SVM Asset Management

INDEPENDENT THINKING

UK Stewardship Code

2022

For Investment Professionals only

Contents

Introduction

Following the publication of the new UK Corporate Governance Code in June 2010, the Financial Reporting Council (FRC) produced a Stewardship Code for institutional investors. After consultation in 2019, the UK Stewardship Code 2020 ("the Code") came into effect on 1 January 2020. The 2020 Code contains 12 principles for asset managers and requires them to produce a Stewardship Report explaining how the Code has been applied in relation to purpose and governance, investment approach, engagement and exercising rights and responsibilities.

The Code defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code focuses on the activities and outcomes of stewardship, with an expectation that stewardship will be integrated into on-going investment management activities, including environmental, social and governance (ESG) issues.

It aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at general meetings. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire.

Institutional shareholders are free to choose whether or not to comply with the Code. Their choice should be a considered one based on their investment approach. Therefore, the Code should be applied on a "comply or explain" basis.

This report sets out how SVM Asset Management Limited engages with the companies we invest in on behalf of our clients and how we apply the 12 Principles of the Code within our culture, strategy and processes.

Purpose and Governance

Principle 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Founded in 1990, SVM Asset Management is an investment management business based in Edinburgh. The company was acquired in October 2022 by the AIM-listed company AssetCo plc. SVM became a wholly owned subsidiary of AssetCo, alongside River and Mercantile, Saracen and Revera. SVM is a key component of AssetCo's plans to have a strong and dynamic asset management hub in Edinburgh. The intention is that, over time and subject to appropriate regulatory approvals and client consents, the majority of compliance, operational, distribution and marketing resources will be shared within the broader AssetCo group of companies. At the same time, the unique qualities and strengths for which SVM are well known will be preserved to form a bedrock of growth for the future. This corporate activity has not currently affected SVM's signatory status to the FRC's Stewardship Code.

Our core competency remains one of active management in UK, European and Global equities. The business model is that of a research-led equity investment house.

In 2006 SVM brought three experienced professionals into its investment team, who had managed a socially responsible investing (SRI) fund. This expertise enabled SVM to launch its own pan European fund, implementing SRI principles. SVM's culture and heritage in SRI has prepared it for more recent developments in Stewardship and ESG.

Our purpose is to help our investors provide for their financial needs, and we believe the best way to do this is to create a culture where managers can focus on delivering returns for clients in their own distinctive way. This will be maintained post acquisition by AssetCo. Independent thinking means our managers can pursue their own strategies and approach to analysis while sharing ideas with the team. This is underpinned by our framework of original research, ethos of responsible investing, a flat structure and robust processes and risk management. For us independent thinking is about our clients, our funds and our business.

SVM conducts an annual fund review and target market assessment to assess if the current fund range is consistent with the needs, characteristics and objectives of the identified target market and whether the intended distribution strategy remains appropriate.

Responsible investing is a core belief, 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 SRI products in 2006. Since then, our engagement principles have evolved to include environmental, social and corporate governance (ESG) issues across our range.

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

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 to our clients.

Core to the culture is the people we hire, how they are trained and the setting of professional standards, thus allowing us to maintain a consistent, long lasting team. This culture allows us to not only attract a highly professional team but also to get the most out of them, thereby generating good returns for clients. We have taken a supportive approach to our people which goes beyond the statutory requirements, in particular around time off for personal reasons such as bereavement and maternity leave. The result of this social practice is evidenced by the extremely long service of a number of the senior and middle management team.

We are committed to active management and use the principles of responsible investing to manage focused portfolios over the long term (5 years or more). AssetCo is a financially strong listed asset and wealth management business with the capital to continue to invest in SVM for the benefit of investors in its funds. With the backing of AssetCo and access to wider sales, marketing and research teams, we will be able to continue to build our focus on, and relationships with, existing clients, creating greater value for them, whilst also broadening our client base and growing assets.

Each fund has its own strategy. Investment beliefs include:

- Value - identifying investment opportunities in companies whose future growth is not reflected in current market expectations and which are trading at a discount to their intrinsic value
- Growth - investing in companies that can grow faster than the wider markets - emphasising stocks with defensible business models which have sustainable margins and strong cash flow.
- Blend value/growth – identifying companies which have an identifiable catalyst and are often under-researched hidden gems
- SRI - adopting a positive engagement approach toward investment, entering into meaningful dialogue with companies regarding environmental, social and corporate governance issues.

Responsible investing is at the core of SVM's purpose and investment culture. Good stewardship of corporate assets and reputation is a key factor in SVM's stock selection. We believe it reduces risk and enhances longer term returns. SVM is also a UN Principles of Responsible Investment signatory and implements sustainable practice in its own operation where possible.

SVM's board includes 2 independent non-executive directors (40% of the board) which demonstrates a commitment to strong governance and challenge at board level. The board's performance is kept under review and annually directors reflect on the effectiveness of governance and whether any change in structure is needed. AssetCo plc is an AIM-listed company with a board comprising six Non-Executive Directors and two Executive Directors.

Governance for ESG specifically is provided via AssetCo's quarterly Sustainability and Stewardship Committee and SVM's ESG Policies.

SVM has led change at a number of smaller listed companies and advocated for good practice in companies of all sizes, both UK and internationally. SVM believes as an active investment manager it can best ensure its values contribute to price formation in the market. SVM also believes it is important to advocate publicly for good practice in markets and professional standards in investment practitioners. SVM employees are encouraged to participate in industry forums, and trade and professional bodies.

SVM invests and votes according to the client mandates it is given. Where clients permit judgement to be exercised in voting and engagement, we will follow the principles and policies set out in this report. Our top priority is to do our best for our clients, by maximising their portfolio and protecting their interests, whilst also driving benefit for society. 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.

While difficult to specifically prove a direct causal link between our stewardship activities and the performance of the shares of our investee companies, SVM instead works on the premise that an improving ESG profile can only be additive to the long-term prospects of those companies. As our activities have helped contribute to successes such as increased ESG disclosure in company accounts, appropriate remuneration packages for senior management and beneficial environmental change, we can only conclude those activities are creating long term value not only to our clients and beneficiaries but also the wider environment and society.

ESG plays a key role in how SVM manages its own business. During 2022 work was undertaken to begin monitoring travel for the team, waste consumption and levels of recycling with an aim to reduce waste created by the office. SVM energy supplier is Bulb, who supply 100% renewable electricity and we continue to work with and encourage our landlord and other tenants to improve the building's overall energy management. Lower energy use is now being seen throughout the building.

Principle 2

Signatories' governance resources and incentives support stewardship

We are able to support a nimble and responsive culture where ESG and Stewardship knowledge is focused within, but not restricted to, the investment team.

Responsible Investment is already fully embedded in SVM's investment culture (see Principle 7) so requires no further incentivisation through remuneration. All investment staff and our senior sales team are included in scope of our UCITS Remuneration Code and a summary of SVM's remuneration policy is available on our website. Our investment team all hold professional qualifications and have an average experience of 28 years in the industry and 21 years at SVM. Since 2006 this expertise has included ESG experience which we continue to develop.

