ESG and Stewardship Report and annual Stewardship Code Report.

We repeated the survey in 2024. The results demonstrated that clients recognised these enhancements, including in relation to our ESG and stewardship work. We were even more pleased that our clients continue to value their experience with Franchise Partners. Feedback from the survey has led us to increase the visibility of more members of the investment team, provide greater opportunities for clients to engage with the Firm, and produce additional content and Franchise insights.

We believe our approach is effective because we have a relatively small number of clients, many of whom have a long tenure with the Firm. This enables regular, transparent communication on both sides.

Communicating with our clients

We communicate information on our stewardship activities through a range of reporting and client engagement channels. These include our:

- Annual ESG and Stewardship Report. This describes how we incorporate our proprietary ESG and stewardship framework into our investment process. It also contains several examples of our ESG integration work in practice, including detailed research, engagement and voting case studies.
- Annual Stewardship Code Report.
- Annual Task Force on Climate-related Financial Disclosures (TCFD) Entity Report and Product Reports.
- Voting records published on our public website, updated daily, subject to a three-month lag.
- ESG integration, stewardship and voting policies.

We also communicate with clients on our broader investment activities, which often include details of our ESG and stewardship activities:

- Semi-annual client webinars covering firm updates, investment returns, portfolio activity and deeper-dive topics, with Q&A sessions.
- Quarterly investment letters that provide an update on performance and portfolio activity, as well as notable ESG and stewardship developments.

- In-depth blog posts on our client portal discussing our investment theses following the initiation of new positions.
- Monthly performance reports with stock-level commentary.
- Responses to client and consultant questionnaires.
- Meetings with clients and investment consultants.

We consider our interactions with clients to be valuable opportunities to help us better serve them. Client feedback has directly influenced the evolution of our stewardship approach and reporting, helping us improve the transparency of our ESG integration, engagement and voting activities. We continue to discuss our ESG and stewardship activities in meetings and questionnaires as a result of ongoing client interest in these topics. We also continue to evaluate the effectiveness of our approach to understanding and responding to the needs of our clients.

Part 2: Activities and outcomes report

Principle 1: Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries

ESG and stewardship support long-term investment returns

We integrate ESG considerations into our investment process and conduct stewardship activities to support our goal of delivering attractive returns for our clients over the long term. We apply the same approach across our three portfolios.

Our ESG integration and stewardship process is founded on bottom-up, in-house research, supported by proprietary frameworks. Our research helps us identify, assess and monitor risks and opportunities that may affect a company's quality and valuation.

We prioritise our stewardship work based on the financial materiality of the topic and the investment team's priorities.

Proprietary research

There are multiple ways in which ESG considerations feature in our research process.

The investment team produces an investment note on all portfolio companies and most companies in our investment universe. In cases where an ESG topic is one of the most important drivers of a company's valuation or the strength of its Franchise, the lead investor for the stock incorporates it into their investment research note.

Company investment notes also include an ESG section compiled by the lead investor and ESG analyst.¹⁰ This process acts as a touchpoint for the lead investor and ESG analyst to ensure the investment note captures any financially material ESG considerations.

In addition, where ESG risks are material and complex, the ESG analyst may work with the investor to produce an ESG-focused report. This allows us to examine the ESG risks in even greater depth, and brings a wider range of perspectives and sources into consideration.

All investment research, including ESG-focused research, is circulated among the whole investment team for feedback and discussion at our regular investment meetings.

¹⁰ As at 31 December 2025 an ESG section had been compiled for all portfolio companies apart from one, which spun off from another portfolio company in December 2025. We consider the new standalone company to be covered by our ESG section on the original portfolio company given the lack of ESG reporting and information for the new standalone company.

Frameworks

We use three proprietary frameworks to provide structure to our ESG approach and help us identify financially material ESG considerations.

Our ESG taxonomy	Our climate risk framework	Our culture framework
This is a list of the 13 environmental, social and governance factors that we believe are most likely to impact the performance of the companies in the Franchise investment universe.	This sets out the five key components of climate risk management. Climate change poses a range of complex and uncertain risks to our portfolio companies. We developed this framework to bring greater structure to our identification of potentially material climate risks.	This examines six pillars of culture that we think contribute to a company's Franchise strength. The pillars include a company's adaptability, long-term orientation, and how it treats customers and employees. The culture framework is typically completed for new investment notes by the lead investor for the stock.

