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# Ethical Structured Company

Frequently Asked Questions

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## What is an Isle of Man Ethical Structured Company?

It is quite simply an Isle of Man company, limited by shares and by guarantee and has the advantage of being a corporate legal entity. The company is universally recognised and (subject to remaining solvent) it endures until the shareholders and guarantee members decide it should be wound up.



## What are the ethical purposes?

There is a range of ethical purposes for which this structure is suitable which include Shariah compliance, 'green' social impact investment or philanthropy.



## How can you be sure that it would be Shariah compliant?

The internal documents which provide rules for the Supervisory Board comply with the well-established and highly respected Guiding Principles on Shariah Governance Systems issued by the Islamic Financial Services Board (IFSB).



## And what would be the green credentials?

As with each application, they can be tailored to meet the requirements of the individuals or families concerned. They may choose to restrict investments into certain areas which have a social impact or which focus on environmental sustainability or alternatively avoid investment into classes which include alcohol, tobacco or fossil fuels. There are also globally recognised standards in green finance which can be verified by an appropriate third party against a globally recognised standard.

The main message here is that the appropriate standards can be tailored to meet the ethical beliefs of each client.



## Are there any restrictions on philanthropy?

Not at all, as with the Shariah compliance and green social impact investment the Supervisory Board's rules can be drafted to enshrine the philanthropic objectives and aims of the family or individuals.



## Why is this unique to the Isle of Man?

The Isle of Man has company law which provides for companies which are limited both by shares and by guarantee. This has been available since the 1800s and has the advantage of being universally recognised, and provides the comfort of proven, effective and reliable legislation.

In addition, Isle of Man companies have full capacity to do anything which allows this unique structure to be tax neutral, ethically responsible with no liability for shareholders, EU Substance compliant and thus can only look to enhance the Isle of Man's reputation in the global marketplace.



## How does the structure work in practice?

The company has guarantee members (non-transferrable) and shareholders (transferrable).

- The guarantee members' liability is limited to an undertaking to pay a certain amount (say £100) in the event of a winding up. The guarantee members may be able to receive capital distributions from the Ethical Structured Company during its lifetime and on liquidation.
- Shareholders are required to acquire shares and their liability is limited to the value of the shares.

The Board of Directors are the decision makers and manage and control the Ethical Structured Company. The shareholders rights and the powers of the Directors combined can be likened to the powers of trustees or to the administrators of a Waqf.

## How are the internal affairs of the Company governed?

A separate tailor-made Members Agreement between the shareholders, guarantee members and the Company is put in place. This remains a private document, not available to the public.

The Members Agreement will be drafted to suit your requirements but usually includes:

- A definition of the Company with any restrictions required
- Identifying Company decisions which would require guarantee member consent;
- Guidelines on how the Company's affairs will be run, including procedures in the event of disagreement between the shareholders and the guarantee members;
- Procedures for the appointment and removal of guarantee members;
- Details of the future guarantee members in the event of the death or incapacity of a guarantee member;
- A strategy to ensure that future shareholders and guarantee members agree to the terms of the Members Agreement.

## What is the function of the Supervisory Board?

The Articles of Association include provision for a separate Supervisory Board which, though its members are not Directors and are not entitled to manage or control the company in any sense, provide the Company's 'conscience' as policy advisers and policy compliance auditors to the Board of Directors. In summary, the Supervisory Board advises the Board of Directors with regard to the purpose whether that be Shariah compliance, green or philanthropic.

## Who would this Ethical Structured Company be suitable for?

We think this would be attractive to anyone looking for a robust structure for ethical purposes which are either Shariah compliant or to meet their philanthropic or green requirements. It is particularly of interest to families or individuals in countries which may not recognise alternative concepts such as trusts, Waqfs or Foundations because the Ethical Structured Company can offer similar benefits in a corporate legal entity.

## Why the Isle of Man?

The Isle of Man is in a unique position which offers a safe, stable and secure venue, with suitable and enduring legislation which provides for this type of company limited both by shares and by guarantee. The environment in the Isle of Man is fiscally benign and economically strong.

## Can you summarise the benefits of this structure for me?

This is a universally recognised company for ethical purposes to meet the growing need for social and impact investments, to meet philanthropic principles or to be Shariah compliant (none of which are mutually exclusive) and which can be employed where Foundations, Trust or Waqfs are not recognised to achieve a similar outcome.



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