UK STEWARDSHIP CODE - ALKEN'S RESPONSE

Alken Asset Management
And
Alken Finance LLP
(Together "Alken")

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About the firm and its stewardship culture

Alken Asset Management Ltd. ("Alken") is an investment manager with a primary focus on European equities. Established in 2005 and subsequently authorised by the FCA in 2006, the long-standing success of Alken derives from the trust investors have put into the firm's ability to outperform the European Equity Market. Since its creation more than ten years ago, Alken's objective has always been to maximise shareholder's return, offering exemplary performance and delivering a high standard client service.

Defined as per "The responsible management of something entrusted to one's care"[i], Alken believes in an effective stewardship that can benefit companies, investors, and the economy as a whole. As an investor, the firm is aware of the key role it plays in holding the board accountable for the fulfilment of its responsibilities. Alken regards stewardship as fully embedded within a "decision-usefulness" and feels fully committed to the different principles of the Stewardship Code ("the Code").

Moreover, if the Code only applies to the firm's UK investments, recent years have shown an overall increased focus on the role played by investors in listed companies. The firm therefore doesn't limit itself to its UK investments and believes it is impossible to avoid the increased attention on investors' responsibility to be prudent and to operate an active ownership and the firm therefore looks at the Principles as a general firm culture.

It is in light of this that we will present below our response to the Code and the ways we discharge our stewardship responsibilities. We will elaborate on the way we monitor our investee companies; on the way we integrate stewardship into our wider investment process as well as on our voting process.

We welcome feedback on our response. Please contact:
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Principle 1

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

Alken has put in place a socially responsible investment policy as well as several ESG processes that are fully embedded into the company's investment decisions.

Committed to responsible investment and active ownership, Alken is also a signatory of the UN Principles for Responsible Investment (PRI) since November 2012.

Stock picker and well-known for its fundamental research, Alken attaches great significance to the monitoring and engagement with companies. We take long-term stake in businesses and like to look at all the different factors in their entirety. This means the analysts not only thoroughly analyse the company's strategy but also its performance, its risk, the capital structure, its governance, the company's culture, the employees' satisfaction, its business model as well as remuneration rules. In addition, Alken also very much values the engagement with companies – it likes to establish a sound and regular dialogue and discuss the matters as soon as they arise. More precisely, we like to develop multiple points of contact both within but also outside the company, making sure we reach a good understanding of the everyday business activities. Among other examples we regularly monitor the company announcements and analyse stockbroker research as well as organise meetings with the senior management as much as possible in order to make sure our objectives are kept aligned.

As an investment manager of equity investments – Alken defines itself as a long-term investor looking to invest in companies that distinguish themselves by their strong and sound management. The portfolio managers like to meet the management of the company several times prior to investing in it.

Moreover, Alken likes to monitor the environmental, social and governance (ESG) standards and culture of the companies it invests in. This stems from the belief that ESG provides valuable information as to the health of a company and which may have a material impact on the performance and reputation of the company we invest in in the shorter or longer term. In addition to meeting internal and external people to the company, we also use *Vigeo Eiris* which provides an ESG ranking of companies, with a breakdown of the different ESG topics and how well the company is doing on each of them. The ranking helps us assessing the potential risks lying within a company and if needed helps us addressing our concerns to 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.

We strive to always act in the best interest of our clients, and we remain mindful and alert to conflicts of interest which could occasionally arise, in particular, during the voting process, when one may be inclined to vote on matters affecting another client. It is therefore possible that interests between clients themselves may happen to diverge. In such cases Alken believes in the use of proportionality and is committed to endeavour taking all reasonable steps to put the interests of its clients first.

Alken’s conflict of interest policy is based on the following four steps:

1/ First identify the potential conflicts of interest.
2/ Second establish internal policies and procedures that will help avoid or manage the conflicts.
3/ Third create and maintain a register for those conflicts.
4/ Fourth create and maintain a framework for dealing with conflicts.

Below we will elaborate on the different conflicts that we have identified.

As per the FCA requirements of SYSC 10.1.3. Alken has identified a list, though not exhaustive, of potential conflicts of interest that could arise during its business activities.

