Alken Asset Management Ltd
Alken Finance
(‘the Firms’)

Remuneration Code
Procedures, Systems and Controls Policy

2020

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Introduction

Regulatory context

The Remuneration Policy ('the Policy') of Alken Asset Management Ltd and Alken Finance LLP ("the Firms") is set out below as required by the FCA's "Senior Management Arrangements, Systems and Controls sourcebook" ("SYSC").

From 1 January 2011, the Firm is obliged to comply with the Remuneration Code, set out in SYSC 19C. This Policy covers all the requirements in SYSC 19C and related provisions.

Background to the Firm

The Firms are incorporated in the UK and are authorised and regulated by the FCA. The Firms' activities give them both the categorisation of a €50k Limited Licence BIPRU Investment Firm.

Application

The Firms need to operate with highest standard of care both to protect its clients' interests but also to protect the Firms' reputation and all stakeholders.

Alkens operations are relatively simple as it consists on straight forward strategies with no or limited leverage and clear investment guidelines. All operations take place in its head office and the Firms have implemented controls it believes are appropriate to control the day to day operations in a way it considers satisfactory.

The proportionality principle (SYSC 19C.3.3R(2)) requires firms to comply with the Code's requirements 'in a way and to the extent that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities'.

The Firms have identified themselves as Proportionality Tier Four investment firms ("Tier Four Firm") and adopted a proportioned approach to the remuneration policy.

The Remuneration Code acknowledges that the application of certain elements of the Code could be disproportionate in terms of achieving its objectives. Those elements which can be dis-applied are limited to the following of Principle 12, collectively known as the Pay-Out Process Rules;

1. SYSC19C.3.40 'Guaranteed Variable Remuneration'
2. SYSC19C.3.47 'Retention in Shares or Other Instruments' i.e. to ensure remuneration value is aligned with the Firm's Clients
3. SYSC19C.3.49 'Deferral'; and
4. SYSC19C.3.51 'Performance Adjustment', i.e. post-performance period adjustment.

The DFO has reviewed the Firms operations and he considers that that the application of certain elements of the Code could be disproportionate in terms of achieving its objectives.

The Firm has therefore decided to partially dis-apply the elements of Principle 12.

The Firms acknowledges that in order to align better its long-term interests with the interests of its clients and also to limit further risks that might result in impairment of the Firms' Balance Sheets Alken Asset Management and Alken Finance have agreed to run annual incentivation programs which will be invested in strategies managed by the Firms and which will vest within three year periods subject to certain conditions.

By adopting the Incentive Programs the Firms hope to:

- Demonstrate to clients the long-term commitment to the strategies managed through co-investment;
- Provide an incentive for Participating Partners and Employees to remain engaged in the Service Company's business, and therefore to the clients' interests, in the long term;
- Foster a culture of risk awareness; and
- Maintain a remuneration strategy that is proportional to the prevailing regulatory environment.

Contact within the firm regarding firm's compliance with the BIPRU Remuneration Code
Name : Alexis Tsatsaris
Mail : Alexis.tsatsaris@alken-am.com
Tel : 0207 440 1960

General Requirements

Introduction

SYSC 19C.2 requires the Firms to establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

The Firm's Risk Management

The Firms have in place policies, procedures and practices to identify, measure, manage and monitor risk. These are proportionate given the nature, scale and complexity of the Firm's activities and risk tolerance.

The Firms' risk management is detailed in the Firms' ICAAP and comprises of:

- Defines the Firms' risk tolerance;
- Risk identification;
- Risk documentation;
- Risk monitoring;

In addition, the Firms have adopted the following statement of responsibilities:

Statement of Responsibilities

The DFO is responsible for ensuring that a robust remuneration policy is developed to align the Firm's remuneration practices with its risk tolerance.

The DFO is responsible for the total process of risk management, which includes remuneration risk. The DFO, in liaison with all executives and senior management, sets the risk profile of the Firm and its related policies and procedures.

The DFO decides the Firm's tolerance to risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the DFO ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The DFO will monitor the Firm's Remuneration Policy in connection with its liquidity and capital requirements. The DFO has the specific role for identifying, measuring and monitoring the risk profile of the Firm on a day to day basis and reporting, via the Risk Committee. The DFO who is also the Compliance Officer will ensure the Firm's remuneration policy complies with the relevant legislation and regulations.

