



*Signatory of:*



Active investment. Responsible outlook.  
Responsible Investing Report  
July 2020

**ACTIVE STOCKPICKERS**



For professional advisers only – not to be relied upon by retail clients

Responsible investing is an important aspect of the service we offer our clients and a key point of differentiation with passive investment strategies and many other active managers. SVM began managing Socially Responsible Investment (SRI) products in 2006. Since then, our engagement principles have evolved to include environmental, social and corporate governance (ESG) issues across our range.

Our top priorities are to do our best for our clients, by maximising their portfolio returns and protecting their interests, and to drive benefit for society. To select investments we employ a consistent and disciplined approach that focuses on intensive bottom up research. As part of our investment process we assess many factors including ESG considerations for their potential to materially affect a company's performance.

As a boutique investment firm we recognise that, because in most cases we will not hold significant positions in investee companies, it can be difficult to encourage changes in management attitudes and behaviour purely by exercising client voting powers alone. Instead, we have adopted a more flexible approach and we engage with company management and boards as and when we believe it will be of most benefit.

With many admirable ESG credentials, such as life saving drugs and the provision of affordable healthcare to those most in need, global pharmaceutical Roche does not appear as the most obvious candidate to raise environmental concerns. Scrutiny of the company's 2019 annual report, however, reveals some reasons for further investigation.

Our sectoral Green House Gas indicator shows the pharmaceutical industry to be relatively benign in terms of Green House Gas emissions, especially when compared to many other energy intensive industries, but there are still many areas where improvement can be made. For Roche this is brought into stark contrast when studying the specific breakdown of their CO<sub>2</sub> emissions. Understandably for a company of its size, with facilities in over 100 countries housing some 93,734 staff, purchased electricity has a sizeable impact on the company's environmental profile, with 195,766 tonnes of CO<sub>2</sub> being emitted in 2019. What is more surprising is the 201,522 tonnes of CO<sub>2</sub> emitted from business travel alone, clearly exceeding the entire purchased electricity emissions for this large multi-national company. When challenged Roche acknowledged the issue and have committed to a -15% reduction in GHG emissions from business flights between 2020 and 2025.

This is not a particularly satisfactory answer in terms of the quantum of the target and, more worryingly, is based on KG of CO<sub>2</sub>/employee. Such intensity-based targets could still see an overall increase in CO<sub>2</sub> emissions should the employee base increase over the 5-year period. We will continue to challenge Roche on this matter.

Unfortunately, challenging companies such as Roche on their environmental credentials may soon become more difficult for some. Our research highlights that the company's disclosure on environmental issues has diminished year on year and the reason for this is surprising as the CDP, or Carbon Disclosure Project, appears to be the catalyst.

The CDP is a non-profit organisation that takes submissions from companies, cities, states and regions and rates them on their level of environmental transparency and disclosure. A coveted 'A' List rating is awarded to those that are best in class. For 2019 Roche tell us that they are simply not willing to submit data to the CDP as the whole process has become too time consuming and onerous. Ominously they have spoken to several other multi-nationals about the issue suggesting this step backwards may become more widespread. Over the past decade giant steps have been made in terms of company disclosure making this retrospective step particularly concerning.

Interestingly Roche used the term "cost/benefit" when describing the situation. This indicates to us that investors will remain a key player in the push for environmental, social and governance disclosure as the economic rational for companies to co-operate is clear cut and the data demanded will be used for the specific purpose of making better informed investment decisions. Our hope is that the CDP will listen to the concerns of Roche and others but in the meantime SVM will continue with their own focussed in-house ESG research.

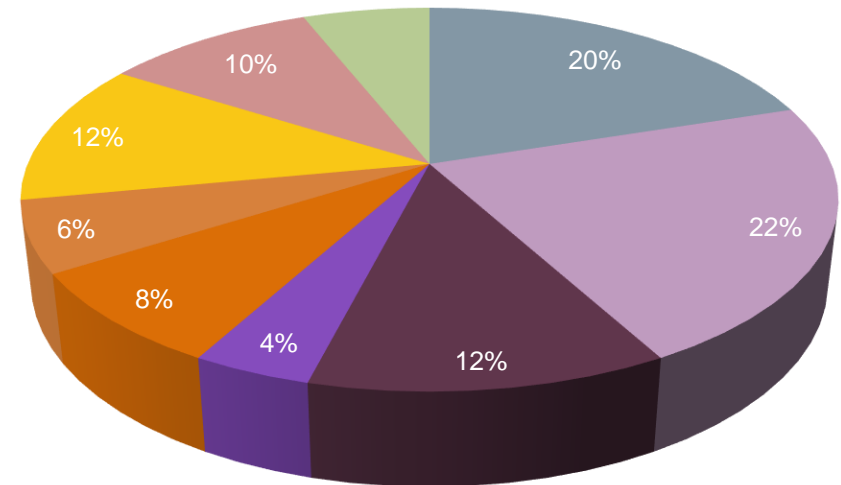
**More Responsible Investing articles can be found on our blog [www.thevaluekey.co.uk](http://www.thevaluekey.co.uk)**

## Engagement Policy

We enter into a dialogue with every potential investment with a view to having a positive influence on the company concerned. Using information derived from a combination of in-house research, dialogue with the company and external sources we identify the key issues and discuss them directly with company management, in order to affect change.

