



Signatory of:



Active investment. Responsible outlook.
Responsible Investing Report
April 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.

We met with a large European corporation who boasted to us of their environmental credibility citing 3 KPI's which form the basis of their ESG strategy. One of these KPI's is to reduce plastic usage by 30% come 2021. To achieve this target they will make use of both recycled and biomass materials. The company is a heavy user of plastic bags and any reduction would be welcomed both from an environmental and financial perspective but we have questioned why the target is not more ambitious and pushed for a move toward the 100% level. This they claimed was too ambitious as the project is complex and technical with the company operating many different subsidiaries and in many different geographies. We find this reply surprising as previous discussions in the meeting had been devoted to how their group structure allows for operational efficiencies to be made as synergies can be extracted from the current group structure which can benefit from its economies of scale.

It's depressing how often logic and efficiencies are important tools for a company with regard to financial metrics but seem to fall by the wayside as far as ESG issues are concerned. But the company assure us that management are fully committed to their ESG targets. Interesting then that these targets are not included in their remuneration structure whereas there are clear financial targets for which senior management will be rewarded.

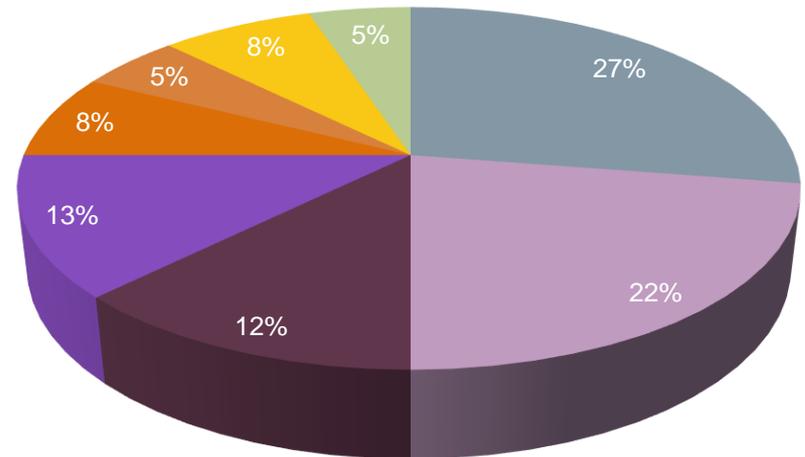
Engagement on such matters remain an important part of our investment process as environmental, social and governance issues have the ability to strongly influence the operational development of a company and therefore the more ambitious and the more financially dependent senior management are on ESG targets then the more convinced we can become on our potential returns. In this instance we will continue to push for a 100% reduction in plastic usage as well as for a remuneration structure that encompasses any ESG commitments the company has made.

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.

Q1 2019 Engagement Update

During the quarter we engaged with 15 companies on ESG issues.



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

ENGAGEMENT TOPICS									
COMPANY	Reporting/ Disclosure	Environment	Remuneration	Sustainability Strategy	Diversity	Governance	Society	Supply Chain	Human Rights
Chr Hansen	•								
Loomis		•							
Informa	•		•		•	•			
Hutchinson China Medtech	•								•
Forterra	•	•	•						
SIMEC Atlantis Energy	•								
Norcros	•	•					•		•
PSA	•	•		•	•	•			
GSK				•					
Air Liquide		•		•					
Thales	•			•					
Danone		•							
Arcelor Mittal	•	•	•				•		
Remy Cointreau	•	•	•				•		
Covestro	•	•	•	•	•				

Source: SVM

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



Voting Policy

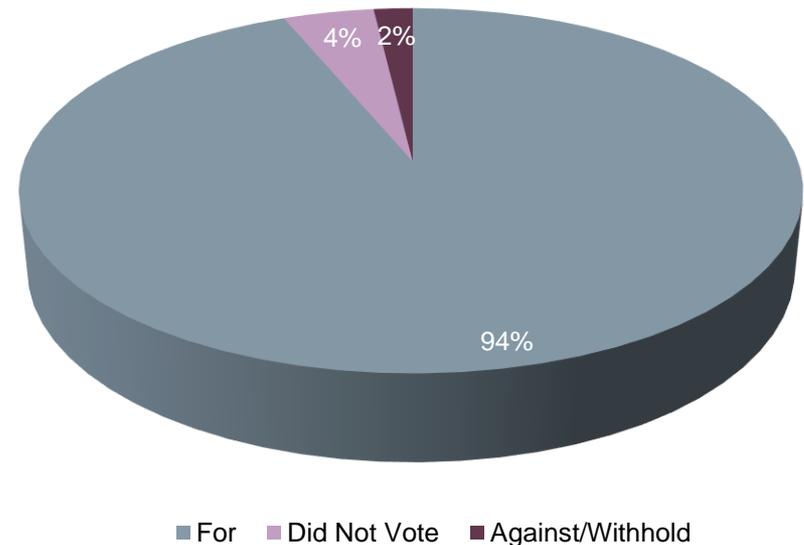
We seek to promote corporate social responsibility through engagement and a negative vote will only be viewed as a final measure to be adopted when this process of engagement has not been successful. We have and will express our views in this way if necessary. Our emphasis is on engagement and resolving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

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

Q1 2019 Voting Update

Across 322 unique proposals available to vote, we voted 308.

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



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