The DFO sets the overall remuneration policy for the Firm. This is reviewed at least annually, taking account of the current and future risks and the costs and quantity of capital and liquidity required, having regard to the Firm's financial forecasts.

Remuneration Principles

The FCA has established **12 Remuneration Principles** to help firms identify their exposure risks and establish sound policies, procedures and practices around these risks. These Principles establish a platform upon which risks can be measured and appropriate structures adopted to mitigate risk and ensure the financial soundness of institutions, such as the Firm.

These Principles are as follows:

Principle 1 – Risk management, risk tolerance and ESG

Principle 2 – Supporting business strategy, objectives, values and long-term interests of the firm

Principle 3 – Avoiding conflicts of interests

Principle 4 – Governance

Principle 5 – Control functions

Principle 6 – Remuneration and capital

Principle 7 – Exceptional government intervention

Principle 8 – Profit-based measurement and risk adjustment

Principle 9 – Pension policy

Principle 10 – Personal investment strategies

Principle 11 – Avoidance of the Remuneration Code

Principle 12 – Remuneration structures

The Firm has considered how these Principles apply to the Firm below.

Remuneration Principle 1 - Risk Management, Risk Tolerance and ESG

The Firms have adopted policies to align remuneration with effective risk management over a multi-year framework. These are reviewed by the on at least an annual basis. The DFO will ensure that such policies remain effective and in line with the Firm's strategy.

The Firms have a totally discretionary variable remuneration policy which will factor all relevant factors which is in the opinion of the Firms promote a sound and sustainable development of the Firms fully aligned with the interests of its clients.

The Firms also aim to promote a sound and effective risk management with respect to sustainability risks. As such they ensure that the approach to remuneration does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance.

More precisely, the Firms' approach to remuneration of investment professionals and other senior executives is to align manager's incentives with asset owners' long-term interests and the long-term success of the investment management company.

In addition, the Firms approach is to promote a sound and effective risk management culture that will protect the value of the investment portfolio.

As such, the integration of ESG risk considerations within the investment process is used as an instrument to enhance investment performance, which would equally benefit the clients, the asset management firm and its employees.

Remuneration Principle 2 - Supporting Business Strategy, Objectives, Values and Long-Term Interests of the Firm

In order to support the Firms' long-term business strategy, the remuneration strategy adopts a top-down multi-year framework. This ensure that variable remuneration is only paid from risk adjusted profits based upon the performance of the business as a whole, and individual's performance and only after the Firms' liquidity and capital requirements have been considered on a rolling 3-year period.

Remuneration Principle 3 - Avoiding Conflicts of Interest

The Firms have adopted policies and procedures aimed at mitigating any potential conflicts that may arise between staff and clients, between staff and the Firms and between one client and another/others. The Firms maintains a conflict of interests register within the Firm's Compliance Manual which includes potential remuneration conflicts and the procedures the Firms have implemented to mitigate these conflicts. In the circumstances where the Firms are unable to mitigate a conflict and it is disclosed to the client and is included in the Firm's risk register and Pillar 2 Capital assigned to it where appropriate, to ensure that if such a risk was to materialise, the business would be able to sustain any consequences.

Remuneration Principle 4 - Governance

Due to the size of the Firm, it does not consider it appropriate to have a separate remuneration committee as required by SYSC 19C.3.12R. Instead this function is undertaken by the DFO. This will be kept under review and should the need arise; the Firms will establish such a committee.

Remuneration Principle 5 - Control Functions

The DFO sets the Firms' remuneration policy for the following year. This includes reviewing the Firms' remuneration policy for the previous year, performance and risk adjustments.

The DFO will conduct an analysis of the design, implementation and effect of the Firms' remuneration policies. This will include ensuring the Firms are able to meet their ongoing capital and liquidity requirements.

The DFO reviews the variable remuneration structure of the Firms against their risk profile. The Risk Officer also provides an analysis of any potential risk adjustments.

The DFO ensures that the Firms' policies and procedures comply with current legislation, regulation and internal policies.

The DFO is involved in coordinating and monitoring the consistent application the Firms' remuneration policies and procedures. Finance Director is also involved in the negotiation of any contracts and the applicability of associated legislation.