These frameworks provide helpful reference points for a diverse set of ESG risks. The first two were particularly useful tools in the early stages of our more structured approach to our ESG work which began in 2020. They helped improve our understanding of the broad array of emerging environmental and social risks, and continue to assist us in prioritising our research efforts.

We provide further details of all three frameworks in our ESG integration policy, which is available on our [website](#).

Geographical considerations

We may take a company's geographical context into account when assessing ESG risks and opportunities, and when undertaking our engagement and voting activities. For example, the materiality of different ESG considerations may vary depending on a company's location due to differences in regulation or in vulnerability to physical climate risks. Further, while we encourage our Japanese holdings to improve the independence of their boards, we take relevant cultural constraints into account when formulating our engagement goals.

Integrating stewardship in practice

The following case studies demonstrate how we have integrated stewardship activities and investment processes.

Case study 1: Engagement on governance and culture

Our portfolios invest in a premium skincare and cosmetics company with an attractive portfolio of leading brands. Our thesis is that the company has a significant opportunity to improve its operational performance, which should lead to higher margins, stronger revenue growth and improved returns on capital. These metrics currently lag peers and, importantly, remain well below what we believe the business can achieve.

We met with the company six times in 2025, including two engagements focused specifically on governance and culture. We encouraged board changes, discussed culture, and recommended an ambitious yet flexible approach to financial guidance in the company's medium-term strategic plan.

Engaging to address the board's experience gaps

The company has improved its governance structure in recent years, including appointing an independent Chair for the first time in 2025.

We encouraged the company to appoint directors with greater international and brand management experience. While a substantial proportion of revenue is generated outside the company's home market, the board remains heavily weighted towards directors with domestic experience. We also believe additional brand expertise would strengthen board oversight, given brands are the company's core competitive advantage.

We were pleased that one of three new board nominees announced ahead of the 2026 AGM had significant international experience and strong brand credentials.

Engaging on culture to support our thesis

We think the company also needs to evolve its culture and working practices to support its revenue and margin ambitions over the long term. We discussed the steps management and the board are taking to foster these changes. Our discussions indicated that the company recognises the need for change and is willing to implement it. Company representatives highlighted management's renewed focus on transparency and direct communication, particularly within underperforming areas of the business. They acknowledged that this has at times been uncomfortable because open dialogue had not previously formed part of the company's culture.

Successful engagement on medium-term guidance structure

We were further encouraged by the company's responsiveness to our input in shaping its medium-term strategic plan, released in November. Earlier in the year, we encouraged management to set ambitious medium-term financial targets while retaining flexibility to respond to changing market conditions. In our experience, this allows management to adapt as market conditions evolve and reduces pressure to take short-term actions that could undermine longer-term growth. We believe management's approach strikes this balance well.

The combination of governance reforms and tangible cultural change, alongside decisive action on cost by management, increases our confidence that the company is taking the right steps to deliver its operational and financial objectives.

Case study 2: Engagement on strategy

We initiated a position in a leading online property portal in November 2025. The company's intangible assets are its strong brand, powerful network effect between real estate agents and home buyers, and high switching costs for agents who rely on the platform.

The opportunity to initiate the position arose following a sharp share price decline when the company surprised the market by withdrawing its five-year growth targets and announcing increased investment plans in strategic growth areas.

We think the company is well placed to grow revenues in the mid-single digits, driven by the strength of its core portal business. This could potentially increase to the high-single digits if strategic growth areas prove successful. In addition, there is M&A optionality; the company rejected an approach from an international peer in 2024, and we think it remains an attractive acquisition target given its market-leading position.

Engaging on potential acquisition approaches

While M&A is not core to our investment thesis, we believe a combination with its international peer would create a more durable business for shareholders and customers in the long term.

The board confidently rejected the acquisition proposal in 2024 on the assumption that the company would meet its five-year growth targets. Although the targets have since been withdrawn, we are mindful that the board may be reluctant to consider further acquisition approaches so soon after rejecting a previous bid.

As a result, we engaged directly with the board in 2025, both in a meeting with the Chair and through a formal letter, to encourage the company to consider our perspectives should it receive another offer.

We will continue to engage with the company on this topic.

Principle 2: Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets

Our approach to market-wide and systemic risks

Our long-term time horizon means we must apply an equally long-term approach to the management of market-wide and systemic risks that may impact our portfolio companies and our own business.

Within our investment portfolio, the investment team identifies market-wide and systemic risks primarily through our bottom-up, proprietary research work and our regular engagement with company management. We discuss these potential risks and how we intend to address them in our weekly investment meetings and as part of our research feedback process.

