

## Governance for Owners LLP

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*"This brochure provides information about the qualifications and business practices of Governance for Owners LLP. If you have any questions about the contents of this brochure, please contact us at +44 (0) 20 7614 4750. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority"*

*Additional information about Governance for Owners LLP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)*

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## **1. Advisory Business**

*Governance for Owners LLP ('GO') was established in November 2004. The group is an independent UK based partnership between major institutional share owners, a long term financial backer and it's senior executives.*

*GO is a responsible activist investment manager. It provides supervisory services to managed pooled investment vehicles, including the GO Third European Focus Fund, and GO Fifth European Focus Fund (the "Managed Pooled Investment Vehicles"). These services include managing and monitoring the fund's investment portfolio, trading activities including broker selection and commission negotiation.*

*The GO European Focus Funds invest in a small number of European public companies where value can be added through engaging with companies to address strategic, financial and governance issues that have historically impaired company performance.*

*Go has an alliance with Tokyo Marine Asset Management ('TMAM') in Tokyo, to manage a responsible engagement investment fund, the TMAM-GO Japan Engagement Fund. This fund was launched in March 2012. GO is the General Partner of the Fund and TMAM has been appointed as the Investment Manager.*

*GO also provides investment advice to Co-Investment Funds (which invest in European stocks). GO has no control over whether this advice is acted upon or not, but it may however hold the same shares in the other managed funds for which it provides investment advice. The Co-Investment Funds have no base fee but are subject to an out performance fee if the stocks recommended perform better than the chosen index during the calculation period.*

## **2. Fees and Compensation**

*GO European Focus Funds*

*The Management Fee varies from 0.50% to 1.00% per annum based on Net Asset Value. It is taken quarterly throughout the year.*

*TMAM-GO Japan Engagement Fund*

*The Management Fee is 1.25% per annum of Net Asset Value (or 1.5% per annum if liquidity on 90 days' notice is required in the first 3 years). It is taken quarterly throughout the year.*

## **3. Performance Based Fees**

*GO European Focus Funds*

*Performance fees is 20% of the relative outperformance of the fund against the benchmark (and in some cases includes an additional hurdle of 1%pa), net of all management and performance fees and other costs, including Custodian charges and Brokerage charges, measured at the end of each calendar year. The performance fee is calculated annually on 31 December each year and paid in arrears. This fee is payable in 3 instalments; the amounts differing depending on the investment vehicle. For the GO Third European Focus Fund, instalments are 80% when the fund has been audited and 10% on the first and second anniversaries of such later date when the fund's cumulative relative outperformance exceeds that which gave rise to the performance fee. GO Fifth European Focus Fund instalments are 70% when the fund has been audited; 0% on the first anniversary and 30% on the second anniversary. Certain of the funds have arrangements where the balance of 20% can be reduced by future underperformance.*

*TMAM-GO Japan Engagement Fund*

*The performance fee is 20% of the relative outperformance of the fund against the benchmark. The performance fee is calculated annually on 31 December each year and paid in arrears. This fee is payable in 2 instalments, 70% when the fund has been audited and 30% on the second anniversary.*

**4. Types of Clients**

*Current clients include a US State Pension Plan, a Swedish National Pension Fund, a UK Local Authority Pension Plans, Investment Companies and Individuals (affiliated to GO). The Funds are open to other professional investors such as Endowments, Foundations and Family Offices.*

**5. Methods of Analysis, Investment Strategies and Risk of Loss**

*In advance of investing, we carry out extensive fundamental research into a company, its performance, its history and its prospects, and the potential to release its latent value. We aim to understand why the company is out of favour with the market.*

*Generally, we aim to represent a significant block of shares, sufficient to be a top shareholder in the company. This enables us to work constructively with the board and with other shareholders as a catalyst for change.*

*We generally invest for a period of three years. Our clients mostly pension funds, are very long term investors and will generally own shares in the company in their other portfolios. Once invested, we work with the board and management as a catalyst for change.*

*The TMAM-GO Japan Engagement Fund is managed by TMAM using the same principles as the funds managed directly by GO.*

**6. Disciplinary Information**

*N/A*

**7. Other Financial Industry Activities and Affiliations**

*N/A*

**8. Code of Ethics, Participation or Interest in Client Transactions and Personal trading**

***Obligation to act honestly, fairly and professionally in the best interest of the Client***

*GO will carry out all activities on behalf of clients in a professional manner and in accordance with the clients' mandates;*

- *With respect to portfolio management, GO must not carry out unnecessary or disadvantageous transactions on behalf of clients, or carry out transactions which due to their frequency and volume would be considered to have been effected only in the sole interest of GO.*

- GO must not intervene directly or indirectly in the market in order to take profit from an order given by a client and must ensure members and staff respects this same rule.