The Firms ensure that individuals involved in Control Functions remain independent from the business areas they oversee to avoid any potential conflicts of interest.

The Firms ensures that they attract suitably experienced and qualified individuals, whilst ensuring they remain independent from the business areas they oversee, by remunerating these individuals with a reasonable ratio of fixed to variable remuneration.

Remuneration Principle 6 - Remuneration and Capital

The Firms through their ICAAP calculate their liquidity and ongoing capital requirements on a rolling 3-year basis. This is reviewed and stress tested annually by the DFO following the ICAAP reviews taking into consideration:

- The Firm's regulatory capital requirement
- the revenues which have been received in cash;
- any revenues which have not yet been received but are guaranteed;
- the cash available;
- business cycles;
- deferred variable remuneration payments.

The Firms' employment contracts are sufficiently flexible to allow the Firm to vary the date of any variable remuneration payments or cease to make any such payment. The Firms ensures that any payment of variable remuneration only occurs following risk adjustments to profits and where the Firms are not at risk of being unable to maintain a sound capital base.

Starting in 2018, in order to align better its long term interests with the interests of its clients and also to limit further risks that might result in impairment of the Firms' Balance Sheets Alken Asset Management and Alken Finance have agreed to run annual Incentivation Programs which will be invested in strategies managed by the Firms and which will vest within three year periods subject to certain conditions.

Main characteristics of Alken's incentivation programs:
- Pool contributions: Alken Asset Management Ltd
- Deferral: over three years
- Pool allocation: Invested in Alken open ended strategies
- Vesting strategy: 20% on Year 1, 40% on Year 2 and 40% on year 3 subject to clawbacks

For each Incentivation Program, Alken Asset Management will give each participant an indication of the potential share of the pool it could be allocate subject to clawback. The Firms will retain full discretion not to allocate some or any sums if it considers this appropriate.

Remuneration Principle 7 - Exceptional Government Intervention

The Firms have not received any exceptional government intervention, nor is it anticipated that the Firms would qualify for such intervention. The Firms do not consider this Remuneration Principle as relevant to it.

Remuneration Principle 8 - Profit-based measurement and risk adjustment

The Firms' risk analysis is incorporated into the Firms' ICAAP and takes account of actual and potential risks faced by the Firms on an ongoing basis.

The size of the Firms' variable remuneration pool is based upon risk adjusted balancesheet stength, rather than revenues, which takes account of the risks identified in the ICAAP and the cost and need of capital in both the short- and long-term future.

Remuneration Principle 9 - Pension Policy

The Firms in developing its pension policy has aligned it with the Firms' long-term interests. Any annuity payment or commitment is discretionary at retirement and reflect the long term financial performance of the Firms. There are no contributions made by the Firms to pension plans on variable payments.

The Firms' Finance Director ensures that any fixed interests are considered in the Firms' liquidity and capital planning on an annual basis.

Remuneration Principle 10 – Personal Investment Strategies

The Firms are committed to ensuring the effectiveness of the policies and procedures designed to only reward employees acting within the Firms' risk tolerances and to ensure that the Firms are adequately capitalised with sufficient liquidity of assets. Whilst of limited applicability due to the remuneration structure at the Firms, the terms of any deferred remuneration includes a clause to the effect that any deferred remuneration is subject to recipients agreeing not to undertake any personal hedging strategies or taking out contracts of insurance, that undermine the risk alignment effects embedded within the contracts.

Remuneration Principle 11 – Avoidance of the Remuneration Code

The Firms' remuneration policies and procedures are designed to ensure compliance with the Code. All variable remuneration is paid directly by the Firms or another group entity subject to the Code, and agreed at least an annual basis.

Remuneration Principle 12 – Remuneration Structures

The Firms through their ICAAP, have conducted a thorough risk and capital planning assessment of the business over the next 3 years. This is reviewed annually by the DFO. The Firms' Managers meets with DFO to determine the size of the variable remuneration pool available, taking into consideration:

- The remuneration required to retain qualified and experienced staff.
- The capital requirements for the next 3 years
- The cash available
- Any potential liabilities
- The firms' liquidity requirements
- Stress testing
- Overall alignment of interests with the Firms' clients

Any variable remuneration is defined by the Firms on a discretionary basis and will factor all relevant factors which is in the opinion of the Firms promote a sound and sustainable development of the Firms fully aligned with the interests of its clients.