Other areas of the Firm, including trading, compliance and legal, also play an important role in identifying and managing market-wide and systemic risks through their monitoring of regulatory, market structure and operational developments.

We manage systemic risks in two ways: direct engagement with companies, and contribution to a variety of industry initiatives that promote well-functioning financial markets. We focus our efforts on the topics that are most aligned with our returns led focus, our investment approach and our business model.

Climate risk

Climate change is one of the primary systemic themes we have identified for the Franchise portfolios. We think it presents both risks and opportunities for the portfolios, with financial materiality varying by company.

In our view, emissions reduction targets and climate risk disclosure are the basic components of a climate risk management strategy for all companies. We have been engaging with and monitoring the progress of portfolio companies that are laggards in this area for several years.

As part of this engagement work, we became a signatory to the Net Zero Asset Managers initiative (NZAM) and set two portfolio engagement targets in 2022.

1. 100% of the Firm's AUM, excluding cash, to have a science-based emissions reduction target by 2030.
2. 100% of the Firm's AUM, excluding cash, to disclose to the CDP by 2025.

We do not seek to achieve these targets through divestment or exclusion, nor construct the portfolios to maximise performance against them. We always approach these engagements through a materiality lens and take a pragmatic approach.

Emissions reduction

We are pleased with the progress to date. As at the end of December 2025, 71% of our AUM had a science-based emissions reduction target.¹¹

In early 2025, NZAM announced a review of its membership terms amid heightened scrutiny of investment managers' sustainability-related commitments. During the year, we participated in NZAM's review and consultation process. In particular, we encouraged NZAM to develop guidance on "well-below 2°C" targets given the SBTi – the primary target-setting methodology – only allows 1.5°C-aligned targets.

NZAM published its revised membership terms in February 2026. We remain a member and retain our target for 100% of AUM to have a science-based emissions reduction target by 2030.

We continue to engage with portfolio companies to set emissions reduction targets. Monitoring companies' progress against their commitments will be an increasing focus of our engagement work going forward.

In 2025, we engaged with one company to continue to encourage it to set an emissions reduction target and with two others on the progress of their targets.

CDP disclosure

The end of 2025 was the target date for our CDP goal. We are pleased that 93% of the Firm's AUM disclosed to the CDP.¹²

We have decided not to extend the CDP target despite not achieving our target of 100% disclosure. The primary reason for this is that new mandatory climate risk reporting initiatives have emerged in several jurisdictions. These initiatives introduce a minimum level of climate risk reporting, which was the original aim of our CDP target. As a result, we no longer believe a CDP target is necessary.

Nonetheless, we have found our previous collaborative engagement with the CDP to be an effective method to help improve climate risk disclosure at our portfolio companies. We participated in the CDP's non-disclosure campaigns in both 2021 and 2022.

We remain a CDP member and continue to support the CDP's efforts to improve corporate disclosure on material climate change risks and opportunities. We use companies' CDP disclosure and scores in our assessments of their climate risk.

Case study: Climate risk engagement

We have been engaging with a global video game company on its climate risk management since 2021. This engagement has included formal letters to the Chair in 2021 and 2022 to encourage the company to set a science-based emissions reduction target and disclose to the CDP. We participated in the CDP's non-disclosure campaign in both years. We have also engaged on climate risk management in annual meetings with a member of the company's executive.

¹¹ We consider science-based targets to be 1.5°C targets approved by the Science Based Targets initiative (SBTi) and well-below 2°C-aligned targets. As at 31 December 2025, all approved targets included in the reported figure were SBTi-approved. % AUM reflects the percentage of the Firm's AUM calculated on a weighted average basis, excluding cash.

¹² Reflects the percentage of the Firm's AUM, calculated on a weighted average basis, excluding cash, as at 31 December 2025.

Since 2021, the company has made positive progress by disclosing to the CDP, measuring its Scope 3 emissions, and implementing several initiatives to address its operational emissions. However, the company has not committed to setting an emissions reduction target.

In 2025, we held our annual meeting with the company's executive responsible for sustainability and governance. We continued to encourage the company to follow its peers in adopting a science-based emissions reduction target.

We were pleased to learn that the company has begun gathering primary supplier data for Scope 3 emissions, rather than relying on generic averages. This should allow the company to capture the benefits of emissions reduction initiatives undertaken by its suppliers, addressing a key historical barrier to setting a formal target.