**Obligation to act with competence, care and due diligence in the best interest of its clients**

- GO must maintain the accounts of its clients separately from its own accounts.
- GO must act with due diligence in relation to its services while respecting the rules and practices in each market.
- GO must ensure that staff perform their duties soundly, honestly and professionally.
- Unless assisted by an expert, GO will refrain from carrying out an activity if the information available and the experience within GO is insufficient to guarantee an appropriate service to clients.
- GO members and staff must treat complaints from clients in an appropriate manner and in a reasonable timeframe.

**Obligation to have and use efficient resources and procedures**

- GO must have at its disposal sufficiently qualified resources, adequate technology and capacity and an appropriate internal organisation and security.
- GO must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.
- In respect of portfolio management, the portfolio records should contain full detail of all transactions and their execution.

**Obligation to get identification details and information on the financial situation of its clients**

- Before entering into a business relationship, GO will obtain information from the client such as identity, domicile, registered address, legal status, legal capacity and any possible restrictions placed on that client's investment activities.
- GO must obtain relevant financial information on the client.
- GO will ensure the previously mentioned information is always up to date.

**Obligation to communicate all relevant, appropriate and useful information in a comprehensible form to clients**

- GO must ensure that all information provided to clients is fair, clear and not misleading.
- Where portfolio management is concerned, the contract between the parties will mention at least the following: management objective, types of assets and instruments in the portfolio, what information will be given to the client, the duration, conditions of extension or termination of contract and the remuneration of GO.
- GO will inform the client about any possible risks that may be incurred while investing in the funds distributed by GO, including the warning that historical past performance does not guarantee good performance in the future.
- GO will not publish erroneous or misleading information on its services.

**Obligation to avoid conflicts of interest, and if these cannot be avoided make sure that clients are treated equally.**

- Functions and activities where conflict of interest could arise need to be strictly separated in order to avoid/manage any conflict of interests. Personal interests that are in conflict with the interests of GO are strictly to be avoided. If any member or member of staff (or those connected) has a personal interest of more than 3% in a company dealing with GO or a competitor, this has to be immediately disclosed to the GO Board.
- GO will not pay or accept any fee or commission, or provide or receive any non-monetary benefit, in relation to designated investment business other than a fee,

commission or non-monetary benefit paid or provided to clients or a person on behalf of clients.

- GO members and staff are strictly prohibited to accept or solicit advantages, which may cause a conflict of interest. Presents and advantages of a value higher than £100, that members and staff may be given while exercising their professional activity must be declared and will be recorded in a gift register.
- GO members and staff have to abstain from recommending to clients to buy or sell securities where there is a conflict of interest.
- GO does not permit soft commission.
- GO employees must be vigilant against conflicts of interest and identify potential conflicts between one client of the firm and another client that arise or may arise in the course of the firm providing any service.

**GO must avoid situations where:**

- It is likely to make a financial gain at the expense of a client;
- GO has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- GO has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- GO receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

**Obligation to conform to the applicable rules and regulations**

- GO must respect and comply with the laws and regulations, including but not limited to the U.S. Federal securities laws, and any changes thereof.
- All employees must be aware of the procedures which must be followed for the proper discharge of their responsibilities. These are detailed in the Compliance manual, job descriptions and relevant Operational manuals.
- GO will comply with the marketing and authorisation regulations in the markets where GO and the funds distributed by GO are active.

**Fair Competition rules**

- GO members and staff must abstain from taking away or attempting to take away clients from its competitors by using means that are contrary to fair competition. GO will not be allowed to use confidential information about a competitor's clients through one of its members and staff, who was previously employed by this competitor.

**The principles for business**

- The following principles apply to the conduct of the business of GO. Members and staff should always conform to them whilst undertaking their daily tasks.
  1. **Integrity:** Must conduct business with integrity.
  2. **Skill, Care and Diligence:** Must conduct business with due skill, care and diligence.
  3. **Management and Controls:** Must take reasonable care to organise and control the affairs responsibly and effectively, with adequate risk management systems.
  4. **Financial prudence:** Must maintain adequate financial resources.

5. **Market Conduct:** Must observe proper standards of market conduct.
6. **Client's interests:** Must pay due regard to the interests of the clients and treat them fairly.
7. **Communications with Clients:** Must pay due regard to the information needs of the clients, and communicate information in a way that is clear; fair and not misleading.
8. **Conflicts of interest:** Must manage conflicts of interest fairly, both between themselves and their clients and between their clients and another client.
9. **Client Assets:** Must arrange adequate protection for client's assets when they are responsible for them.
10. **Relations with regulators:** Must deal with the regulators in an open and cooperative way, and must disclose to the FSA and the SEC any information they would reasonably expect to receive.