Individual Remuneration Framework

In establishing the Firms' top-down remuneration framework, the Firms will take into consideration the performance of:

- The overall results of the Firms; and
- The individual (both financial and non-financial performance).

The DFO will feed into discussions of variable remuneration and attend the meeting to challenge proposals in circumstances where there is concern about an individual's compliance with the Firms' internal policies and procedures.
The Firms are dedicated to ensuring that individuals are not remunerated for exceeding the risk tolerances of the Firms. When assessing individual performance, the Firms takes account of financial as well as non-financial criteria.

The Firms' non-financial criteria is a combination of effective risk management and compliance with the Firms' policies and procedures. Poor performance in the Firms' non-financial criteria may pose a threat to the Firm's financial soundness. The Firm places a weighted value on the non-financial criteria overriding the metrics of financial performance.

The Firms recognise that performance can be exaggerated within any single year resulting in disproportionate results. The Firms have adopted a multi-year framework which takes account of the underlying business cycles of the Firms and benchmarks its performance against an industry average.

In order to align better its long term interests with the interests of its clients and also to limit further risks that might result in impairment of the Firms' Balance Sheets Alken Asset Management and Alken Finance have agreed to run annual Incentivation Programs which will be invested in strategies managed by the Firms and which will vest within three year periods subject to certain conditions.

Guaranteed Variable Remuneration

The Firms does not enter into agreements to pay guaranteed variable remuneration. The only exceptions to this rule is where such a payment:

- is exceptional;
- occurs in the context of hiring staff.

Any such payment will not be more generous in terms or quantity, than the employee received at his previous employer and will be subject to the employee meeting specified objectives as determined by the Firms and subject to deferrals as per company's policy.

In determining whether to offer fixed variable remuneration, the management of the Firms will have regard to the individual's qualifications and experience, the Firm's need for an individual with such experience and the likely impact on the Firms.

Ratios between Fixed and Variable Components of Total remuneration

In accordance with FCA guidance the Firms considers that it is appropriate to disapply SYSC 19C.3.44R. It will however apply the

The Firms' management committees meet annually with DFO to determine appropriate levels of remuneration for all employees. In determining the appropriate levels between fixed and variable remuneration, the Firms will have regard to:

- the level of pay required to keep and attract, experienced and qualified employees,
- the Firms' fixed overhead requirement,
- any financial obligations arising in the next three years,

- Partner drawings,
- individual / team performance.

Any adjustments to employee's pay will be reflected in the Firms' ICAAP calculations.

The Firms will also consider FCA guidance when applicable.

Payments Related to Early Termination

In determining early termination payments, the Firms will have regards to the performance of the individual over a period of 3 years benchmarked against general market performance. In reviewing an individual's performance, the Firms will have regards to both financial and non-financial performance. The Firms will ensure any payment does not have a material impact on the Firms' capital or liquidity requirements.

Retained Remuneration in the Firm's Shares or Other Instruments

Risk is measured on a continuous basis and any payment of variable remuneration is subject to performance adjustments. The Firms considers the policies and procedures ensure that any potential risks are identified early and that individuals are not rewarded for exceeding the Firms' risk profile.

Variable remuneration is only paid out of risk adjusted profits. Any variable remuneration paid takes account of the Firms' business cycles projected over three years in advance.

In line with FCA guidance the Firms operates deferral mechanisms when appropriate which will be vested upon three years. Deferrals will be invested by Alken Asset Management into open ended vehicles managed by Alken Asset Management.

Appendix 1 - Remuneration Code Staff

The FCA defines Remuneration Code Staff ("Code Staff") in SYSC 19C.3.4 as comprising of categories of staff including senior management, risk-takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, whose professional activities have a material impact on the firm's risk profile.
The Firms have defined "risk takers" as heads of significant business lines and individuals who have a material impact on the Firms' risk profile. This includes individuals involved in:

- Partners of the Partnership
- Fund Management
- Analysts
- Execution Desk
- Compliance Director
- DFO

The Firm maintains a register of all staff members which fall within the category of Code Staff.

Appendix 2 - Resolution of the Remuneration Code Procedures, Systems and Controls Policy approval

Alken Asset Management Ltd and Alken Finance LLP ('the Firm')

Remuneration Code ('the Policy')

The Policy has been reviewed in the form attached to this written Board Minute.