We will continue to engage with the company on its climate risk management.

Each year, we publish a TCFD Entity Report on our [website](#). This report outlines our approach to identifying, assessing and managing climate-related risk.

Contribution to industry initiatives

We also contribute to a variety of other industry initiatives that help promote well-functioning financial markets and pursue outcomes in our clients' best interests. We discuss a selection below.

Investor Forum	<p>Our membership of the Investor Forum provides opportunities for collaborative engagement with UK-based companies.</p> <p>In 2025, we worked with the Investor Forum to understand the views of other shareholders in relation to governance concerns at one of our portfolio companies and explore the opportunity for collaborative engagement. However, we decided not to pursue collaborative engagement as there was no clear consensus among shareholders.</p> <p>In prior years, we led a collaborative engagement with other investment managers to engage with a leading ESG ratings provider, and coordinated a group letter to a portfolio company.</p>
Trading-related initiatives and events	<p>We have concentrated positions with lengthy holding periods. As such, it is vital for us to engage with both regulators and industry on market structure topics. We do this in several ways. In 2025, these included:</p> <ul style="list-style-type: none"> - Continuing our engagement on the regulations governing UK share buybacks. Through the Investor Forum, we provided feedback to the Financial Conduct Authority's (FCA) consultation in support of rule changes that we believe would reduce unnecessary administrative burden and better reflect current market structure. - Advocating for increased competition and competitiveness in UK capital markets through engagement with FCA consultations directly, and via the Investment Association. - Responding to the European Commission's consultation on resilience, competition, and regulatory simplification, covering topics including the equity consolidated tape, supervision, and 24-hour trading. - Participating in a range of industry initiatives and events, including those organised by Instinet, Rosenblatt, Bloomberg, The Hive and CMX. These forums provided opportunities to contribute to industry discussions on market structure and trading, and to benchmark our approach against industry peers.

Investment Association (IA)	<p>The IA is the trade body that represents UK investment management firms. We have chosen to play an active role within a select group of committees as we feel it is important to represent the views of small, independent investment management firms and their clients.</p> <p>The Firm's General Counsel, Philip Reed, is a member of the IA's Trade & Investment Committee and the Advocacy Committee, a sub-committee of the Corporate Affairs Committee. As part of his contribution to the IA, Philip engages politicians, regulators and peers on items of public policy and regulation relevant to the Firm and the wider investment industry. Through his work on the Advocacy Committee, Philip has argued consistently for a streamlined approach to the regulation of products and services aimed at the institutional market, and for a stronger voice for challenger firms in considering the FCA's growth and competitiveness objective.</p>
Independent Investment Management Initiative (IIMI)	<p>The IIMI is a group of independent investment boutiques. We are members of this group as it is a helpful forum for knowledge sharing with our peers, including to discuss the challenges and benefits of ESG and stewardship for smaller firms.</p> <p>The Firm's General Counsel, Philip Reed, is a member of IIMI's board. In his capacity as a board member, Philip has contributed to discussions on a range of regulatory reform topics relevant to the effective functioning and competitiveness of UK financial markets. This includes the FCA's Consumer Duty, the regulators' growth and competitiveness agenda, and increasing diversity within the investment industry. This has involved engagement with the FCA and the Lord Mayor of the City of London.</p>
UN Principles for Responsible Investment (PRI)	<p>We support the PRI's mission to bring increased transparency and rigour to responsible investment. Membership helps us remain informed of evolving stewardship practices and approaches to market-wide and systemic risks. We also recognise that clients value the transparency and consistency enabled by the PRI's reporting process.</p>

Principle 3: Signatories engage to maintain or enhance the value of assets

Our approach to engagement

We engage with companies for a variety of reasons. These include to test the core components of our investment thesis over the holding period, to find out more information about the management of key risks, and to push for change in areas where we believe the company could improve.

We identify topics for engagement through our bottom-up research process. As returns led investors we prioritise our engagement work based on the materiality of the issue to a company's long-term financial health and the durability of its Franchise. The lead investor for each company has responsibility for determining this priority, and our ESG analyst has input into their decision.

We prefer to focus our engagements on one material topic rather than several. We think this improves the effectiveness of our engagement work over the long term.

Active stewardship is particularly important for companies that face some form of ESG-related controversy. One of our criteria for investing in companies facing controversy is that we see a route to resolving the issue. Therefore, using our influence to help resolve the controversy is in our clients' best interests.