### **Personal dealing**

All members and staff should act in accordance with the highest standards of ethics and market practices, as follows:

- All members and staff have a fiduciary duty to put the interests of clients first
- All Personal deals should be conducted in accordance with GO Rules
- All actual, perceived or potential conflicts of interest should be avoided
- Members and staff should not take inappropriate advantage of their positions

### **Requirements on Personal Dealings**

GO members and staff must not directly or indirectly, for themselves or any person connected with them acquire or dispose of securities in the following circumstances:

- (i) Where there is a possible conflict of interest between GO and a client
- (ii) Where they cannot demonstrate that they have sufficient personal assets to settle a purchase in full on account day or, where selling, that they are in fact a holder of the securities sold.
- (iii) Where they have not obtained prior written permission as stipulated

Failure to observe these rules shall result in a breach being reported to senior management and the potential for disciplinary action being taken.

The Term "personal dealings" includes transactions on behalf of:

- (i) A spouse;
- (ii) civil partner of the relevant person or any partner of that person considered by national law as equivalent to a spouse;
- (iii) a dependent child or stepchild;
- (iv) any other relative who has shared the same household as that person for at least one year on the date of the personal transaction concerned;
- (v) any person with whom the person has close links; as defined below.
- (vi) Any person that has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

"Close links" include a situation in which two or more persons are linked by:

- a. participation which means the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking,
- b. A situation in which two or more persons are permanently linked to one and the same person by a control relationship shall also be regarded as constituting a close link between such persons.

The term "Securities" includes publicly traded equities, Investment Trusts, eurobonds, loan stocks, certificates of deposit, commercial paper, debentures and

*other debt securities, warrants, options (traded and non-traded), swaps, financial, commodity or currency market bets (e.g. City Index), futures, options on futures. This is not an exhaustive list, if a member or employee is in any doubt whether the transaction comes under the staff dealing rules, he or she must seek advice from Compliance.*

*Speculation in securities is not permitted.*

*All aspects of the Personal Dealing rules are subject to monitoring by Compliance, where records will be retained for a period of 5 years*

*Permission to deal will not normally be granted in the following circumstances:*

- a) securities concerned are on the Stop List; or*
- b) fund manager/dealer is actively dealing in them; or*
- c) fund manager, dealer or investment research analyst seeking personal dealing authorisation has dealt in/recommended the same stock in the previous 7 days.*
- d) When securities are being reviewed by the teams at a 'detailed research' stage of the GO investment cycle*
- e) Securities that are progressing through the engagement process and management of the investee company has either*
- f) Accepted GO strategy for change or*
- g) Communicated information to GO representative which falls into section 14 of GO's compliance manual ( Market Abuse)*

**Governance for Owners will provide a complete copy of the Code of Ethics to any client or prospective client on request.**

**For the TMAM-GO Japan Engagement Fund, the fund is managed by TMAM from Tokyo. TMAM has similar Code of Ethics, Conflict of Interest and Personal dealing rules. Governance for Owners will provide a copy of TMAM's policies to any client or prospective client on request.**

## **9. Brokerage Practices**

*Governance for Owners has full discretion over the amount of securities to be bought or sold, the choice of the broker or dealer used and the commission rates paid.*

*In determining which broker to use various factors are taken into consideration, including:*

- o Ability to obtain best execution*
- o Market familiarity*
- o Reliability*
- o Ability to maintain confidentiality*
- o Commission rates*
- o Technology infrastructure*
- o Timely execution*
- o Good communications*
- o Ability to maintain accurate records*
- o Size and nature of the order*

### **Commission Rates**

*In line with FSA regulations and relevant market practice/guidance, execution and research rates are agreed upon with each broker on a market-by-market basis. These are reviewed periodically with brokers to ensure that they accurately reflect both the costs and value of execution and research services.*



*For the TMAM-GO Japan Engagement Fund, TMAM has similar policies in place in line with market convention in Japan.*

## **10. Review of Accounts**

**Daily:** *The fund valuations are checked by the Finance and Administration Team.*

**Weekly:** *The fund valuations and weekly performance report are checked by a member of the Finance and Administration Team and subject to a second review by the Finance Director.*

**Monthly:** *Fund valuations, performance and individual client reports are checked and signed off by a member of the Finance and Administration Team and the Finance Director.*

**Quarterly:** *Fund valuations, fund performance, individual client reports, stock and market commentaries are checked and signed off by a member of the Finance and Administration Team and the Finance Director.*

### **Reports are issued on the following frequency:**

**Monthly:** *Reports are produced and dispatched within 5-8 working days of month end and contain the following information:*

- *Fund valuation*
- *Fund performance versus benchmark*
- *Individual stock performance*

