



INVESTING FOR GENERATIONS

Willis Towers Watson for Alliance Trust
December 2020

ALLIANCE TRUST HAS BEEN TRANSFORMED

BACK THEN ...

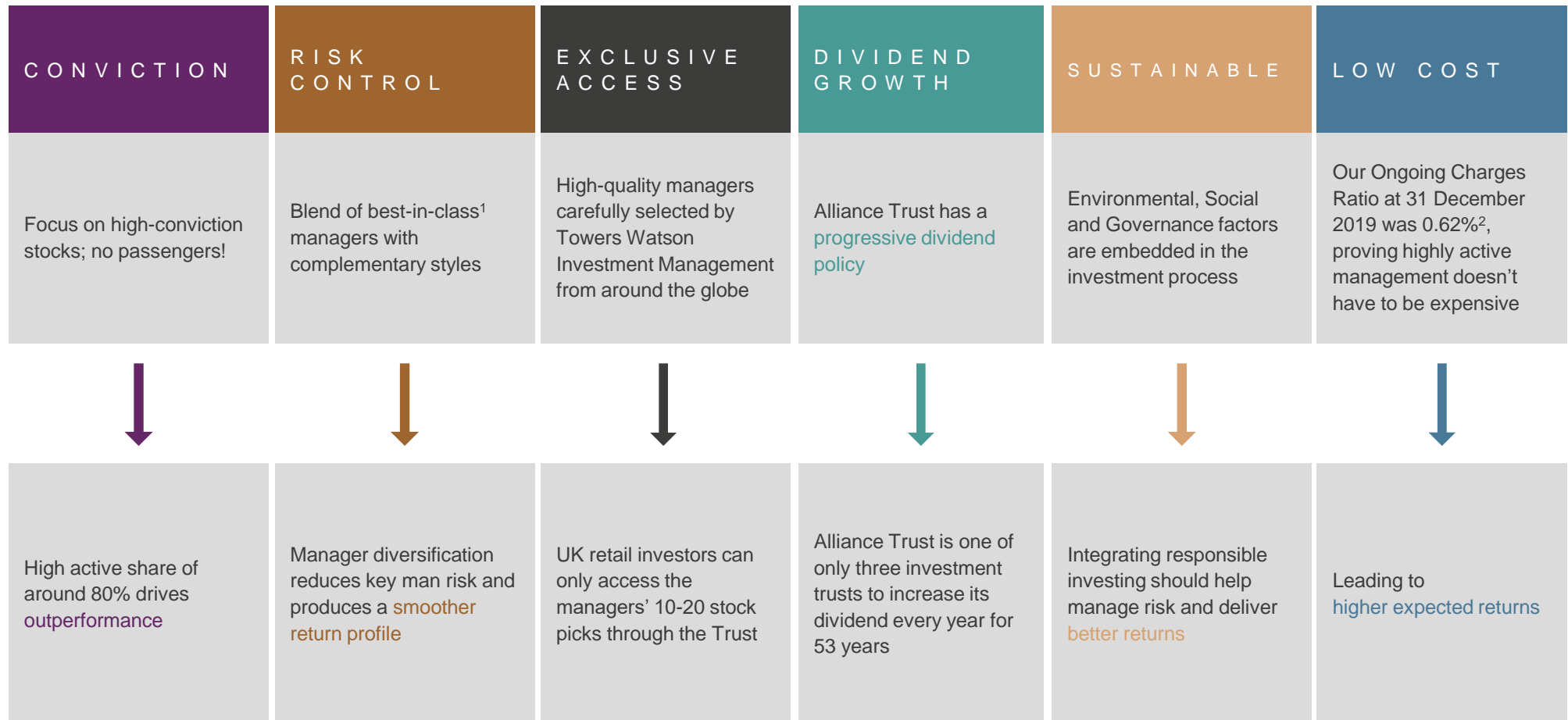
- Mixed Non-Executive Director/Executive Director Board
- In-house investment manager
- Multi-asset fund
- Sluggish performance
- Activist shareholders
- Trading on a wide discount to NAV
- In the news for the wrong reasons



NOW ...

- All Non-Executive Director Board
- Scaled-down executive function
- Stable shareholder register
- In-house manager sold to Liontrust
- Subsidiary and non-core assets sold
- Investment management outsourced to Towers Watson Investment Management
- New multi-manager investment proposition focusing on global equities
- Environmental Social and Governance risk factor management and stewardship embedded in the process
- Discount narrowed and stable

