



# Active investment

## Responsible Outlook

*Signatory of:*



# Responsible Investing Report

## September 2020



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

# Responsible Investing at SVM



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.

## **Tesco avocado supplier highlights issues within complex supply chains**

Tesco was in the news for all the wrong reasons this weekend as reports emerged of alleged abuses taking place at its Kenyan supplier of avocados. We find this to be timely as we have, only last week, received a reply from the retailer over our questions on supply chain conditions.

Among a number of issues we addressed, including animal welfare and packaging, particular focus was given to supplier audits. We requested that the company provide more clarity on the results of such audits as well as details of who is responsible for conducting them. The reply pointed us in the direction of the presentation the company gave at their ESG day in 2019. Unfortunately, the data given in this presentation was far from complete.

This is something we are seeing time and time again from companies with complex supply chains with even those considered best in class failing to give a complete picture of the control and knowledge they have of their numerous suppliers. Many companies will proudly boast of the number of supplier audits undertaken but without detail of the percentage of goods, or indeed even the percentage of total suppliers, covered by these audits such statements are all but meaningless. Rarer still is detailed evidence of the results of the audits along with remedial actions taken to resolve any issues. The problem in many cases is buyers are often too far removed from the end supplier where, as was the case with Tesco and the avocados, one supplier will serve multiple retailers and the brand in question belongs to the supplier not the retailer.

This is precisely why we also asked Tesco to what extent they are attempting to align branded suppliers to the sustainability targets and commitments made for their Own Brand products. The reply was telling;

“Many sustainability issues are complex and require a scale of effort across the whole industry”

This sounds like a clarion call to the industry to stop the piece-meal approach and use collective action to ensure that abuses such as those witnessed in Kenya are a thing of the past. SVM as shareholders are also committed to such an approach making the companies in which we invest positioned for a sustainable future. We will continue with our active engagement approach to help make this happen.

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

# Company Engagement

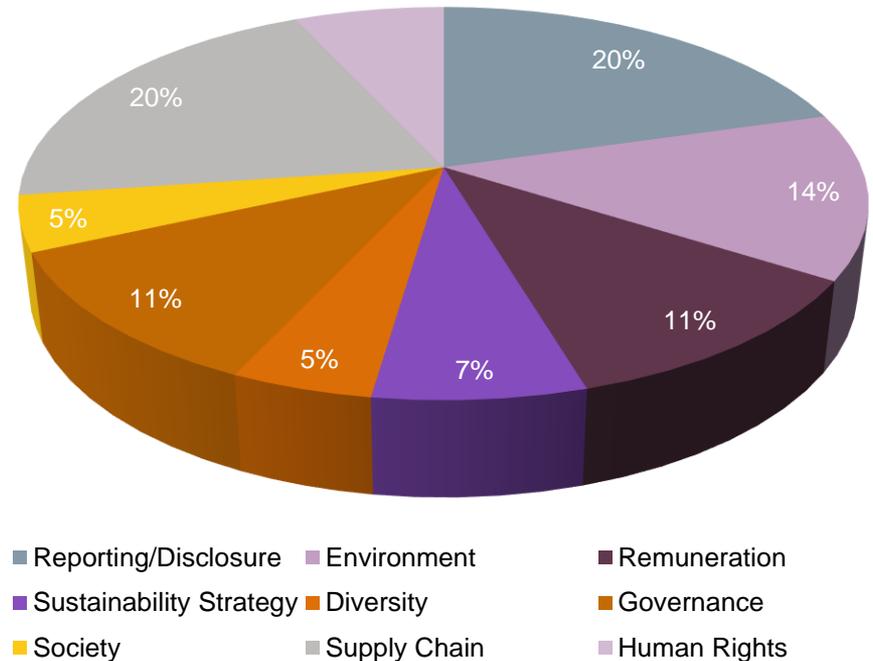


## Engagement Policy

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.

## Q3 2020 Engagement Update

- During the quarter we engaged with 16 companies on 44 ESG issues.



# Company Engagement – Q3 2020



| COMPANY                  | Reporting/ | Sustainability |              |          |           |            |         |              |              |
|--------------------------|------------|----------------|--------------|----------|-----------|------------|---------|--------------|--------------|
|                          | Disclosure | Environment    | Remuneration | Strategy | Diversity | Governance | Society | Supply Chain | Human Rights |
| Associated British Foods | •          |                |              |          |           |            |         | •            |              |
| Ericsson                 | •          |                |              |          |           |            |         | •            |              |
| Sesa                     |            |                | •            |          |           | •          |         |              |              |
| Associated British Foods |            |                |              |          |           | •          |         | •            |              |
| CRH                      | •          | •              | •            | •        |           |            |         | •            | •            |
| Aluflexpack              | •          | •              |              | •        | •         |            | •       | •            | •            |
| CapGemini                | •          | •              |              | •        | •         |            | •       | •            |              |
| Philips                  | •          | •              | •            |          |           | •          |         | •            | •            |
| Manolete Partners        |            |                |              |          |           | •          |         |              |              |
| Synthomer                | •          |                |              |          |           |            |         | •            |              |
| Smurfit Kappa            | •          | •              |              |          |           |            |         | •            |              |
| Astra Zeneca             |            |                | •            |          |           |            |         |              |              |
| Axa                      | •          | •              | •            |          |           |            |         |              |              |
| S Immo                   |            |                |              |          |           | •          |         |              |              |

Source: SVM

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

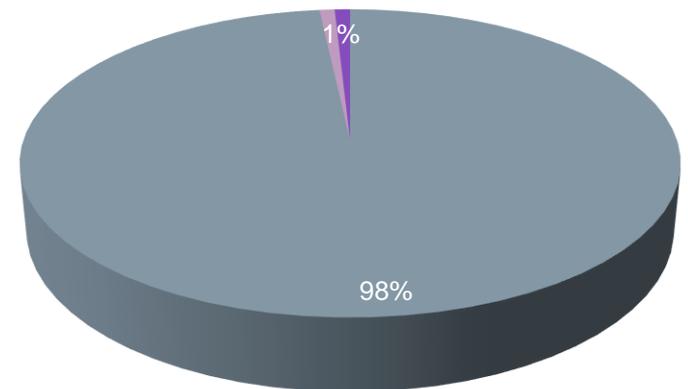
## Voting Policy

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.

