ALDER
INVESTMENT MANAGEMENT

Engagement policy

Introduction

The revised Shareholder Rights Directive (SRDII) requires firms such as Alder Investment Management to develop and publicly disclose an engagement policy that describes how the firm integrates shareholder engagement in its investment strategy and monitors investee companies on relevant matters. Alder must also disclose on an annual basis how this engagement policy has been implemented in a way that meets the requirements of the FCA handbook. This policy, which is updated annually, sets out this information.

Scope, Role and Purpose of Stewardship

Much discussion around the role of stewardship has taken place since the global financial crisis. Sir David Walker's "Review of corporate governance in UK banks and other financial services entities" resulted in the publication in 2010 of the UK Stewardship Code (the Code). More recently, Sir John Kingman's "Independent Review of the Financial Reporting Council" recommended that the Code be revised, more clearly differentiating excellence in stewardship and focusing more on outcomes and effectiveness. Proposed revisions to the Code have been set out and finalised changes are expected later in 2019. Concurrently to the proposed changes to the Code comes the implementation of European Directive SRDII. SRDII is envisaged to change the legislative landscape for stewardship in the UK, establishing a minimum regulatory baseline for asset managers and life insurers.

Stewardship in this context is defined as the responsible allocation and management of capital across the institutional investment community, to create sustainable value for beneficiaries, the economy and society. Stewardship activities include monitoring assets and service providers, engaging issuers and holding them to account on material issues. In practice, Alder's approach to stewardship is a holistic one. Stewardship in relation to different asset classes needs to be considered separately, and a 'one size fits all' approach is not appropriate. We believe that our approach to investment, as set out below, engenders proportionate and effective stewardship relevant to each asset class. Alder is a single family office and its sole purpose is to operate in the best long term interests of its clients. We will always seek to invest in companies that offer an acceptable return for the risk undertaken as well as ensuring best practice in terms of compliance with corporate governance and regulatory requirements.

Investment Approach

Once a potential investment has been identified, due diligence is carried out internally regardless of whether or not the investment has been subject to external research. With regard to listed equities this due diligence will include, but in no way be limited to, reviewing capital structure and company accounts, discussing risk ratings, and considering corporate governance factors such as the individuals involved, environmental and social considerations and company strategy.

For listed bonds we use reputable credit rating agency research, which includes a focus on corporate governance. In many cases, bonds will only be considered where Alder already invests for its clients in equity of the same issuer, and the above due diligence has been completed.

Funds and private equity issuers are likely to be subjected to more direct scrutiny. The same considerations as above will be taken into account, and the manager(s) of a fund or representatives of a private equity will be interviewed in person. Corporate governance factors considered in addition to the above would include pay structure and performance incentives.

All these elements will be monitored throughout the life of the investment. Direct engagement with the issuer/fund will fluctuate depending on requirements and may be driven by market concerns, issuer strategy, annual results or any other circumstances as identified by our investment team. As a general rule we will meet with managers at least annually. If an issue is identified, Alder may raise it directly with the board or senior management of the investee company. Performance issues might be raised at regular one-to-one meetings with senior management, or on an ad hoc basis by Alder directly approaching the company or its advisers. Governance issues might be more appropriately raised in separate meetings. These could be with executive or non-executive members of the board (eg Chair, senior non-executive or independent directors). If appropriate, Alder would submit resolutions to or requisition an EGM.

Should a situation occur which requires it, Alder may engage with other shareholders in the investee company in order to decide upon or implement a course of intervention. In collaborating with other investors, Alder is mindful of legal and regulatory requirements, for example in relation to conflicts of interest, the use of information or acting in concert with other parties.

Voting

Alder may attend and/or vote at company shareholder meetings. It is Alder's policy to vote on AGM or EGM resolutions and corporate actions where:

- Alder's clients have a material interest in the outcome of the resolution or action, for the protection or enhancement of their shareholder value and beneficial interest and;
- holdings of Alder's clients are material to the outcome of the resolution or action.

When Alder does vote, it votes in what it considers to be the best interest of its clients. Alder does not engage in stock lending or use proxy voting or other voting advisory firms.

Conflicts of Interest

Alder maintains a Conflict of Interest Policy and will always take the avoidance and management of actual and potential conflicts into account when discharging its stewardship obligations.

Annual Disclosure

All voting undertaken throughout the last twelve months has been in accordance with our policy above. In practice this has resulted in very few occasions of voting.

We have a duty to disclose details of any significant votes, and the regulations allow us to determine a definition of significant. We do not consider it appropriate to apply a catch-all definition of significant as the nature of a vote may determine significance as much as a share volume. We do not consider that the reference to 'material' above will automatically equate to significant from an individual issuer or wider market perspective. We will therefore assess each voting scenario on a case by case basis, considering the market impact and result to the company.

One vote taken in the last twelve months could be considered significant as it resulted in the requirement to put the fund into run-off. We took the decision to vote in this manner after consideration of all the facts and because we believed it to be in the best interest of our invested clients. This vote would not be considered significant from a market impact perspective.

30 June 2020