INDEPENDENT FRANCHISE PARTNERS™

2023 Stewardship Report

Prepared for the Financial Reporting Council

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Contents

Independent Franchise Partners, LLP at a glance at December 2023

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	$16bn assets under management	30 employees with 8-person investment team	Headquartered in London, UK

Foreword

This is Franchise Partners' third Stewardship Report. In this report, we set out how we implement the twelve principles of the UK Stewardship Code 2020 and describe the key outcomes during the 2023 calendar year. This report applies to all our assets under management.

As long-term investors with concentrated positions, active stewardship is an important component of our investment approach. We see stewardship as a valuable tool to protect and enhance our clients' capital, and as such take our responsibilities in this area seriously. Our stewardship work is carried out entirely within our investment team for this reason.

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

> *"As long-term investors with concentrated positions, active stewardship is an important component of our investment approach. We see stewardship as a valuable tool to protect and enhance our clients' capital, and as such take our responsibilities in this area seriously."*

We continued our active stewardship in 2023. We engaged with over half of portfolio companies on ESG topics and met with 100% of our portfolio companies either virtually or in person[1]. This included several significant engagements, most notably with RB Global, and with News Corp and Fox Corp. We share details of some of our engagements with portfolio companies in Principles 7 and 9, and we share a selection of voting examples in Principle 12. 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 systemic risks and to promote well-functioning financial markets. This includes our climate-related and financial reporting-related work, which we discuss in Principle 4.

We remain mindful that achieving positive outcomes through engagement with portfolio companies, and addressing broader systemic risks, can be a gradual and uncertain process, and we may not always be successful in our engagement aims. Nonetheless, there have been several positive developments, as we describe in Principles 4, 7 and 9.

We made further enhancements to our investment toolkit in 2023 to support our ESG and stewardship work. This included focusing our ESG research projects on a smaller number of ESG factors in greater depth, and undertaking this work concurrently with the broader investment team's research priorities. We also developed a culture framework to help us identify the impact of a company's culture on franchise quality, our investment thesis and our valuation parameters. We discuss our approach to ESG research and our culture framework in more detail in Principle 7.

We also remain committed to providing high-quality ESG and stewardship information to our clients. We describe our reporting in more detail under Principle 6.

[1] Reflects meetings during 2023 held with companies in the three Franchise strategies as at 31 December 2023.

Looking ahead, our priorities are to continue our active stewardship of our clients' capital and undertake in-depth ESG research to improve our understanding of the quality and appropriate valuation of the companies in our clients' portfolios. We will also further refine our investment toolkit and our communication of our ESG and stewardship work.

The Firm's partners have reviewed and approved our 2023 Stewardship Report.

Jayson

Jayson Vowles, CFA
Managing Partner & Co-Lead Investor

Michael Allison, CFA
Partner & Co-Lead Investor

Richard Crosthwaite
Partner & Investor

Sandeep Ghela
Partner & Chief Operating Officer

Karim Ladha, CFA
Partner & Investor

Purpose and governance: Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Context

Purpose

Our purpose is to deliver attractive, long-term investment returns for our clients while taking as little commercial and valuation risk as possible. Our enduring client relationships and long-term investment results are the markers we use to help measure our success in achieving this purpose.

Business model and strategy

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

The Firm's business model and strategy is designed to support our purpose of delivering attractive investment returns for our clients. We believe the most effective way to achieve this is through a focused, specialist investment management partnership. The Firm is managed by its five partners, four of whom are investors[2]. The fifth partner is our Chief Operating Officer, who is responsible for the non-investment activities of the Firm. Our partnership structure supports a focus on a single investment discipline; 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 – that is available to institutional clients. The Franchise investment approach is discussed below. 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 $16.0bn on behalf of our clients as at 31 December 2023. In addition, we have chosen to share the benefits of scale with our clients by lowering our average management fee in line with asset growth. 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 had 30 employees across portfolio management, trading, investment tools, client service, operations, legal and compliance at the end of December 2023. Our small size allows us to concentrate on what matters most to our clients: investment research, portfolio 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

[2] Hassan Elmasry served as the Firm's non-Executive Chair in 2023.

and technology.

Investment beliefs

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 ESG factors, many of which are long-term in nature. Further, frequent and active engagement with our portfolio companies is a crucial component of our buy-and-hold strategy. This 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. We describe our approach to engagement and voting in more detail in Principles 9 to 12.

The Franchise investment philosophy

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 dominant intangible asset, will earn attractive long-term returns with less than average volatility. These characteristics are typically found in companies producing branded consumer goods, pharmaceuticals, media and publishing, and in the software and information services sectors. Similarly, these qualities are generally not found in capital-hungry industries such as oil and gas exploration and production, and utilities.

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 analysing ESG factors. 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. Franchise portfolios are concentrated and typically contain between 20 and 40 stocks.

Once identified, we believe a patient, buy-and-hold approach is the best way to allow these 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. This buy-and-hold approach is reflected in low annual turnover typically in the range of 15-25%. This implies a typical holding period in the region of four to seven years, although a quarter of companies have been held for over ten years[3].

Culture and values

We have deliberately structured the Firm as a focused, independent partnership to foster a client-focused culture and set of values. Our cap on assets under management further supports this mindset. We are not beholden to asset gathering targets, which allows us to focus purely on investment returns and quality client service. It also enables us to invest in the best people, technology and tools without intervention from a third party.

The Firm's mission statement sets out the values and culture we uphold in achieving the Firm's purpose. We strive to:

- Listen attentively to our clients.

[3] Reflects companies held within the three Franchise strategies as at 31 December 2023.

- Communicate clearly and concisely how well our investment strategies and results are fulfilling our clients' investment objectives.
- Invest continuously in our people, technology and investment tools to remain at the intellectual and technological frontier of our industry.
- Manage the growth of the Firm to preserve and enhance the quality of our service.
- Maintain a culture and work environment that promote teamwork and enable us to attract and retain the highest calibre of people, and to foster their growth and satisfaction.
- Uphold the highest standards of ethics and integrity.

Activity

Business model and strategy

Our independence, simple business model and partnership structure allow us to remain focused on delivering attractive investment returns and high-quality client service.

We have invested in the human capital, tools and resources that we need to ensure effective stewardship without external constraints. We discuss the development of our ESG integration process, toolkit and resources in Principles 2 and 7. Further, we have been able to advocate assertively in our engagements with companies and industry bodies without being concerned about conflicts of interest or external pressures. We describe these engagements in more detail in Principles 4, 7 and 9.

Investment beliefs

Our core investment beliefs are the same today as when we founded the Firm in 2009. Indeed, they have remained consistent since we started managing the strategy at Morgan Stanley Investment Management (MSIM) in 2003. However, just as we have evolved our toolkit over time in other areas such as accounting quality, we have also evolved our approach to ESG risks over the last four years. In 2020 the investment team developed a set of proprietary tools to enable us to incorporate ESG considerations into our investment decision-making process and our stewardship activities. We describe these in more detail in Principle 7.

In 2023 we refined these tools and processes further by:

- Increasingly focusing our ESG research projects on a smaller number of ESG factors in greater depth, rather than structuring the projects around individual companies.
- Developing a culture framework to help us consistently evaluate the impact of a company's culture on franchise quality, our investment thesis and our valuation parameters.

Culture and values

We continue to promote a client-focused culture. Our interactions with clients are valuable opportunities to learn more about what is important to them and how we can serve them better. We typically try to meet with clients or their consultants at least annually to discuss their portfolio and seek any feedback. We also provide a range of reporting to help clients understand what is happening at the Firm and in their portfolios. This reporting is discussed in more detail in Principle 6.

In early 2020, we engaged a third party to undertake a survey of a number of our clients and their consultants, as well as former clients. The objective was to better understand their priorities, as well as identify how we could better serve them. We were pleased with the feedback, which highlighted the strong relationships we have with many of our clients as well as areas for us to address. Since the survey, we have reduced our investment management fees for all clients, evolved how we integrate ESG considerations into our investment decision-making, and improved our communication and reporting on ESG. This is discussed further in Principle 6.

