

Stewardship Assurance

AAF – Stewardship Assurance

The UK Stewardship Code 2010 was published by the Financial Reporting Council.

M&G (and therefore M&G Investment Management Limited (MAGIM Ltd)) complies with the Code as highlighted in “Issues arising from share ownership” and has a statement of compliance. Both documents are available on the M&G website (within the Corporate Governance section). This can be found at <http://www.mandg.co.uk/corporate/about-mg/corporate-governance>.

M&G obtains independent assurance for Principles 1, 2, 4, 6 and 7 as requested by the UK Stewardship Code.

The details below outline how MAGIM Ltd complies with the Code.

- **Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

M&G seeks to add value for its clients by pursuing an active investment policy through portfolio management decisions, by voting on resolutions at general meetings and by maintaining a continuing dialogue with company management. Meetings with companies will therefore occur on a regular basis. This enables us to monitor company development over time and assess progress against objectives.

M&G supports the UK Stewardship Code.

(Section 1 of “Issues arising from share ownership”)

- **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.**

Investment and voting decisions are always taken by individual fund managers in the best interests of ultimate beneficiaries in order to avoid any potential conflict of interest.

Conflicts are managed in accordance with M&G Group Conflicts policy. Where a potential conflict arises, the matter will be referred to the Equities Business Board and any decision as well as the underlying rationale will be documented and available to clients upon request.

In order to ensure the protection of our clients’ interests, the policy will apply in the same way to any shareholding in M&G’s parent company, Prudential plc, as to all other investee companies.

(Section 3 of “Issues arising from share ownership”)

- **Principle 3 – Institutional investors should monitor their investee companies.**

Our approach to monitoring investee companies is disclosed above under Principle 1.

(Section 1 of “Issues arising from share ownership”)

- **Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

As a general policy, we are supportive of the management of the companies in which we invest. However, when companies consistently fail to achieve our reasonable expectations we will actively promote changes. These changes might range from the formulation of a new strategy to the appointment of new directors. In these circumstances we would initiate discussions with the Chairman and/or financial advisors. We may also speak to independent directors and other shareholders. Wherever possible we seek to achieve our objectives by agreement and in a confidential manner, but may be prepared to support a requisition for a meeting to enable shareholders as a whole to vote on matters in dispute.

(Section 1 of “Issues arising from share ownership”)



- **Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.**

Our approach to acting collectively with other investors is disclosed above under Principle 4.

(Section 1 of “Issues arising from share ownership”)

- **Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity.**

We seek to vote on all resolutions at shareholder meetings, with our voting record being disclosed quarterly on the website. Any shares on loan are recalled whenever there is a vote on any issue affecting the value of shares held. An active and informed voting policy is an integral part of our investment philosophy. Voting should never be divorced from the underlying investment management activity. By exercising our votes we seek both to add value and to protect our interests as shareholders. We consider the issues, meet the management if necessary and vote accordingly.

(Section 3 of “Issues arising from share ownership”)

- **Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.**

We report quarterly to clients on how we discharge our stewardship responsibilities, as specified in investment management agreements. (Section 10 of “Issues arising from share ownership”)

