



*Signatory of:*



Active investment. Responsible outlook.  
Responsible Investing Report  
July 2019

**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.

Easyjet CEO Johan Lundgren visited our offices in Edinburgh recently where we took the opportunity to push for the company to offer carbon offsetting to its customer base. Aside from helping to combat global warming we believe there is a sound economic rationale for adopting such an approach. As the growing public concern over aircraft emissions has the very real danger of curbing demand for air travel in the coming years as travellers seek more environmentally friendly modes of transport, it is inevitable that those companies which adopt a proactive approach to the issue are most likely to thrive.

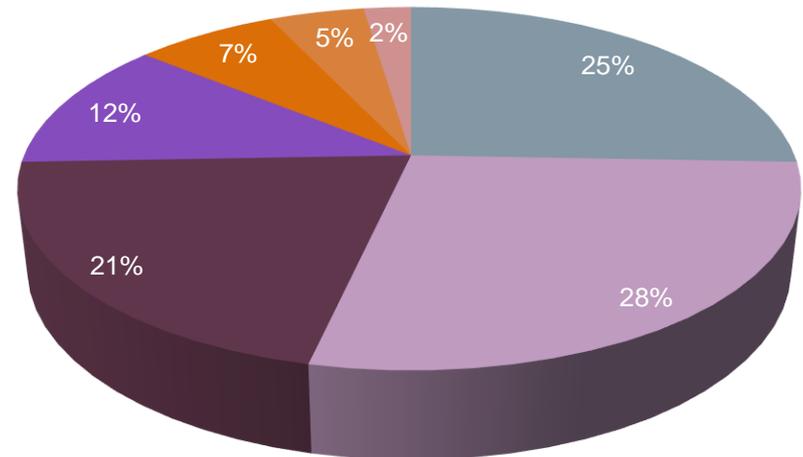
Easyjet introduced carbon offsetting back in 2007 but withdrew the offer as there was insufficient demand. To help overcome this we have suggested that offsetting becomes the default option when booking with an opt-out for those who are opposed. This would put the company well ahead of competitors and help reduce the environmental risk premium we apply to this industry. Easyjet say they are working hard on their environmental positioning and we can realistically see this happening within the next 12-18 months. We are also shareholders in Wizz Air where we have made a similar request and it will be interesting to see who acts first.

## 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 2019 Engagement Update

During the quarter we engaged with 22 companies on 43 ESG issues.



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

COMPANY	ENGAGEMENT TOPICS								
	Reporting/ Disclosure	Environment	Remuneration	Sustainability Strategy	Diversity	Governance	Society	Supply Chain	Human Rights
Axa	•	•	•	•	•				
Rexel	•	•	•	•	•				
Lanxess									
Stora Enso									
Tesco			•						
Wizz Air	•	•		•	•				
Wizz Air									
Atlas Copco		•							
Adidas		•						•	
GVC			•						
Easyjet		•							
SIMEC Atlantis Energy	•								
Creo Medical	•								
Bank of Ireland	•	•		•					
Ashtead	•	•							
Biffa		•	•						
Allgeier			•						
Jersey Oil and Gas	•		•			•			
Savannah Petroleum	•		•			•			
Danone		•							
Melrose	•	•							
Barclays	•	•	•	•					

Source: SVM

## Voting Policy

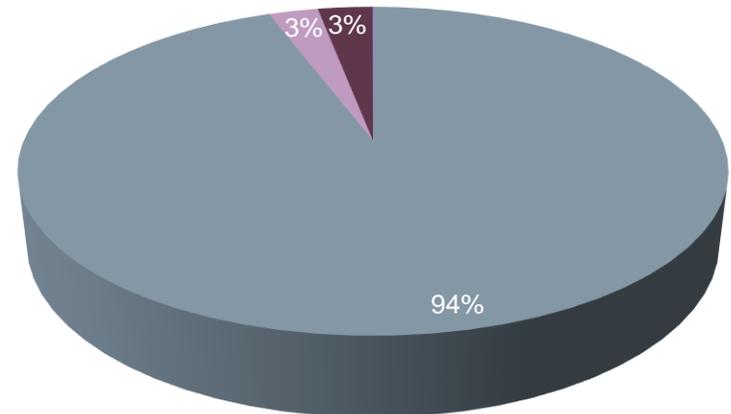
We seek to promote corporate social responsibility through engagement and a negative vote will only be viewed as a final measure to be adopted when this process of engagement has not been successful. We have and will express our views in this way if necessary. Our emphasis is on engagement and resolving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

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

## Q2 2019 Voting Update

Across 2,036 unique proposals available to vote, we voted 1,981.

