

Hathaway Investment Management Limited (HIML)

Our approach to Engagement – SRD II and FRC’S Stewardship Code 2020

The FCA mandates us to disclose our commitment to the Financial Reporting Council’s Stewardship Code (“SC”) and now, the Shareholder Rights Directive II (“SRD II”) – the latter applying from this month.

This statement confirms our policy on the broader requirements of the SC and regarding SRD II:

Our Stewardship Responsibilities

We certainly seek to comply with the principles of the SC, but we are not formally committed to it as we believe that, due to our scale and resulting scope, an independent audit of our engagement and voting processes would not be in the interests of any of our clients, particularly relative to the costs involved.

Indeed, as the guiding hand behind all our discretionary management activities is always to act in our clients’ best interests, so the form of our SC compliance follows suit.

Conflicts of Interest

Equally, the sound management/resolution of any conflicts of interest is also integral to the discharge of our responsibilities and a copy of our detailed policy in this regard is available from our Compliance Officer on request.

Monitoring investees

All the aspects of, and results flowing from, the discharge of our responsibilities to keep an eye on commitments, are regularly summarized/noted in our unit trust formal annual and interim reports and of course our regular letters to private clients.

Aspects covered in those communications and/or noted in our files, include of course financial and non-financial performance, plus: capital structures, governance, risks of all kinds and – of increasing importance – the social and environmental impact of the business, an aspect which, once the settled regulatory approach has been decided upon, we will no doubt become more engaged with and involved in.

SRD II

SRD II is intended to promote greater transparency in the process of owning shares in quoted companies and to encourage more engagement between shareholders and their investees. As such, it builds on and rounds out aspects of the SC.

As an authorised discretionary investment manager, involved in the process of looking after investment portfolios for clients, we are indeed within the scope of SRD II, but this notice is intended to set out why we have elected not to comply – as to part or whole – with that regulatory development; our understanding though, is that our somewhat nugatory statements below nevertheless represent compliance with the new stipulations.

As background: we indeed have robust procedures in place to manage portfolios in line with settled objectives and policies and we (almost) continually engage with the source of every asset we hold – stock or bond – to verify that our expectations are being met (and, if not, we take action accordingly).

Along the way, as value investors, much of this involves the application of patience and the maintenance – whatever the prevailing business climate – of a long-term outlook; as that stance has never and will never change, we believe that we have always complied with the spirit of the new SRD II.

However, as the investment manager of an authorised unit trust and private client portfolios of a size such that – even taken together – our holdings are of a scale that our voting at company meetings is generally immaterial etc.

Exceptions (and these are on a case-by-case basis), are where proposed resolutions at such meetings are not – as we judge the situation – in the interests of our clients (in which case, on principle, we vote against) or, in the case of corporate reconstructions presenting choices, they require our election in any case.

In summary then, whilst within its scope, we are opting out of SRD II for the reasons described.

Hathaway Investment Management Limited

September 2020