

The UK Stewardship Code

Jupiter's Approach

January 2011



Jupiter Asset Management Limited (Jupiter) manages assets for a range of institutional and private clients. It is a subsidiary of Jupiter Fund Management plc and manages both segregated and pooled pension funds, charities and assets for investment companies. It also acts as Investment Adviser for the Jupiter range of unit trusts and SICAVs.

At Jupiter, we aim to act in the best interests of all our stakeholders by engaging with the companies that we invest in, and by exercising our voting rights with care. Not only is this commensurate with good market practice, it goes hand in hand with ensuring the responsible investment of our clients' funds. Equally, we ask companies to present us with their plans for maintaining social and environmental sustainability within their business.

As appropriate, Jupiter will engage and vote on issues affecting the long-term value of a company in which it is invested. Issues may include, but are not limited to, business strategy, acquisitions and disposals, capital raisings and financing operations, internal controls, risk management, board succession, shareholder rights, corporate and social responsibility, and remuneration.

Our approach to corporate governance is set out in our [Corporate Governance and Voting Policy – Jupiter's approach to corporate governance, corporate responsibility and voting](#).

This document explains Jupiter's compliance with the UK Stewardship Code.

Principle 1:

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Financial Reporting Council (FRC) Guidance on Principle 1:

The disclosure should include:

- how investee companies will be monitored. In order for monitoring to be effective an active dialogue may, where necessary, need to be entered into with the investee company's board
- the strategy on intervention
- internal arrangements, including how stewardship is integrated with the wider investment process
- the policy on voting and the use made of, if any, proxy voting or other voting advisory service, including information on how they are used
- the policy on considering explanations made in relation to the UK Corporate Governance Code.

Jupiter's Position on Principle 1:

Jupiter has long published its [Corporate Governance and Voting Policy – Jupiter's approach to corporate governance, corporate responsibility and voting](#) which outlines how it discharges its stewardship responsibilities.

The process for monitoring companies and the strategy for intervention is described in greater detail in our commentary on Principle 3.

Our SRI and Governance Team is responsible for implementing Jupiter's Corporate Governance and Voting Policy, working closely with our fund managers on stewardship matters. This involves engaging with companies, including chairmen and non-executive directors, on a wide range of issues such as remuneration, shareholder rights, board succession, capital raisings and relevant sustainability issues.

Jupiter supports the UK Corporate Governance Code and its UK voting policies are consistent with the Code. Where a company does not comply with the spirit of the Code, we will consider the company's explanation and react accordingly. This may lead to further engagement with the company or, potentially, a vote against management proposals. If the company provides a convincing justification and/or the issue is not material to the value of its shares, we would expect to support the company.

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.

FRC Guidance on Principle 2:

- an institutional investor's duty is to act in the interests of all clients and/or beneficiaries when considering matters such as engagement and voting
- conflicts of interest will inevitably arise from time to time, which may include when voting on matters affecting a parent company or client
- institutional investors should put in place and maintain a policy for managing conflicts of interest.

Jupiter's Position on Principle 2:

Please refer to our [Corporate Governance & Voting Policy](#) for details on conflicts of interest. Jupiter is fully aware of its responsibilities of acting in the interests of its clients when voting and undertaking engagement.

Principle 3:

Institutional Investors should monitor investee companies.

FRC Guidance on Principle 3:

As part of this monitoring, institutional investors should:

- seek to satisfy themselves, to the extent possible, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight, including by meeting the chairman and, where appropriate, other board members
- maintain a clear audit trail, for example, records of private meetings held with companies, of votes cast, and of reasons for voting against the investee company's management, for abstaining, or for voting with management in a contentious situation
- attend the general meetings of companies in which they have a major holding, where appropriate and practicable.

Jupiter's Position on Principle 3:

Jupiter is engaged in active portfolio management and our fund managers are given the freedom to invest as they see fit, subject to the constraints set by each fund's investment objectives.

Central to our investment process is the consideration of each company's ability to create and sustain long-term shareholder value. Regular company meetings are an important part of this process, allowing us to question and challenge companies about issues that we perceive may affect their value. Engagement and actively voting the shares we manage on behalf of clients should therefore be seen as integral to our investment process.

As appropriate, Jupiter will engage and vote on any issue affecting the long-term value of a company in which it is invested. Issues may include, but are not limited to, business strategy, acquisitions and disposals, capital raisings and financing operations, internal controls, risk management, board succession, shareholder rights, corporate and social responsibility, and remuneration.

Jupiter monitors investee companies by hosting and attending regular meetings with a company's management team. Jupiter typically has in excess of 1,000 meetings with companies each year, the majority of these being held post the announcement of preliminary or interim results.

In addition, Jupiter has an ongoing programme of meetings with the chairmen of our core holdings to discuss strategy, governance and approach to sustainability issues. These meetings form an important part of our routine engagement with companies.

Meetings are also held with companies to discuss specific environmental and social issues. These meetings are always attended by our specialist sustainability analysts as well as on occasion by fund managers.

The monitoring of board/director effectiveness is not restricted to the annual general meeting (AGM) period. Our corporate governance analysts and fund managers work together on issues regarding board and committee effectiveness. This is a symbiotic approach whereby the corporate governance analysts and the fund managers alert each other to relevant issues.

Jupiter has established an in-house database that provides documentation and a clear audit trail of our engagement with companies. Jupiter processes its voting instructions electronically via a third party proxy voting agent.