In 2022 we appointed an ESG specialist within our client service team. This individual works closely with the ESG analyst in the investment team to help us to continue to improve the communication of our ESG integration and stewardship work to our clients. In addition, in 2023 we expanded the client service team by adding another member of the team to further support our communication and relationships with our clients.

We recognise the importance of continuing to invest in our people. In 2023 we supported one employee in their post-graduate qualification, providing full tuition fees and study leave. We also funded a bespoke sustainable investment and stewardship course, developed and run by Arkadiko Partners, for the ESG specialist in the client service team and the Firm's RFP writer.

We strive to maintain a supportive culture and work environment that promotes teamwork and upholds the highest standards of ethics and integrity. As such, we promote a culture where all staff are treated with dignity and respect.

As part of the Firm's culture of continuous improvement, we hold 360-degree evaluations for all partners and employees every two years. We undertook this review in the fourth quarter of 2023. The review asked colleagues to provide feedback on a range of areas, including people's client focus, teamwork, integrity, and demonstration of the Firm's core values and beliefs.

Outcome

We believe our purpose, investment beliefs, strategy and culture have been effective in serving our clients' best interests. We measure our success in this through the strength of our relationships with our clients, and our long-term investment performance.

The average tenure of our clients by asset value is around eight years[4]. Given the Firm was launched in 2009, 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. The Global Franchise strategy has generated a total return of 515% in USD net of fees, compared to the MSCI World (Net) Index total return of 287% since 28 February 2005[5], including returns from the investment team's time at MSIM. This translates into an annualised return of 10.1% for Global

[4] Reflects full fee-paying investors only and is calculated on a weighted average basis.

[5] 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 to 31 December 2023. 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 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.

Franchise and 7.5% 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 13.8% versus 15.8% for the index. This return also ranks favourably with other active equity managers. On a risk-adjusted basis, the strategy ranks in the top seven percent of eVestment's Global Large Cap Equity peer group[6].

We believe this attractive performance demonstrates the effectiveness of our investment beliefs and strategy in creating long-term value for our clients.

Purpose and governance: Principle 2

Signatories' governance, resources and incentives support stewardship.

Activity

Business model and governance to enable effective stewardship

We have designed our business model and governance structures to support our sole focus on long-term investment returns and client relationships.

The Firm 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 the Firm's 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. Similarly, we have deliberately limited our assets under management (AUM), which ensures we focus on investment performance for our existing client base rather than asset gathering.

Our independence means we are unrestricted in our ability to allocate resources towards achieving our investment goals and serving our clients.

Finally, our focus on a single investment approach ensures we are consistent in our engagement objectives with portfolio companies.

Investment team

Our investment team had eight members with an average of fifteen years' finance industry experience at the end of December 2023. We believe this is a well-resourced investment team in the context of our concentrated investment portfolio and highly selective investment universe.

We see stewardship as an important tool to help us achieve our purpose of delivering attractive long-term investment returns for our clients, and we invest appropriate time and resources in this

[6] Source: eVestment. From 28 February 2005 to 31 December 2023. 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 118 products for the period shown.

element of our investment process. The most important example of this is that we have deliberately allocated responsibility for stewardship and ESG integration to the investors. 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.

This means that the lead investor for each portfolio company 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 an ESG analyst who is a member of the investment team and provides specialist support and expertise.

Below we provide short biographies of Karim Ladha, the partner and investor who has direct responsibility for our ESG work, and Lottie Meggitt, the Firm's ESG analyst.

Karim Ladha, CFA: *Karim joined the Firm in May 2011 and has seventeen years of investment experience. Prior to joining the Firm, Karim worked at Neptune Investment Management in London. Previously, Karim performed both equity and fixed income research at Morgan Stanley Investment Management, including working with the Franchise team. Karim has a B.A. in Philosophy, Politics and Economics from St John's College, University of Oxford and an MBA from the University of Chicago, and is a CFA® Charterholder.*

Lottie Meggitt, CFA: *Lottie joined the Firm in June 2020 and has ten years of industry experience. Lottie was previously at Newton Investment Management where she led their ESG integration and engagement efforts in the consumer sectors. Lottie has an M.A. in Classics from the University of Cambridge, a Masters in Finance from London Business School, and is a CFA® Charterholder.*

Investment team diversity and experience

One member of the investment team has two or more ethnicities, and the remaining team members identify as white. Two of the eight members of the team are women and six are men.

Gender diversity has been a particular focus of the investment team in more recent years, and we note that two of the past three hires to the investment team have been women.

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. For example, our investment team has a variety of academic backgrounds, ranging from English literature and Russian, to accounting and finance. The last two hires have each brought different types of experience to the team. The most recent hire joined the team with three years' investment banking experience, and the second most recent hire joined the team with five years' venture capital experience and eight years' experience at Google.

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 by ensuring our interview panel is diverse.

We also recognise that diversity has been a challenge for the finance industry more broadly. We have therefore been active participants in the Girls Are Investors (GAIN) and 10,000 Black Interns programmes to support and strengthen the pipeline for more diverse candidates at a grassroots level.

Alignment

We believe stewardship is integral to the success of a long-term buy-and-hold investment approach, therefore the members of the investment team are well-incentivised to fulfil the Firm's stewardship priorities to the best of their ability.

Further, compensation, and specifically above-base compensation, is determined for the members of the investment team by investment performance, as well as factors such as contribution to the overall development of the Firm, maintaining the Firm's culture and ethical standards, and the enhancement of the Franchise investment toolkit. Our evaluation of an investor's contribution incorporates an assessment of the quality of their entire research work, which includes the incorporation of financially material ESG factors and engagement activities.

Within the partnership, our compensation structure ensures the direct, long-term alignment of our partners' interests with the interests of our clients. All partners co-invest at least one third of their after-tax annual remuneration alongside clients in the Franchise portfolios. These co-investments accumulate for their full length of service and promote substantial financial alignment with our clients. Finally, each partner's investment is subject to a staggered five-year release period after their departure. This means that it is in the partners' interests to invest in the Firm in a way that protects its long-term sustainability.

Investment in people, systems, research and analysis

We believe it is important to invest in our people, and strongly support the ongoing education and development of our employees. The Firm offers all staff full financial reimbursement for the costs associated with further education and training. A significant proportion of the Firm's employees have taken advantage of this reimbursement programme, with eight people undertaking post-graduate degrees and other industry qualifications in business, finance, data science and cybersecurity since the launch of the Firm.

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

We subscribe to a broad variety of research from over 70 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. Two full-time employees are dedicated to developing and managing our investment tools and data sets, and they are supported by the equivalent of five full-time external data 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.

We apply the same approach to our stewardship providers. We obtain data, research and expertise from best-in-class third parties to inform our stewardship work. We list these third parties on the next page.

Arkadiko Partners	Arkadiko Partners is a consultancy focused on implementing ESG and stewardship within the investment process. Arkadiko provides a valuable external viewpoint and industry knowledge that feeds into the Firm's ESG and stewardship strategy.
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.
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.
Proxy research	We obtain proxy research from ISS. We use this research to inform our voting decisions, but it does not dictate how we vote.
External research	This includes ESG research from sell-side brokers and smaller, specialist firms.
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.

Outcome

We believe our current governance structures and resources provide the oversight, experience and expertise required to fulfil our stewardship priorities effectively within the investment team. In 2023 our investment team voted on 540 proposals at 34 general meetings. We engaged with companies 35 times on ESG matters during the year, and engaged on ESG topics with 58% of portfolio companies held by the Firm at 31 December 2023. We provide examples of these engagements, voting activities and their outcomes in Principles 9, 11 and 12.