AN ATTRACTIVE PROPOSITION – DIVERSIFIED, HIGH CONVICTION

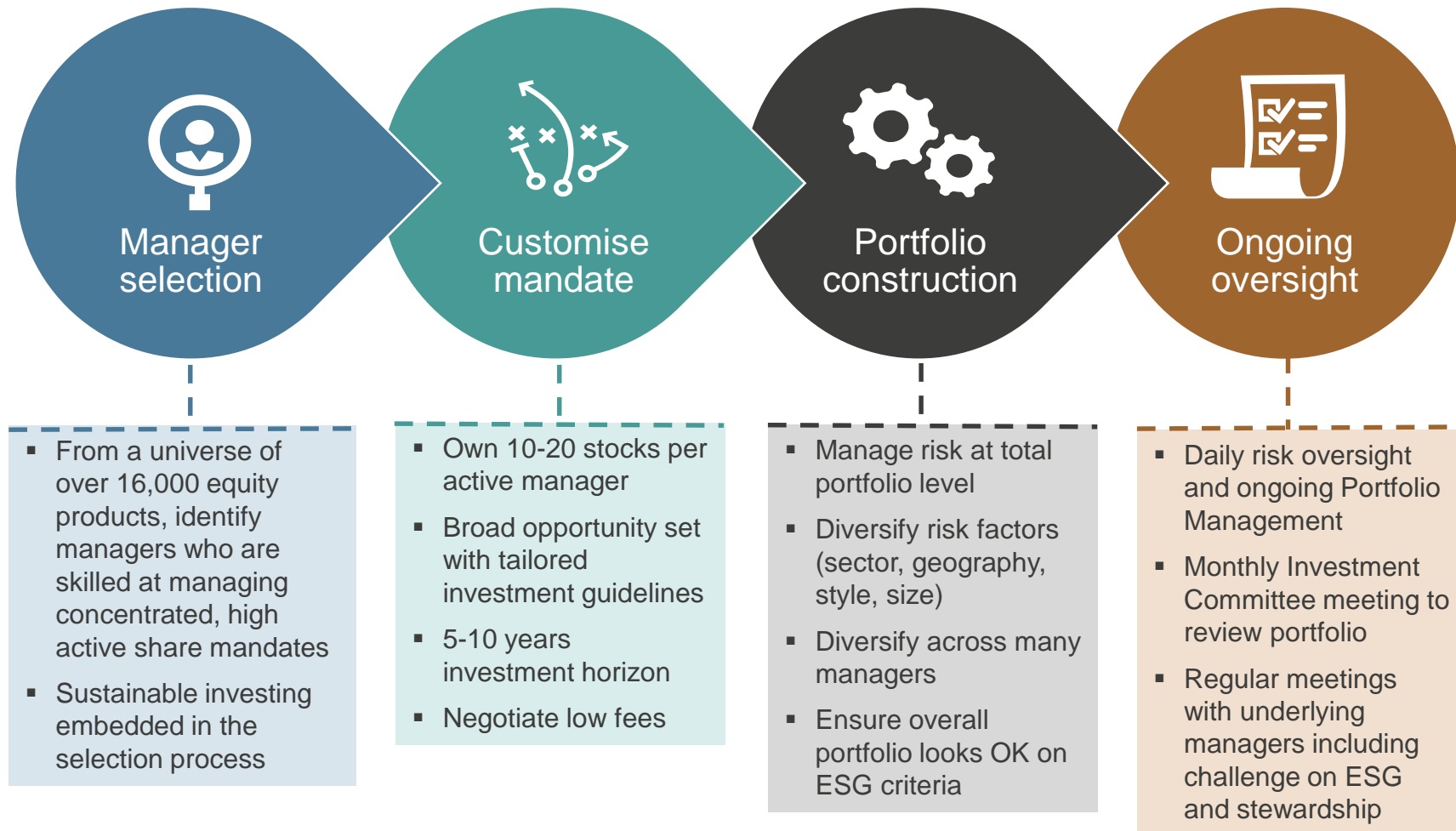


Past performance is not a reliable indicator of future returns.

Source: Willis Towers Watson (WTW). ¹Best-in-class refers to a Willis Towers Watson rating.
²The Ongoing Charges Ratio for the year to 31 December 2019 was calculated in line with the industry standard using the average of net asset values at each NAV calculation date

BUILDING THE PORTFOLIO

- Investment process and approach



INTEGRATING SUSTAINABILITY CONSIDERATIONS

- Strong conviction that sustainable investment drives improved outcomes – it protects and enhances portfolio performance
- Clearly articulated in our sustainable investment beliefs and guidelines, and integrated across all aspects of our solution – idea generation, manager research, portfolio construction and monitoring

Long-horizon investing



- High conviction, long-term active ownership
- Long-horizon portfolio management mindset and discipline

Integrated ESG



- Thorough risk management with sustainability lens, scenario analysis and resilience scoring
- Diversification across underlying risk and return drivers
- Deep manager due diligence and opportunity identification
- Regularly analyse the portfolio on carbon and wider ESG metrics in absolute and relative terms'

Effective stewardship



- Best-in-class company-level engagement via skilled managers and EOS at Federated Hermes overlay
- Public policy engagement carried out by EOS at Federated Hermes
- Collaborative initiatives and wider Willis Towers Watson advocacy to drive industry change

ESG: Environmental, Social and Governance; SI: Sustainable Investment; EOS: Equity Ownership Services

WHAT WE EXPECT FROM MANAGERS ON SUSTAINABILITY

Our research process considers:



Notes: ESG = Environmental, social and governance

* EOS= Equity Ownership Services

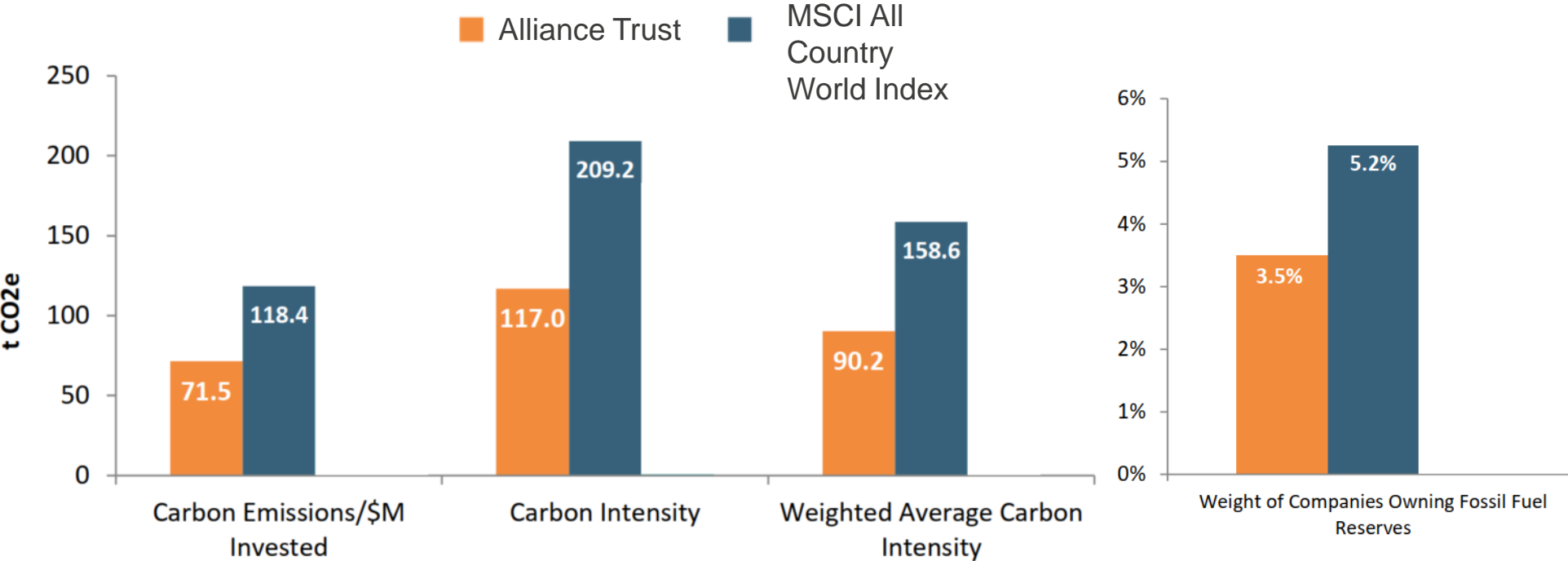
Best practice

- **ESG integration:** demonstrable process that identifies and assesses material ESG factors
- **Stewardship:** voting and engagement processes to protect and enhance long-term value of the assets
- **EOS* at Federated Hermes** strengthens ability to engage with companies and provides voting advice

