

POLLEN STREET SECURED LENDING

Annual General Meeting – Questions and Answers

- 1. In 2018 the company bought back 3.75m shares. In 2019 the company bought back just 1.67m shares. In 2020, despite the discount increasing the board’s buyback program has been glacial. Taking into account the discount levels can the board explain their reluctance to institute a significant buyback program?**

In 2020 the Board has at different points in time needed to take account of:

- (1) the Manager’s plans for investment of additional capital and views on buybacks;
- (2) Takeover Code restrictions in relation to possible “frustrating action” during an Offer Period;
- (3) the dramatic change in market conditions caused by the Covid-19 pandemic; and
- (4) the process which it has announced to review the Company’s investment strategy and select a new investment manager.

Taking account of all these factors the Board believes it has acted appropriately by maximising and conserving liquidity in recent months.

- 2. Why is the board requesting the authority to buy back a further 11.1m shares given their historical reluctance to have a meaningful buy back?**

In the light of the ongoing discount to NAV, increasing cash balances within the Company and review of the Company’s investment policy the board believes it is in shareholders’ interests to maintain the flexibility for an enlarged share buyback programme over the next 12 months.

- 3. Can the board detail the Policy governing members tenure as described on page 37 of the report?**

The following statements from pages 36 and 37 of the Annual Report and Financial Statements for the year ended 31 December 2019 detail the policy around tenure:

“During the period, the Board has determined and approved a policy governing Board members’ tenure and reappointment. The Board does not feel that it would be appropriate to set a specific tenure limit for individual Directors or the Chairman of the Board or its Committees. In line with the supplementary AIC guidance, the Board has opted to take a more flexible approach to chair tenure to manage succession. Accordingly, the Board will seek to recruit a new Director promptly when appropriate so as to regularly to bring the challenge of fresh thinking into the Board’s discussions.”

“The Board believes that a stable Board composition is fundamental to run the Company properly. The Board has not stipulated a maximum term of any directorship, however the Board has approved a Policy governing Board members’ tenure and reappointment which provides that the Board intends to maintain a broad range of experience in the Board, with Directors who have served a range of periods on the Board of the Company. This is likely to result in an average tenure of around 6-9 years, thus ensuring that on each occasion that the Board enters into new investment commitments at least half the members have direct personal experience of negotiating previous commitments with the Manager.”

- 4. On Page 38 they list Board meetings. There were at least 31 Board meetings in 2019 as well as 3 Audit Committee, 2 Management Engagement Committee, 5 Remuneration Committee, 2 Nomination Committee and 2 Risk Committee meetings. This is an extraordinary number for an investment trust. Can the board explain this?**

Generally, the Board will hold five formal, scheduled Board meetings each year. In between these there will be ad-hoc meetings of the Board held as necessary to consider matters such as the payment of dividends, reviewing the NAV and any other items that are reserved to the Board for its attention. Depending on the nature and frequency with which items requiring the Board's attention occur there is the potential for the Board to meet significantly more than the five times that it is scheduled to each year, as it did during 2019.

- 5. In 2019 the board went through an evaluation process led by the Chairman. Can the board detail the outcome of this?**

The results of the evaluation process were presented to, and considered by, the Board. There were no significant actions arising from the evaluation process and it was agreed that the current composition of the Board and its Committees reflected a wide range of skills and experience, and that the individual Directors contribute effectively to the operation of the Board and the strategy of the Company.

- 6. Given that the Board has suggested that they are likely to recommend to shareholders that the Company pursue an orderly run off why are they progressing discussions to change Investment Manager?**

The Board has set out in some detail its concerns around governance and behaviour in relation to the current Investment Manager and has served 12 months' notice of termination of the Investment Management Agreement. For these reasons it believes that it will be in the Company's best interests to appoint a new Investment Manager. As previously noted, any change in investment policy will be subject to shareholder approval.

- 7. In the Chairman's statement it is said that the company is thinking of bringing forward the continuation vote but haven't included this on the AGM agenda. Could the Chairman please explain if and when he will put this vote to a General Meeting.**

The next continuation vote is due to be proposed at the 2021 Annual General Meeting. The Chairman's statement referenced a number of strategic options, including the continuation vote that were under review by the Board and about which it was intended to consult with shareholders at an appropriate time. These matters remain under review, especially in these difficult and unprecedented circumstances, and protecting shareholders' interests remains the Board's key priority.

If, and when, any further decisions are made on these matters, including the continuation vote, an announcement will be made.