We are committed to the ongoing development of our investment process and stewardship work to ensure we achieve our purpose of generating long-term attractive returns for our clients. An important example of this has been the development of our ESG toolkit, which we set out in Principle 7. These developments have enabled us to broaden our stewardship activities to include engagement on climate risk management. We describe our climate engagement work in Principle 7.

Our drive for improvement within the investment team helps us gain a deeper understanding of the material ESG risks faced by our portfolio companies. This means that undertaking further in-depth, ESG work is a priority for the coming years. This will help us to identify our ESG engagement priorities.

Finally, we continued to strengthen our client reporting in 2023 to provide greater transparency to clients of our stewardship activities following client feedback. This included the release of our first Task Force on Climate-related Financials Disclosures (TCFD) aligned report, and our first public PRI report. We also published our 2022 ESG and Stewardship annual report in early 2023, as well our 2022 UK Stewardship Code report, and released a blog post updating clients on key engagement activity with News Corp and Fox, which we describe in Principle 7. In addition, at our mid-year client webinar we discussed our engagement with key stakeholders on Ritchie Bros. Auctioneer's acquisition of IAA. We detail this further in Principle 12.

Purpose and governance: Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context

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.

Overall, there are two tenets which underly our approach to managing these conflicts:

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

Below, we describe our approach to managing key conflicts in more detail. A detailed summary of our conflicts of interest policy is available on our website.

Ownership structure and business model

Our independent partnership structure minimises the Firm's exposure to conflicts of interest. We are not affiliated with any other investment management company, fund distributor or bank. This allows us to focus completely on delivering attractive returns for our clients and eliminates many of the competing interests faced by larger, more diversified or distribution-driven organisations.

One example of how this ownership structure enables us to put clients' interests first is the cap we have placed on the Firm's assets. While this limits the Firm's income, it helps to ensure a high standard of client service and the sustainability of investment results.

Our independence means we are able to conduct our corporate engagement and proxy voting in a manner aligned with the best interests of our clients. We are not subject to the interests or sensitivities of a third-party organisation.

Finally, as discussed in Principle 2, the partners' remuneration framework aligns them with our clients' interests, which naturally minimises conflicts of interests with our clients.

Clients

We believe strongly that all clients should be treated fairly. Therefore, we do not accept any side letters or terms that would give preferential treatment to one client over another. Over time we have lowered our average management fee in line with asset growth, sharing the benefits of scale with all clients.

Finally, we consider 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.

Voting and engagement

Our voting and stewardship policies set out our approach to managing conflicts of interest in our voting and engagement work. As previously mentioned, our independence enables us to vote and engage with companies in a manner consistent with long-term investment performance, not the interests of a third party.

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' AGMs. Further, as our sole business is asset management, we do not encounter conflicts of interest through providing additional services to the companies in our investment universe.

Staff

Our gifts and entertainment policies ensure our investment, trading and outsourcing decisions are made in the best interests of clients and are not unduly influenced by third parties. We require staff to obtain pre-approval for any external directorships or business interests to ensure that any conflicts are identified and appropriately managed. Finally, staff are not permitted to trade personally in securities held in the Franchise portfolios or the universe of securities in which we invest.

Outcome

We did not identify any material conflicts of interest in 2023.

Where conflicts arise, they are managed on a case-by-case basis. The partners, general counsel, compliance and other support and control functions will determine the appropriate course of action. These actions could include:

- 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.

Purpose and governance: Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity

Our long-term time horizon means we must apply an equally long-term approach to the management of 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. These potential risks, and how we intend to address them, are discussed and agreed in our weekly investment meetings and as part of our research feedback process.

Other areas of the Firm such as trading, compliance and legal also play an important role in identifying and managing market-wide and systemic risks that may impact our investments and the Firm. These teams identify and monitor potential risks through a wide range of sources. These include industry publications, brokers, consultants, external legal and compliance firms, trusted service provider relationships, participation and attendance at industry events, and other asset managers. The teams typically raise and discuss material risks with the broader business team and the Firm's Chief Operating Officer at twice monthly business meetings, on an ad hoc basis with one of the partners, or with all of the partners at the quarterly partners meeting, depending on the nature of the risk. Further, on a quarterly basis, the partners and Compliance Manager undertake a structured review process to identify and assess the Firm's material risks, including regulatory and market-wide risks.

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. In both company and industry engagements, we focus our efforts on the topics that are most aligned with our returns-led focus, our investment approach and our business model.

We are a small firm by number of employees, nonetheless, we actively contribute to industry-wide initiatives that help us in our purpose of delivering attractive investment returns for our clients. An important component of our work in this area is to represent smaller firms and their clients so that these debates are not dominated by the larger firms in the industry.

Two key themes in managing systemic risks

Climate change and financial reporting are the two primary themes of our current work to address systemic risks. These are discussed below.

Climate change

Through our investment research we identified climate change as a long-term risk to our investments and the financial system as a whole. We have developed a climate risk framework to guide our analysis and inform our voting and engagement work. We provide the framework in full in Principle

7. We have used this framework to help us identify candidates for engagement to improve their climate risk management. We have prioritised the laggards in our portfolios, focusing on companies that lacked emissions reduction targets or that did not disclose to the CDP.

We have engaged with nine companies during the past three years, two of them in 2023. In 2023 we engaged with both companies individually, although in prior years we have also engaged collaboratively through the CDP. There was positive progress at two of the companies in 2023. This included one company disclosing to the CDP for the first time and another formally committing to set emissions reduction targets to the Science Based Targets initiative (SBTI). We discuss our climate-related engagement with Electronic Arts in 2023 in case study 3 of Principle 9.

In 2022 we formalised our climate engagement work by becoming a signatory to the Net Zero Asset Managers initiative (NZAMI) and we set two portfolio engagement targets:

1. 100% of the Firm's AUM[7] to have a science-based emissions reduction target by 2030.
2. 100% of the Firm's AUM[8] to disclose to the CDP by 2025.

Consistent with our investment approach, we will seek to achieve these targets through active and persistent engagement with our portfolio companies, rather than through divestment or exclusion. We will also not construct the portfolios to maximise performance against them.

Financial reporting

Our Firm and the broader investment community rely on high-quality disclosure and transparency. We therefore believe promoting this is in our clients' best interests.

Our investment team, through their investment research work, identified certain financial accounting and reporting areas where the quality of company disclosures could be improved and standardised. In response, Terence Fisher, a member of the investment team and an accounting specialist, joined the International Accounting Standards Board's (IASB) Capital Markets Advisory Committee (CMAC) in 2019. The committee's role is to provide the IASB with investors' views on the development of accounting standards. The committee meets three times a year. It provides input throughout the standard setting process, from early stages through to the post implementation review, while also advising on areas for future work.

We have chosen to contribute our time to this committee because it directly influences the decision making of the IASB and therefore represents an important avenue to help improve the quality of financial disclosure that investors receive. Participating in this process means we can help draw attention to, and give our perspective on, the areas of accounting and financial disclosure that we believe require improvement.

During 2023 Terence helped to shape the CMAC's response on a range of accounting topics. This included the development of an exposure draft[9] on Supplier Finance Arrangements, which the IASB finalised and issued in May 2023. We felt this was an area of financial disclosure in need of significant improvement given the increasing use of supply chain financing. We think the new requirements

[7] 100% of the Firm's AUM, excluding cash holdings.
[8] Excluding cash holdings.
[9] An exposure draft is a document produced by the IASB that is designed to elicit feedback from stakeholders as part of the accounting standards development process.

should provide investors with greater transparency on the impact of supply chain financing on companies' liabilities and cash flows.

In 2023 Terence also provided input on the Primary Financial Statements exposure draft, which the IASB finalised and issued in April 2024. The Primary Financial Statements standards aim to create more consistency and comparability across companies by providing guidance on what companies can adjust when preparing adjusted earnings. Terence advised on the examples included in the standards illustrating how to present adjusted earnings. The examples are important in helping inform companies' financial disclosures.