Review process

- ⚠ Where managers fall short we engage to drive change led by the lead researcher
- 🕒 12 months to enact changes, then review
- ❌ If the manager fails to respond we review our rating

MSCI ESG PORTFOLIO CARBON ANALYTICS



Source: MSCI ESG Research. Data as at 30 September 2020. Based on investment of \$1bn

The Alliance Trust portfolio Carbon Emissions are 39.6% lower than the MSCI All Country World, Carbon Intensity is 44.1% lower, and Weighted Average Carbon Intensity is 43.1% lower

The Alliance Trust portfolio is 1.7% underweight, relative to the MSCI All Country World, in companies that own Fossil Fuel Reserves

BANNING CONTROVERSIAL WEAPONS

Alliance Trust has excluded controversial weapon companies from the portfolio in accordance with MSCI's criteria:

- ✘ Cluster bombs
- ✘ Landmines
- ✘ Depleted Uranium Weapons
- ✘ Chemical and Biological Weapons
- ✘ Blinding laser weapons
- ✘ Non-detectable fragments
- ✘ Incendiary weapons (white phosphorus)

These categories of weapons are widely considered to be controversial as they can have indiscriminate, anti-humanitarian impacts on civilians, including weapons of mass destruction. Many are also subject to international conventions and agreements which many countries have ratified.

We start with a belief that engagement is the best route, but are open to exclusions where engagement has less impact

Data as of 30 September 2020, Source MSCI ESG Research LLC

ENGAGING WITH COMPANIES TO IMPROVE OUTCOMES

EOS at Federated Hermes



EOS credentials¹

- ✓ \$1.2tn of assets under advice invested in >10,000 companies worldwide*
- ✓ 16 years of experience
- ✓ Engaged with 1,000+ companies on 2,854 issues during 2019



Services provided

Corporate engagement

Voting

Public policy

Covering a wide range of issues including:

Climate change

Executive remuneration

Human rights

Cyber security



Benefits

- ✓ Protect and enhance performance
- ✓ Align management with investors
- ✓ Drive industry improvements for a better functioning investment system

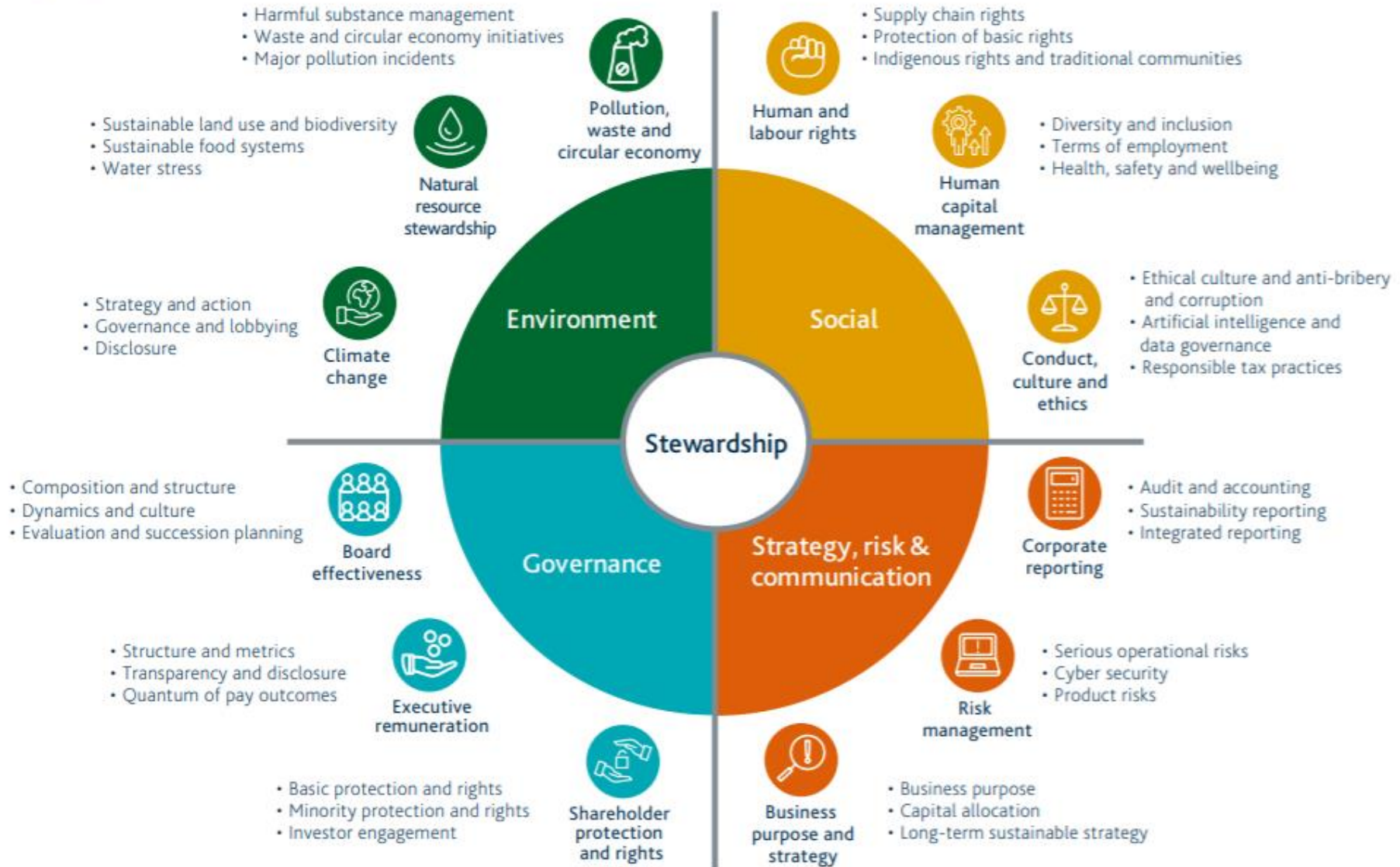
Note: as of 3 February 2020, Hermes Investment Management and Federated Investors, Inc. have rebranded as Federated Hermes. Hermes EOS is now referred to as EOS at Federated Hermes.