Accordingly, Firms hereby in adopting the Policy:

NOTE THAT the Policy has considered the requirements of SYSC 19C and in so doing taken fully into consideration the following matters proportionate to the nature and scale of the Firm's business:

1. Overarching requirement to align remuneration with risk;
2. Risk tolerance;
3. Senior management approval and review of arrangements;
4. Remuneration structures;
5. Code Staff; and
6. Risk and conflicts.

NOTE THAT: the Policy concludes that the current policy and procedures are adequate to support the business operations of the Firm and, accordingly, the Firm complies with the requirements set by the FCA.

NOTE THAT: the Policy will be subject to continuing review and update as the requirements and level of the business operations of the Firm change over time.

RESOLVE THAT: after careful review, the Policy is considered comprehensive, relevant and proportional to the business operations of the Firm and, accordingly, the Policy is accepted and adopted by the Firm.

Designated Director Alken Asset Management Ltd	Designated Partner Alken Finance LLP

Dated: 2nd November 2020

Remuneration Conflicts/Risks Register

The Firm has identified the following conflicts of interest which could affect the risk profile of the Firm.

Conflict / Risk	Conflict / Risk description	Conflict / Risk rating	Mitigation	Net rating	Pillar 2 Capital
REMUNERATION CONFLICTS / RISKS					
Remuneration structures promoting excessive risk taking.	The Firm's remuneration structures reward individuals solely based on financial performance with set remuneration for achieving certain targets.	2	The Firm assesses individual performance on both a financial and non-financial basis, with a weighted calculation favouring adherence with internal policies and procedures.	1	0
Individuals setting the remuneration structures for their own business lines.	Individuals may be tempted to incentivise team members to take risks outside of the Firm's risk profile to achieve targets.	0	The DFO is responsible for establishing the Firms' remuneration structures. The DFO will be challenging remuneration proposals where it considers appropriate to ensure the structures remain effective.	0	0
Bonuses paid on the basis of a single year's performance.	The Firm's performance in any one year may be artificially enhanced, resulting in the payment of bonuses which could affect the liquidity and capital of the Firm in later years.	2	The Firm has adopted a multi-year framework to take account of business cycles, this ensures that the business is always adequately capitalised. A deferral mechanism is implemented to align better all interested parties with clawback provisions.	1	0
Bonuses paid out of revenues.	The revenues of the business may not actually be received on time or at all. This could influence the Firm being able to meet its capital and liquidity requirements.	0	The Firm has adopted a top-down approach to its remuneration and only pays bonuses out of risk adjusted profits.	0	0
Fixed bonuses / fixed remuneration calculations.	Fixed bonus / remuneration structures force the Firm to make bonus payments regardless of the performance of the Firm as a whole.	0	The Firm's remuneration structure gives it the flexibility to reduce or make no bonus payments within any year. This ensures that individuals are not remunerated for excessive risk taking and the Firm is able to strengthen its capital base where required. Clawback provisions are also available to the Firms.	0	0

Conflict / Risk	**Conflict / Risk description**	**Conflict / Risk rating**	**Mitigation**	**Net rating**	**Pillar 2 Capital**
Individuals adequately remunerated.	The Firm may lose key staff members to competitors. Individuals may be more likely to take riskier strategies to boost their performance and achieve a bonus.	1	The Firm's Governing ensures that the ratio of fixed / variable remuneration is appropriate for each individual and this varies amongst different business lines. The Firm clearly explains its remuneration policies to staff members and makes them aware that excessive risk taking will result in a drop in the individual's variable remuneration.	0	0
Control functions not remaining independent.	Where other business areas have undue influence over individuals within control functions potentially affecting the performance of their role.	0	The Firms' determine the remuneration of individuals within control functions.	0	0

Code Staff List

As at November 1st, 2020

Fund Management
Nicolas Walewski
Marc Festa
Antony Vallee
Robin Dunmall
Nicolas Descoqs

Analysts
Michael Aubourg
Reda Karkar
Nicolas Dubourg

Execution Desk
Constantine Papanicolaou
Antoine Marmoiton

Support Functions
Alexis Tsatsaris

Marketing Functions
Jean-Baptiste de Seguier