



Governance for Owners statement on UK Stewardship Code compliance

September 2010

Governance for Owners (GO) is an independent partnership dedicated to adding long-term value to clients' equity holdings through relational investing and active share ownership. The founders of GO are pioneers in the field of responsible share ownership, with experience in shareholder engagement and governance stretching back to 1996. GO offers two main products: GO European Focus Fund and GO Stewardship Services.

GO strongly supports the introduction of the UK Stewardship Code for institutional investors. We believe that a robust Code faithfully applied by a critical mass of institutional investors will enhance board and management accountability at investee companies and help the Code to realise its objective of improving long-term returns to shareholders.

We aim to apply core stewardship principles in all markets in which we operate.

Below is a summary of how GO implements the UK Stewardship Code as a fund manager and service provider.

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

Our website (<http://www.g4owners.co.uk/>) contains a detailed discussion of our beliefs on stewardship and how we discharge stewardship obligations in relation to the GO European Focus Fund and assist our institutional investor clients to fulfil their ownership responsibilities through the provision of GO Stewardship Services in different regions of the world.

At the heart of our approach is the belief that active ownership – in the form of rigorous and long-term oriented analysis of investment prospects and holdings, proactive exercise of shareholder rights, and constructive engagement with boards and management – improves discipline, accountability, and long-term returns to shareholders. To this end, we have assembled full-time staff and advisors with broad and deep experience in governing and operating businesses, managing investments, and analysing environmental, social, and governance (ESG) issues.

We also believe that engagement with companies is best accomplished by experienced local professionals who are based in their home regions. Physical proximity enables us to closely follow market-specific developments and improve dialogue with investee companies. Accordingly, we have established offices in the United Kingdom, United States, and Japan, and a representative presence in Singapore (through our affiliation with HIM Governance). Our team represent more than 15 nationalities and speak a dozen languages, including English, Spanish, French, German, Italian, Swedish, Danish, Russian, and Japanese.



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

We are well-aware that conflicts of interest pose a serious concern in the investment industry. At GO, we have consciously maintained an independent ownership structure in order to minimise conflicts of interest that may impede our effectiveness in serving our clients.

Furthermore, to ensure close alignment of interest between GO personnel and investors in the GO European Focus Fund, we require our senior executives to make a substantial investment in the Focus Fund.

We have also developed guidelines to help us to avoid and manage conflicts of interest situations, with the view to protecting the interests of our clients.

Principle 3: Institutional investors should monitor their investee companies

As discussed throughout this statement, an active ownership philosophy underpins the stewardship activities of the GO European Focus Fund and GO Stewardship Services. Consistent with the thrust of the Stewardship Code, we focus our efforts on ensuring effective oversight by the board of directors.

We adopt a principled and pragmatic approach to the application of best practice guidance and have no hesitation in accepting a cogent explanation in place of formal compliance. We believe strongly in communicating significant concerns with companies on a timely basis and would welcome one-on-one meetings.

Due to the long-term investment orientation of the GO European Focus Fund, we are receptive to being made insiders temporarily (with corresponding restrictions on dealing during the period in which we maintain such status) if we believe it will help to further our engagement agenda and is otherwise in the interest of our clients.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

As a fund manager and service provider, we employ a broad array of mechanisms – voting and attending shareholder meetings, meeting with management and boards, collaborating with other investors, consulting advisers and regulators, filing shareholder resolutions, and so forth – to protect and enhance shareholder value.

Due to differences in ownership structure, legal and regulatory frameworks, market practice, and other factors, the specific mechanisms we utilise to engage with boards and management and escalation sequence vary by company and country.



Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate

We are strong supporters of collaboration among investors as a way to leverage expertise, share resources, and equitably allocate costs. Our product offerings, such as the GO European Focus Fund and Japan Engagement Consortium, were developed explicitly to enhance the ability of institutional investors to collaborate with each other to improve ESG practices and company performance in different regions of the world.

As a fund manager and service provider, we have actively collaborated with other investors on voting, engagement, and policy-making activities across a broad array of issues. Our collaborative efforts take place informally and through such forums as the National Association of Pension Funds, UKSIF, International Corporate Governance Network, United Nations Principles for Responsible Investment, Eumedion, French Association of Corporate Governance, Council of Institutional Investors, Asian Corporate Governance Association, and other organisations.

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

As a fund manager, we endeavour to vote all of the shares in the GO European Focus Fund. As a service provider, we provide voting recommendations for all shareholder meetings that have been requested of us by our clients.

We believe that public disclosure of institutional investors' voting policies and practices is a matter for shareowners and, accordingly, we disclose our voting activity to our clients.

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

In our capacities as a fund manager and service provider, we report regularly to our clients on our stewardship and voting activities. Our reporting is customised to client requirement in terms of frequency and format. In addition, we provide updates to our clients through regularly scheduled as well as ad hoc meetings.

Questions relating to GO's stewardship approach and activities, opportunities for investor collaboration, and related matters can be directed in the first instance to Simon Wong, Partner (Tel: +44 20 7614 4750, E-mail: s.wong@g4owners.com).
