



## **UK Stewardship Code Disclosure Statement 1 December 2010**

Under COBS 2.2 of the FSA Handbook, we are required to make a public disclosure in relation to the nature of our commitment to the above Code, which was published by the Financial Reporting Council ('FRC') in July 2010.

The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. It sets out good practice on engagement with investee companies and is to be applied by firms on a "comply or explain" basis. The seven principles of the Code are that institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities
- Have and publicly disclose a robust policy on managing conflicts of interest in relation to stewardship
- Monitor their investee companies
- Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value
- Be willing to act collectively with other investors where appropriate
- Have a clear policy on voting and disclosure of voting activity
- Report periodically on their stewardship and voting activities.

The application of these principles by an asset management company will necessarily depend upon the extent to which their business activities are subject to the Code.

Baker Steel's investment strategy is to invest globally in gold and precious metal companies. Given the nature of our investment strategy, investments in UK listed companies comprise a very small proportion of our portfolios and do not generally include active engagement with UK listed investee companies. Nevertheless, we endeavour to apply our approach on stewardship to all companies that we invest in on behalf of our clients. Therefore, the spirit of what the Code is aiming to achieve is at the heart of our investment philosophy.

### **Policy on discharging stewardship responsibilities**

- The Firm monitors all investee companies as part of its general investment policy and approach. The Firm takes action in line with its investment objectives where its research of publicly available information warrants such action. Corporate governance issues are a key aspect of investee company analysis, as the investment managers believe that poor corporate governance can have a material impact on risk and share performance
- We aim to meet as many of the top/large companies in the portfolio as often as possible, although as we manage a global portfolio, this is not possible with every holding. When we meet companies, we generally engage with management on various matters including governance issues

- Stewardship is fully integrated with our investment process. We are long-term shareholders in the companies in our portfolio and consider stewardship of these companies a key aspect of risk management
- Most of our investee companies are overseas, but we are often a larger investor. Where we have a right to vote in relation to investee companies, we take decisions in the best interests of our clients and their long term interests in this respect, and we record what decisions have been taken. We do not always make those decisions public. Although we do not generally seek to obtain ownership holdings which would provide us with a significant influence on the operation of a firm's strategic direction, where available we will seek to do so on a collective basis.
- We share our stewardship activities by reporting on key company meetings wherever possible.

### **Policy on managing conflicts of interest in relation to stewardship**

We have a Conflicts of Interest policy which is applicable to all staff and outlines how conflicts of interest are to be managed and also how such conflicts can be reported internally. A copy of the conflicts policy is provided to all clients.

### **Monitoring of investee companies**

Where appropriate, we will monitor our investee companies to determine when dialogue with management may be necessary. This monitoring process may include:

- Where appropriate, meeting company management including on site
- Retaining detailed records of company meetings and of any votes cast on behalf of our clients including retaining records of reasons for voting with or against a company's management, or for abstaining
- Conducting site visits wherever possible to satisfy ourselves as to, inter alia, the environmental and governance performance of our portfolio companies. In the case of overseas companies located in remote jurisdictions information around these issues can sometimes be limited.

Our investment monitoring process aims to identify problems at an early stage and concerns will be raised with company management. However, given that our portfolio companies are thoroughly researched on the grounds that they have good corporate governance, it is unlikely that we would find ourselves voting against management of a company in any of our portfolios. It would be more likely that we would disinvest if such concerns became apparent and could not be satisfactorily resolved.

### **Guidelines on escalation**

If we become concerned about any aspect of an investee company's strategy, performance, governance or any other matter, our normal course of action would be to investigate the matter and discuss it with management. Where our concerns are not allayed we would disinvest from the company.

### **Acting collectively with other investors**

There may be situations where it is appropriate to act collectively with other shareholders in order to engage with an investee company. We are happy to take such action where appropriate and are well networked with other shareholders in the gold and precious metals sector.

**Policy on voting and disclosure of voting activity**

Our investment managers maintain the discretion to make voting decisions on companies held within our client portfolios, although we are generally passive investors. A record is maintained of voting responses.

**Reporting on stewardship and voting activities**

We regularly communicate with our clients through a combination of meetings, conversations and written reports, as appropriate. We provide information to our clients on stewardship matters. Information on voting activity, including as appropriate a summary of how we have voted in respect of relevant shares, is available on request.

For further details on any of the above information please contact  
Priya Mukherjee, Baker Steel Capital Managers LLP

1 December 2010