In addition, in 2023 Terence provided input on the post-implementation review of the revenue recognition standard that companies adopted in 2018. Terence highlighted areas for improvement to help increase standardisation and therefore comparability across companies.

Contribution to industry initiatives

We contribute to a variety of industry initiatives that help to promote well-functioning financial markets and pursue outcomes in our clients' best interests. These are listed below, in alphabetical order.

Carbon Disclosure Project (CDP)	We support the CDP's efforts to improve corporate disclosure on material climate change risks and opportunities, and provide a financial contribution for our membership. We use companies' CDP disclosure and scores in our risk assessments. We have found collaborative engagement with the CDP to be an effective method to help improve climate risk disclosure at our portfolio companies. While we did not undertake any collaborative engagements through the CDP in 2023, we participated in the CDP's non-disclosure campaigns in both 2021 and 2022. In 2023, one company disclosed to the CDP for the first time. Please see case study 3 of Principle 9 for details of our engagement on a company's CDP disclosure.
Diversity and inclusion initiatives	In 2023 we supported three initiatives aimed at improving diversity within the investment industry. Investing is an activity that benefits from diverse viewpoints and perspectives. Two of the programmes aim to increase representation at the early career level. We believe that addressing diversity from the bottom up should help to contribute to the sustainability of the investment industry more broadly. **Buy-side Women Mentor/ Mentee programme** This programme's mission is to attract, retain and advance female traders. It aims to provide a network for junior traders to meet senior traders, and for female traders to share best practices with each other. In 2023, Phoebe Nockolds, a member of our trading team, joined the programme as both a mentor and a mentee. **10,000 Black Interns** This programme offers paid internships in the financial services sector to black students studying in the UK to help improve racial diversity within investment teams.

	In summer 2021 our investment team hosted three interns from the programme at different stages of their academic careers. In 2022 and 2023, we supported the 10,000 Black Interns initiative with a financial contribution. In late 2023 our investment team held several interviews with students to select candidates for the summer 2024 internship programme. **Girls Are Investors (GAIN)** GAIN aims to promote diversity within the fund management industry by increasing the number of female applicants for entry-level investment roles. GAIN seeks to achieve this by providing female students with role models who speak to them about the opportunities and benefits of a career in the investment industry. In 2022, our investment team hosted two interns from the programme. In 2023 we supported GAIN with a financial contribution, and a member of our investment team acted as a mentor to a university student undertaking a GAIN internship. In addition, in 2023 our ESG analyst, Lottie Meggitt, was interviewed on GAIN's inaugural podcast. On the podcast, Lottie discussed her background and path to the investment industry, and provided career advice for young people and women.
Independent Investment Management Initiative's (IIMI) ESG group	This group provides a helpful forum to discuss the challenges and benefits of ESG and stewardship for smaller firms. The primary value for us in our membership of this group in 2023 came from knowledge sharing with our peers. In addition, the Firm's General Counsel, Philip Reed, joined the board in 2023.
Investment Association (IA)	The IA is the trade body that represents UK investment management firms. We have chosen to play an active role at board level and 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. Hassan Elmasry, who was the Firm's non-Executive Chair in 2023, was on the board of the IA and served on the Finance, Audit and Risk Committee during the period. This committee oversees the organisation's overall health and governance, including the IA's stewardship work and the Institutional Voting Information Service, the IA's corporate governance research arm. Hassan's term of service expired at the end of 2023. 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 engaged politicians, regulators and peers on items of political policy and regulation relevant to the Firm and the industry. Early in the year, the IA provided a response to the Financial Conduct Authority's (FCA) proposed Sustainability Disclosure Requirements. Our input helped to inform the IA's response to the proposed requirements.
Net Zero Asset Managers initiative (NZAMI)	The Firm is a member of NZAMI, an international group of over 300 asset managers supporting net zero emissions by 2050. As a member of the initiative, we have developed two portfolio engagement targets to drive improvements in climate risk management at our portfolio companies. We became a signatory in 2022 to formalise our climate engagement work and to signal to our portfolio companies the importance we attach to this topic. In our experience, membership of groups such as NZAMI can increase the likelihood of engagement success.

Trading-related initiatives and events	The Firm has concentrated positions with lengthy holding periods. As such, it is vital for us to engage with both regulators and the industry on market structure topics. We engage with regulators though a variety of channels. For example, the Firm has advocated for many years across various forums for the creation of a pre-trade consolidated tape (CT) in both the European Union and UK to help mitigate the impact of exchange outages. We were pleased that in 2023 the European Union agreed on the specification of a CT, while the FCA in the UK is currently consulting on the topic. We also engaged on Europe's overly complex trade reporting requirements that resulted from MIFID II. We provided our opinion on this topic, as well as other trade-related topics, as part of an FCA consultation paper in 2022. We were pleased when the FCA announced in 2023 it will adopt many of the changes we supported. We believe these should help reduce the complexity of trade reporting requirements and therefore improve data quality. We regularly participate in industry initiatives to advocate for a vibrant ecosystem of market actors, deep liquidity, efficient price formation and mechanisms to limit information leakage in global capital markets. Taking part in such initiatives also allows us to discuss and share trading best practice with our peers. In 2023, we engaged heavily with regulators, trade bodies, and peers on the impact of shortening equity settlement cycles in the UK, the European Union, and the US. We were pleased by the UK and European Union regulatory bodies prioritising alignment, and by the orderly move to T+1 settlement for US equities in 2024. During 2023 our trading team was an active participant in events organised by Institutional Investor, Rosenblatt Securities, The Hive and The Buy-Side Trading Community. The team was asked to speak on a number of panels, which we think reflects the team's good standing in the trading community. The topics discussed included regulatory change, the shortening of the US settlement cycle, diversity and inclusion, making European markets more competitive, payment for order flow, market resilience, innovations in trading algorithms, transaction cost analysis and best execution.
UK Investor Forum	Our membership of the Investor Forum provides opportunities for collaborative engagement with UK-based companies. We provide a financial contribution to the Forum as part of our ongoing membership. We did not join any formal engagements run by the Forum in 2023. In 2022 we commissioned a survey of fellow UK-based investors through the Investor Forum. The results of the survey led us to co-ordinate a group letter with other members of the Forum to a portfolio company, GSK.
UN Principles for Responsible Investment (PRI)	We support the PRI's mission to bring increased transparency and rigor to responsible investment and we provide a financial contribution to be a member. Membership of the PRI keeps us informed of practices within ESG investing and stewardship. We also recognise that our clients value the transparency and consistent reporting which is enabled by the PRI's reporting process. In 2023 we submitted our first publicly available PRI submission, which we were able to share with clients in early 2024.

Outcome

We have committed a significant amount of resource to try to address systemic risks that may impact our clients' investments and our business. We believe our methods for identifying systemic risks are appropriate given our single investment discipline, the size of our Firm and our simple business structure.

However, assessing the effectiveness of our work is challenging. Many of the initiatives we are involved with are ongoing and complex, and change is likely to be gradual. It can also be very difficult to identify whether a specific initiative has led to regulatory or legislative change. Nonetheless, there have been several positive developments on some of the topics that we, in conjunction with other investors and asset managers, have engaged on during the past few years. These include:

- **Climate change**
  We have seen steady improvements in the climate risk management of some of our portfolio companies, including several positive developments in 2023, as discussed above and in case study 3 of Principle 9.

- **Financial reporting**
  The IASB has announced several amendments to its financial reporting and accounting standards designed to improve disclosure and transparency, which our forensic accounting specialist Terence Fisher has helped shape through his role on the CMAC. This includes its Supplier Finance Arrangements requirements, issued in 2023, which should help investors to better assess the impact of supplier financing activities on companies' liabilities and cash flows.

- **Trading-related initiatives**
  In 2023 the FCA announced changes that should reduce trade reporting complexity for our Firm and other buy-side firms, as discussed above. We were pleased that many of the changes we supported were adopted.

