The Stewardship Code

The UK Financial Reporting Council ("FRC") issued in July 2010 the UK Stewardship Code. The Stewardship 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.

Hayfin Capital Management LLP specialise in sourcing, structuring and managing European private debt investments while operating complementary business lines across corporate, maritime and alternative credit. Given the nature of its investment activities, Hayfin is not ordinarily in a position to apply the Stewardship Code as envisaged by the FRC and the code in general has limited applicability to Hayfin. That said, Hayfin supports the aim of the Stewardship Code. Below is a list of the principles and Hayfin's approach to each principle.

Investors should publicly disclose their policy on how they will discharge their stewardship responsibilities. Under the Code's "comply or explain" policy, Hayfin has disclosed on its website its approach to these seven principles and the Code generally.

Investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed. Hayfin acknowledges that conflicts of interest may arise in the context of investments. Hayfin has implemented a policy for identifying and managing conflicts of interest with the overriding aim of taking all reasonable steps to put the interests of their client or beneficiary first. The Private Placement Memorandum for each of Hayfin's funds discusses the potential conflicts facing the fund and Hayfin's approach to managing those conflicts.

Investors should monitor their investee companies. Hayfin's Research team are responsible for monitoring all investments on a monthly basis at a formal monthly meeting with certain members of Hayfin's investment committee. Hayfin's analysts maintain regular dialogue with companies which enables the team to monitor the companies effectively. Where material underperformance, events or other appropriate circumstances exist, the full investment committee will meet to review the relevant investment.

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities. This principle focuses on the circumstances where an investor will actively intervene and regularly assess the outcomes of doing so. Given Hayfin's focus on senior debt investing, there is limited applicability of this principle to Hayfin. However, on a case by case basis where meaningful, Hayfin would implement additional efforts and engagement with portfolio companies to escalate stewardship activities. Hayfin takes an active approach to communicating its views to portfolio companies and seeking improvements where the analysts believe there are shortcomings in performance. Dialogue is continued over an extended period of time if necessary.

Investors should be willing to act collectively with other investors where appropriate. This principle also has limited applicability to Hayfin. That said, where appropriate, Hayfin collaborates with other, similarly situated investors to increase the investor group's influence over a portfolio company.

Investors should have a clear policy on voting and disclosure of voting activity. As a debt investor, voting has limited applicability to Hayfin.

Investors should report periodically on their stewardship and voting activities. Given the limited applicability of the Code to Hayfin, it has not implemented a formal reporting policy for stewardship and voting activities.