¹Source: <https://www.hermes-investment.com>

* Assets as at 30 September 2020.

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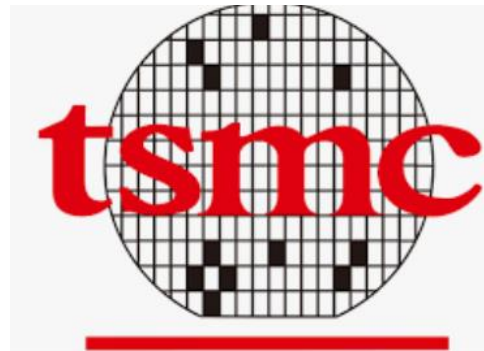
EOS AT FEDERATED HERMES ENGAGEMENT PLAN THEMES FOR 2020-2022



Source: EOS at Federated Hermes Public Engagement Plan

ENVIRONMENTAL ENGAGEMENT CASE STUDY

Improving water stewardship



ALLIANCE TRUST

Alliance Trust had an allocation to Taiwan Semiconductor Manufacturing Company (TSMC) as at 30 September 2020



Area of engagement

EOS In 2018 encouraged TSMC) to take a leadership position on ensuring broader access to water. The company's fabrication facilities consume a lot of water and Taiwan is exposed to a growing drought risk due to climate change. EOS outlined how the company could play a role in sustainable development by improving water stewardship.



EOS

Outcome

TSMC allocated significant resource to develop the know-how to support its ambition of using reclaimed water in fabrication operations. It started a pilot project and promised to share the knowledge with the government and peers.

Smart measurement systems are now in place. Recycled water with improved quality can replace the demand for city water, contributing to a more sustainable society. In 2019, TSMC achieved the highest score ever recorded by the Alliance for Water Stewardship and its current recycling rate is 86.7%.

Source: EOS at Federated Hermes

Companies mentioned are for informational purposes only and should not be considered investment advice

SOCIAL ENGAGEMENT CASE STUDY

Safeguarding against human rights abuses



EOS



ALLIANCE TRUST

Alliance Trust had an allocation to Vinci, a French construction and concessions company as at 30 September 2020

VERITAS ASSET MANAGEMENT
REAL RETURN INVESTING

Area of engagement

EOS has engaged with Vinci over time with respect to its exposure to the risk of complicity with regards to potential labour and human rights abuses in Qatar.

Outcome

Vinci made a number of changes, including creating a global task force of human rights directors, appointing an independent third party firm to conduct a human rights impact assessment, and organising a workshop on modern slavery.

In 2017, Vinci signed an agreement with QDVC, its joint venture with the real estate arm of Qatar's sovereign wealth fund, and the union federation BWI. The agreement covers the human rights of QDVC workers employed in the country and includes due diligence on its sub-contractors. This agreement was the first of its kind in Qatar between a union federation and a Qatari company.

Source: EOS at Federated Hermes

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GOVERNANCE ENGAGEMENT CASE STUDY

First female Board member in company history



EOS



ALLIANCE TRUST

Alliance Trust had an allocation to Nintendo as at 30 September 2020 and has held the stock since the appointment of WTW

RIVER AND MERCANTILE
ASSET MANAGEMENT

Area of engagement

EOS began engaging with Nintendo on gender diversity on its board in 2016 and on board independence in 2017 with the head of legal and company secretary, meeting eight times between 2016 and 2020. The board was composed only of men of Japanese nationality. Although it has progressed board independence from a 100% insider board in 2013 to 33% since 2016, there remains room for improvement. EOS' concern was accentuated by the fact that the company did not have a nomination committee, adding opacity to the nomination process. They encouraged the company to carry out an independent board evaluation and strengthen the search for female candidates.

Outcome

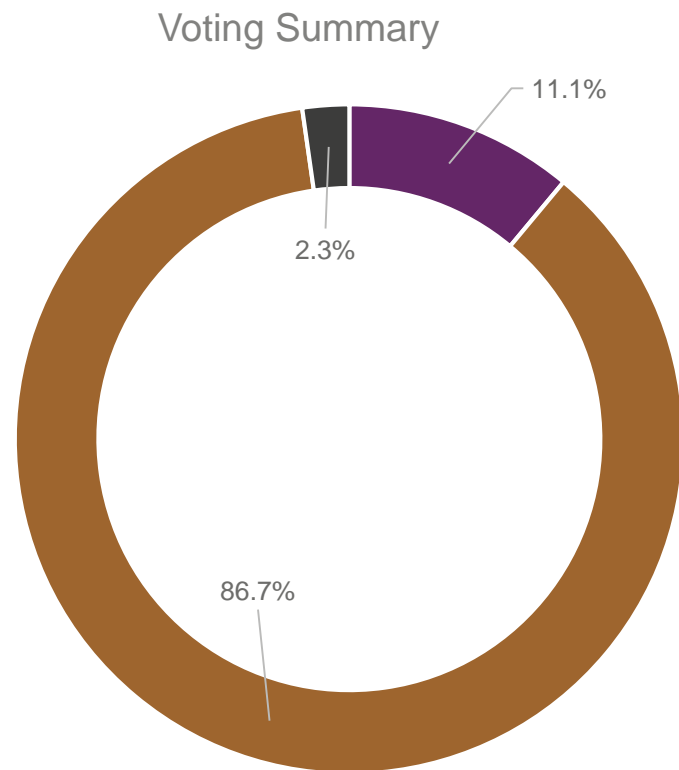
Following EOS' engagement, Nintendo carried out its first self-evaluation of the board in 2016 and promised to consider an external board evaluation. The company is working towards strengthening its talent management programme to establish a pipeline of senior female executives, which it expects to take 10 years from 2017. Following EOS' vote against the president in the 2019 AGM and further engagement later in the year to accelerate change in board composition, the company announced that it is establishing a nomination advisory committee in January 2020 – three out of the five directors are outside directors. In May 2020, the company also announced that it will appoint a woman to the board for the first time. EOS are pleased with the appointment and encouraged the company to improve disclosure of the nomination process and to publish the Terms of Reference of the nomination advisory committee so that investors can better understand the company's working objectives and accountability towards selecting board members, given that it has traditionally relied on the president to nominate candidates. EOS continue to engage as their expectations for diversity of a board go beyond appointment of one female director.