In 2022, the AssetCo Sustainability and Stewardship Committee was formed. The Committee is made up of an experienced independent Chair, senior representatives from across the business (including SVM) and other subject matter experts. Its purpose is to oversee and manage the activities of AssetCo plc and its regulated subsidiaries in relation to all aspects of Sustainability (including Environmental, Social and Governance issues) and Stewardship, as an investor, a business and in the case of AssetCo itself, as a publicly listed company. This includes oversight and coordination of relevant strategy, legal and regulatory obligations, policies and reporting across the Group.

The objectives and responsibilities of the Committee include the following:

- Provide strategic direction on and oversee the development and implementation of Sustainability policies (including ESG) and Stewardship initiatives (including engagement)
- Agree an implementation plan, within each business unit, based on the underlying investment strategy for that business unit including development of investment products, exercise of shareholder rights in line with current regulation and client engagement and reporting
- Oversee compliance with all relevant legislation and regulation relating to Sustainability (including ESG) and Stewardship (including engagement) in respect of classification, disclosure and reporting
- Work with appropriate external bodies and to monitor wider developments across the industry

In terms of diversity, SVM has a good gender balance, with females representing 47% of all staff in 2022, 33% of senior management roles and 20% of the SVM board.

Governance at SVM is through key committees reporting into the board and supported by the independent input from our Non-Executive Directors. Due to the scale and relative non-complexity of SVM's business and structure we have two key committees which feed into the SVM board: the Fair Value Pricing and Liquidity Committee and the Conflicts of Interest Committee.

Fair Value Pricing and Liquidity Committee

Comprising of the Head of Risk and Compliance, the Company Secretary and the two independent Non-Executive Directors, one of whom acts as chair, the committee meets on at least a quarterly basis. It is responsible for maintaining SVM's Fair Value policy, monitoring stocks to which Fair Value Pricing (FVP) has been applied and providing challenge to the SVM fund managers in relation to the basis of the FVP. The committee also reviews any liquidity issues with the funds.

Conflicts of Interest Committee

This committee consists of SVM's Head of Finance, the Compliance Manager and the Company Secretary and has an independent Non-Executive as chair. The committee meets on at least a six monthly basis with ad hoc meetings where required to identify any potential for conflicts, review policies and controls and report on these to senior management and the board. The committee also reviews SVM's remuneration policy and we are currently considering the inclusion of conduct matters and new regulations, such as Consumer Duty.

Investment in Systems, Research and Analysis

SVM has invested in the services of Institutional Shareholder Services ("ISS") which provides analysis and recommendations on voting, while determining ourselves the way in which we will vote on behalf of our clients. Our votes, therefore, may differ from the ISS recommendation. SVM publishes online all voting and reasons for differences with board recommendations.

We retain the services of brokers for deep research and keep this under constant review to ensure it is effective. This comes at a significant cost for a boutique business.

In addition to this, we worked with technology company Insig AI, who provide a novel research approach combining ESG expertise, data science, AI and cloud capability. With the issue of data capture still prominent in the development of an efficient approach to ESG analysis, the collaboration contributed to the knowledge base of both parties. It also provided an additional element in SVM's strategy to gain a clear picture of the role data can play in ESG engagement while fostering a deeper understanding of the ESG issues of individual portfolio companies.

Training

SVM has a company wide compliance training programme which uses Unicorn Training, an online CBT package on the Investment Association platform, to provide staff (including the Independent Non Executive Directors) with the mandatory regulatory training to be completed on annual basis. All employees complete annual mandatory training on Conflicts of Interest; Whistleblowing; Financial Crime & Anti Money Laundering; CASS; Conduct Risk & Treating Customers Fairly; and Culture and Ethics. In addition, there is targeted training for specific groups. As part of SVM's mandatory training, the following areas are covered:

Name of Course	Staff in scope
Conflicts of Interest	All
Whistleblowing	All
Financial Crime & Anti Money Laundering	All
CASS	All
Conduct Risk & Treating Customers Fairly	All
Culture and Ethics	All
Financial Promotions	Sales & Marketing, Risk & Compliance
Vulnerable Customers	Sales & Marketing and R&C
COBS – Dealing & Best Execution	Investment, Risk & Compliance
Complaint Handling	Sales & Marketing, Risk & Compliance
Senior Managers Regime	Board
Certification Regime	Staff in scope

The remit of the Fair Value & Pricing Committee has now been expanded to include:

- review and approval of the application of the SVM Dilution Adjustment in circumstances where it believes it will be in the best interests of shareholders
- review and approval of any proposed Fund Suspension.

The Committee itself has also been expanded to include the Chief Financial Officer.

The Committee can contribute to Board, client and other stakeholder assurance on fair value pricing and liquidity, helping SVM to align with good industry practice. The Committee shall be guided by the SVM policies and guidance notes on fair valuation, portfolio liquidity management, liquidity & stress testing, dilution adjustment and suspension of dealing in the SVM Funds ICVC reports as updated from time-to-time.

The Committee is an oversight committee reporting to the SVM Board.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

SVM's Conflicts of Interest Committee has oversight of SVM's conflict management processes and controls and provides a layer of governance in addition to that of the board. A summary of SVM's Conflicts of Interest policy is on our website, and a full version of the policy is available on request. SVM's Conflicts of Interest Policy meets FCA requirements and industry best practice for clients.

SVM is in a fiduciary relationship with our clients and we recognise the importance of managing any potential conflicts of interest. We have a defined process for identifying and managing potential conflicts and ensuring that if conflicts cannot be removed that they are disclosed and managed so clients are not disadvantaged. As an investment boutique firm with a focus on equity management, there is less diversity of client mandates and therefore potential for conflicts between clients, but client interests remain SVM's priority. Where a conflict arises between different client portfolios in relation to voting on resolutions proposed by a company, the decision made is documented and disclosed to the relevant clients.

SVM's policy is to seek to identify and manage all actual and potential conflicts of interest as fairly as possible. This requires all members of staff to act responsibly in executing their duties. If a member of staff becomes aware of a situation where a conflict might arise, or has arisen, they must bring this to the immediate attention of a Director or Risk & Compliance.

When identifying the types of conflict of interest that arise, or may arise, SVM will consider whether the firm or relevant person:

- makes a financial gain, or avoids a financial loss, at the expense of a client;
- has an interest in the outcome of a service or transaction carried out on behalf of the client, which is different from the client's interest in that outcome;
- has a financial or other incentive to favour the interests of another client or group of clients over the interests of the client;
- receives from a person other than the client an inducement in relation to a service provided to a client in the form of monies, goods or services, other than the standard fee for that service.

The SVM Board of Directors is responsible for ensuring that SVM:

- takes all reasonable steps to identify conflicts of interest that arise or may arise in the course of its business;
- maintains and operates effective organisational and administrative arrangements to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of SVM's clients;
- maintains records of the kinds of service or activity carried out by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise;
- reports to clients any situation where the arrangements made to manage conflicts of interest are not sufficient to ensure that risks to the damage to the interests of a client will be prevented.