## Q2 2020 Engagement Update

During the quarter we engaged with 16 companies on 50 ESG issues.



- Reporting/Disclosure
- Environment
- Remuneration
- Sustainability Strategy
- Diversity
- Governance
- Society
- Supply Chain
- Human Rights

COMPANY	Reporting/ Disclosure	Environment	Remuneration	Sustainability Strategy	Diversity	Governance	Society	Supply Chain	Human Rights
Crayon			•			•			
Patrizia	•	•					•		
Allgeier	•	•	•	•	•	•	•	•	•
Roche	•	•	•				•		
Nestle	•	•	•	•			•	•	•
Uniphar	•	•	•		•		•	•	
va-Q-tec	•								
M&G	•	•			•		•		
Learning Technologies						•			
Telefonica			•		•				
Barco		•							
United Internet	•	•						•	
Ringkjoebing Landbobank		•							
Hypoport	•								
Veolia	•	•						•	•
Dustin		•							

Source: SVM

The companies mentioned are for illustrative purposes only and are not to be considered a recommendation to buy or sell.



## Voting Policy

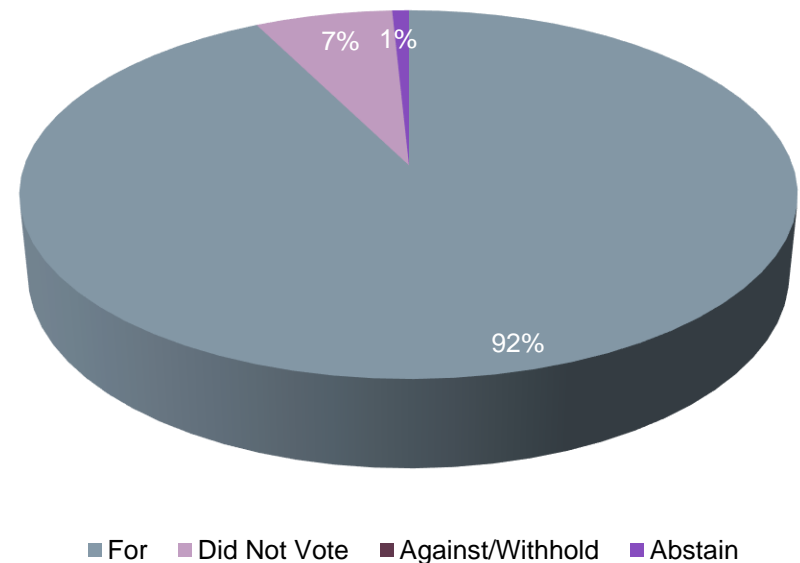
We seek to promote corporate social responsibility through engagement and a negative vote will only be viewed as a final measure to be adopted when this process of engagement has not been successful. We have and will express our views in this way if necessary. Our emphasis is on engagement and resolving issues through dialogue.

[Click here](#) for voting records for SVM Asset Management from 1 January 2019

## Q2 2020 Voting Update

Across 1,859 unique proposals available to vote, we voted 1,720.

Votes cast were in line with management recommendations 98% of the time, with 2% contrary to management recommendations.



Date	Security	Resolutions Voted Against	Reason
09/04/2020	Ocado Group plc	2. Remunerations	We have voted against the remuneration report for Ocado, Item 2 at their forthcoming AGM as the CEO pay is deemed excessive and LTIP targets inappropriate.
15/04/2020	Hutchison China Medi Tech	2A. Re-elect Simon To as Director (abstained) 4C. Authorise issue of equity without pre-emptive rights in connection with an equity raise (abstained) 5. Amend 2015 Share Option scheme (against)	2A - Simon To also sits on remuneration committee and it is against best practice to have an executive director sitting on this committee. He is also considered over-boarded. 4C - Seeking permission to issue shares above the recommended limit with no pre-emptive rights nor any detailed explanation as to the rationale. 5 - Issues with the LTIP. Granting options to NEDs is viewed as a threat to their independence. Also 25% of the options granted can be exercised within 1 year of issue again this goes against best practice as by definition this scheme should be long term. Finally in terms of change of control there is no condition to pro-rata the LTIP in such circumstances. SVM consider short term nature is wrong.
15/04/2020	Crayon	11. Executive Remuneration	We have voted against Item 11 as a one year vesting period is not suitable for a long term incentive programmes.
15/04/2020	Barco	9. Luc Missorten as Independent Board Member	We have voted against Item 9 at the Barco AGM as the director's tenure is over 12 years.
21/04/2020	Smurfit Kappa Group Plc	3. Approve final dividend	We have abstained on Item 3 as the dividend proposal has now been withdrawn.
21/04/2020	Indivior plc	2. Approve remuneration report	We are voting against the remuneration report on this one as management reward considered inappropriate and excessive.
22/04/2020	4imprint Group plc	3. Approve final dividend	We have abstained on Item 3 as the dividend has now been withdrawn.

