



VOTING AND ENGAGEMENT POLICY

Alken Asset Management Ltd
And
Alken Finance LLP

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INTRODUCTION

This document outlines how Alken Asset Management and Alken Finance (Alken) on behalf of its clients, exercises its role as an engaged and responsible investor.

Regarding its activity as fundamental active investor, this document elaborates how Alken actively engages with its investee companies and the extent to which the firm not only takes into account financial performances, but also the management style and strategy and every investee company.

Regarding its obligations as an active asset allocator, this document lists the main corporate governance principles that the company adheres to.

ALKEN COMMITMENTS

Alken has been a UNPRI signatory since 2013. We are also Tier 1 of the FRC UK Stewardship Code.

ENGAGEMENT/ STEWARDSHIP

1. Overarching rationale

Why do we engage?

- ✓ Get to know the people running a company and assessing their level of transparency
- ✓ Manage risk better as discussions help us identify new potential areas of risks and of strengths
- ✓ Discussions also help us discuss and suggest potential ways of mitigating risks or of consolidating strengths



As an asset allocator, we believe that we have a role to play in encouraging companies to improve their ESG practices in order to encourage a sustainable development globally. Engagement has always been in Alken's DNA and we constantly adapt our engagement strategy to make sure we anticipate today's new risks and opportunities.

Today, active engagement is not only about asking for financial performance or governance strategy, but more and more includes making sure the company has fully embedded today's environmental and social concerns. As such, we are increasingly careful on the companies' considerations of environmental, social and governance issues across their core activity but also across their supply chain. This entails most of the time asking questions before we invest in a given company, and once invested following up and tracking progress on any set objectives. This also entails considering selling the company where it is recognised that the given company doesn't manage its ESG risk according to our expectations. Overall, this requires a strong dialogue between the investment analysts and the investee companies, and this is something Alken has always been very proud of.

2. Process and implementation

More precisely, for Alken, our ESG engagement activities can be broken down into the different elements:

We first engage with companies during the phase of the portfolio construction to validate the financial and extra-financial information we have gathered on them. Once the company is embedded within our portfolio, we pursue our engagement further in order to monitor the different financial and extra-financial data we may have. More precisely:

- Once added in the portfolio, we conduct a more thorough ESG analysis on the company, gathering information from their ESG reports, website and if not available, sending the company a tailored list of questions on ESG matters,
- We focus primarily on companies having received a medium to high ESG risk rating following our pre-investment ESG screening.



As asset allocators, we are very sensitive to companies being eager to be transparent on their ESG commitments and strategy and welcome companies having put in place regular reporting.

Therefore:

- Should the company consistently fail to answer our questions and deeply lack transparency, we discuss the possibility of reducing our exposure or selling the position,
- Should the company still present potential ESG concerns after engaging with it, we follow up depending on the situation – from three months to twelve months.

Those elements are discussed either on an ad hoc basis, or via our weekly ESG meeting, or via our quarterly ESG committee. We have established a number of channels to make sure discussions can happen as things arise and that communication is streamlined across our different teams.

As active investors, we are also well aware that some companies do not have the necessary capacity to write regular reporting on their ESG activities, this is why we endeavour to get in touch with anyone within the company in order to gather this data ourselves and avoid unfairly penalising them.

Companies' answers to our questions are carefully reviewed and evaluated according to an internal score card, available to both financial analysts, portfolio managers and our ESG officer via our ESG internal platform created by us and tailored to our needs.

Where we believe that the company presents an ESG risk which goes beyond our investment philosophy, this is being discussed internally - again, either during an ad hoc ESG meeting, or via our weekly ESG investment meeting with financial analysts, or via our quarterly ESG committee gathering the senior financial analysts, the portfolio managers and the risk officer.

Besides, Alken also monitors collective engagement initiatives and is eager to joining initiatives on a case-by-case basis.

Finally, we also often seek for any other stakeholders' feedback in order to have 360 degrees view on a company by contacting ex-employees via expert network calls.



2.1 Stewardship methods

We use a combination of methods:

- Primarily: our internal resources with the ESG officer engaging in writing or verbally with portfolio companies.
- Secondly: We use external sources insights and analysis, in particular from our research brokers, who have close contacts and relationship with companies.
- Thirdly, we benefit from informal and unstructured collaborations publicly available (the ones available from the UNPRI)
- Fourth, we do engage from times to times, where the subject matter is close to our ESG investment concerns, with formal collaborative engagements (in particular with PRI-coordinated engagements)

2.2 Escalation strategy

Our escalation strategy consists of a set of different actions, depending on the specific situation:

- One option is to use the voting mechanisms and options available – such as voting against the election or re-election of any members of the board, or vote against for instance the annual financial report,
- Another option is, where we believe engagement has been unsuccessful and that no voting possibilities are available, to reduce our exposure or to fully exit the company,
- A final option which we are not very much making the use of yet consists of collaboratively engaging with other investors, via platforms such as the UNPRI. We are working on developing our processes to use this option more often.