All potential conflicts are noted on SVM's conflicts of interest log, along with the controls to mitigate the risk of that conflict materialising. One potential Stewardship conflict is in relation to the selection of brokers. To manage the risk that brokers are selected in a way that provides financial benefit to SVM employees, we require all broker relationships to be reviewed and authorised by the Risk and Compliance team before they can be used. This conflict has never materialised for SVM.

We have a control in place which states that individual Fund Managers cannot override a standing voting instruction. In order for a standing instruction to be overridden there is a requirement for a member of the administration team and a named fund manager to sanction the process. Where an override is requested, the named fund manager will authorise the vote while administration will process it. In addition, Compliance will be notified that such an override has taken place, the reasons for doing so, and the details will be recorded in a log.

In Q4 2022, Compliance was notified that a fund manager had voted against a standing instruction that stipulated AGM resolutions must be voted in favour of management unless there was a compelling reason not to do so. The CEO of the company involved had received a greater than 50% increase in base salary without any accompanying rationale from the remuneration committee. Satisfied with the explanation of the actions taken, an override was granted and subsequently recorded in the Compliance log.

The example demonstrates the appropriate controls were utilised effectively.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

SVM manages market risk by investing in a diversified range of investments, on different stock exchanges and across a range of industry sectors and geographies where permitted by the funds' objectives and policy. In addition to any regulatory investment restrictions, SVM observes specific internal risk limits to mitigate market risk.

Risk is inherent in SVM's business and activities. The ability to identify, manage and monitor each type of risk is critical to SVM's performance and future success. The key risks faced by SVM are identified and then assessed for the likelihood of occurrence and severity of impact. Appropriate controls are put in place to manage the risks given the nature, scale and complexity of our activities, resulting in an overarching risk and control framework.

The Ukraine/Russian war was the major market risk in 2022. The Russian invasion of Ukraine triggered a significant correction in global equities. Despite a ratcheting up in tensions, Russia's actions caught markets by surprise. Investors were scrambling to price in not only what this meant for the global economy, and by extension earnings, but also various tail risks. The situation was incredibly fluid and made it very difficult to forecast with any certainty. Oil prices soared, putting strain on many businesses ranging from packaging and cement through to airlines.

Following the invasion of Ukraine by Russia, SVM immediately reviewed its investments to ascertain whether we had any exposure to the area.

We first looked at our direct market investment within Russia, Ukraine and Belarus. Our focus is Western Eruope so we could immediately place direct equity risk to one side.

We then approached each company personally to ask about their direct exposure in terms of assets – personnel, revenues and profits; and also indirect exposure through their supply chains. Because of our hands-on sustainability approach, we have direct contacts within our portfolio companies and were able to get responses from the companies very quickly. The result of those efforts confirmed what we knew – exposure was extremely limited in terms of direct investee company exposure to Russia, Ukraine and Belarus. Three holdings had sales exposure greater than 3% (but no more than 5%), those holdings made up less than 5% of our entire portfolio.

In terms of indirect exposure we looked at portfolio companies' supply chains. Other than oil & gas none saw issues arising. We previously had a 1% holding in Total Energies in which 17% of production growth was due to come from Russia. We sold the stock before the invasion, despite the rocketing oil price.

SVM regularly engages with the wider industry through written articles in industry leading financial publications promoting an understanding of market wide systemic risk. We use our thought leadership blog to draw industry and regulatory attention to how macroeconomic and geopolitical issues are affecting the investment landscape. Over the course of 2022 we have published editorial opinion pieces promoting understanding of market-wide systemic risks covering a variety of topics including resilience, behavioural finance, valuation approach, inflation, food supply and globalisation. These have been published in Citywire, the Herald and other trade publications and websites.

The CEO regularly engages with the IA Business Forum and also attends the IA CEO Committee. One of the Non-Executive Directors sits on the Transparency Task Force Advisory Group and the Team PISCES Lead and Consultation Committee. He is also Emeritus chair of the Association of Professional Fund Investors Advisory Board. During 2022 the Compliance Officer was part of the Scottish Sustainable Finance Forum, the Scottish Distribution Compliance Forum and the Scottish Product Forum.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

SVM interprets Stewardship as extending beyond our investment management processes and policies to include our own conduct and the fair treatment of our clients. So when considering Stewardship in relation to our policies and procedures, we include those processes which cover how we manage our fiduciary duty to our clients, such as client money, complaint handling, privacy and capital adequacy (among others), as well as policies in relation to market risk, fair valuation, and portfolio liquidity management (to name but three).

All SVM policies, guidance and procedures are reviewed by Risk and Compliance on at least an annual basis. It may be more frequently if required due to a change in regulation, process or external impact. Some require pre-approval from our governing committees prior to final approval by the Board, such as our conflicts of interest and remuneration policies, and this provides an additional opportunity for independent review and challenge (see also Principle 2). We maintain a tracker log for the review process, noting the specific levels of approval required for each policy.

Our strong governance structure provides internal assurance of our policies. In addition we obtain external assurance through engagement with our auditors, the ICVC funds' trustees and client due diligence programmes. In particular our client money framework is assessed in conjunction with our annual CASS audit and the trustees of our ICVC funds' conduct regular due diligence on a risk based approach. We believe this provides a sound oversight framework which is appropriate for our organisation structure and activities.

During 2022 we undertook a review of the strategies and techniques that we employ in the management of the ICVC funds, also considering how we interpret the COLL rules against our peers operating similar funds in the UK. As a result of that review, we proposed to re-categorise how derivatives are used in the management of one of the sub-funds and to make consequential amendments to the investment policy of that Fund. These changes, along with a full review and expansion of the risk warnings, provide greater clarity for investors. Following approval of the proposal by extraordinary resolution of shareholders, the necessary prospectus updates were made. In addition, we undertook a review of the risk warnings on all marketing materials and revised our Risk Management and Market Risk Policies to fully capture the different strategies for derivative use and document the specific internal risk limits for each.

Reporting on our Stewardship activities is accessible to our investors through our quarterly Responsible Investing Reports that we design for our professional investors and make available through our website. We also publish the records of our voting activity 30 days after meetings (see Principle 12). Stewardship is an integral part of our Assessment of Value report, which is also available on our website. To ensure that our reporting in the Assessment of Value has been fair, balanced and understandable, it went through rigorous review and challenge from our independent non-executive directors before publication.