## Q3 2020 Voting Update

- Across 695 unique proposals available to vote, we voted, 683.



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

# Voting Rationale – Q3 2020



| Date       | Security              | Resolutions Voted Against/Abstained                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Reason                                                                                                                                                                                                                                                                                                                            |
|------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 09/07/2020 | Aveva Group plc       | 3. Approve Remuneration report<br>4. Approve Remuneration policy<br>7. Elect Olivier Blum as Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | We have voted against Items 3,4 and 7 as the senior executive remuneration increases are difficult to justify and the director in question is not independent so breaks the UK code by serving on the remuneration committee.                                                                                                     |
| 09/07/2020 | K3 Capital Group plc  | 1. Authorise issue of equity in connection with the company placing and the PrimaryBid offer<br>2. Authorise issue of equity without pre-emptive rights in connection with the company placing and the PrimaryBid offer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | We have voted against Items 1 and 2 both of which relate to a capital raise which is highly dilutive for existing shareholders, the total use of proceeds has not been provided and certain directors can benefit from purchasing shares at a steep discount.                                                                     |
| 16/07/2020 | Wizz Air Holdings plc | 2. Approve Remuneration report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | We have voted against Item 2 as the CEO was awarded bonus despite missing targets set.                                                                                                                                                                                                                                            |
| 20/07/2020 | Nacon SASU            | 11. Elect Bpifrance Investissement as Director<br>12. Elect Anne Janssen as Director<br>14. Authorise repurchase of up to 10% of issued share capital<br>16. Authorise issuance of equity or equity-linked securities with pre-emptive rights up to aggregate nominal amount of ERU 12 million<br>17. Authorise Board to increase capital in the event of additional demand related to delegation submitted to shareholder vote above<br>18. Authorise capital increase of up to 10% of issued capital for contributions in kind<br>19. Authorise capitalisation of reserves of up to EUR10 million for bonus issue or increase in par value<br>20. Authorise capital increase of up to EUR 10 million for future exchange offers<br>23. Authorise up to 2% of issued capital for use in restricted stock plans. | We have voted against Items 11+12 as the directors involved would skew the independence of the board, Items 14-19 as the terms of the potential equity raise could be used as a defence, against minority shareholder's interests, in the light of a takeover and Item 23 as no vesting periods are divulged for executive awards |

# Voting Rationale – Q3 2020



| Date       | Security                   | Resolutions Voted Against/Abstained                                                                                                                                                                                                                                                                                                                                | Reason                                                                                                                                                                                                                                                 |
|------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21/07/2020 | Codemasters Group Holdings | 2. Re-elect Gerhard Florin as director                                                                                                                                                                                                                                                                                                                             | We have abstained on the re-appointment of the Chair (Item2) as he is in receipt of options which threatens his independence                                                                                                                           |
| 21/07/2020 | Amryt Pharma plc           | 1. Accept Financial Statements and Statutory reports<br>3. Approve US sub-plan<br>5. Authorise issue of equity without pre-emptive rights.                                                                                                                                                                                                                         | We are abstaining on Items 1,3+5 as remuneration targets are not stretching enough, 5 new directors are being appointed without shareholder approval and the remuneration committee is not fully independent.                                          |
| 21/07/2020 | JD Sports Fashion          | 2. Approve remuneration plan<br>3. Approve remuneration policy<br>4. Re-elect Peter Cowgill as director<br>6. Re-elect Andrew Leslie as director<br>13. Approve long term incentive plan 2020                                                                                                                                                                      | We are voting against Items 2,3,4,6+13 As there are a number of issues with remuneration including over proportional increase in rewards for the CEO who also acts as chair which goes against best practice.                                          |
| 11/09/2020 | Manolete Partners Plc      | 2. Approve remuneration plan                                                                                                                                                                                                                                                                                                                                       | We have voted against the remuneration report as there is no detail regarding the performance conditions for share options.<br>Update 14/9 - We changed our mind on this one following discussions with the board so now voting in favour of all items |
| 11/09/2020 | Games Workshop Group plc   | 4. Re-elect Nick Donaldson as director                                                                                                                                                                                                                                                                                                                             | We have abstained on Item 4 as the director is considered over-boarded.                                                                                                                                                                                |
| 11/09/2020 | Ryanair Holdings plc       | 2. Approve remuneration report<br>3d. Re-elect Michael Cawley as director<br>3f. Re-elect Howard Millar as director<br>3j. Re-elect Julie O'Neill as director                                                                                                                                                                                                      | We are voting against Item 2 as there is a lack of performance criteria set for bonus as well as Items 3d, 3f and 3j where the directors involved are not considered independent.                                                                      |
| 11/09/2020 | Plus 500 Ltd               | 17. Approve Special Bonus Payment to Elad Even-Chen, CFO<br>Item A: Vote FOR if you are a controlling shareholder or have a personal interest in Management None Refer Against<br>one or several resolutions, as indicated in the proxy card; otherwise, vote AGAINST. You may not abstain. If you vote FOR, please provide an explanation to your account manager | We have voted against Item17 as the payment of a transaction based bonus is against best practice. We also voted against Item A as we are not a controlling shareholder.                                                                               |

# Contact us



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