We apply the same materiality-focused engagement approach across our three portfolios and across different geographies. However, there may be instances where we believe it is appropriate to take local context into account, particularly in matters of governance, as we discuss in Principle 1.

One-on-one engagement

Our primary method of engagement is through one-on-one meetings with senior executives and divisional or regional management teams. We start the majority of our engagements in this way.

We also meet with non-executive directors, such as the Chair or Senior Independent Director, which can be a valuable escalation strategy. In 2025, we met with every company in our clients' portfolios, with the exception of one company that was spun off from another portfolio company in December.¹³ We held over 100 one-on-one meetings with company management teams and board members, and more than 70 meetings with other company representatives or group meetings. The investment team keeps records of these meetings and discusses each one at the weekly investment meetings.

We also engage by writing formally to company managements and boards. This provides a means of setting out our viewpoint in a more formal and detailed manner. We use this method most often where meetings with the company have not resulted in sufficient progress.

The majority of our engagement work is undertaken on an individual basis. We aim to build good, long-term relationships with our portfolio companies and find that individual engagement is often the most effective approach to achieve our aims. Further, our concentrated portfolios often mean we are a meaningful shareholder in the companies we own, which provides a reasonable level of influence.

Collaborative engagement

While we prefer to engage with companies via private, one-on-one dialogue, we collaborate with other investors on group engagements where we believe this is likely to be more successful than individual engagement.

Our decision to act collectively depends upon the circumstances of each case, whether we believe it is likely to enhance returns for our clients and whether it would comply with applicable regulatory requirements. In general, we use collaboration as an escalation measure to demonstrate to companies the weight of shareholder support behind an engagement request. When we join collaborative engagements, we do so as an active participant rather than a passive spectator.

Our membership of organisations such as the Investor Forum provides opportunities for collaborative engagement and information sharing with other investors. We believe these initiatives can enhance the effectiveness of stewardship activity where collective action is more likely to achieve change.

We did not undertake any collaborative engagements with portfolio companies in 2025. However, we did work with the Investor Forum to understand the views of other shareholders in relation to governance concerns at one of our portfolio companies and explore the opportunity for collaborative engagement. We chose not to pursue collaborative engagement as there was no clear consensus among shareholders.

¹³ Reflects companies held across all three Franchise portfolios as at 31 December 2025.

Escalation

We escalate our engagement requests when private, one-on-one dialogue has not been successful in achieving our objectives. We prioritise engagements for escalation based on the materiality of the issue to a company's long-term financial health and the durability of its Franchise.

Our typical escalation techniques are:

- **Meetings with non-executive directors.** We aim to form a relationship with the board in the early stages of our holding period as this provides us with a first point of contact should we need to escalate an engagement. We held eleven meetings with non-executive directors on ESG topics in 2025.
- **Voting.** There is a strong link between our voting and engagement work. We may use our votes against compensation or directors to reflect our view on compensation or director performance. We may also use voting to signal our dissatisfaction on overall strategy, risk management or other matters. When we vote against company resolutions, we typically notify the company and outline our rationale so management understands the purpose of our adverse vote. In 2025, we voted against management on 7% of management proposals, almost three quarters of which were related to directors.
- **Writing a formal letter.** A letter enables us to set out our views on complex topics clearly and directly to the company. A letter can serve as the first step of an engagement to notify the company of our intention to escalate an issue, or as an escalation technique in the later stages of an engagement. We sent three letters in 2025.
- **Collaborating with other investors.** We may use collaborative engagement where we believe collective action is likely to improve the chances of success. We did not undertake any collaborative engagements in 2025.
- **Additional escalation measures.** We have used press releases, communicated our views to financial journalists, and proposed shareholder resolutions as additional escalation measures. In 2025, we issued one press release in relation to a bid to acquire a portfolio company, as discussed in case study 2 below.

The order in which we follow these steps depends on the individual case. In general, our most common escalation techniques are meeting with non-executive directors, voting against directors or resolutions at the AGM, and writing a formal letter.

Engagement in practice

ESG is an important component of our active engagement agenda. In 2025, the investment team undertook 34 instances of ESG-focused engagement with 19 portfolio companies, including one company no longer held at year-end.¹⁴ We engaged on ESG topics with 18 of the 39 portfolio companies held firmwide at 31 December 2025, representing 46% of portfolio companies. We think this is a significant investment of resource for a firm of our size.

The following case studies demonstrate how we use engagement and escalation to protect and enhance the value of our clients' investments.

¹⁴ Reflects engagements with companies in all three Franchise portfolios during 2025.

