

Stewardship Code and Shareholder Engagement Disclosure

International Asset Management Limited (“IAM” or “the Firm”) is an investment management firm authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (“UK”).

In accordance with COBS 2.2.3R of the FCA’s Handbook of Guidance and Rules, a firm managing investments for a professional client (that is not a natural person) must disclose clearly on its website, or if it does not have a website in another accessible form:

1. the nature of its commitment to the Financial Reporting Council’s Stewardship Code; or
2. where it does not commit to the Code, its alternative investment strategy.

In addition, in accordance with the UK’s implementation of the EU’s 2nd Shareholder Rights Directive (“SRD II”), as outlined in COBS 2.2B of the FCA’s Handbook of Guidance and Rules, as a Full Scope UK AIFM, IAM must also consider the applicability of the requirements to develop and publicly disclose an engagement policy or, where an engagement policy has not been developed and publicly disclosed, to publicly disclose a clear and reasoned explanation of why it has chosen not to do so.

The FRC’s Stewardship Code and IAM’s approach

The FRC’s Stewardship Code is designed to enhance the quality of engagement between institutional investors and UK-listed companies to help improve the long-term, risk-adjusted returns to shareholders. The Stewardship Code sets out a number of areas of good practice to which the Financial Reporting Council believes institutional investors should aspire. The Stewardship Code consists of seven principles which are designed to protect and enhance the value that accrues to the ultimate beneficiary. The seven principles state that institutional investors should:

1. publicly disclose their policy on how they will discharge their stewardship responsibilities;
2. have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed;
3. monitor their investee companies;
4. establish clear guidelines on when and how they will escalate their stewardship activities;
5. be willing to act collectively with other investors where appropriate;
6. have a clear policy on voting and disclosure of voting activity; and
7. report periodically on their stewardship and voting activities.

The Stewardship Code is not a rigid set of rules. Rather, it is a set of principles and guidance. Adherence to the FRC’s Stewardship Code is voluntary and must be applied on a “comply or explain” basis.

While IAM fully supports the concept of good stewardship and supports the principles that underlie the FRC’s Stewardship Code, it has chosen not to commit to the FRC’s Stewardship Code. IAM is a predominantly fund of hedge funds manager and does not invest in UK listed companies. Therefore, the FRC’s Stewardship Code is not relevant to the IAM’s business activities.

The SRD II and IAM’s approach

The SRD II includes a requirement for asset managers who invest (or have invested) on behalf of their investors in shares traded on regulated markets to disclose and make publicly available their policies on how they engage with the companies they invest in and how their strategies create long-term value. Alternatively, where an asset manager has chosen not to comply with the SRD II’s disclosure requirements, that asset manager must provide a clear and reasoned explanation as to why they have chosen not to do so. As such, the SRD II disclosure requirements must be applied on a “comply or explain” basis.

IAM is a fund of hedge funds manager and does not invest (or has invested) on behalf of investors in shares traded on regulated markets. Therefore, the SRD II disclosure requirements are not relevant to the IAM’s business activities.