Source: EOS at Federated Hermes

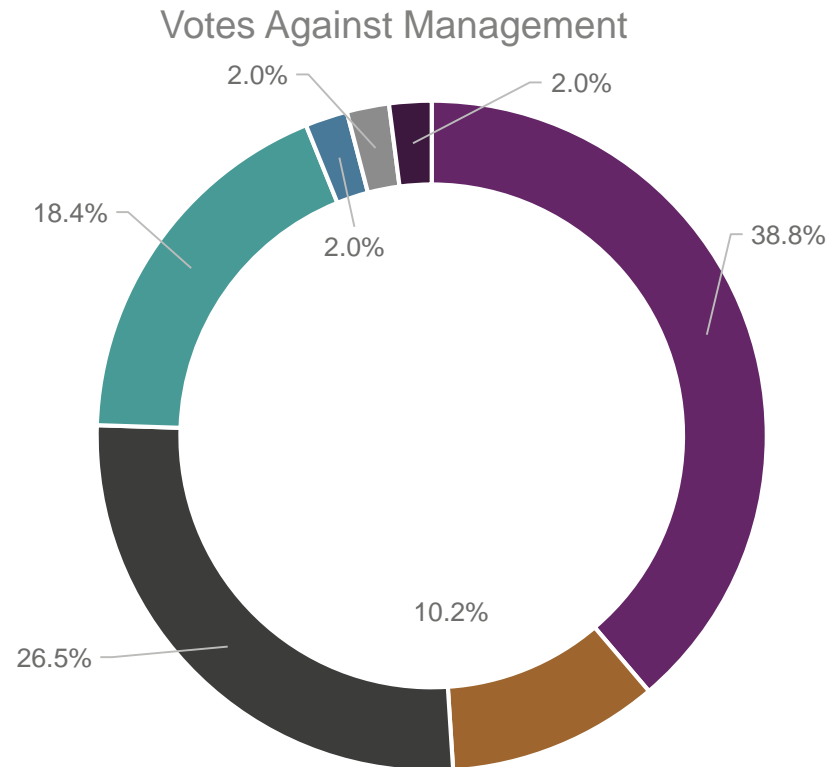
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VOTING SUMMARY Q3 2020



- Votes exercised against Management
- Votes exercised with management
- Votes that were abstentions



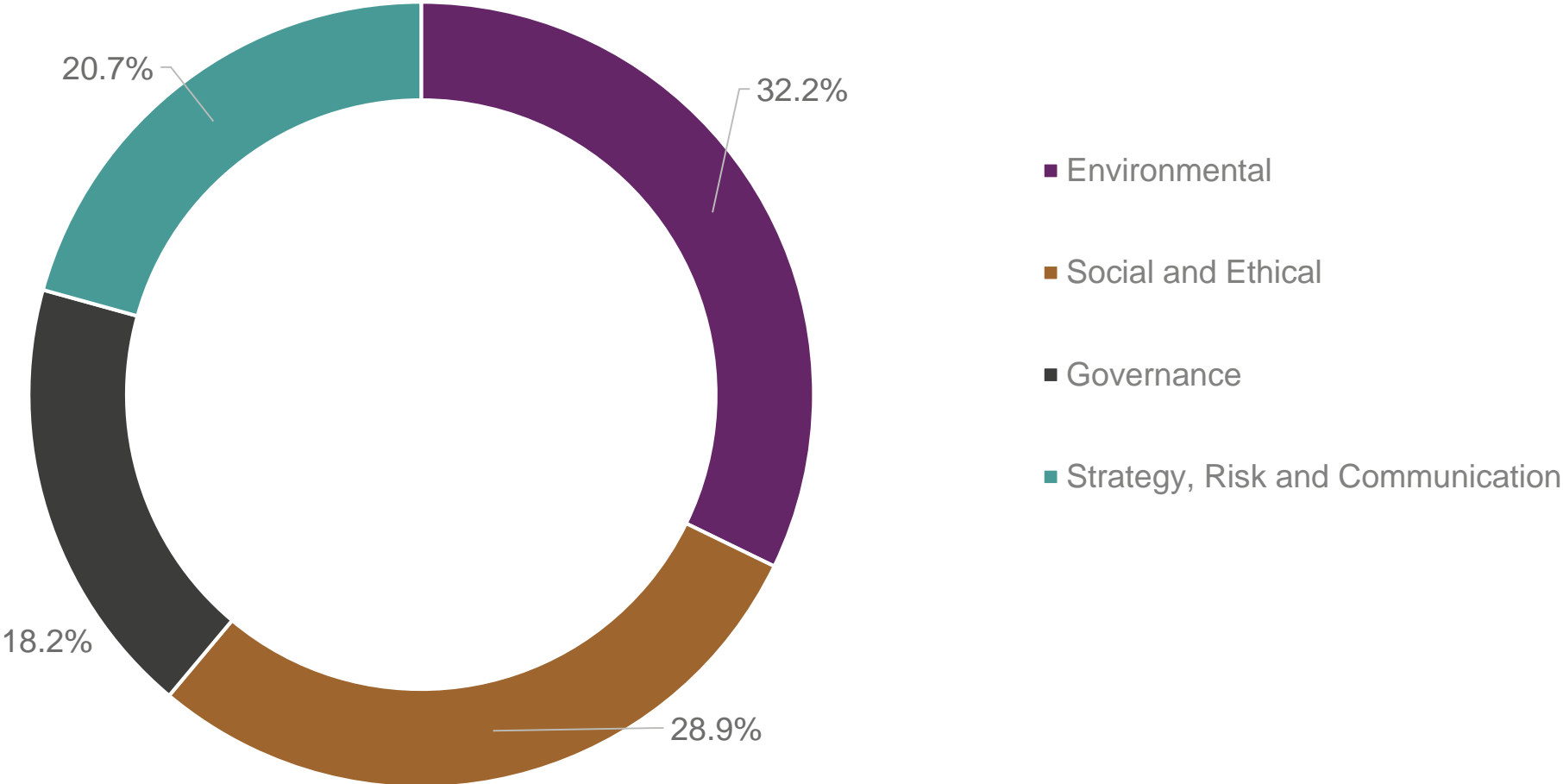
- Directors Related
- Non-Salary Comp.
- Shareholder-Corp Governance
- Shareholder-Other/misc.
- Routine/Business
- Capitalization
- Shareholder-Dirs' Related

Source: ISS, Willis Towers Watson, data as of 30 September 2020

- Over the course of Q3 2020, our managers cast 443 votes at 37 company meetings. They voted against management in 49 of these and abstained on 10. Votes were cast on all meetings and all voteable proposals.
- Of the votes cast against management most were in relation to director related, compensation or capitalisation related proposals.