2.3 Management of conflicts of interest

Alken recognises its position as a fiduciary for its clients and aims to always act in its clients' best interests. Subsequently, we put in place a number of checks in order to identify potential or actual conflicts of interest in order to minimise any risks on our clients' interests. Among other things, we have a specific policy on conflicts of interest management in our compliance manual, together with regular reminders sent to the staff, as well as a register of any potential or actual conflicts. This is being regularly reviewed by the compliance team.

Furthermore, note that the cash of the company is managed independently from portfolio managers and is not invested in listed shares. Orders are pre-allocated, and the system used does not allow ex-post changes. Best execution policies for both our equity and fixed income strategies have been implemented. As an independent company, Alken does not have ownership link with any broker or counterparty. As such, counterparties are exclusively chosen in the best interest of investors.

3. Prioritisation of our engagement targets

Our top three criteria are:

Although we endeavour to engage with the maximum of our portfolio companies, the top priorities for engagement are:

1. The company has not been rated by our ESG data provider, and on the face of it, the company is not disclosing much on ESG. We therefore engage with them directly to understand better their ESG strategy, if any.
2. The company has been assigned a poor ESG rating by our ESG data provider, and we therefore want to first verify the adequacy of this poor ESG rating, and then try understand the issues related to the company and potentially guide them to be more ESG-driven.
3. We like to engage with our biggest portfolio companies (in terms of size within our portfolios), as a risk management measure and to ensure that we are fully confident and comfortable about the ESG strategy of those large exposures.



4. ESG factors of our engagement strategy

ENVIRONMENT	Climate change risk; Energy Transition; CO2 Emissions Management; Impact on Ecosystems; Resource Efficiency; Pollution Prevention; Use of Recyclable; Waste Management.
SOCIAL	Fundamental Labour Rights; Health and Safety; Supply Chain Management; Product Safety; Gender Diversity; Impact on Local Communities; Human Capital Management; Social Dialogue.
GOVERNANCE	Corruption and Bribery Prevention; Remuneration Policies; Audit and Internal Controls; Ownership Structure; Level of Transparency; Voting Structure; Independence of the Board; Independence of the Committees.
HUMAN RIGHTS	Right to Equality; Child Labour Prevention; Anti-Slavery Prevention; Freedom from Discrimination; Social Security; Workers' Rights; Freedom of Expression; Right to Peaceful Assembly.

5. Thematic based engagement

The themes we may focus on regarding non-financial information can be broken down into the following four categories:

- **Environmental issues (E)**
- **Societal issues (S)**
- **Corporate governance issues (CG)**
- **Human rights issues (HR)**

We have defined an Alken ESG taxonomy which has identified specific E, S, G and HR issues for several sub-industries in which we invest in. We use our proprietary ESG mapping to draft the questions we address to companies and make sure they are tailored to the sector the company belongs to. Our ESG mapping and questionnaire are evolving and follow any new ESG developments and trends.

All companies' official responses and answers to our questionnaires are gathered into our proprietary database. This database is available to all investment analysts and can be the starting base in order to discuss new objectives, share views and opinions or to set up new thematic milestones.



6. Specific approach to climate change

As an asset manager, we believe that our mission lies not only in managing and mitigating climate change-related risk, but also in gradually financing the energy transition that is required.

Avoiding greenwashing requires thorough analysis and strong dialogue with companies. Our objective is to build a strong modelling which will allow the firm to estimate the climate risks of every prospecting companies, and which will allow us to offer a portfolio of climate change resilient companies. We started building this process last year and continue developing our modelling.

Our Commitments: UNPRI, TCFD, Paris Agreement:

We have been a UNPRI signatory since 2013 and we support the TCFD since March 2020. Alken has a long-term investment approach which seeks to guarantee that the growth of companies is compatible with a more sustainable global economy. More precisely, we are committed to work towards the decarbonisation of the global economy, in line with the goals set by the Paris Agreement. For this, we encourage corporates to disclose their climate-related risks, we encourage further research and R&D to be made on the different climate change opportunities and we encourage further regulatory developments to clearly define the framework for asset managers.