Purpose and governance: Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Activity

The Firm has three policies that guide our stewardship work. These are:

- ESG integration policy
- Stewardship policy
- Voting policy

We follow the same approach to the review and assurance of our stewardship-related policies as we do with our 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 service 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 includes our ESG integration process and activities.

For our stewardship reporting to clients and regulators, we have made use of external specialists to advise us on best practices. All ESG-related marketing communications, such as our annual ESG and Stewardship report and blog posts 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.

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 regularly brings significant ESG and stewardship matters to the attention of the partnership at the weekly partners meetings.

Outcome

We published updated versions of all three of our stewardship-related policies in 2020. These updates reflected the evolution of our approach to assessing ESG risk, such as the development of our proprietary taxonomy for evaluating material ESG considerations, climate risk framework and format for producing company-specific research. We describe these frameworks in more detail in our response to Principle 7. These changes also reflected a requirement for greater transparency from our clients into our ESG integration and stewardship activities. Each policy was reviewed and approved in 2023. Due to the significant changes made in 2020, there were no material changes in 2023.

We have in place an ESG engagement tracking process to monitor the progress of our engagements and support our reporting to clients on our engagement work. The investment team's ESG analyst is responsible for recording our ESG engagements with companies, including the type of engagement, the purpose of the engagement and the outcome. All engagements are recorded in the engagement database that we developed in house.

Investment approach: Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

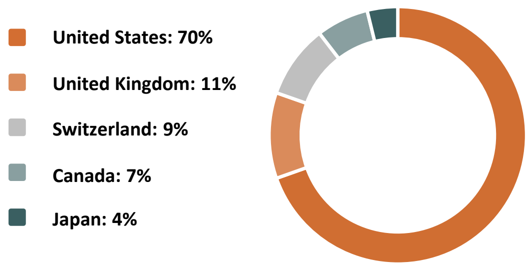
Context

The Firm had US$16.0bn in AUM at the end of 2023. We invest solely in listed equities and we only invest in developed markets.

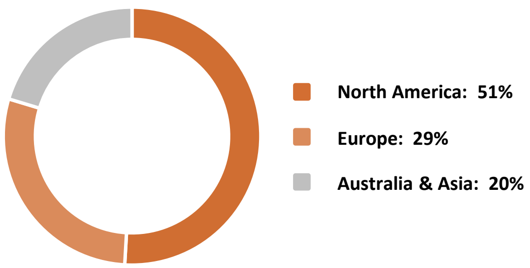
Our client base consists of institutional investors. We manage assets on behalf of clients located in eight jurisdictions. US domiciled clients represent the largest proportion of the Firm's AUM at 45%, followed by Ireland and Australia at 28% and 16% of AUM, respectively[10].

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

Investment breakdown by geography*



Client breakdown by region**



** Excludes cash holdings. As at 31 December 2023. Source: Independent Franchise Partners, LLP.*
*** Reflects legal domicile of our segregated accounts and pooled funds as at 31 December 2023. Cayman Islands is included in North America. Source: Independent Franchise Partners, LLP.*

We encourage our clients to invest with us over a long-term time horizon. The Franchise investment approach aims to invest in companies that earn superior returns on their re-invested capital, compounding shareholder wealth over time. The success of this compounding is best demonstrated over longer time horizons, such as a full market cycle. We do not define the specific length of this time horizon for our clients, but highlight that a full market cycle should be measured from one peak to another, or one trough to another.

Activity

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

[10] Client AUM domicile percentages reflect the domicile of segregated accounts and pooled funds. The Firm managed eight pooled funds at the end of December 2023. Three of the pooled funds were domiciled in the US, five in Ireland.

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

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.

Additionally, in 2020, we undertook an in-depth client survey to help us better understand our clients' priorities, measure overall client satisfaction and obtain insight into areas we could improve, including our approach to ESG and stewardship. Since then, we have improved our communication to clients on our ESG and stewardship work. We intend to conduct a similar survey in the next couple of years.

Communicating with our clients

In 2023 we provided the following information on our ESG and stewardship activities to clients:

- Our second ESG and Stewardship Annual Report for the 2022 calendar year. The report 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.
- Our second Stewardship Report, which sets out how we implement the twelve principles of the UK Stewardship Code and describes the key outcomes during 2022.
- A blog post on our client portal updating clients on the proposed re-combination of News Corp and Fox Corp, following our engagements with both companies. We provide more detail in case study 2 of Principle 7.
- Proxy voting records published on our public website, updated daily, with a three-month lag.
- Updated ESG integration, stewardship and voting policies.

We also provided the following information on our broader investment activities, which often included additional details of our ESG and stewardship work:

- Semi-annual client webinars. The half-year webinar included a discussion of our engagement with key stakeholders on Ritche Bros. Auctioneers' proposed acquisition of IAA. We provide more detail of this work in case study 1 of Principle 12.
- Quarterly client investment letters that provide an update on performance and portfolio activity, as well as notable ESG and stewardship developments.
- Meetings with clients and their investment consultants.
- Four blog posts discussing our investment theses following the initiation of new stock positions.
- Responses to a large number of client and consultant questionnaires.
- Monthly performance review reports that include stock commentary and attribution.

Finally, we published our first TCFD-aligned Report in 2023. We produced this report to support our clients' TCFD reporting obligations, and to prepare for the FCA's TCFD disclosure requirements in 2024.

Outcome

We consider our interactions with clients to be valuable opportunities to help us to better serve them. As discussed, we have used a variety of methods to interact with clients, and we think they have been effective in improving our understanding of clients' needs in relation to our stewardship and investment activities.

Clients' feedback has led us to improve the transparency of our ESG and stewardship reporting, as discussed above. This has included the publication of our annual ESG and Stewardship Report, as well as our annual Stewardship Report.

We are continuing to discuss our ESG and stewardship activities in meetings as a result of client interest in these topics.

We also added additional members of the client service team in 2021, 2022 and 2023 to help deepen our communication, relationships and on-going interactions with our clients.

We continue to evaluate the effectiveness of our approach to understanding the needs of our clients.

Investment approach: Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

We consider all financially material risks and opportunities, including ESG factors, when assessing the quality of companies in the Franchise portfolios and investment universe, as discussed in Principle 1. Our investment process is founded on bottom-up, in-house research, drawing on a wide range of qualitative and quantitative sources, and supported by proprietary frameworks. We take the same approach to our ESG and stewardship research.

We have developed a proprietary taxonomy of ESG factors that we believe are most likely to impact the long-term financial performance of the companies in the Franchise investment universe. This taxonomy is informed by our long experience of Franchise investing and the specialist expertise of our ESG analyst. It also draws on a range of third-party taxonomies. We believe there is benefit in simplifying the long list of ESG factors offered by third parties to focus on what is truly material for the companies in our investment universe.

Further, by creating our own taxonomy, we have defined ESG factors in a way that complements our Franchise assessment. For example, the social factor "Customer treatment" in our taxonomy encompasses a range of material considerations – such as product safety and data privacy – which impact customer trust and satisfaction. This reminds us that these considerations have an impact on companies' key intangible assets – brand and reputation.