It is not standard practice for Jupiter to attend AGMs as most of our engagement with companies is conducted on a one to one basis, or collectively with other investors. However, Jupiter will attend an AGM in cases where we judge this to be the most effective means of communicating to the company. We will also appoint representatives to attend and vote at overseas meetings.

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.

FRC Guidance on Principle 4:

Initial discussions should take place on a confidential basis. However, if boards do not respond constructively when institutional investors intervene, then institutional investors will consider whether to escalate their action, for example, by:

- holding additional meetings with management specifically to discuss concerns
- expressing concerns through the company's advisers;
- meeting with the chairman, senior independent director, or with all independent directors
- intervening jointly with other institutions on particular issues
- making a public statement in advance of the AGM or an extraordinary general meeting (EGM)
- submitting resolutions at shareholders' meetings
- requisitioning an EGM, in some cases proposing to change board membership.

Jupiter's Position on Principle 4:

The most effective way for implementing our engagement/escalation policy on behalf of our clients is to focus on those companies in which we have a meaningful shareholding in terms of issued share capital or as a percentage of Jupiter's assets under management. However, this does not mean our engagement is purely restricted to our major holdings.

Jupiter believes that initial discussions with a company should normally remain confidential, particularly when faced with a scenario that could be detrimental to shareholder value.

Should initial discussions fail to produce a mutually beneficial outcome for all parties, our aim will be to resolve matters in a considered manner by extending the dialogue with the company and its advisors. We will call upon the chairman or senior independent director if it is necessary. Jupiter values its relationships with investee companies and our primary objective is to resolve issues directly without the need for external dialogue.

However, if the situation persists we may consider intervening jointly with other institutions. This will be decided on a case by case basis and will be guided by the relevant regulatory framework.

Jupiter is aware that escalating our engagement activity carries a degree of sensitivity and risk and that confidentiality is of utmost importance. We therefore do not ordinarily make public statements regarding our specific concerns with investee companies prior to an AGM/EGM.

Principle 5:

Institutional Investors should be willing to act collectively.

FRC Guidance on Principle 5:

- at times collaboration with other investors may be the most effective manner in which to engage
- collaborative engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten the ability of the company to continue
- institutional investors should disclose their policy on collective engagement. When participating in collective engagement, institutional investors should have due regard to their policies on conflicts of interest and insider information.

Jupiter's Position on Principle 5:

Jupiter's approach to acting collectively with other institutional investors is discussed under Principle 4.

Jupiter believes there are occasions when collaboration with other investors may be the most productive way to effect change. This may involve sharing views and ideas with other institutions. It may also involve meeting companies jointly with other shareholders or using the services of third-party membership organisations or other collaborative or informal groups. Jupiter has due regard to its policies on conflicts of interest and insider information at all times.

Jupiter is an active participant within investor forums which discuss governance and sustainability issues. Jupiter engages with inter alia, the Association of British Insurers, the National Association of Pension Funds and the International Corporate Governance Network. Jupiter is a member of the Investment Management Association and UKSIF (the UK sustainable investment and finance association). In addition, Jupiter is a signatory to the United Nations Principles for Responsible Investment and a founding signatory of the Carbon Disclosure Project (CDP) and the CDP Water Disclosure Project.

Principle 6:

Institutional investors should have a clear policy on voting and disclosure of voting activity.

FRC Guidance on Principle 6:

- institutional investors should seek to vote all shares held. They should not automatically support the board
- if they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution
- in both instances, it is good practice to inform the company in advance of their intention and the reasons why
- institutional investors should disclose publicly voting records and if they do not explain why.

For further information, please contact Jupiter's SRI and Governance Team on 020 7412 0703.

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Authorised and regulated by the Financial Services Authority whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS.

Jupiter's Position on Principle 6:

Please refer to Jupiter's [Corporate Governance & Voting Policy](#).

It is our intention to publish Jupiter's voting record on an ongoing basis from 1st January 2011. The first report is due to be published in April 2011 and will be updated on a monthly basis.

We also produce a biannual [Voting and Engagement Report](#) which is available on our website. The report looks at the trends in our voting decisions and highlights the issues we have engaged on during the period.

Jupiter provides bespoke quarterly voting reports to institutional clients detailing meetings voted on, votes against management and reasons for doing so.

In addition, Jupiter provides biannual voting and engagement activity reports to institutional clients. These reports detail dialogue with companies covering both corporate governance and sustainability issues, together with a review of wider corporate governance and sustainability themes of the six months under review.

Principle 7:

Institutional investors should report periodically on their stewardship and voting activities.

FRC Guidance on Principle 7:

- those that act as agents should regularly report to their clients details of how they have discharged their responsibilities. Such reports will be likely to comprise qualitative as well as quantitative information. The particular information reported, including the format in which details of how votes have been cast are presented, should be a matter for agreement between agents and their principals
- transparency is an important feature of effective stewardship. Institutional investors should not, however, be expected to make disclosures that might be counterproductive. Confidentiality in specific situations may well be crucial to achieving a positive outcome
- those that act as principals, or represent the interests of the end-investor, should report at least annually to those to whom they are accountable on their policy and its execution
- those that sign up to this Code should consider obtaining an independent audit opinion on their engagement and voting processes having regard to the standards in AAF 01/061 and SAS 702. The existence of such assurance certification should be publicly disclosed.

Jupiter's Position on Principle 7:

Please refer to Principle 6 above.

Jupiter's voting process is subject to independent audit as part of the AAF01/061 review. We await industry developments with regards to auditing engagement activities.