ENGAGEMENT EXAMPLE 2020/2021

ESG factors taken into consideration.

One of our stewardship works over the last several months has been to engage with our different portfolio companies potentially directly or indirectly linked to the use of Uyghur workers through potentially abusive labour transfer programs. For this we used publicly available sources listing the number of companies affected by the situation and requested those companies to tell us more about their human rights, health & safety, labour practices and management of their supply chain.

Description

Our first objective via this engagement was to understand whether our portfolio companies were or were not affected by the situation, either directly or even indirectly.

Our second objective was to evaluate our investee companies' mitigation practices, the ability to remediate and the assurance that any future similar implications would be avoided, in the event where they were involved with the abusive labour programs.



We did receive well detailed responses from our investee companies: some companies explained us the reason why they were not linked to the scandal, others did confirm their indirect involvement with the abusive program and explained the new reinforced processes which were been put in place to ensure a stronger and more resilient monitoring of their supply chain.

The details shared with those companies provided us a good level of confidence that the adequate measures had been taken to avoid similar situations happening again in the future.

We continue monitor the situation in the following months/ years in order to make sure actions will match words.

This engagement process helped us manage our ESG risk exposure, as well as did put some degree of pressure on our investee companies to be more careful in their global due diligence frameworks.

OUR APPROACH TO COLLABORATIVE STEWARDSHIP

We like to pick and choose the collaborative efforts that are related to our investment cases and remain as close as possible to our business activities.

Therefore, although there are many important subject matters to be involved with, we only participate or seek to participate where we believe this is a concern we have had as well with our investee companies.

We do like benefiting from collaborative platforms and strongly believe in them as, as a small asset manager, we unfortunately believe that our AUM may not be important enough to "pressure" investee companies. We believe that working together with other firms could help 1/ streamline the message sent to the company; 2/ Have a potential impact on the company and thereby be seen as an important shareholder action.

Our participation to Collaborative works:

- Children's Rights in Responsible Investments (especially in a time with the Uighur scandal)
- Brazil anti-corruption engagement
- Engaging with the food industry to build sustainable protein supply chain
- Indigenous rights collaborative initiative
- Brazil anti-corruption engagement
- "Find it, fix it" Addressing Modern Slavery

Our engagement with policymakers



Topics

Engagement with policymakers is made based on our internal ESG materiality indicators. We aim to provide with feedback or respond to consultation on topics which are on our radar as part of our ESG integration process as well as part of the concerns we may have when engaging with our investee companies. We believe that this way, we have “expertise” on the given topics and may be able to provide constructive feedback as to how improve disclosure or reporting on the ESG indicators.

Review

Participation to public consultation with policymakers is being reviewed during our quarterly ESG committee. We approve the participation and the topics we want to be active on, and then we review our engagement and its outcome.

Note on political influence

As far as we want to share industry insights to policymakers and provide them with practical experiences to make sure new requirements are as effective as possible, we do not wish nor want to have any influence on the political side. This is not within our remit nor is it in our interest. The firm shall refrain from any political activity. This activity solely follows the purpose of providing practical examples to ensure the smooth and efficient development of a sustainable finance framework.

Example of engagement with policymaker

Period: Q1 2021

Topic: Climate Disclosure

Policymaker: SEC - <https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>

Action: Alken submitted its answers and thoughts regarding the SEC public request on climate change disclosure requirements. We answered the different “Questions for Considerations” and submitted them to the following address: rule-comments@sec.gov.

OVERRIDING THE POLICY

Our Policy reflects Alken philosophy regarding engagement and voting and the way things have always functioned since its creation, engagement being a key tenant of the fundamental strategy and stock picking process of the firm. Nevertheless, if a disagreement should arise regarding the Policy, we would use our ESG Committee to discuss the matter, knowing that the ESG officer has veto right over decisions on this purpose.



VOTING

1. Voting at the centre of our fiduciary duty

Alken¹ recognises that voting at company meetings represents an important component of its fiduciary duty towards its clients. However, we also regard voting as one channel only of the on-going dialogue that we hold with our investee companies and we do not want it to be an outcome in itself nor the end of the process. We understand that improvements can take time and that only realistic expectations may prove to be successful.

2. Implementation of Alken's clients voting rights

Alken likes to engage on any topics of concern. We therefore incentivise our clients using their voting rights where it would best service them towards our clients' perceived best interests. Whatever the decision to either vote or not vote, we like to make sure companies are being communicated the rationale behind our views. It could happen that a vote stands against the management on issues that we perceive are in conflict with the shareholders' interests. It may also happen to vote against the management where facts and circumstances evidence that the given proposal is not in the shareholders' best interest. Moreover, it could very well be that we believe too little information and disclosure was given regarding the proxy resolution. In the latter case, we may contact the company to request further information on the given resolution.