General conflicts of interest could be as follows:

- The portfolio manager is interested in increasing the assets under management (and therefore receive more fees) whereas it might be beyond the size of his investment’s ideas
- The portfolio manager could try take higher risks than usual by the end of the performance fee period (this would maximise alpha and therefore his performance fee).
- The interests of Alken conflict with those a client
- The interests of a client of Alken conflict with those of another client of Alken
- Alken has obtained confidential information relating to a client – which information could be of value to another client of Alken or to another business of Alken
- The interests of an employee of Alken conflicts with the interests of a client of Alken or of Alken itself

Regarding Alken’s managed accounts:

- The portfolio manager could exploit market timing/ late trading strategies so that costs are borne by uninformed and passive long-term investors
- The portfolio manager could invest in assets which are not well suited to the clients but where he receives kick backs
- As the portfolio manager works for multiple principals at the same time, it could be that the same assets are being purchased for different vehicles at the same time. This allocation problem will end up having the accounts not treated equally.

Regarding personal account transactions:
The firm shall allow personal account transactions under strict conditions laid out in the firm’s Compliance Manual. Upon joining Alken, employees are required to disclose their personal dealings in European or any shares. In addition, Alken requests further ad-hoc disclosures twice a year.

In addition to those different steps, Alken is driven by different principles that help us manage conflicts of interest.

Our first principle is to always treat all clients fairly and in their best interests. The staff is personally trained to ensure that employees, from the compliance to the analysts, the traders and portfolio managers fully embrace their conflict of interest’s responsibilities.

Secondly, transparency is a fundamental principle at Alken. As fiduciaries, we seek to be transparent in the management of any conflicts of interest we may have. Therefore, whenever a potential or an actual conflict of interest is identified, we make sure to log it to the conflict of interest register that we maintain

– most of the time after having taken guidance and obtained approval from our compliance advisory firm Duff & Phelps. We also update the conflicts of interest log twice a year. Depending on the type of conflict of interest, we may also want to directly disclose the issue and seek instructions from clients concerned. The management of confidential and inside information is controlled via our "Chinese walls" which helps monitor who detains what information, and for how long, at Alken. Our processes are detailed in our Compliance Manual and Policies which are being reminded to the staff twice a year. We also disclose these policies publicly as part of our culture of transparency.

Finally, we actively address potential or existing conflicts of interest through clear, continuous dialogue internally and with third parties. Whenever possible, we share the rationale about how we chose to act.

Principle 3

Institutional investors should monitor their investee companies.

We regard effective monitoring as an essential component of stewardship.

Alken strives to monitor its investee companies in undertaking the following actions:

- *Keeping abreast of the company's performance.*

By this we mean that we carry out regular reviews of the company's portfolio, its potential risks, its reputation, and business strategies. For this we would use a variety of sources: company financial reports, regulatory filings, sustainability reports, press releases, factsheets, presentations, Bloomberg, industry conferences and of course the sell-side research which Alken as a fundamental research firm consumes a lot.

- *Keeping abreast of developments, both internal and external to the company, that drive the company's value and risks.*

By this we mean that we maintain a proactive participation in both formal and informal investor networks dialogues. We like to regularly meet the company and discuss the issues with the senior management and boards of directors. During the meetings we would ask a variety a question – from the company future developments, its operating performance or their key ESG concerns. We will only decide to engage if we believe that this is a case that will maximise the shareholder value as long-term investors.

- *Make sure the company's leadership is effective and that it does have a sound corporate governance culture.*

By this we mean that we would ask about the competence of the Board of Directors, the shareholder voting rights or the effectiveness of the executive remuneration programs.

- *Using Vigeo Eiris to conduct ESG screening of the investee companies.*

We regularly check the company ranking to verify that the standards have not changed over time. Issues that we could be looking for are related to environmental concerns, for example in terms of climate change or waste product and pollution management. Social issues have proved to also play a great deal in the company's success – for instance anti-discrimination or working conditions in developing countries.

- *Anticipating risk*

In general, Alken strives to identify issues before they result in a significant loss in investment value. Therefore, most of the work undertaken is towards endeavouring to anticipate upcoming difficulties and take preventive actions to mitigate those issues.

- *Establishing sound information barriers*

With regards to the disclosure of inside information on the investee companies – it could very well be that we do not wish to be made insiders if the compliance team believes that the team would like to keep its ability to trade on the given stock. In order to keep us protected Alken has established a solid wall crossing procedure whereby the compliance team is being contacted first by brokers. It is down to the team to decide as to whether analysts will be made insiders or not. The compliance team is also required to hold records of its decision and communication with the broker on the company's internal register. If we decide that we do want to become insiders and that this will not affect our commitment to our clients of maximising shareholder value, we will of course restrict trading in the company.

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.

What types of issues would be of concern to us?