2021 Assessment of Value Dashboard

2021 Results	Share Class	Fund Specific Ratings: Quality of Service	Performance	Comparable Market Rates	Fair Share Evaluation	Fund Range Ratings: General Fund Costs	Economies of Scale	Comparable Services	Classes of Units	Overall Fund Evaluation
SVM UK Growth Fund	A	Green	Green	Red	Green	Green	Green	Green	Green	Amber
	B	Green	Green	Green	Green	Green	Green	Green	Green	Green
SVM UK Opportunities Fund	A	Green	Green	Amber	Green	Green	Green	Green	Green	Green
	B	Green	Green	Green	Green	Green	Green	Green	Green	Green
SVM All Europe SRI Fund	A	Green	Amber	Red	Green	Green	Green	Green	Green	Amber
	B	Green	Green	Amber	Green	Green	Green	Green	Green	Green
SVM Continental Europe Fund	A	Green	Green	Red	Green	Green	Green	Green	Green	Amber
	B	Green	Green	Red	Green	Green	Green	Green	Green	Amber
SVM World Equity Fund	A	Green	Green	Amber	Green	Green	Green	Green	Green	Green
	B	Green	Green	Red	Green	Green	Green	Green	Green	Amber

Source: SVM 31.12.2021 (2022 report is not yet available)

To ensure that the annual Stewardship Code Report is fair, balanced and understandable it is reviewed by AssetCo's Sustainability and Stewardship Committee, as well as the SVM Board.

Investment Approach

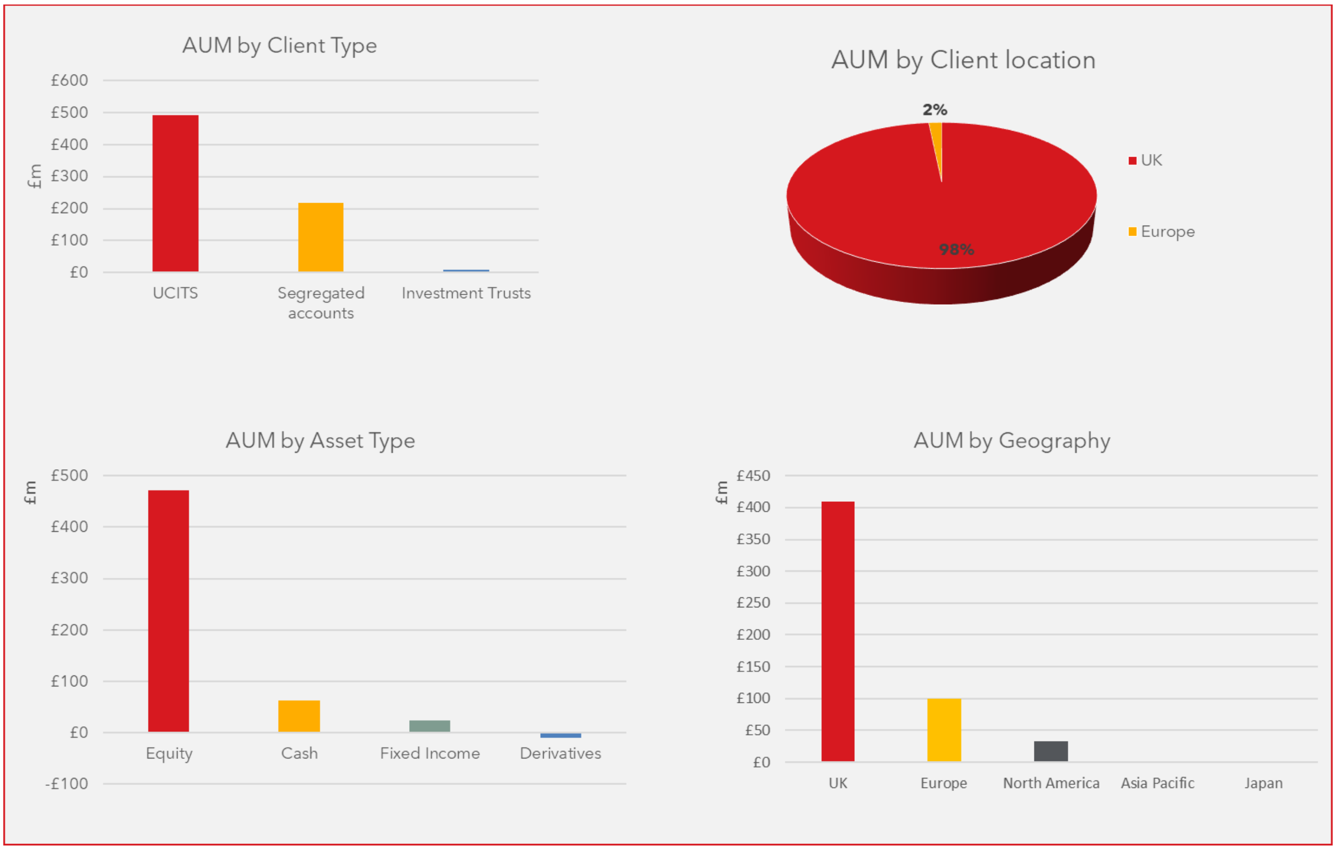
Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

SVM specialises in the active management of equity funds with either a UK, European or Global focus, depending on each specific remit. At 31st December 2022 SVM had £717m assets under management, belonging to mutual funds.

SVM is the manager of the SVM Funds ICVC which consists of five sub funds and is authorised by the FCA as a UCITS. The ICVC funds are designed for retail investors, with our direct clients generally being professional investors such as platforms, wealth managers and other distributors. SVM also provides segregated discretionary portfolio management services to a listed Investment Trust (SVM UK Emerging Fund) and other UCITS regulated funds.

Breakdown of AUM



Source: SVM 31.12.2022

During 2022 we made changes to the categorisation of the way in which derivatives are used in the management of the SVM UK Opportunities Fund and consequential changes to the Fund's investment policy. In order to do so, the rules that govern the Fund and us in the management of the Fund, required us to seek shareholders' approval by way of extraordinary resolution at an extraordinary general meeting (ie a fundamental change). We took the opportunity to also make some changes to the prospectus which under COLL 4.3.3 were deemed to be notifiable. We took the decision that it would be in the investors' best interests to split these two different types of communications into two separate mailings to make it easier for the investor to understand the content and to make it clear what action (if any) was required.

SVM produces a monthly ESG update. The purpose of this publication is to keep clients abreast of SVM's thinking in the area of ESG. It also incorporates specific case studies where SVM has engaged directly with company management and boards, highlighting the issue which we had identified, the approach which we took and how we affected change with the subsequent outcome.

We are able to demonstrate to our clients that we are managing the funds in line with client expectations – either as defined by the prospectus for the ICVC funds, or in accordance with the client mandates for our segregated funds – through regular updates. For the ICVC funds, this takes the form of monthly factsheets for each fund. We send out a monthly newsletter to a subscribing mailing list and since late 2020 we have been offering webinars for professional investors in the ICVC funds, and for all investors in our investment trust.

For our segregated clients we provide quarterly reports on performance and management in line with the client's mandate. The fund managers also meet on regular basis with each client, so they are able to have direct conversation in relation to the funds, expectations, performance and management in general.

In relation to our ESG activities, SVM publishes records of our voting activity 30 days after meetings, as well as quarterly reports with regards to our responsible investment, which are shared on the 'responsible investing' page of our website. The reports include our total number of engagements and the companies concerned as well as the topic of engagement. Our 'Value Key' blog on the SVM website has a specific section on responsible investing which provides news and commentary on environmental, social and corporate governance themes.