**Quarterly:** *Reports are produced and dispatched within 10-15 working days of Quarter end and contain the following information:*

- *Fund valuation*
- *Fund performance versus benchmark*
- *Individual stock performance*
- *Stock and market commentary*

*For the TMAM-GO Japan Engagement Fund, TMAM operational personnel are responsible for confirmation of trades with brokers and daily reconciliation between the custodian and administrator. A monthly reconciliation is produced by TMAM and reviewed and signed off by GO.*

## **11. Client Referrals and Other Compensation**

*N/A*

## **12. Custody**

*N/A*

## **13. Investment Discretion**

*We have full discretionary authority to manage securities accounts on behalf of our clients.*

*This authority is achieved when the client signs the Partnership Agreement. Within the agreement certain limitations apply to the management of the accounts; these are set out below:*

- *That we invest in equity securities domiciled in Europe which are listed, admitted to trading or dealt in on a European stock exchange.*

- We generally aim to hold between 8 to 10 securities at any one time with a maximum of 30 securities.
- We would not normally hold in excess of 15% of the equity of any one security, or that any one security exceeds 20% of the accounts net assets.
- That we must not short sell futures.

*For the TMAM-GO Japan Engagement Fund, similar provisions and restrictions exist for the investment in securities listed on a Japanese Stock Exchange.*

#### **14. Voting Client Securities**

*The GO European Focus Fund is a shareholder engagement fund investing in quoted European companies, the value of which is being discounted by the market as a result of strategic, financial or governance issues. The underlying premise of the fund is that companies with actively involved shareholders perform better over the long-term.*

*We identify the causes of the valuation shortfall and ways in which they can be resolved. We then work with company boards and management to bring about changes that will, over time, result in the inherent value of the businesses being realised and lead to an improvement in the long-term returns to shareholders.*

*We see voting as an essential component of our engagement with companies.*

##### **Policy**

*Our beliefs on stewardship and how we discharge our stewardship obligations in relation to the GO European Focus Fund are detailed on our website (<http://www.g4owners.co.uk/>).*

*Governance for Owners (GO) has adopted the International Corporate Governance Network's (ICGN) corporate governance principles for its overarching guidelines on governance best practice. These principles also inform how the GO European Focus Fund will generally vote.*

*Rather than create yet another set of policies, we believe it is more effective to adopt those to which we had already made a contribution and that are widely recognised in international corporate governance circles.*

*While we believe that there are some fundamental principles of corporate governance that apply globally, we are well aware that governance arrangements vary widely from country to country and company to company. Accordingly, the GO European Focus Fund will follow market-specific best practice, as presented in country codes. Furthermore we will assess voting issues on a case-by-case basis and in the context of the specific circumstances of each company.*

*We encourage the boards of investee companies to consult with us and other shareholders in advance of general meetings rather than risk having resolutions voted down by shareholders. Likewise, where our views differ from those of the board, we will seek to engage with the board at an early stage to try and resolve such differences.*

*We review the notice of the general meeting as soon as it is published and, if it still contains any resolutions that we believe would affect the long-term sustainable value of the company, we will engage with the company either to obtain additional information on the specific resolution or to explain why we might vote against a proposal.*

*Given the focused nature of our portfolio and the deep in-house experience of corporate governance issues, it is not unusual for companies to amend the agenda or resolutions following consultations with us prior to the general meeting.*

*Where we have been unable to resolve our differences in advance of the general meeting, we may decide to abstain or vote against a company. An abstain vote will be cast only when it is in the long-term interest of our investors not to confront an issue directly.*

*When we vote against a company, we will always have already explained our reasons to management and we may additionally make a statement explaining our position to the other shareholders.*

*Although it is seldom necessary, when faced with an intransigent board, we are prepared to use all shareholder rights available to us. Although these differ between jurisdictions, they include proposing shareholder resolutions, calling extraordinary meetings of shareholders and requesting a special audit.*

#### **Procedure**

*The voting decision, for each shareholder meeting is taken by the two partners responsible for each investment, based on their detailed company specific knowledge and in light of our engagement agenda.*

*We have a policy of always attending shareholder meetings and voting in person if at all possible. Our presence at such meetings is always noted as it is unusual for institutional shareholders to do so. We use our attendance at such shareholder meetings as an opportunity to meet and engage with members of the investee boards.*

*We have policies and procedures in place to identify, consider, manage and document potential conflicts of interest. The interests of our clients always come first.*

*For the TMAM-GO Japan Engagement Fund, voting is carried out in accordance with similar policies by operational personnel of TMAM assisted by staff of Governance for Owners Japan office as necessary.*

**15. Financial Information**

N/A

**16. Requirements for State Registered Advisors**

N/A