ENGAGEMENT ACTIVITIES FOR Q3 2020

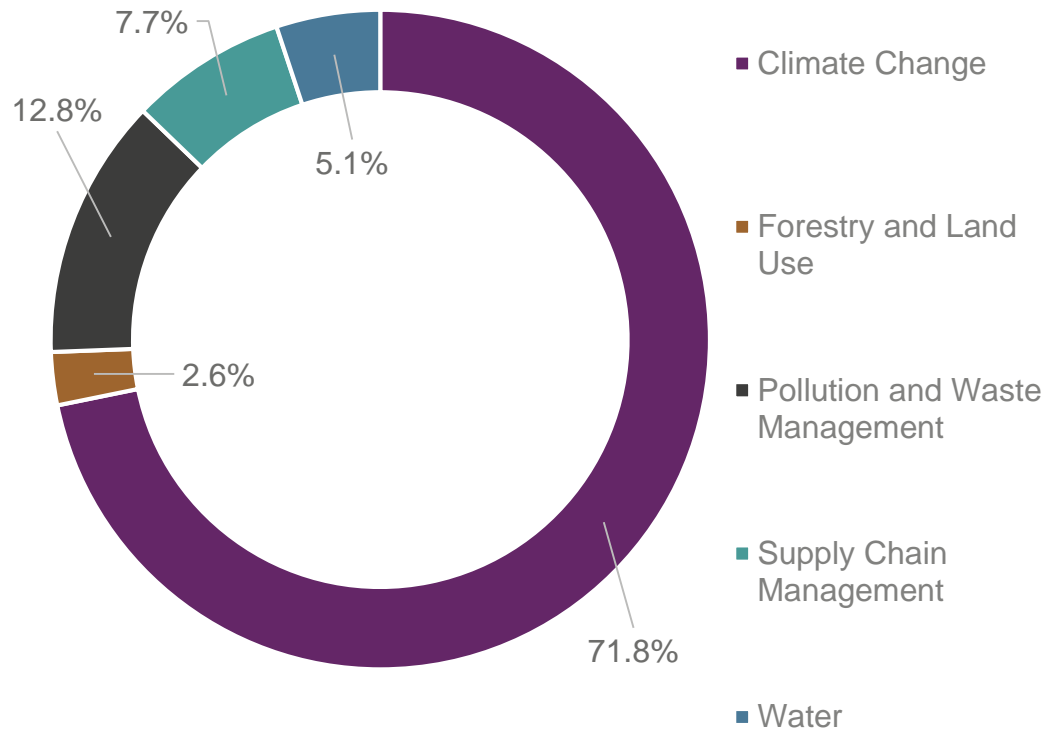
Over Q3 EOS at Federated Hermes engaged with 39 companies within the Company's portfolio on a range of 121 issues and objectives



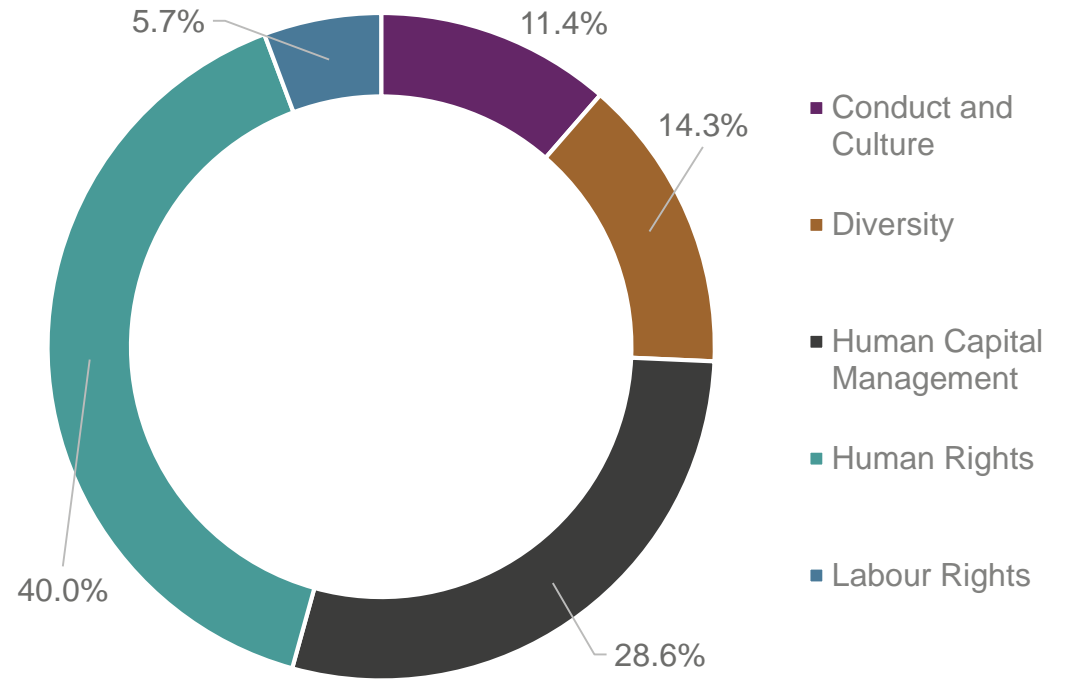
Source: WTW, EOS at Federated Hermes. Data as of 30 September 2020