Following the results of a perceptions study which identified a weakness in client communication, a new sales & marketing strategy was devised in 2022 which includes a sales & marketing funnel. A Marketing plan was devised to ensure that clients are receiving the correct information to meet their needs at the various stages of the investment cycle.

Stage	Objective	Tactics	ROI Metric
Unaware but attractive to us	Awareness • Attract new prospects	**Channel**: blog, social (organic and paid), website, PR **Format**: posts, articles, video **Focus**: tips, how-to, thought leadership	• Web consumption (page views) • Web engagement (tim per session) • Web audience (followers, unique visitors) • Social engagement
Initial engagement	Awareness • Audience engagement • Brand awareness	**Channel**: email, webinars, podcasts, factsheets, blog, social (organic and paid), website, PR **Format**: posts, presentations, articles, video **Focus**: tips, how-to, thought leadership	• Email open and click rates • Webinar attendance and average minutes viewed
Proactive meeting FM meeting	Understanding and consideration • Audience engagement • Educate prospective clients • Anticipate buyer content needs • Build brand credibility and trust	**Channel:** meetings, case studies, events, webinars, sponsored speaking opps, email, blog, social (organic and paid), website, PR **Format**: posts, presentations, becoming more personalised **Focus:** company and solution overview, business challenges, best practices	• MQLs • Interest gauged by sales team
Preference	Choosing, ie ready to invest at right moment • Anticipate buyer needs • Drive urgency • Deep solution education • Purchasing support	**Channel**: sales, website **Formats**: articles, webpages, presentations, proposals, DDQs, regulatory docs, highly personalised **Focus**: fund detail, solution benefits, technical specifications, case studies, pricing	• Engagement per opportunity

Part of the strategy was to host a number of events throughout the regions to ensure that clients across different UK geographies have the opportunity to meet with the fund managers and hear about their investment philosophy first hand. A series of roadshows took place in London, Edinburgh, Glasgow, Manchester, Liverpool and Harrogate. There is always a large component of questions and answers to ensure in particular that the questions and any concerns of smaller clients are being addressed.

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Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

SVM conducts fundamental analysis of potential investment opportunities to assess value and regularly monitors progress of investments by reviewing company Stock Exchange announcements, annual and interim reports, trading updates and third-party information sources. While this analysis includes in depth financial research, our process also ensures stewardship and investment, including ESG factors are integrated into our approach. SVM recognises the important role ESG factors have to play in fundamental analysis, portfolio construction and maintenance as well as risk management. Not only do these factors provide an invaluable further insight for our fund managers over and above financial metrics alone, but also there is increasing evidence that those companies demonstrating best practice toward ESG matters can benefit from enhanced business prospects as well as potentially better equity market returns compared to those that are unable or unwilling to recognise ESG as an important contributor to future success. To achieve best practice among the companies in which we invest we conduct active engagement with senior management to promote this aim.

We are predominantly an equity house and have adopted a consistent approach across the range of our funds with the exception of the SRI Europe Fund, whose remit includes some exclusionary factors.

Our approach can be split into three stages; the Materiality Process, the ESG Research Template and the Engagement Process (See Principle 9) which we describe in further detail below.

Materiality Process

In its entirety SVM's Research process aims to cover every aspect of a company's ESG exposure, collate this data and allocate a risk rating to reflect the conclusions of the research undertaken. We recognise, however, that not all data points, as well as company processes and procedures, have the potential to influence company valuations in a significant way. In addition, the degree of significance of environmental, social or governance issues will vary considerably depending on the industry involved. For example, CO_2 emissions can play a significant role in the profitability of a utility while for a firm of solicitors, although still important, such a metric is unlikely to materially impact share price performance. It is for this reason we have built a materiality database which allows fund managers to assess the material factors that are likely to impact any given investment. The data is broken down into 10 industrial sectors and 48 sub-sectors and contains the following;

- Brief ESG synopsis by sector
- Identification of material factors for environment, society and governance
- Link to most relevant UN Sustainable Development Goals
- Most appropriate indicators to assess the material factors
- Links to informative research

The database can be accessed by all fund managers allowing material factors to be identified prior to investment and incorporated where appropriate into forecasts and valuations.

ESG Research Template

The ESG Research Template encompasses a number of functions including attributing a risk rating and ESG score to our investments. The document also serves as a record for our engagement activities (Principle 9) and is accessible to all fund managers through our centralised Bloomberg note system.

Data can be uploaded from this document allowing portfolio managers to see such information at a company level as well as an aggregated portfolio level. With 13 high level factors and 25 points of reference the issues we cover are listed below;

Environmental

Climate & Emissions	Energy	Water	Waste	Ecological Impact
GHG CO2e Intensity	Mwh intensity	M3 Intensity	Tonnes intensity	Reporting & Commitments
Comparison sector average	Comparison sector average	Comparison sector average	Comparison sector average	UN SDG Alignment/ GRI Reporting
Trends & Targets	% Renewable Energy	Trends & Targets	% Recycled	
	Trends & Targets		Trends & Targets	

Social

Health & Safety	Human Rights	Supply Chain	Human Capital	Compensation	Product Liability & Life Cycle Management	Corporate Citizenship
Statistics & Trends	Human Rights Policy Assessment	Supplier Adoption of Company ESG Policies	Diversity Record	ESG Remuneration	Product/Service Nature & Alignment to UN SDG's	Philanthropy
Comparison Sector Average		Supplier Audit/Risk Assessment	Compensation Disclosure			Code of Conduct
			Employee Training, Development & Engagement			
			Employee Loyalty			
			Comparison Sector Average			

The template ensures all significant ESG matters are covered in a systematic manner allowing areas of improvement to be identified and to form the basis of our company engagement (see Principle 9).

To ensure standardisation and the quality of the data, all research, with the exception of that provided by ISS, is undertaken in-house and the template is not used as simply a questionnaire for companies to complete themselves. With access to both this document and the materiality database investment managers can integrate ESG not only into their investment decisions, but also on-going portfolio maintenance. The intensive nature of the work involved means investments with a portfolio value of less than 1% are addressed primarily through the materiality process and a template populated by readily available data only unless more detail is specifically requested by the fund manager concerned.

Research conclusions are represented by a risk rating based on the perceived ESG risk for the investment as well as a commentary outlining the most relevant matters for the investment case. The score attributed is not intended to be used in investment decisions as we believe this is too crude a method to address this complex subject. Instead the scoring system is used internally as a guide for prioritising research and engagement.

ESG data is made available to fund managers, wherever possible, in both an absolute and relative manner allowing comparisons to be made on issues such as water and energy consumption, lost time injury rates and staff turnover across sectors and peer groups.

Governance

SVM votes at all AGMs and EGMs and, where acceptable governance standards are not applied, we will vote against the appropriate item on the agenda. We employ proxy advisors ISS to conduct the research on our behalf to ensure all meetings receive the appropriate coverage. Company management are informed where we vote against their recommendations. Where good practice is not followed a company's risk rating will be adjusted accordingly. Governance factors can include;

- Executive pay and incentives
- Board members work levels
- Company capital structure
- Board member tenure
- Committee structure
- Board independence

We use the service providers Institutional Shareholder Services (ISS) as proxy advisors but to ensure the Governance process is conducted in a manner which supports the integration of stewardship and investment, all voting activities are assessed inhouse, resulting in a clear and standardised approach.