Our Taxonomy for Evaluating ESG Risks

Category	Factor	Description
Environmental	**Climate change physical risk management**	Evaluation of a company's efforts to mitigate the impact of material climate-related physical risks within its operations and/or supply chain.
	Environmental impact management	Assessment of how effectively a company mitigates material risks and exploits opportunities related to its environmental impact and that of its supply chain.
	Product design/impact	Evaluation of a company's product strategy to capture opportunities and mitigate risks driven by environmental regulation or consumer preferences.
Social	**Culture and human capital management**	Assessment of how the company manages material risks and opportunities in its direct workforce in order to achieve its business goals.
	Supply chain management	Evaluation of how the company identifies, mitigates and monitors material social risks in its supply chain, such as child labour or worker exploitation.
	Customer treatment	Assessment of the company's approach to topics which impact customer trust and satisfaction, and which may also carry regulatory risk. These include product safety, data privacy and marketing practices.
	Product design/impact	Evaluation of the company's product strategy to capture opportunities and mitigate risks as a result of changes in consumer preferences or regulation driven by societal concerns.
Governance	**Board quality**	Examination of the board's structure, composition, diversity and skills to evaluate whether it can provide sufficient oversight and challenge to the management team.
	Remuneration alignment	Analysis of the company's remuneration structures and their alignment with business goals and our interests as long-term shareholders.
	Capital allocation	Assessment of management's track record and skills in capital allocation.
	Company ownership structure, shareholder rights and communication	Analysis of how the company's shareholder base might impact its strategic direction and the treatment of minority shareholders. Evaluation of basic shareholder rights, including transparency and shareholder communication.
	Anti-competitive behaviour risks	Analysis of material legal and social risks related to anti-competitive practices, including collusion or price fixing.
	Bribery and corruption controls	Assessment of risks related to bribery and corruption, including policies, oversight and response to historic incidences.

In addition to our ESG taxonomy, we have also developed a climate risk framework. This framework breaks down the key components of a company's approach to managing climate risk, helping us to identify areas of strength and weakness. We believe climate change merits increased emphasis in our investment research and stewardship work given the potential size of its impact over the long term.

Our Climate Risk Framework

Governance	Companies should demonstrate expertise and accountability for climate issues at board and executive team level. Climate issues should be integrated into the company's strategy and organizational structures in an effective manner.
Disclosure	Companies should disclose material information related to climate change following the recommendations of the Task Force on Climate-related Financial Disclosures. Companies should participate in the Carbon Disclosure Project (CDP) as an effective means to provide this information to the investment community.
Targets	Companies should set time-bound emissions reduction goals in-line with a 1.5°C warming scenario. The difference between a 1.5°C and 2°C scenario is material. Therefore, companies should be ambitious in their targets to minimize regulatory impact and reputational damage. These goals should cover a short, medium and long-term time frame and encompass at least a meaningful proportion of Scope 3 emissions.
Products & services	A company's strategy should take into account how climate change might impact its products and services as a result of regulation or a change in consumer behaviour.
Physical risk management	Companies should assess the resilience of their operations and supply chains in the face of physical risks and take effective mitigating action.

Our Culture Framework

In 2023 we developed a culture framework. Experience has taught us that an organisation's culture can materially affect the durability of a company's franchise. Our culture framework brings structure to our analysis of culture and how we discuss our views within the investment team. The aim is to determine the impact of culture on franchise quality and durability, and on our overall investment thesis.

The culture framework has six pillars: adaptability, employee focus, customer focus, long-term orientation, governance quality, and consistency of culture.

Activity

We apply the same ESG integration and stewardship approach across our three portfolios.

Our approach considers financially material ESG risks and opportunities over our clients' long-term time horizon.

We incorporate stewardship and ESG into our investment process through a number of structures, including the ESG taxonomy, climate framework and culture framework discussed above. The additional core components of our approach to ESG incorporation and stewardship are:

- **Proprietary research**
  There are multiple ways financially material ESG considerations feature in our research process.

  The investment team produces an investment note on all companies in our portfolios, as well as 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[11]. 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.

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

- **Interviews with management and board members**
  Meeting with management and board members is a crucial part of our process. Frequent meetings allow us to test our investment thesis and drive positive change at companies. In our engagements for change, we focus on the material risks and opportunities that may affect a company's long-term financial health and the sustainability of its franchise.

  We discuss each company meeting at our weekly investment team meetings and share whether these interactions have impacted our view on the current position size in the portfolio or the valuation at which we are willing to hold the company.

  In addition, where our company engagements have an ESG element to them, we record a summary of these engagements in our ESG engagement tracker. This allows us to monitor the progress of our engagements and inform our engagement strategy.

Where appropriate, we take into account a company's geographical context when assessing a company's ESG risks and opportunities. 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.

[11] As at 31 December 2023 an ESG section had been compiled for all portfolio companies.

Our approach to investment controversy

Our incorporation of ESG into the investment process is not about avoiding risk, but helps us understand risk better to gain a more comprehensive perspective of a company's quality and appropriate valuation. 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.

Outcome

Below we set out two examples that describe how material ESG considerations played a role in our ongoing engagement and monitoring agenda with companies we already own.

Case study 1

Engaging with RB Global on board composition and management compensation

In August 2023, RB Global announced the unexpected departure of its CEO and CFO due to a "significant discrepancy" around expectations for compensation. The announcement came just six months after the completion of the acquisition of IAA, a transformative transaction for the company.

CEO Ann Fandozzi was replaced by COO Jim Kessler. Kessler received positive reviews in our due diligence and, importantly, led the integration plan for the IAA transaction. However, the timing of the change so soon after the acquisition was disappointing and reflected poorly on the board and the quality of governance at the company.

We therefore undertook a series of engagements with RB Global in 2023. These included a letter to the board, as well as meetings with the Chair and other members of the board and management. These engagements focused on the progress of the integration, as well as on board composition and management compensation arrangements.

In December, the company announced that Chair Erik Olsson would not stand for re-election at the 2024 AGM and that existing director Robert Elton had been elected Vice-Chair of the Board.

We have continued to regularly engage with the new CEO and Chair during this important integration period.

Case study 2
Engaging with News Corp and Fox Corp to encourage structural change
We have been engaging with News Corp and Fox Corp for the past few years to encourage the companies to make structural changes to maximise shareholder value. We think it makes strong strategic sense for News Corp to combine its publishing and news assets with Fox Corp. However, we think this should follow the sale or spin-off of News' valuable real estate portal assets. In 2022, the Murdoch Family Trust proposed re-combining the two companies. However, we were concerned the transaction would not maximise the value of News Corp's assets as it did not include the sale or spin-off of its real asset portal businesses. We therefore engaged with both companies, outlining our concerns. This included a letter to News Corp's independent board members and a statement to the press. We were pleased when the proposal to re-combine was formally withdrawn in January 2023. In 2023 we continued to strongly advocate for structural change in engagements with both companies. This included meetings with News Corp's CEO, and with Lachlan Murdoch, News Corp's Chair and Fox Corp's Chair and CEO. We continue to monitor and engage with both companies on this topic.

Investment approach: Principle 8

Signatories monitor and hold to account managers and/or service providers.

Activity

We subscribe to a variety of qualitative and quantitative research from a range of over 70 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, such as app use. Two full-time employees are dedicated to developing and managing our investment tools and data sets, and they are supported by the equivalent of five full-time external data resources.

When we select our providers, we favour those who are well resourced, invest behind 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 on-boarding checklist. Once a year, the investors and the investment tools team meet to discuss the quality of each provider's products. We provide feedback to our providers throughout 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.

We are highly selective in our use of third-party ESG ratings and data. It is important that we understand the ratings and data collection methodologies employed by our third parties as these affect their output considerably. Further, we often do not share the third party's view on what is material for individual companies. For this reason, we undertake our own proprietary ESG research.

As with all research providers, each year we review the services provided by our proxy voting platform, ISS. Our Compliance Manager and operations team have oversight of the relationship, and they meet with ISS annually as part of the review process. Key considerations when evaluating our proxy voting provider include: its controls and conflicts of interest management; global coverage of our investable universe; quality of research; webinars or events; and account coverage.

Outcome

Overall, our stewardship-related service providers delivered a high-quality service during 2023.

There was one instance in 2023 where we changed service providers as our existing provider did not meet our needs.

Following a review of the FCA's TCFD reporting requirements we changed our primary environmental data provider to MSCI ESG Research. We did this because we think MSCI's dataset is better aligned with the TCFD's requirements, and in order to learn more about another provider's methodology.