Case study 1: Engagement on management quality and succession planning

We engaged extensively with a global pest control company throughout 2025. We held more than ten meetings with the management team and board, wrote a formal letter to the board, and voted against the Chair and CEO at the 2025 AGM.

Several years ago, the company acquired a US pest control business and then made strategic and execution missteps in integrating the business. This led to share price weakness and prompted us to assess whether the core Franchise remained intact and whether the company could correct these issues in North America. Our research gave us conviction on both points, and we initiated a position in the company in 2024.

Governance and strategic failures require new leadership

Our research and engagement made clear that the company required leadership change at both management and board level. We believed that a new CEO was critical to restore shareholder confidence following the mismanagement of the US business. We also believed the Chair should be held accountable for the failure to establish adequate long-term succession planning for the CEO role.

In 2025, we escalated by writing a letter to the board to set out our views and informed the company that we would vote against the re-election of both the Chair and the CEO at the 2025 AGM. We also worked with the Investor Forum to understand the views of other shareholders on these governance failures and to explore the potential for collaborative engagement. We decided not to engage collaboratively as there was no clear consensus among shareholders.

CEO and Chair announce retirements

On the day of the AGM, the CEO announced his intention to retire and the launch of a formal search for his successor. Following this, we met regularly with the board to monitor progress and share our views on the skills and attributes required in the next CEO. Our key ask was that the company consider appointing a US-based leader given the significance of the North American market and ongoing turnaround. We were pleased by the announcement in early 2026 of a US-based CEO with relevant experience.

Despite a significant number of votes against his re-election, the Chair initially stated an intention to remain on the board. In response, we engaged with the company on an appropriate timeline for the Chair to step down. In March 2026, we welcomed the Chair's announcement that he intended to retire following the appointment of a successor.

Case study 2: Engagement on acquisition

In November 2024, a portfolio company announced that it had received an offer from its controlling shareholder to acquire the remaining shares that it did not already own.

The acquiring company already owned a majority stake in the business. In our view, the offer substantially undervalued the company. We engaged with senior management and the board to encourage them either to seek a higher valuation or to allow the company to continue as a separate listed entity.

The acquirer increased its offer in January 2025, and the board accepted the revised proposal. The transaction required the support of a majority of minority shareholders.

While we welcomed the improved terms, we continued to believe that the revised offer significantly undervalued the company. In our view, the offer failed to reflect the company's scarcity value and attractive free cash flow growth prospects.

Publicly escalating our engagement

In February 2025, we escalated our engagement by issuing a press release stating that we thought the offer was too low and confirming that we did not intend to tender our clients' shares. We also encouraged other minority shareholders to reject the offer.

In March 2025, a majority of minority shareholders accepted the offer. As a result, the shares held in our clients' portfolios were acquired by the controlling shareholder.

While we were disappointed by the outcome, the engagement demonstrates our willingness to engage actively with management and boards, and to escalate when we believe doing so to be in our clients' best interests.

Principle 4: Signatories actively exercise their rights and responsibilities

Our approach to voting

We see voting as a direct means of holding boards and management accountable and vote at all company meetings. We aim to align our voting decisions with safeguarding the long-term financial health of our portfolio companies and their Franchises.

Our voting policy provides a guiding framework to ensure the consistency of our voting decisions. The policy sets out our principles on common voting matters such as the election of directors, changes to companies' capital structures and governance arrangements, management compensation and shareholder proposals.

We follow our voting policy consistently across our three portfolios. We also apply the policy consistently across different geographies in the vast majority of cases. However, there are situations where we must take a company's local context and culture into account as we do in our engagement work, as discussed in Principle 1.

The lead investor for each stock is responsible for voting decisions, with input from the wider investment team and the ESG analyst as appropriate.

We purchase voting research, analysis and recommendations from ISS. We use this to inform our voting decisions. We are not obligated to follow ISS's recommendations.

Our operations team provides oversight of the day-to-day voting process. This ensures that cut-off times for voting decisions are communicated to our investors, who are responsible for placing the vote and ensuring that all ballots are voted.

We are responsible for all voting decisions for all of the Franchise Partners pooled funds that we manage. Segregated account clients can choose whether to direct their own voting activities or whether to delegate the voting decisions to us.

In 2025, we voted on all proposals, and on over 99% of the shares that we were eligible to vote on. We did not vote the remaining shares because they were out on loan by clients.