ISS have a clear instruction to vote with management at all meetings which require shareholder participation. This standardised instruction ensures a clear and concise role is played by the proxy advisor. Decisions to deviate from this policy lies with the appropriate SVM staff member whose actions are monitored by the administration and compliance teams as detailed in our reference to the conflict of interest policy (see Principal 3). Our agreement with ISS is reviewed annually.

Engagement Process

In order to ensure that the information gathered through our stewardship process is truly integrated into fund managers' acquisition, monitoring and exit decisions, engagement plays an important role in our investment process and stewardship activities. It not only allows us to check our research conclusions but also provides a valuable source of information not necessarily readily available in company documentation. It is through engagement that we can assess the potential for improvement in a poorly performing management or company, in both ESG and financial terms, which in turn should add value for our clients as such positive change is reflected in market valuations.

We entered into engagement with a UK packaging manufacturer as our research had uncovered an environmental issue which not only posed a reputational risk for the company concerned but also a potential threat to the value of our shareholding as the company's license to operate was endangered.

Overall, the company boasted an impressive environmental profile including the very nature of the business which offered a sustainable alternative to plastic-based solutions and a credible approach to the impact of its operations. 75% of raw materials used in the production process were recycled with the remainder sourced from Chain of Custody suppliers helping to ensure the firm's corporate responsibility aspirations were reflected in the materials they sourced. The company also had a wide range of impressive ESG targets including a reduction in CO_2 intensity of -55% by 2030 and net zero by 2050. As a result, the company had the potential to score highly when rated from an environmental perspective.

However, while not core to the underlying manufacturing process, the company did, in a small part, source from its own forestry and plantations, which consisted of 68 thousand hectares in South America. It is these forestry holdings which were the focus of our engagement as reports surfaced of the company's involvement in deforestation of Colombian rain forests. Our talks with the company revealed that 22 thousand hectares of the company's forest holdings in the region were virgin rainforest held in custody and are not for production purposes, let alone subject to deforestation. In addition, the company had an alliance with WWF in Colombia to aid in the conservation and protection of these valuable assets. The remaining acreage was purchased as agricultural land decades ago and has since been re-forested, although clearly not recreating what would once have been rain forest but again not representing any deforestation on the company's part. WWF's involvement in this whole issue made the claims of mismanagement less plausible and provided us with third party verification.

While the engagement resulted in no change or further action from the investee company it served to provide details of the situation which enhanced our overall ESG risk assessment of the operations. Furthermore, it drew attention to company management that our engagement activities seek to cover both financial and non-financial impacts of the overall corporate footprint.

Principle 8

Signatories monitor and hold to account managers and / or service providers –

SVM utilises external service and research providers. We monitor these on a continuous basis as well as through an annual review. Where it is deemed appropriate, we will renegotiate with providers, and run trials or sampling as part of our assurance and oversight activity. For SVM's investment trust, the fund's board undertake an annual review of all service providers paid for by the shareholders, including of SVM Asset Management itself.

With the exception of proxy voting we do not currently use external data providers for ESG data, rather SVM gathers this directly from investee companies and their statutory reporting (as noted in Principle 7).

SVM uses the service provider Institutional Shareholder Services (ISS) as proxy advisors. ISS provides SVM with analysis and recommendations on voting, but we determine for ourselves the way in which we will vote on behalf of our clients, thus we may not always follow the recommendations ISS issues. We receive a vote confirmation report from ISS and use this to maintain oversight and recordkeeping of our voting activity. We publish all our voting and rationale for any differences to board recommendations on our website. An annual review is conducted of all proxy voting providers to ensure the system we use best meets our clients' needs. We meet with ISS on an annual basis to evaluate the quality of their service and ensure it reflects our voting policy, and to give feedback on areas which require improvement. They receive a copy of our voting policy to ensure that they have clear and actionable criteria to support our stewardship activity.

We have described our review process and how our external service providers meet our needs. During the period we did not experience any issues with our external providers so can not describe any actions taken where our expectations of service providers have not been met.

Engagements

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets

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.

Engagement plays an important role in our investment process and stewardship activities. It not only allows us to check our research conclusions but also provides a valuable source of information not necessarily readily available in company documentation. It is through engagement that we can assess the potential for improvement in a poorly performing management or company, in both ESG and financial terms, which in turn should add value for our clients as such positive change is reflected in market valuations.

The SVM integrated research process allows us to identify and prioritise the issues which are most likely to impact the value of our investments. The materiality process plays a significant role here as it helps determine the most pertinent factors and risks across the industries in which we invest. Where a risk or issue has been identified, the SVM ESG Research Template allows the manager concerned to quantify the issue from a company specific perspective which in turn forms the basis of our engagement.

The 2022 corporate landscape was dominated by a rapid increase in energy costs which in turn pushed inflation to a multi-year high. While the direct impact on the financials of our investee companies was reported to us in both quarterly and annual reports, the impact on the well-being of company employees was less obvious.

As human resources play an integral roll in the fortunes of our investments, we sought to draw attention to the subject by writing to a number of our holdings where a position had not been declared with regard to the payment of the Living Wage or its equivalent for non-UK geographies.

Our correspondence pointed to the fact that the company was not accredited as a Living Wage Employer and asked if this was something they would consider in light of the burden inflation was placing on household budgets. We expressed our belief that in a tight labour market a focus on employee welfare may prove an astute financial strategy as well as one with benefits with regard to reputational risk. An explanation was also asked for where such a move had been considered.

There was a large degree of divergence in terms of the answers received, ranging from outright rejection of the idea to a willingness to consider becoming a participant in the scheme. Importantly the engagement drew attention to this important matter and stimulated debate while allowing us to point to the importance we place on social matters with regard to total shareholder return. One company was subsequently was accredited by the Living Wage Foundation.

While priority is given to the most material issues identified by our materiality process this should not detract attention from our day to day stewardship and engagement activities which focus upon less significant issues identified by our research template which highlights areas of improvement in terms of company ESG policies and processes. In addition to completing both the materiality process and the ESG Research Template it is our aim to engage with all companies where this is deemed to enhance the ESG profile of the company concerned which in turn has the potential to protect and increase the value of our stakeholders' investments. Our favoured method of engagement is face to face meetings with senior management, board members or chair. Initial correspondence is often made in writing in order to clearly identify the objectives of the engagement.

As we view engagement as an essential element of both our Stewardship and investment processes we do not tailor our approach to individual funds. Our investments are primarily domiciled in Europe allowing for the same approach across all countries therein. For our small exposure to other continents written correspondence is the norm.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

While our policy is to engage directly with management of an investee company where possible, there may be occasions where working with other shareholders will achieve a better outcome. This particularly applies where our engagement has already been escalated to senior management or board level (see Principle 11). As SVM is a relatively small asset manager with limited resources collaborative engagement is most likely to focus on company specific issues as opposed to wider thematic issues.