3. Alken's Voting Beliefs and Principles

Our approach towards corporate governance: We feel fully aligned with the 1991 Cadbury Report's outline "Corporate governance is the system by which businesses are directed and controlled". We are convinced that good corporate governance constitutes a pivotal factor in underpinning the integrity and efficiency of a business. We therefore look for businesses which are guided by the core principles of good corporate governance: fairness, accountability, responsibility and transparency.

¹ The Alken Funds vote via its management company, AFFM S.A., which is authorised in the Grand Duchy of Luxembourg and regulated by the "Commission de Surveillance du Secteur Financier" (the "CSSF").



Our guiding governance principles:

- We encourage the “one share one vote” strategy
- We encourage the independence and diversity of the board of directors in order to avoid conflict of interests
- We encourage the board to present a balanced and understandable assessment of the company’s position and prospects
- We encourage the separation of the functions of Chairman and CEO
- We encourage the creation of different committees within the Board: from the audit committee, the nomination committee or the remuneration committee
- We encourage the board to maintain a sound risk management and internal control systems
- We encourage the disclosure of the executives’ remuneration policy and models
- We encourage the board to communicate with stakeholders at regular interval, a fair, balanced and understandable assessment of how the company is achieving its business purpose
- We recognise that the Board of Directors should be made accountable to the shareholders for the way in which the company is carrying out its responsibilities
- We encourage Boards to be responsive to shareholders and be proactive in order to understand their perspectives
- We encourage Boards to develop management incentive structures that are aligned with the long-term strategy of the company

Additionally, the external provider used by our management company for proxy voting will monitor the following specific element:

- Encouragement of proposals requesting U.S. companies to provide EEO-1 reporting on diversity reporting.

Our guiding environmental and climate change principles:

- Considerations from our proxy voting entity of all companies’ climate reporting resolutions:
 - Recommendations in favour of resolutions requesting companies to provide enhanced disclosure on climate-related issues,
 - Recommendations in favour of resolutions requested companies to undertake a scenario analysis or to report according to the Task Force on Climate-related Financial disclosures (“TCFD”).



The proxy voting platform will:

- Generally, be supportive of proposals seeking the above enhanced disclosure and will evaluate the request of each resolution bearing in mind the company's unique circumstances.
- Evaluate the following elements when making recommendations:
 - How could the company's operations be impacted by climate-related issues,
 - The company policies and the company evolution of its climate-related disclosures,
 - Whether the company provides board-level oversights of climate-related risks,
 - The level of disclosure and oversights given to climate change-related issues of peer companies,
 - Whether other industry companies provided TCFD-aligned disclosures.

In terms of climate-change lobbying, the proxy voting platform will:

- Evaluate whether the requested disclosure would benefit shareholders' understanding of the company's policies and positions on the issue,
- Compare this to the industry standards in which the company operates,
- Assess the company disclosure of direct and indirect climate change issues,
- Identify any controversies related to the company's management of climate change issues.

Our guiding social principles

The proxy voting platform will:

- Review a company's overall governance practices and identify which directors or board-level committed were charged with ESG oversight,
- Vote against the governance chair of a board which fails to explicitly disclose on the role of the Board on ESG issues,
- Determine if directors maintain a meaningful oversight and accountability of the company's ESG risks,
- Support shareholder proposals that seek to improve governance structures or promote relevant disclosure that serve the long-term interests of shareholders,
- Assess the shareholder proposals on E and S issues evaluating their financial materiality.



Our voting platform in practice:

The platform has codified its approach to management-sponsored proposals that pertain to environmental and social issues.

The platform follows a case-by-case approach of each of the proposals and will consider a variety of factors, including:

- 1) The content of the resolution and whether it would materially impact shareholders,
- 2) Whether there is a competing shareholder proposal on the given topic,
- 3) What is the company's overall responsiveness to shareholders and to the given environmental and social issue?
- 4) Whether the proposal is binding or advisory,
- 5) What is the management's recommendation on how they would want shareholders to vote on the given proposal?

Our decision-making approach regarding shareholder resolutions:

- We support the recommendations of the proxy voting provider in the majority of cases,
- Prior to AGM/EGM, we privately communicate our voting decision(s) to the investee company in the event where we had planned to vote against the management's proposals or abstain,
- In cases where we vote against management recommendations or abstained, we do not communicate the rationale.