Prior to choosing MSCI, we engaged with both providers to better understand and compare their methodologies. Following our selection of MSCI, we gave feedback to our previous provider on the reasons for our decision to switch.

Engagement: Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

Activity

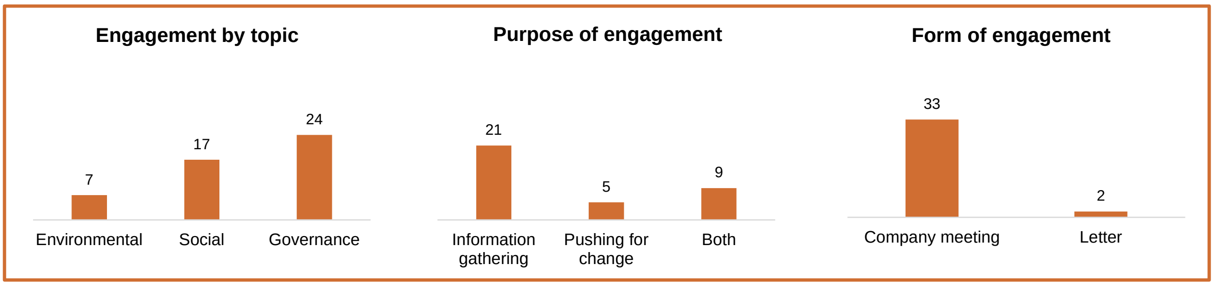
We engage with companies for a variety of reasons. These include, to test the core components of our investment thesis over the holding period, to find out more information about the management of key risks, and to push for change in areas where we believe the company could improve. We identify topics for engagement through our bottom-up research process. We prioritise our engagement work based on the financial materiality of the topic, the likelihood of success of our engagement efforts and the size of our holding.

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.

Our primary method of engagement is via one-on-one meetings with senior executives and with divisional or regional management. We also meet with non-executive directors, such as the chair or senior independent director. This can be a valuable escalation strategy. In 2023 we held 80 one-on-one meetings with company management teams and more than 70 group meetings or meetings with company investor relations. The investment team keeps records of these meetings, and each one is discussed at the weekly investment meetings.

We also engage by writing formally to company management and boards. This provides a means of setting out our viewpoint to the company in a more formal and detailed manner. We use this method most often when meeting the company has not resulted in progress. In addition, we collaborate with other investors on group engagements where we believe this is likely to be more successful than individual engagement.

ESG is an important component of this active engagement agenda. In 2023 the investment team undertook 35 instances of ESG-focused engagement with 18 portfolio companies. We engaged on ESG topics with 58% of companies held by the Firm at 31 December 2023. We think this is a significant investment of resource for a firm of our size. The charts on the next page break out this engagement activity.



Reflects engagement with companies in all three Franchise portfolios in 2023. One engagement instance may include multiple engagement topics. Source: Independent Franchise Partners, LLP.

We apply the same engagement approach across our three portfolios. Our engagement approach is also consistent across different geographies. However, there may be instances where we believe it is appropriate to take the local context into account. This is often the case in matters of governance. For example, while we encourage our Japanese holdings to improve the independence, gender and racial diversity of their boards, we take relevant cultural constraints into account when formulating our engagement goals.

Outcome

We discuss our most significant engagements during the year – with RB Global, and with News Corp and Fox Corp – in case studies 1 and 2 in Principle 7.

Below, we also include a selection of examples that are indicative of our ongoing engagement work.

Case study 1

Executive compensation at Informa

In a meeting with Informa's chair we emphasised the importance of a return on capital metric in the long-term incentive plan. We think it is important to link executive remuneration to return on capital to incentivise value-creative capital allocation, particularly for companies like Informa that are likely to undertake acquisitions in the future. The company has not yet adopted this metric so we will continue to engage on this topic.

Case study 2

Capital allocation at British American Tobacco (BAT)

We have been engaging with BAT since 2021 to encourage the company to evolve its capital allocation strategy. We think the shares are undervalued by the market, which presents a unique opportunity for shareholder value creation through reducing the dividend and increasing share buybacks. We reiterated our preference for greater share buybacks with BAT's newly-appointed CEO in a one-on-one meeting during the year.

BAT has increased its share buybacks since we first started engaging on this topic. This includes a £2bn share repurchase programme in 2022, although it was not renewed in 2023. We continue to engage with the company to increase its stock repurchases.

Case study 3

Climate risk management at Electronic Arts (EA)

We have been engaging with EA since 2021 to improve its climate risk management. In a meeting with the company's new head of environmental sustainability, we encouraged EA to disclose its emissions on the CDP platform and to set emissions reduction targets. We were pleased when the company subsequently disclosed to the CDP for the first time.

Case study 4

Vaccines disclosure at GSK

Since 2021 we have been encouraging GSK to improve disclosure of its vaccines business to enable investors to value this high-quality business more appropriately. During the year, in meetings with the Chair and CEO, we again encouraged the company to improve its vaccines disclosure.

Since our initial engagement we have seen some progress. This includes an infectious disease investor day in June 2023 at which GSK provided further detail about its current blockbuster vaccines Shingrix and Arexvy, as well as the 44 vaccine drugs in its pipeline. While we are pleased there has been some progress, we continue to engage with the company for better disclosure in relation to its vaccines business.

Case study 5

Living income approach in the tobacco supply chain at Philip Morris International (PMI)

We met with PMI's Chief Sustainability Officer to better understand the company's approach to reducing human rights risks in its supply chain. We gained further insight into PMI's hands-on approach and continue to see the company as well prepared for future regulatory change in this area.

Case study 6

Traceability standards in the mining supply chain at Richemont

We discussed the potential for more stringent traceability regulation in Richemont's mining supply chain in a meeting with the company's CFO. He explained that potential enhanced traceability requirements are not expected to represent a material cost for Richemont. This confirms our own research. However, we continue to monitor the broader risks posed by supply chain regulation.

Engagement: Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Activity and outcome

We conduct the majority of our engagement work with companies on an individual basis. We aim to build good, long-term relationships with our portfolio companies. Therefore, we find individual engagement is often the most effective approach to achieve our aims. Further, our concentrated portfolios often means we own a large portion of a company's market capitalisation, which means we have a reasonable level of influence.

However, there have been several instances where we have used collaboration with other investors and institutions effectively. 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 breach any 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 as a passive spectator.

We have undertaken collaborative engagement in prior years. This includes the CDP's Non-Disclosure Campaign, which we discuss in Principle 4, and collaborative engagement with GSK that we led in 2022, which we discussed in Principle 9 of last year's Stewardship Report. However, we did not participate in any collaborative engagement in 2023.

Engagement: Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Activity and outcome

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.

Below we set out the components of our escalation strategy and how frequently each one was employed in 2023. In total, the investment team undertook 35 instances of ESG-focused engagement across 18 portfolio companies. We engaged on ESG topics with 58% of companies held by the Firm at 31 December 2023. We believe this is a significant investment of resource in the context of our concentrated holdings.

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, issuing adverse votes against directors or resolutions at the AGM, and writing a formal letter.

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. We voted against management on 23 proposals by company management, five of which were related to directors. We also voted against management on nine shareholder proposals. We describe how we use our vote to express our views on the lack of progress on our engagement requests in case studies 5 and 6 of Principle 12.

Meeting 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 nine meetings with non-executive directors in 2023. We describe how we use engagements with board members to influence corporate behaviour in the case studies under Principle 7.
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 two letters in 2023. We outline examples of how we use formal letters to achieve our engagement objectives in the case studies under Principle 7.
Collaborating with other investors	Collaborative engagement can be a useful mechanism for achieving change. Collective action is a powerful tool to demonstrate to companies the importance that shareholders attach to an issue. We did not participate in any collaborative engagement work in 2023. We discuss our prior collaborative engagement with the CDP in Principle 4.

In addition, in previous years we have also used public statements in the press and proposed shareholder resolutions at company AGMs as further escalation measures.