SVM team members participate in a variety of industry forums to engage with and share new and best practice. This approach helps guide us to a position where we are informed regarding best practice and typical issues with regards to collaborative engament. One example of where these forums have been useful was in addressing some of the impacts of sanctions around Russia and the Ukraine – both at a fund and practice level.

The acquisition by AssetCo of SVM will provide future opportunities for Group-wide and external collaboration initiatives. As part of the wider AssetCo Group, we will in time become co-signatories to collaborative engagement initiatives which currently includes, for example, the Net Zero Asset Managers Initiative.

A member of the SVM investment team sits on the wider Group's Sustainability and Stewardship Committee, which is responsible for the overall co-ordination of Group-wide collaboration initiatives.

The Compliance Manager attended the Scottish Product Forum regularly throughout 2022 to engage with and share best practice. Examples of the type of agenda points covered include:

- Assessment of Value review, where we are with the PROD review and the general focus on product governance
- Integration of ESG into the product sets (FCA Principles) and the EU-UK dynamic
- FCA focus on clients: Consumer Duty, Vulnerable Customers and Diversity & Inclusion consultation
- Sustainability Disclosure Requirements

Although this group met regularly throughout 2022, there was also a regular stream of contact between individuals on the forum to request help and give views on the ever changing compliance landscape. The forum was particularly helpful in the early days of Consumer Duty when various Scottish asset managers were trying to work out what the implications of the Duty might be.

In addition to this, the Compliance Manager and Marketing Manager attended the bi-annual Edinburgh Members' Briefing of the Investment Association. The last one in November 2022 covered:

- Key regulatory developments in the UK
- Sustainability and responsible investing
- Building a more diverse industry
- Updates from the FDC, majoring on Consumer Duty
- Consumer Duty Panel Discussion

The Compliance Manager put a number of detailed questions on Consumer Duty to the FDC.

The Compliance Manager feeds back information from both of these sources to the Board in her quarterly compliance update.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

SVM's priority is to engage at a senior management, chair, committee or board member level as it is here that we believe our actions will be most effective. We recognise, however, that initial contact is often directed toward less senior personnel, which can result in engagement objectives being met but can also not achieve the desired outcome. In such instances our policy is to escalate the issue to senior management then board level. Where this still does not bring resolution a further action would be to collaborate with other investors (see Principle 10). Finally, an appropriate item can be voted down at an AGM with correspondence to supervisory board chair or company secretary to explain the rationale of our actions.

As long-term shareholders of a UK brick producer we have had multiple engagements with senior management in order to introduce strategy, policy and disclosure commensurate with the energy intensive nature of the business. We have witnessed considerable improvements over the years despite a change in the senior management board with whom we focussed our engagement.

With this executive turnover in mind our engagement activities were escalated from the C-Suite to the Chair of the Remuneration Committee. Correspondence was sent which asked for non-financial factors such as the environment to be included in executive directors' remuneration packages. We expressed the view that such a move would help align company executives with the ESG strategy that had been developed over the preceding years.

Notionally the outcome of this process was a success with a new remuneration policy that introduced the concept of ESG focussed rewards. Unfortunately, the scheme was not introduced with immediate effect despite the remuneration committee recognising the importance of this move.

We subsequently wrote to the remuneration committee Chair expressing our concern over the delay and will continue to review the situation and consider our options at the next company AGM.

Priority is given to material issues with the potential to erode long term shareholder value.

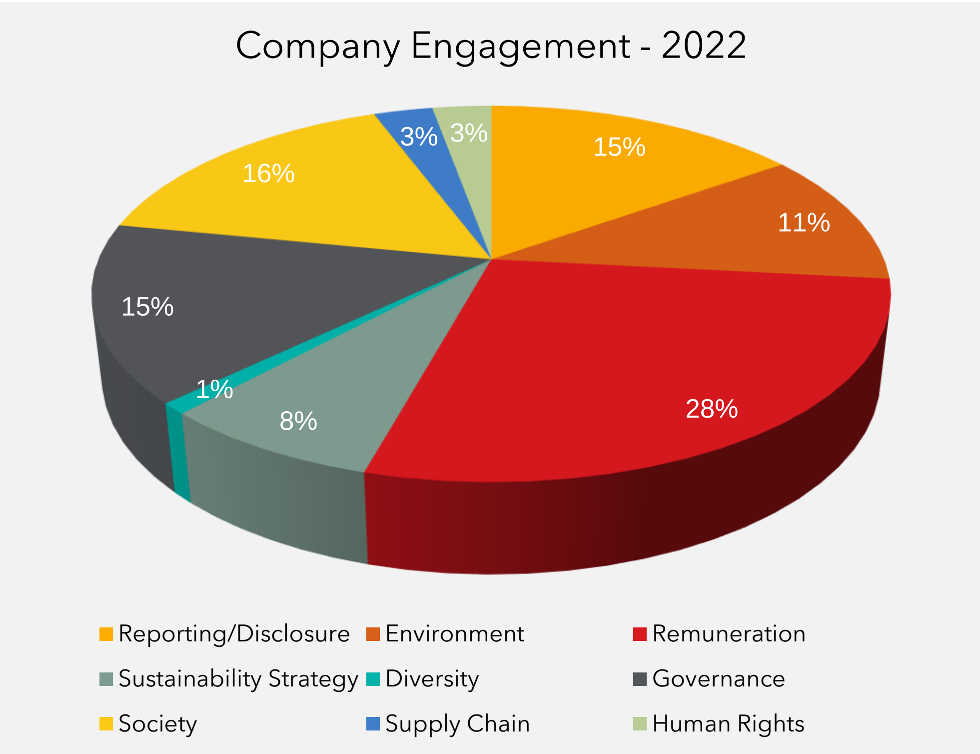
Exercising Rights and Responsibilities

Principle 12

Signatories actively exercise their rights and responsibilities

SVM votes at all AGMs and EGMs and where acceptable governance standards are not applied, we will vote against the appropriate item on the agenda. Company management or board are informed where we vote against their recommendations.

