

Statement on the UK Stewardship Code

December 2019

1. Introduction

Alliance Trust PLC is an investment trust with net assets over £2.7 billion. We aim to be a core investment for investors seeking increasing value over the long term. We believe that effective stewardship and the integration of environmental, social and governance ('**ESG**') factors into the Trust's investment process can help protect and grow the value of the Trust's investments.

We therefore aim to be a **responsible investor**. We take the obligations of ownership seriously: we believe that as a long-term investor, we have an obligation to actively engage with the companies in which we invest.

2. Our approach to stewardship

We believe that effective stewardship of the companies in which we invest can contribute to the long-term success of those companies, help reduce the negative impacts they may have on the environment and society and, improve long-term returns to our shareholders.

We regard our stewardship activities as an integral part of our approach to responsible investment. Our Statement on Responsible Investment can be found on our website, www.alliancetrust.co.uk. In this, we explain more about our responsible investment activities including their scope and how they are overseen.

Like all our responsible investment activities, our day-to-day stewardship activities are undertaken by our Investment Manager, Willis Towers Watson ('**WTW**') and the equity managers (each a '**Stock Picker**' or '**Manager**') that WTW has selected to manage the Trust's assets. WTW and our Managers have full discretion as to how they undertake these activities subject to any policies or guidelines that we have decided to apply or any specific instructions that we may give.

We have also engaged Hermes Equity Ownership Services ('**Hermes EOS**') to assist us in meeting our responsibilities as a long-term shareholder. Hermes EOS provides voting recommendations to our Managers and undertakes engagement activities on our behalf. Hermes EOS is one of the founding signatories of the United Nations Principles for Responsible Investment ('**UNPRI**') of which WTW and six of our Manager are also signatories.

We will periodically review our approach to stewardship and how it is being executed by WTW, our Managers and Hermes EOS to ensure that it remains appropriate, effective and consistent with our policies, guidelines and instructions.

3. The Stewardship Code

The Trust is a signatory to, and supporter of, the Stewardship Code published by the UK's Financial Reporting Council ('**FRC**'). The aim of the Stewardship Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term risk-adjusted returns to shareholders and the efficient exercise of governance responsibilities.

WTW and our Managers in the UK and Hermes EOS are also signatories to the UK Stewardship Code. Copies of their Stewardship Code statements can be found on their websites or on the FRC's website: <https://www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-statements>.

Depending on their jurisdiction, the Trust's Managers outside the UK may be required to comply, or may voluntarily comply, with local guidance on stewardship. However, all the Managers' stewardship activities for the Trust are overseen by WTW and are undertaken in such a way to enable the Trust to comply with the principles of the Stewardship Code.

Below we set out the seven principles of the Stewardship Code and our approach to compliance:

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship activities

We do not manage our investments in-house. Day-to-day our stewardship activities are undertaken by our Stock Pickers and are overseen by our Investment Manager. They are undertaken subject to any policies or guidelines that we have decided to apply or any specific instructions we may give.

WTW views good stewardship as an important way of helping ensure the effective functioning of the financial system and enhance the value of investments for end beneficiaries. WTW has significant interaction across both investment managers and assets owners and actively encourages and promotes responsible investing.

WTW is engaged in many external initiatives and partnerships aimed at achieving long-term sustainable investment. For example, WTW sponsors the Thinking Ahead Institute, a global, not-for-profit, research think-tank, which brings together asset, owners, investment managers and academics to debate the issues surrounding responsible investment with the aim of using their collective power and action to raise standards and improve outcomes for end investors.

Details on WTW's approach to investment and stewardship can be found on its website: <https://www.willistowerswatson.com/en-GB/Solutions/services/sustainable-investment>.

We encourage our Stock Pickers to actively engage with the companies in which they invest for the Trust and integrate the consideration of financially material ESG factors into their investment processes where those factors may influence investment performance.

Through our Stock Pickers, we seek to promote generally acceptable standards of good governance, engaging where appropriate (and in accordance with their own investment philosophies) with the management of the companies in which they have invested, on issues of shareholder value, including ESG factors, in the long-term interests of the Trust's shareholders. We exercise our voting rights through our Managers.

We also engage with investee companies through Hermes EOS, which, on behalf of its clients undertakes company-specific engagements where the main objectives are to seek both beneficial and sustainable change. The key underlying principle of their engagement policy is based on the promotion of long-term corporate value. All engagements undertaken by Hermes EOS on behalf of its clients are guided by the Hermes Responsible Ownership Principles:

<https://www.hermes-investment.com/wp-content/uploads/2018/10/final-responsible-ownership-principles-2018.pdf>.

In addition to engaging with investee companies, we also seek to engage with policy-makers and regulators across global markets, to raise important systemic issues that concern long-term investors through each of WTW, our Stock Pickers and Hermes EOS.

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 are committed to maintaining appropriate arrangements to identify, manage and mitigate actual and potential conflicts of interest with the objective our ensuring that our shareholders are not adversely affected.