ENGAGEMENT ACTIVITIES FOR Q3 2020

ENVIRONMENTAL



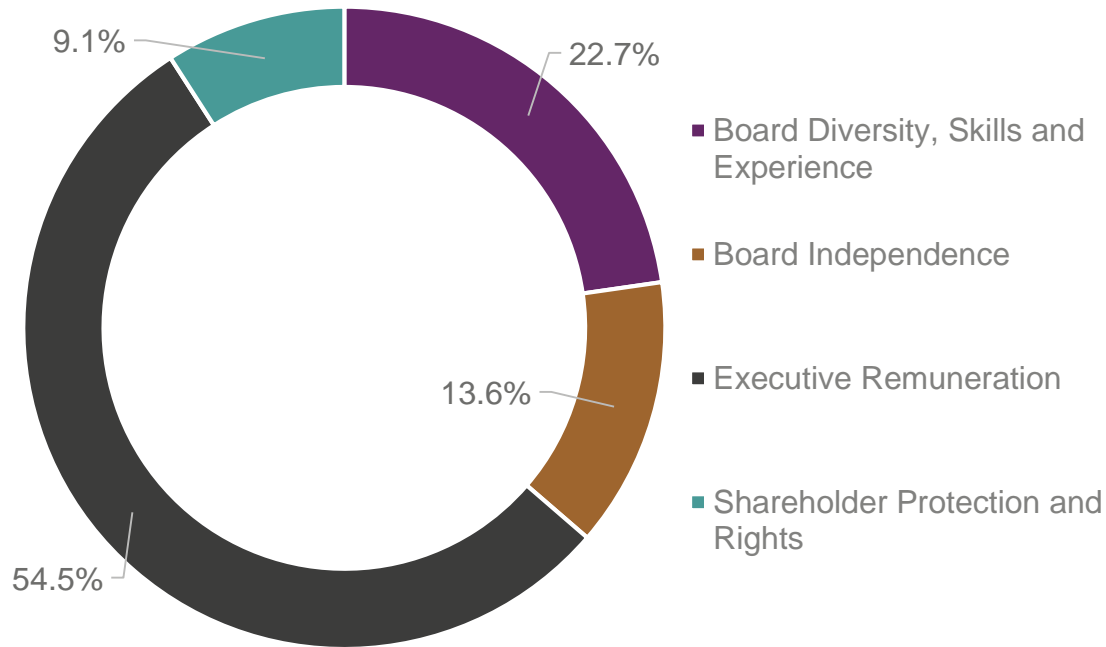
SOCIAL AND ETHICAL



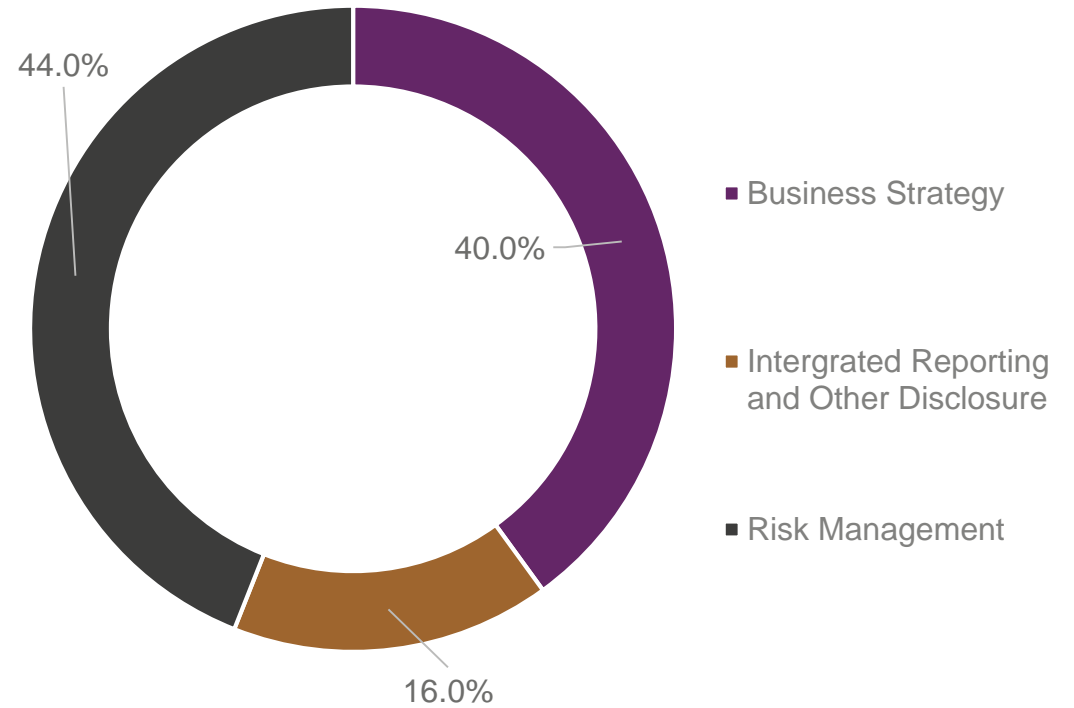
Source: WTW, EOS at Federated Hermes. Data as at 30 September 2020