We do not undertake any stock lending activities for any of the Franchise Partners pooled funds. Where segregated accounts choose to undertake stock lending, we may not be able to vote if the shares are out on loan. We monitor the number of shares that are out on loan via ISS.

There were no conflicts of interest that arose related to voting during the period.

Our voting policy and proxy voting records are available on our [website](#) and via the following [link](#).

Voting in practice

The following case studies are indicative of our approach to voting.

We also discuss our votes against the CEO and Chair of a pest control company in case study 1 under Principle 3.

Case study 1: Voting on executive compensation

In 2025, we voted against executive compensation at a prestige beauty company in relation to its proposed 2026 compensation plan.

This vote was against the recommendation of management, but in line with ISS.

The company proposed eliminating the performance stock unit (PSU) component of its long-term incentive programme and increasing the weighting of stock options.

We think equity awards should be predominantly composed of PSUs rather than options. Options provide a “right to buy” the stock at a set price, and there is no requirement to exercise options when the set price is below the current share price. This means options offer limited downside alignment with shareholders as executives do not lose value when share prices fall. Further, the payout available depends solely on share price performance, which executives cannot fully control.

By contrast, we prefer PSUs because they are awarded to recipients on day one of the plan and vest based on a broad set of operational, financial and strategic metrics.

Despite our vote, the company’s executive compensation was approved.

Case study 2: Voting on director re-election

We supported the re-election to the board of the CEO of a premium skincare and cosmetics company.

ISS recommended voting against the CEO’s re-election due to its blanket policy to vote against CEOs where return on equity (ROE) has been less than 5% over the past five fiscal years.

We agree that the company’s ROE is substantially below its potential. However, it is important to note that the CEO was appointed CEO-designate only in mid-2024 and took up the role in early 2025. As a result, it is inappropriate to hold the CEO responsible for historic financial performance. Further, we think the company’s management is taking the right steps to improve returns.

The CEO was re-elected, in line with our vote.

Case study 3: Voting on a simple majority vote

We voted against a shareholder proposal for a US media company to adopt a simple majority voting threshold for changes to company bylaws and charters. ISS recommended a vote in favour of the proposal.

We opposed the proposal as there is currently a supermajority threshold of 65% for such changes. While reducing the threshold may appear to enhance shareholder rights, a family trust is a significant shareholder and has the ability to own up to 44% of the company’s voting shares. As a result, a lower threshold would make it easier for the family trust to enact changes.

The shareholder resolution did not pass, in line with our vote.

Case study 4: Voting on auditor independence

We voted against the ratification of PwC as the auditor of a leading online marketplace. This was consistent with our vote on the same proposal in 2024 and was against both management's and ISS's recommendations.

PwC has served as the company's auditor for over 20 years. We believe best practice is for an auditor to be rotated at least every 20 years as it leads to greater objectivity and fresh perspectives.

Despite our vote against the proposal, PwC was reappointed as the company's auditor.

Principle 6: Signatories monitor and hold to account stewardship service providers¹⁵

Selecting and monitoring service providers

Our investment process is built on proprietary, in-house research and stewardship. Nonetheless, we make use of a range of third-party service providers to support both our investment process and stewardship activities. We subscribe to a variety of qualitative and quantitative research from over 50 providers, including traditional sell-side houses, specialist research firms and external consulting firms. We also source data from more than 30 providers across a range of topics. Three full-time employees are dedicated to developing and managing our investment tools and data sets and are supported by the equivalent of four full-time external resources.

When we select our providers, we favour those that are well resourced, invest in their product and its development, and provide transparency into their methodology and data collection processes.

Before we contract with a new provider, we undertake an in-depth review of the quality of their services, including an onboarding checklist. Once a year, the investors and the investment tools and data team meet to discuss the quality of each provider's products. We provide feedback to our providers during the year and, if we find the provider's products and services do not meet our standards, we will terminate the relationship. We apply the same process to our ESG and stewardship research and data providers.

Oversight of our proxy voting platform

Our Compliance Manager and operations team are responsible for monitoring and reviewing the quality of ISS's services. Key things that we monitor and evaluate are ISS's controls and conflicts of interest management, global coverage of our investable universe, quality of research, and account coverage.

¹⁵ Principle 5 is not applicable to the Firm and we have not reported against it. This is because we invest 100% of client assets directly and do not use external managers. None of the assets we manage are managed by a third party. We discuss our oversight of the third-party service providers we do use under Principle 6.