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



■ For ■ Did Not Vote ■ Against/Withhold ■ Abstain

Date	Security	Resolutions Voted Against	Reason
08/04/2019	Segro Plc	3. To approve Remuneration report	Increase in LTIP was not accompanied by an increase in performance targets while the senior management +8.5% salary increase was above the general staff increase for the company and well above inflation.
09/04/2019	Intercontinental Holdings Group plc	2. To approve Remuneration report	CFO's salary consistently increased above-inflation yet company refusing to pay staff a promised living wage in London.
23/04/2019	The Weir Group plc	15. To re-elect Richard Menell as Director	Director considered independent and on remuneration committee despite having previously worked with the CEO for 9 years.
25/04/2019	Ocado Group plc	2. To approve Remuneration policy 3. To approve Remuneration report 19. To approve Value Creation Plan 20. To approve Annual Incentive Plan 23. To approve the Amendment to the Chairman's Share Matching Award	Salary increase above inflation, non-disclosure of LTIP reward rationale and chairman's share disposal restriction removal.
25/04/1949	Barclays plc	2. To approve Remuneration report 24. To elect Edward Bramson, a Shareholder Nominee to the Board	Voted for the appointment of activist investor and against the remuneration policy as CEO bonus not sufficiently clawed back for attempting to uncover a whistle blower.
26/04/2019	Schibsted ASA	9b. Elect Christian Ringnes as Director	Director who seeks re-election is considered over-boarded and non-independent yet serves as the Chairman of the audit committee
10/05/2019	Premier Oil plc	2. To approve Remuneration report	Remuneration report was linked to bringing down the debt level to below covenant limits while the original debt was incurred by existing directors. Also no proper explanation was given to those who voted against in the previous AGM.
13/05/2019	Orange SA	D Authorize up to 0.04 Percent of Issued Capital for Use in Restricted Stock Plans in Favor of Employees 21. Allow Board to Use Delegations under Item 20 Above in the Event of a Public Tender Offer 22. Authorize Board to Increase Capital in the Event of Additional Demand 24. Allow Board to Use Delegations under Item 23 Above in the Event of a Public Tender Offer 26. Allow Board to Use Delegations under Item 25 Above in the Event of a Public Tender Offer 30. Authorize Capitalization of Reserves of Up to EUR 2 Billion for Bonus Issue or Increase in Par Value	Allows for an employee capital raise as management have in the past referenced their support for this yet they have recommended we vote against in this instance. All other items which we voted against involved capital raises which may be used as a takeover defence.
15/05/2019	Marshall Motor Holdings plc	4. - Elect Kathy Jenkins as Director	We have voted against the re-election of Kathy Jenkins (Item 4) as director as she is not considered independent yet sits on the remuneration committee.

Date	Security	Resolutions Voted Against	Reason
15/05/2019	Hilton Food Group plc	2. Approve Remuneration report 3. Approve Remuneration policy 4. Re-elect Robert Watson as Director 13. Approve Long Term Incentive Plan	Proposing to increase the salary of the CFO by 10% as well as increase the LTIP potential from 100% of salary to 175%. There appears to be very little rationale behind this move and his remuneration package is already competitive. Previous CEO Robert Watson proposed as a transitional Executive Chair but they also propose he becomes the non-executive Chair in 2020. Difficult to justify his independence in these circumstances and calls into question the transitional nature of the move.
16/05/2019	Gamma Communications plc	5. Re-elect Richard Last as Director	Richard Last is considered over-boarded.
16/05/2019	StatPro Group plc	10. Approve Growth Share Plan 11. Adopt New Articles of Association	Inappropriate remuneration package contained within the company's Growth Share Plan.
20/05/2019	Informa plc	5. Elect David Wei as Director 12. Re-elect Stephen Davidson as Director	Both NED's seeking re-election are considered over-boarded.
20/05/2019	Arix Bioscience Plc	3. Approve Remuneration Report	CEO's option package includes a declining strike price.
23/05/2019	Learning Technologies Group plc	7. Re-elect Andrew Brode as Director	Andrew Brode is considered over-boarded
23/05/2019	Advanced Medical Solutions Group Plc	5. Re-elect Steve Bellamy as Director 8. Approve Share Option Plan	Steve Bellamy's tenure on the board at 12 years and 10 with the current CEO is considered too long. Share Option Plan envisages a 15% capital increase against recommended best practice of 10%.
23/05/2019	Applegreen plc	3a. Re-elect Daniel Kitchen as Director 3e. Re-elect Brian Geraghty as Director 4. Authorise Board to Fix Remuneration of Auditors	Director over-boarded. Director earns professional fees from Applegreen in addition to his directorship. Abstained against Item 4 as the auditors are earning additional fees in addition to their audit fees.
17/06/2019	Allgeier SE	6. Authorize Management Board Not to Disclose Individualized Remuneration of its Members	Sought authorisation for senior management salaries not to be disclosed.
24/06/2019	JD Sports	2. Approve Remuneration report 4. Re-elect Peter Cowgill as Director 6. Re-elect Andrew Leslie as Director 11. Approve Grant of Special Bonus to Peter Cowgill	The remuneration report does not give details of targets for bonuses, Peter Cowgill is awarding himself a £6m bonus and his role is both Chair and CEO.
25/06/2019	Augmentum Fintech	2. Grant the Directors authority to allot such New Shares on a non-pre-emptive basis	Raising of capital without pre-emptive rights.

For further information please contact:

Colin Thomson

[cthomson@svmonline.co.uk](mailto:cthomson@svmonline.co.uk)

Erin Elliot

[eelliot@svmonline.co.uk](mailto:eelliot@svmonline.co.uk)

SVM Asset Management

7 Castle Street

Edinburgh

EH2 3AH

+44 (0)131 226 6699

[www.svmonline.co.uk](http://www.svmonline.co.uk)

[www.thevaluekey.co.uk](http://www.thevaluekey.co.uk)

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