ENGAGEMENT ACTIVITIES FOR Q3 2020

GOVERNANCE

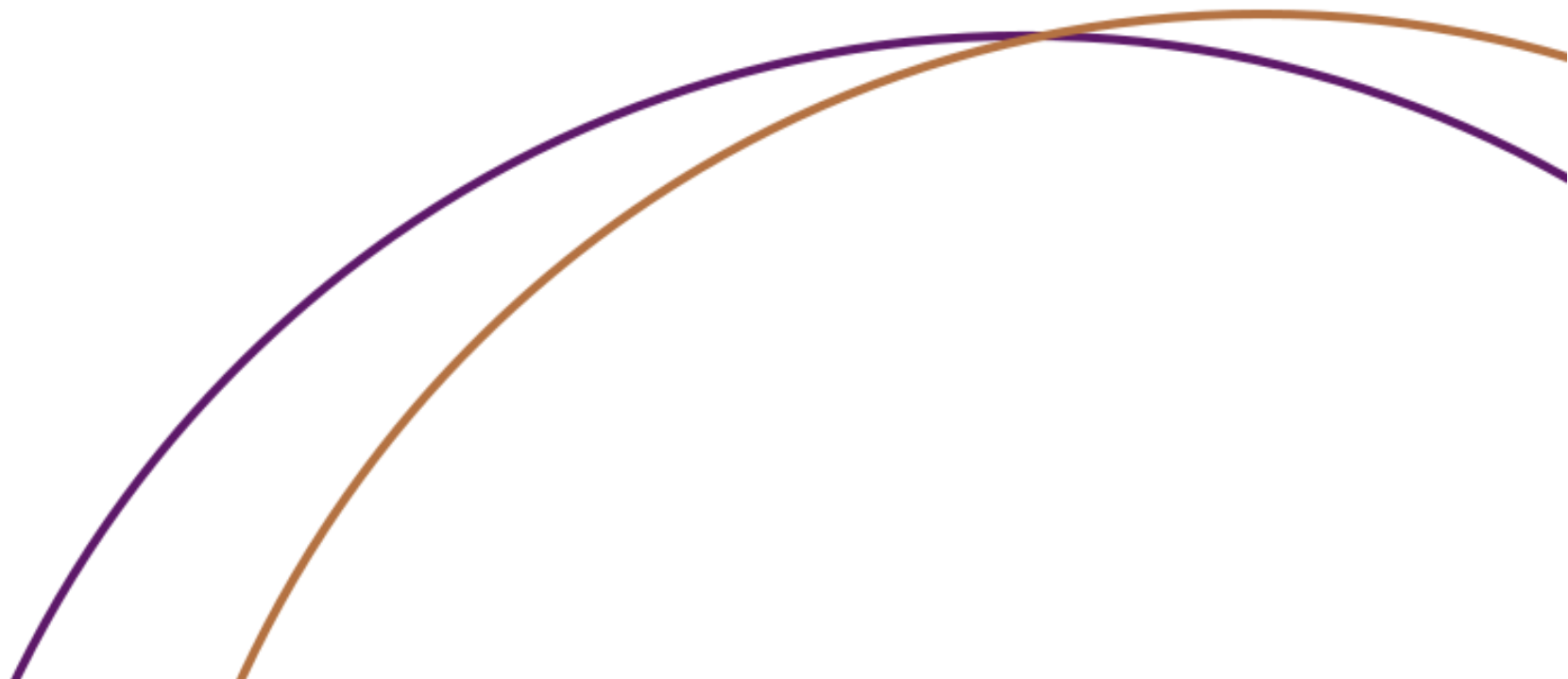


STRATEGY, RISK AND COMMUNICATION



Source: WTW, EOS at Federated Hermes. Data as at 30 September 2020.

WILLIS TOWERS WATSON
APPENDIX AND DISCLAIMERS



WILLIS TOWERS WATSON – WHO WE ARE

- Global provider of investment advice and solutions tailored to the specific needs of our clients, based on a strong foundation of research, analysis, innovation and trust
- Diverse client base, including pension funds, insurance companies, sovereign wealth funds, wealth management companies, family offices, etc
- 1,000+ investment colleagues across the world



Global Assets

AuA
\$2.6
trillion

AuM
\$148
billion

We work with

78%
Fortune Global
500

86%
FTSE
100



Source: Willis Towers Watson. All figures are subject to change.
AuA as at 30 June 2017
All other data is as of 31 December 2019

WILLIS TOWERS WATSON'S TEAM FOR ALLIANCE TRUST



CRAIG BAKER
Global CIO
Chair of Investment Committee



STUART GRAY
Co-Portfolio Manager
Investment Committee Member



MARK DAVIS
Co-Portfolio Manager
Investment Committee Member












MARIA MUSIELA
Senior Client Lead



Source: Willis Towers Watson. As at 31 December 2019.

NINE OF THE BEST STOCK-PICKERS FROM ACROSS THE WORLD WITH DIVERSE STYLES.¹

| | | |
|--|--|---|
|  <p>BILL KANKO Black Creek Investment Management Value-orientated buyers of leading businesses. Long-term contrarian approach</p> |  <p>RAJIV JAIN GQG Partners Looks for high-quality & sustainable businesses whose strengths should outweigh the macro environment</p> |  <p>GEORGE FRAISE, ROB ROHN, GORDON MARCHAND Sustainable Growth Advisers Seeks companies that have strong pricing power, recurring revenue generation & long runways of growth</p> |
|  <p>ANDREW WELLINGTON Lyrical Asset Management Focus on businesses with attractive capital returns & flexibility to react to all phases of the business cycle</p> |  <p>C.T. FITZPATRICK Vulcan Value Partners Focus on finding quality businesses that have the ability to compound in value over the long term.</p> |  <p>DANIEL LASCANO, RONALD MCINTOSH Lomas Capital Management Seeks companies that benefit from company or industry level economic and fundamental trends and themes.</p> |
|  <p>BEN WHITMORE Jupiter Asset Management Seeks out-of-favour & under-valued businesses with prominent franchises & sound balance sheets</p> |  <p>ANDY HEADLEY Veritas Asset Management Thematic investing to identify companies & industries that are well positioned to benefit medium-term growth</p> |  <p>HUGH SERGEANT River & Mercantile Asset Management Strength in smaller companies & recovery situations identifying value at different stages of a company's lifecycle</p> |

- CANADA
- UK
- US

UK retail investors can only access these managers' 10-20 best stock picks through the Trust

¹As rated by the Willis Towers Watson manager rating system.

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- The value of all investments and the income from them can go down as well as up. This means you could get back less than you invested.
- Securities and derivatives trading in which the Trust engage are speculative and may involve a substantial risk of loss.
- Past performance is not a reliable indicator of future returns.
- Alliance Trust may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of the Trust’s assets will result in a magnified movement, in the same direction, of that NAV. This may mean that you could get back nothing at all.
- The Trust has underlying holdings which are denominated in currencies other than Sterling and therefore may be affected by movements in exchange rates. Consequently, the value of these investments may rise or fall in line with exchange rates.

| Calendar year performance | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|------|
| Alliance Trust Equity Portfolio Return (%) ¹ | 6.1 | 23.3 | 17.9 | -4.2 | 22.9 |
| MSCI ACWI NDR (%) | 3.8 | 29.4 | 13.8 | -3.3 | 21.7 |
| Relative return (%) | +2.3 | -6.1 | +4.1 | -0.9 | +1.2 |

Past performance is not a reliable indicator of future returns.

Source: Willis Towers Watson, February 2020. ¹Calculated before managers' fees and including the effect of the managers' cash holdings. In order to report the long-term record of the equity portfolio, the returns of the portfolio prior to its restructure early in April 2017 have been combined with the returns to date of the current portfolio.

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