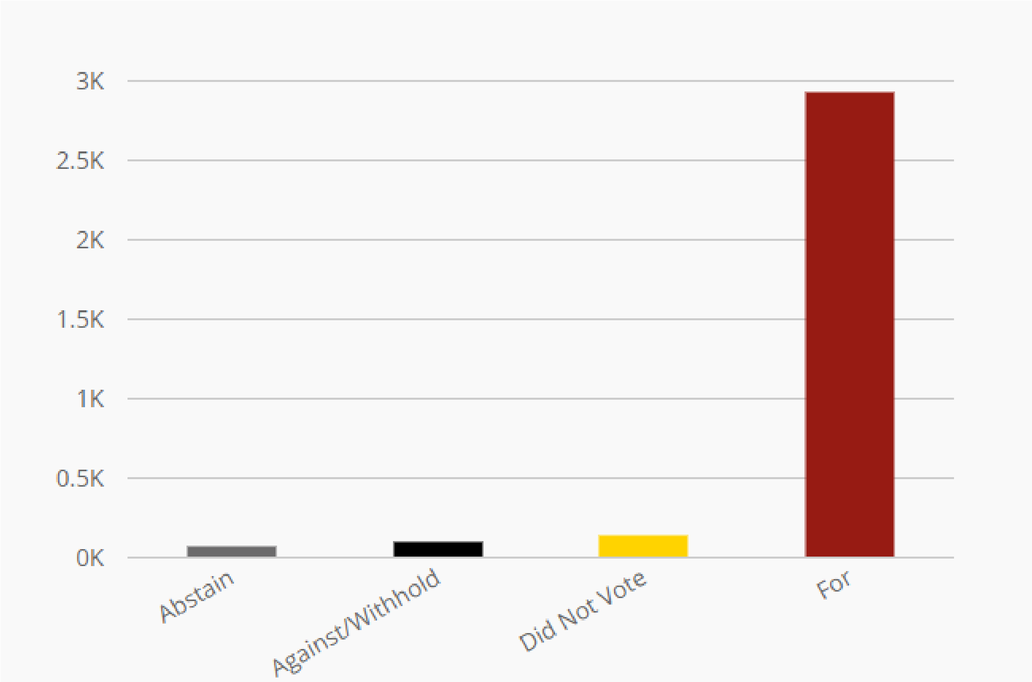
During 2022 we engaged with 47 companies on 105 ESG issues.



Our voting policy is to 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.

Our overall research process is designed to ensure all significant ESG matters are covered in a systematic manner allowing areas of improvement to be identified and to form the basis of our company engagement. This policy is applied across the board, where there are different geographic jurisdictions, we will use the relevant code there.

2022 Voting Statistics



Across 3,168 unique proposals available to vote, we voted 3,031 for which 100 proposals were voted in varying ways for the same meeting agenda item. We did not vote on 137 proposals. Where we did not vote it was for the following reasons:

- There were three meetings which had non-votable proposals, these lines therefore cannot be voted in the platform. All other lines were voted though
- A Norwegian meeting had shareblocking applied so this was not voted because of that
- One meeting had 2 ballots with zero shares so this one shows as partially voted
- Instruction strategy applied for the Swiss meeting states a Do Not Vote instruction should be applied to meetings in Switzerland because shares need to be transferred to vote and then transferred back – it is not in shareholders' best interest where a transfer of shares is involved.

SVM does not undertake stock lending. Where mandated we carry out our clients' voting instructions.

Due to the work intensive nature of this area we employ proxy advisors ISS to conduct the research on our behalf to ensure all meetings receive the appropriate coverage. ISS base their research on 4 key tenets:

- Accountability
- Stewardship
- Independence
- Transparency

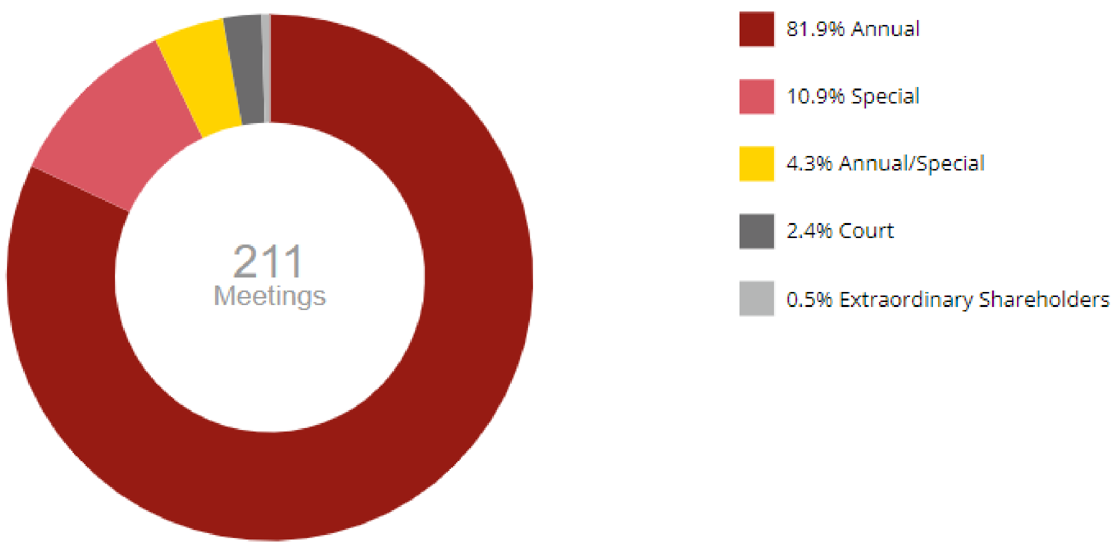
Best practice is derived from a number of sources including, but not limited to, the following:

- The UK Corporate Governance Code
- The AIC Code of Corporate Governance

- Pensions and Lifetime Savings Association Corporate Governance Policy and Voting Guidelines

ISS make recommendations to vote for, against or abstain on meeting agenda items. Where we are advised to vote against or abstain on an item SVM will review the appropriate research and are responsible for the final decision and casting the votes. All voting against management, including abstained and withheld votes are recorded internally by SVM, along with our rationale for the voting decision.

Meetings by Meeting Type – 2022



With 211 distinct company meetings available to vote, 204 were voted, leaving 7 unvoted.

Information on SVM's voting activity may be accessed from our website through our Responsible Investing page: https://www.svmonline.co.uk/InvestmentProfessional/About-SVM/Responsible-Investing/

A UK restaurant chain operator sought acceptance of their Financial Statements and Statutory Reports at their 2022 Annual General Meeting. The company had been severely impacted by Covid lockdowns in the preceding year with revenues more than halving and profits turning negative, a level from which they strongly rebounded for the financial year ending in 2022.

During the period covered by the AGM the potential maximum payout for senior managements' annual bonus was increased from 100% to 150%. This increase in potential remuneration package raised two areas of concern. First there was no rationale given for the increase and secondly the company had made avail of government support as a result of the Covid lockdown yet had not revealed if this had been repaid. While there was no legal requirement to repay these funds our concerns stemmed from the reputational impact such actions could have particularly when combined with outsized increases in executive director payouts.

We wrote to the company expressing our concerns and received a detailed explanation of the company's position. Included in the reply was the fact they made no staff redundant during the Covid lockdown period and that the company had managed to avoid bankruptcy.

While commendable neither of these, or other factors presented, were considered by the fund manager to be sufficient to merit the rewards on offer and the decision was taken to proceed with our vote against the resolution with the company being made aware of our actions.

The resolution was passed at the AGM by a wide margin with 93.34% FOR and 6.66% AGAINST. However, we did not consider our voting and engagement to be wasted as we believe the fact that we drew attention toward what we considered inappropriate remuneration practices may influence future decision making with regard to this important topic. If further issues were to arise with the company regarding remuneration policies and practices, we would seek to escalate the issue to the Remuneration Committee Chair.

Source: Graphs taken from ISS website (link on SVM website) - https://vds.issgovernance.com/vds/#/MTA4NDc=/

Period – 01/01/22 to 31/12/22

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