As an investment company which has outsourced the management of its portfolio, we do not face the potential conflicts of interest that WTW and each of our Stock Pickers may need to address. We expect WTW and our Stock Pickers to have effective policies addressing potential conflicts of interest, when it comes to matters of stewardship and investment practice. A copy of WTW's Conflicts of Interest Policy can be found on our website: www.alliancetrust.co.uk. The underlying Stock Pickers also have Conflicts of Interest Policies which they provide to us upon request.

Our relationship with Hermes EOS also enables us to effectively manage conflicts of interest in relation to our stewardship work. Hermes EOS is governed by its own conflicts of interest policy which requires that it identifies and manages actual or potential conflicts of interest between itself and its clients, or between different clients of Hermes EOS. If a conflict occurs between Hermes EOS and its clients, clients' interests are put first. A copy of Hermes EOS' Conflicts of Interest policy can be found on their website: https://www.hermes-investment.com/ukw/wp-content/uploads/2019/04/stewardship_conflicts_of_interest_policy.pdf.

Principle 3: Institutional investors should monitor their investee companies

Our Stock Pickers assess investee companies across a range of issues that they believe might result in future opportunity or risk. These issues include: corporate strategy, financial performance, capital structure, leadership, risk management, including risk arising from ESG factors.

Engagement with investee companies may include meetings with company executives and non-executive directors, analysts' briefings or through the voting process for shareholder meetings. Our Stock Pickers may assess information received about investee companies through daily news feeds, discussions with peers or analysts, conferences, internally developed analytical tools, ESG ratings, and via proxy research.

On occasion, while undertaking monitoring and/or engagement activities with investee companies, our Stock Pickers may receive inside information and become an 'insider'. In that event, we expect our Stock Pickers to ensure the investee company is added to a list of securities in which our Stock Picker's employees are classed as 'insiders' and as such are prohibited from carrying out transactions in relation to these securities until the relevant inside information has been made public and the restriction lifted. WTW does not usually expect to become an 'insider' as it is not investing in the stocks for the Trust's portfolio directly.

Our Stock Pickers usually assess the effectiveness their engagement with an investee company through the extent of the willingness of its management to address any of the concerns they have identified through the engagement process. If serious problems arise, our Stock Pickers will consider whether it is in the best interests of the Trust to continue to hold the investment.

On behalf of its clients, Hermes EOS monitors the performance of investee companies and measures their progress on engagements by setting clear engagement objectives and systematically assessing progress against four key milestones. These are raising the issue with the company, recognition by the company that the concern is valid, a plan to address the issue and successful delivery of the objective.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

We expect our Managers to have clear procedures for when and how they will increase their engagement activities should concerns arise.

Where a Manager feels that an investee company's action or policy may be detrimental to creating sustainable, long-term shareholder value, it may engage directly with that company on a confidential basis to try and identify problems at an early stage and minimise any potential loss of shareholder value. Issues where our Managers have intervened in the past include concerns over

executive remuneration policies, board composition, governance, mergers and acquisitions activity, risk management, and strategy.

Managers may also consider liaising with an investee company's advisers, making public statements and/or collective engagement with other shareholders, Hermes EOS or a representative body, when deemed appropriate and beneficial.

Hermes EOS uses a clear set of screens to identify companies which are in or near breach of any material ESG issues. These engagements are measured against clear engagement objectives and are systematically assessed against key milestones. Where necessary, Hermes EOS will also escalate the engagement process to ensure a successful outcome.

WTW maintains an open dialogue with each of our Managers and Hermes EOS on stewardship issues.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate

We recognise that investor collaboration can add to the effectiveness of engagement and can help address market wide systemic failures. We encourage WTW and our Managers to act collectively with like-minded investors, whenever appropriate and, as permitted by relevant legal and regulatory codes.

Our appointment of Hermes EOS also helps demonstrate our commitment to the benefits of collective shareholder engagements. Hermes EOS pools together investors' resources and aggregates its clients' holdings to create scale to deliver a 'best-in-class' engagement service and which should help to protect and enhance shareholder value.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activities

Our Managers exercise our voting rights in accordance with their own investment philosophies, policies and procedures. Hermes EOS provides the Managers with voting advice and recommendations to help our Managers make better informed decisions. Our Managers do not have to vote in accordance with those recommendations, but they do have to explain why they have not done so.

We do not currently undertake any stock lending activities.

A number of our Managers disclose details of their voting activities on their individual websites, with the remainder disclosing details to the Trust as one of their clients upon request. A Manager may decide not to disclose their voting record publicly due to confidentiality obligations and/or where they consider this might be counterproductive and/or destroy shareholder value.

We will not publicise current engagements by our Managers, unless publication forms part of their engagement strategy.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities

WTW has processes in place to assess and monitor how our Managers address stewardship (both voting and engagement) and the integration of ESG factors into their investment decisions in the context of what WTW considers to be best practice.

WTW report to the Board on these activities at least annually. The Board will monitor WTW's performance to ensure that it fulfils its requirements in relation to the Stewardship Code and its underlying principles.

The Trust will report on its responsible investment strategy to shareholders in the Trust's Annual and Interim Reports as well as provide periodic updates on the Alliance Trust website. This will include details of how we have engaged with our investee companies during the period, including both quantitative and qualitative information on how our Managers have exercised our voting rights.