Date	Security	Resolutions Voted Against	Reason
27/04/2020	Thales SA	10. Authorise up to 1 percent of issued capital for use in restricted stock plans 11. Authorise issuance of equity or equity-linked securities with preemptive rights up to aggregate nominal amount of EUR 159 million 12. Authorise issuance of equity or equity-linked securities without preemptive rights up to aggregate nominal amount of EUR 60 million 13. Approve issuance of equity or equity-linked securities for private placements, up to aggregate nominal amount of EUR 60 million 14. Authorise board to increase capital in the event of additional demand related to delegation submitted to shareholder vote above 15. Authorise capital increase of up to 10 percent of issued capital for contributions in kind	Voted against Item 10 as short vesting period for stock options and no performance conditions. Also against 11-15 as possibility of equity being issued in the event of a takeover.
29/04/2020	Howdon Joinery Group plc	3. Approve final dividend	Abstained Item 3 as dividend now withdrawn.
29/04/2020	One Savings Bank plc	5. Approve final dividend	Abstained Item 5 as dividend now withdrawn.
29/04/2020	Melrose Industries plc	3. Approve remuneration report 4. Approve final dividend	We abstained on item 4 as the dividend has been cancelled and item 3 because of excessive remuneration.
29/04/2020	Partners Group Holding Ltd	5. Approve remuneration report 8. Transact other business (voting)	We've voted against item 5 as NED's are granted options and Item 8 which permits changes to the AGM agenda without shareholder consultation.
30/04/2020	IWG plc	3. Remuneration report	Voted against Item 3 as LTIP paid out against original policy.
30/04/2020	Leonardo SpA	5.1 Slate 1 submitted by Ministry of Economy and Finance 7. Approve remuneration of directors 8. Approve remuneration policy 9. Approve second section of remuneration report	Voting against Item 5.1 as have to choose between 5.1 and 5.2 and the Italian Asset Managers Association believes 5.2 is in long term shareholders' interests. Also voting against the remuneration reports Items 7-9 due to lack of disclosure.



Date	Security	Resolutions Voted Against	Reason
30/04/2020	Intercontinental Hotels	2. Remeration policy 8. Amend long term incentive plan	Voted against Items 2 and 8 as the Remuneration Committee is proposing a significant increase to the maximum LTIP opportunities of the Executive Directors. In light of the significant increase in opportunity under the LTIP and the lack of a compelling rationale, shareholder support for the proposed remuneration policy and the proposed amendment to the LTIP is not considered warranted.
01/05/2020	Serco Group plc	3. Approve final dividend	We've abstained Item 3 as dividend now withdrawn.
01/05/2020	Computacenter plc	4. Approve final dividend	Abstained Item 4 as dividend now withdrawn.
04/05/2020	United Internet AG	5. Ratify Ernst and Young GmbH as auditors for fiscal 2020	We voted against the auditor as their fees for ancillary work surpass those for audit work.
26/05/2020	Denka Co	3. Elect alternative director and audit committee member Yamamoto, Akio	We have voted against on the final item of this agenda as the outside candidate for the Audit Committee is not considered independent.
26/05/2020	Gamma Communications plc	5. Re-elect Richard Last as director	We have voted against Item 5 as the Chair is considered over boarded.
08/06/2020	Pirelli & C SpA	2.2.1 Appoint directors: slate submitted by Marco Polo International Italy Srl and Camfin SpA 2.3 Elect Ning Gaoing as Board Chair 3.1 Approve remuneration policy 3.2 Approve second section of the remuneration report 4. Approve three year monetary incentive plan A - Deliberations on possible legal action against directors if presented by shareholders	We have voted against several items for the Pirelli AGM where the remuneration structure is very poor. For Items 2.2.1 and 2.2.2 there was a choice and we went with that recommended by the Italian Investment Management Association.

Date	Security	Resolutions Voted Against	Reason
11/06/2020	Learning Technologies Group plc	1. Accept Financial Statements and Statutory Reports 6. Re-elect Andrew Brodie as Director 7. Re-elect Aimie Chapple as Director	We have abstained on Items 1, 6 and 7 as Chair is over-boarded, the board and committees lack independence and management remuneration is inappropriate.
11/06/2020	Boohoo Group	2. Approve remuneration report	We voted against Item 2 as there were unexplained salary increases and CEO's total LTIP potential viewed as excessive.
12/06/2020	Alpha FX Group plc	6. Re-elect Matthew Knowles as Director	We voted against Item 6 as the director concerned is earning consultancy fees from the company as well as his board fees.
25/06/2020	BOKU Inc	2. Elect Mark Britto as Director	We have abstained on Item 2 as director considered not independent when serving on audit and remuneration committees.

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