At Alken we understand that it is of paramount importance that investors set out the circumstances whereby they should intervene and assess the potential outcomes of doing so. Examples of situations where Alken may wish to intervene are as follow: concerns have arisen regarding the company's strategy, its performance, its governance, its remuneration, its approach to risks or related to social and environmental matters. More precisely, it could be that we start observing repetitive failures or departure from the corporate governance code or that we are concerned about the lack of any long-term strategic direction; a poor risk management that threatens the business in terms of environmental and social risks; appalling financial under-performance.

How do we tackle them?

Since we believe that stewardship is not only about voting at company meetings but really about engaging in a long-term relationship with companies, at Alken we like to bring issues on the table step by step – escalating things proportionality to the risk and attitude of the investee company.

Therefore, in case of a concern we would first enter a dialogue with the company – either directly or collectively with other shareholders. We may also want to express our concerns through the company's advisers, the chairman or other boards members. We may also want to collaborate with other shareholders to hardness a coordinated approach to the company board. In instances where we believe our concerns have not been adequately addressed, we may want to submit a resolution at the shareholders' meetings or vote against a company management at an Annual General Meeting. Following this we would then continue watching the company's actions to assess whether our concerns were adequately addressed. Eventually, if we believe that the management is not adequately recognising or addressing areas of concern that we believe may present a material financial or reputational risk to the company we may decide to reduce or to sell our shareholding.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

Whilst Alken choses to act independently and share its views clearly and forthrightly with companies, it duly appreciates the benefit of collaborative engagement with investor groups globally. For instance, in some circumstances, collaborative engagement may be more appropriate to escalate our concerns.
We would also like to join other investors in engagement activity at an industry level, for example via an Investor Forum. We believe that this is indeed an efficient way of facilitating the dialogue between corporates and their owners. We would of course refrain from "acting in concert" where the given rules or regulations prevent us from collaborating with other investors.
Our objective when engaging collectively is not to be achieving a global control of companies but to encourage the boards to address concerns to long-term shareholders – always placing the interests of the company and shareholders at the forefront.

Principle 6

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

We recognise that voting at company meetings is an important aspect of our fiduciary duty towards clients. We regard voting as a channel within the on-going dialogues with investee companies. We understand that improvements could take time and that reasonable expectations yield winning results.
Alken likes to engage on any topic of concern. We therefore want to use the voting rights where it would best service for our clients. We will cast our vote in the clients' perceived best interests. Whatever the decision we take, to either vote or not vote, we like to make sure companies are being communicated the rationale behind our decision.

We may, for instance, vote against a decision or proposal by an investee's board of directors where such a decision or proposal conflicts with, or does not strive to further, shareholder interests. We may also vote against a resolution where we reasonably believe too little information was disclosed pertaining to the proxy resolution. In the latter, we may contact the investee company to request further information in respect of the resolution in question. Finally, our voting rights may be abated pursuant to foreign laws or regulations, extinguishing any benefits which could have been enjoyed from exercising said voting rights.

Principle 7

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

It is given that investors should maintain a clear record of their stewardship responsibilities. It falls under our responsibility to be able to regularly inform our clients as to how we have fulfilled our duties.

We may disclose our stewardship activities through clients reports, monthly presentations, our monthly risk report or annual control report. Those materials are indication of the matters that we monitored over the month or quarter. It may also happen that Alken is asked for its views or details of activity on a topic. We may share this in the press if the information is not being sensitive and confidential. Moreover, we may regularly discuss specific issues with the clients themselves in more depth upon their requests.

Conducting fundamental research and stock pickers, we like to report on both qualitative and quantitative information. Quantitative information may comprise votes summary and qualitative information may indicate the level of engagement with companies or thematic issues discussed at an industry level.

We also want to have a transparent and open relationship with our clients about our activities - unless confidentiality requirements would prevent us from doing so. If any changes in our voting activity we would make sure to let our clients know as soon as it is considered relevant to them. Also, we encourage clients to share further expectations as we do recognise this is an evolving area and are happy to enhance our processes where need is be.

Shareholder Rights Directive (SRD II)

Alken provides investment management services to institutional investors.

Under COB 2.2B.5R of the FCA Handbook we are required to publish our shareholder engagement policy together with an annual public disclosure in relation to our implementation of this policy on our website.

Alken' shareholder engagement policy can be found at the following link: https://www.alken-am.com/, this policy is reviewed at least annually to ensure that it continues to reflect Alken's approach to shareholder engagement.

For further information please contact:

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[i] *Merriam-Webster's Online Collegiate Dictionary, 2001.*