Final comments

We are satisfied with our stewardship and ESG integration efforts in 2025, and their contribution to our goal of delivering attractive long-term risk-adjusted returns for our clients.

Stewardship plays an important role in our investment process, helping us better understand companies' financially material risks and opportunities, and encouraging them to better manage those risks where needed. We are mindful that our stewardship aims can take many years to achieve and are not guaranteed. Nonetheless, we remain committed to engaging with companies to protect and enhance our clients' capital.

In 2025, we continued to apply a financial materiality-focused approach to stewardship across our portfolios. We engaged with companies on topics that we believed could affect long-term shareholder value through their impact on Franchise quality or valuation. We also continued to use voting as a direct means of holding boards and management accountable, and to support our wider engagement objectives where appropriate.

We will continue to refine our approach to ESG integration and stewardship. In 2026 our priorities are to:

- Undertake further ESG research to strengthen our assessment of ESG considerations and guide our stewardship work.
- Continue to undertake high-quality stewardship on financially material risks and opportunities.
- Further refine our ESG toolkit as needed to support our ESG integration and stewardship work.
- Continue to communicate with clients on our ESG and stewardship efforts.

As always, our stewardship activities will remain focused on protecting and enhancing our clients' capital over the long term.

Important information

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Independent Franchise Partners, LLP is an independent investment management firm that was established on 15 June 2009. Independent Franchise Partners, LLP manages equity strategies for clients based globally.

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The investment returns provided reflect returns for the Morgan Stanley Global Franchise Equity Composite for the period 28 February 2005 to 31 May 2009 and for the Independent Franchise Partners, LLP Global Franchise Equity Composite from 1 June 2009. Independent Franchise Partners' investment team managed the strategy at Morgan Stanley Investment Management from April 2002 to 15 June 2009. The investment team at Independent Franchise Partners applies the same investment philosophy, research process, and portfolio construction tools as they did when they managed the strategy at Morgan Stanley Investment Management. Long-term return data has been provided for informational purposes only as an indication of the investment team's record in managing Global Franchise portfolios at Morgan Stanley Investment Management.

The returns are provided NET of investment advisory fees, are quoted in USD and include the reinvestment of dividends and income. Net returns are shown after the impact of transaction costs and management fees, using the fee that would have been effective at the time. The impact of fees is applied on a daily, time-weighted, geometric basis. Additional costs and other fees may apply (e.g. custody, fund expenses) so actual returns achieved may be lower.

The comparison index is the MSCI World (Net) Index, which is designed to measure the equity market return of developed market countries. Index returns reflect total returns with dividends reinvested net of withholding taxes. The volatility of the index may be materially different from the individual performance attained by a specific investor. In addition, client and fund holdings may differ significantly from the securities that comprise the index. The index has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is disclosed to allow for comparison of the investor's performance to that of a well-known and widely recognised index. You cannot invest directly in an index.

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Global Franchise Rolling 12-Month Returns (%)

	31 Dec 20 – 31 Dec 21	31 Dec 21 – 31 Dec 22	31 Dec 22 – 31 Dec 23	31 Dec 23 – 31 Dec 24	31 Dec 24 – 31 Dec 25
Global Franchise Composite	18.56	-12.00	17.83	18.77	22.52
MSCI World (Net) Index	21.82	-18.14	23.79	18.67	21.09

Global Franchise 1-, 5- and 10-Year Returns (%)

	1 Year	5 Years (annualised)	10 Years (annualised)
Global Franchise Composite	22.52	12.33	11.85
MSCI World (Net) Index	21.09	12.15	12.17

Returns for the Independent Franchise Partners, LLP (IFP) Global Franchise Equity Composite (Hedged), net of fees in USD as at 31 December 2025.

The IFP Global Franchise Equity Composite (Hedged) includes accounts whose objective is to achieve an attractive long-term rate of return and outperform the MSCI World (Net) Index over a full market cycle, which is expected to be between 5 and 10 years. The composite includes both segregated and pooled fund accounts. The total expense ratios for the pooled funds are available upon request. Securities are selected using the firm's proprietary research and analytic tools, which select very high-quality companies trading on attractive absolute valuations from the global equity universe. Portfolios are more concentrated, typically holding 20 to 40 stocks, compared to the benchmark, which reflects the returns of more than 1500 holdings. Composite returns may, therefore, have a lower correlation with the benchmark than a more diversified global equity strategy. The currency exposure of the portfolios in the composite may be hedged for defensive rather than speculative purposes only so as to reduce relative risk, not to enhance returns.

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