We apply the same approach to escalation across each of our portfolios. We may vary our approach by geography. For example, we find that escalation methods used in Europe and the US can be seen as excessively aggressive in Japan.

Engagement: Principle 12

Signatories actively exercise their rights and responsibilities.

Context

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.

Our voting policy

Approach to certain key voting matters

Board of directors

When considering the Board's independence level, diversity and skillset, we assess whether it is able to provide sufficient oversight and challenge given the importance of those mechanisms in capital allocation, strategic direction and risk management. These are factors that are vital to the durability of a franchise.

Executive and director remuneration

When considering remuneration, we look to ensure management is incentivised to favour long-term shareholder returns over short-term success and to focus attention on areas that will enable the company's intangible assets to flourish. We encourage key company executives and directors to have a material multiple of their base compensation invested in company stock to ensure alignment with ordinary shareholders.

Corporate transactions

We evaluate proposals relating to mergers, acquisitions and other special corporate transactions on a case-by-case basis, based on the best interests of our clients.

Auditors

We think regular auditor rotation leads to greater objectivity and fresh perspectives. We therefore require companies to change their independent auditor after a maximum of 20 years – although we encourage every ten years – and require them to hold a tender every ten years.

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 Principles 9 and 11.

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.

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

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.

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

We provide our full voting policy on our website.

Activity

Below we disclose data on our voting activities in 2023. We voted on all proposals, and on over 99% of the shares that we were eligible to vote. The remaining shares were not voted because they were out on loan by clients.

Proposal Category	No. of Proposals	Votes against management	Votes against management (%)	Votes against ISS	Votes against ISS (%)
Management Proposals:					
Director Related	344	5	1%	36	10%
Compensation	58	7	12%	7	12%
Audit Related	37	8	22%	8	22%
Capitalization	23	0	0%	0	0%
Routine Business	23	3	13%	0	0%
Takeover Related & Strategic Transactions	10	0	0%	0	0%
Social	5	0	0%	0	0%
Other/Miscellaneous	12	0	0%	1	8%
Shareholder Proposals:					
Social	10	6	60%	1	10%
Director Related	4	1	25%	2	50%
Corporate Governance	3	0	0%	1	33%
E&S Blended	5	1	20%	0	0%
Compensation	4	1	25%	1	25%
Other/Miscellaneous	2	0	0%	1	50%
Total	**540**	**32**	**6%**	**58**	**11%**

Reflects votes cast on eligible proposals in 2023 on behalf of clients for whom we have full voting discretion. Source: Independent Franchise Partners, LLP, ISS.

Our voting records are available on our website.

Outcome

On the next page we provide six examples that are indicative of our approach to voting.

Case study 1

Acquisition of IAA by Ritchie Bros. Auctioneers

We voted in favour of the acquisition of IAA by Ritchie Bros. Auctioneers.

Prior to the announcement of the proposed acquisition, we held positions in both Ritchie Bros. and IAA and knew them well. Our research indicated that it was an attractive deal and made strategic sense for both companies. However, it was unclear whether the transaction would secure approval from both sets of shareholders. There were some outspoken activist investors who opposed the deal.

As shareholders with a deep understanding of both companies, we engaged with key stakeholders on the transaction. We spoke with a number of major shareholders, including activist investors. We also spoke with ISS and Glass Lewis, the proxy voting platform and research providers. In addition, we spoke with the management teams of both Ritchie Bros. and IAA to provide our perspective on the transaction.

The vote was narrowly approved. The acquisition has subsequently been completed and the combined company renamed RB Global.

Case study 2

Executive compensation at Philip Morris International (PMI)

We voted in favour of executive compensation at PMI, against the recommendation of ISS.

In 2022 we voted against PMI's executive compensation due to the large severance payment made to the outgoing head of PMI America. While the vote passed, it only received 70% support, compared to 95-99% for all other items. We felt the company listened to our concerns and PMI committed to seeking more shareholder feedback in future.

In 2023 ISS again advised shareholders to vote against executive compensation. ISS believed PMI had not taken sufficient action in response to the prior year's vote and had not engaged adequately with shareholders. This was inconsistent with our experience of the company's response.

We therefore voted in favour of ratifying PMI's executive compensation. The vote passed and the compensation plan was approved with majority shareholder support.

Case study 3

Independent chair at Oracle

We voted against a shareholder proposal for an independent board chair at Oracle. The current chair is Larry Ellison, the founder and former CEO. We typically support the principle of an independent chair, but we think Mr Ellison is an exceptional leader and his continued oversight of the board is in shareholders' best long-term interests as Oracle navigates the cloud transition.

Further, we think Oracle's governance compares favourably with other founder controlled and run companies: the board is more independent and there are no dual-class shares. These elements provide checks and balances to Mr Ellison's influence and lessen the need for an independent chair.

Our vote against the shareholder proposal was successful. Mr Ellison remains Oracle's chair.

Case study 4

Government financial support at Johnson & Johnson (J&J)

We voted in support of a shareholder resolution for a report on government financial support for J&J's Covid-19 products. We think it is important that J&J is transparent about how government funding impacts future pricing and access decisions now that emergency use authorisation for its Covid-19 vaccine has expired. The company could face reputational damage if it is seen to give certain countries preferential treatment. While J&J provides some disclosure on government support, it does not disclose these specific points.

The shareholder proposal, and our vote, was unsuccessful. The company is not required to provide a report on government financial support for its Covid-19 products.

Case study 5

Executive compensation at British American Tobacco (BAT)

We voted against the approval of BAT's remuneration report. This was against management's recommendation.

Since 2016 we have consistently engaged with BAT's compensation committee on the importance of including a return on capital metric in the performance metrics used to calculate executive compensation. This has included meetings with the company and prior votes against the remuneration report. Despite our efforts, in 2023 BAT did not include a return on capital metric in its updated performance metrics.

The remuneration report received majority shareholder support and was approved, despite our vote.

Case study 6

Change of auditor at Richemont

Since we initiated a position in Richemont in 2019 we have consistently voted against the reappointment of PricewaterhouseCoopers (PWC) as the company's auditor. Our votes have been against both management's and ISS's recommendations.

PWC has been Richemont's auditor since 1993. However, best practise is for an auditor to be rotated at least every 20 years as it leads to greater objectivity and fresh perspectives.

Our vote was unsuccessful and PWC was again reappointed as Richemont's auditor in 2023

Final comments

We are satisfied with our stewardship and ESG integration efforts in 2023, and their contribution to our goal of delivering attractive, long-term risk-adjusted returns for our clients.

Engagement and voting play important roles in encouraging companies to better manage their material risks and opportunities. Nonetheless, we remain mindful that our stewardship aims can take many years to achieve and are not guaranteed. This can be seen most notably in our multi-year engagements with News Corp and Fox Corp.

We remain committed to continuing to refine our approach to ESG integration and stewardship.

In 2024 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 to support our ESG integration and stewardship work.
- Continue to communicate with clients on our ESG and stewardship efforts, including the publication of our annual ESG and Stewardship report, our first public PRI report, and our TCFD report.

Important information

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The investment returns provided reflect returns for the Morgan Stanley Global Franchise Equity Composite for the period 28 June 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 18 – 31 Dec 19	31 Dec 19 – 31 Dec 20	31 Dec 20 – 31 Dec 21	31 Dec 21 – 31 Dec 22	31 Dec 22 – 31 Dec 23
Global Franchise Composite	29.27	13.57	18.56	-12.00	17.83
MSCI World (Net) Index	27.67	15.90	21.82	-18.14	23.79

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

	1 Year	5 Years	10 Years
Global Franchise Composite	17.83	12.53	9.24
MSCI World (Net) Index	23.79	12.80	8.60

Returns for the Independent Franchise Partners, LLP (IFP) Global Franchise Composite (Hedged), net of fees in USD as at 31 December 2023.

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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