SVM Asset Management

UK Stewardship Code

2020

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 engage 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 a privately-owned investment management business based in Edinburgh. Our core competency is of active management in Global, UK and European equities and we have created an environment where managers can focus on delivering returns for clients in their own distinctive way. Independent thinking means our managers can pursue their own strategies and approach to analysis while sharing ideas with the team. For us independent thinking is about our clients, our funds and our business.

In 2006 SVM brought three experienced professionals into its investment team, who had managed an 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.

We are committed to active management and use the principles of responsible investing to manage focused portfolios over the medium to long term (3 to 5 years). SVM also plans to grow in scale over this period which we believe remains within our capacity limits and will allow us the opportunity to maintain good service and performance with competitive costs.

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.

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 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.

Principle 2

Signatories' governance resources and incentives support stewardship

As a boutique asset management firm, we are a small team of c. 20 people based mainly in our Edinburgh office. Reflecting our size, we have a relatively flat structure and 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 24 years in the industry and 17 years at SVM. Since 2006 this expertise has included ESG experience which we continue to develop.

In terms of diversity, SVM has a strong gender balance, with 62% of staff women, occupying 33% of senior management roles and making up 20% of SVM's 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 into this committee.

The effectiveness of SVM's governance structure and processes may be seen in our management of Fair Value Pricing (FVP) of an Asian Biotech company within our World Equity Fund in the first quarter of 2020. This stock had been purchased for the fund when it was listed on the Taiwanese Stock Exchange and while the fund retained the shares through their delisting in 2018, we considered it prudent to apply FVP and mark down the value from the suspended price to reflect the relative illiquidity of the shares.

In the February 2020 the Fair Value Pricing and Liquidity Committee noted the company had a recent corporate event and questioned the transparency of the company's pricing and the potential impact of the Covid-19 pandemic given the company's close proximity to the source of the outbreak.

The fund manager provided a formal written update on the stock to the committee the following week, noting discussions with the company's Compliance Officer. He provided a reappraisal of the fair value price based on consideration of activity by the company and the estimated value of the business, as well as the company's plan to seek relisting on the Hong Kong Stock Exchange. The rationale provided by the fund manager was discussed by the committee and accepted.

In March 2020 a further re-evaluation was provided reflecting the worsening situation with the Covid-19 pandemic and the unprecedented volatility in global equity markets. The stock continues to appear on SVM's FVP log.

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 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.

All potential conflicts are noted on SMV'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.

2020 saw the voluntary closure of one of our funds with the realisation of assets to return shareholder funds. The fund held two equity positions which were not able to be liquidated in the open market within the timeframe, so it was proposed that these could be transferred to a connected party to provide liquidity to the fund and remaining shareholders. The transfer was identified as a potential conflict of interest between the interests of the fund and its shareholders, and that of the transferee. The proposed transfer was put through two layers of governance, firstly by the Conflicts of Interest committee and then by the Fair Value Pricing and Liquidity Committee. On the basis that the stocks were listed and that the transfer would go through an external (and therefore independent) broker who would apply the market price, the transfer was approved.

Principle 4

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

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.

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.

Perhaps the most obvious materialisation of market risk of 2020 has been the Covid-19 pandemic with the impact of the lockdowns on our normal model of business. SVM acted ahead of government mandates in invoking our business continuity model for working from home, and so we were in a comfortable position to ensure that business-as-usual processes, including investment management, oversight and assurance activities could continue when the full lockdown was implemented.

The unprecedented volatility in equity markets of March and April 2020 presented a significant market risk to SVM's investments. Our internal control monitoring highlighted the increased volatility and subsequent reduction in market liquidity. SVM fund managers were quick to respond to this new playing field, positioning the funds accordingly by reducing exposure to equities and maintaining portfolio liquidity in line with shareholder demand.

We enhanced the liquidity monitoring of the funds and shared this with our ICVC funds' trustee to demonstrate our appropriate management of risk. We also provided assurance to our segregated clients with daily monitoring and reporting on their funds' liquidity levels. We would highlight that SVM has never needed to suspend a fund.

There was an increase in breaches of investment restrictions in the March and April period simply due to heightened market volatility. Our Investment team worked closely with our Risk and Compliance area to ensure that these were managed effectively and resolved promptly. We also worked closely with the trustee of our ICVC funds to benchmark our activities against the wider investment management community and obtain comfort that our approach to Stewardship of the funds over this period was appropriate and proportionate.

SVM regularly engages with the wider industry through written articles in industry leading financial publications with a focus on systemic risks facing financial markets. 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 2020 we have published articles on unbalanced rewards structures and their impact on shareholder value, ESG issues within complex supply chains, as well as industry carbon disclosure and reduction targets.

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. We maintain a tracker log for the review process, noting which policies need sign off at which level. Some require approval from our governing committees prior to going to the Board, such as our conflicts of interest policy and our remuneration policy and this provides an additional opportunity for independent review and challenge (see also Principle 2).

We obtain assurance both through this governance structure and also through external review, for example of our client money framework as part of the annual CASS audit. We also obtain assurance through the annual due diligence undertaken by our ICVC funds' trustee.

In 2020 their review challenged whether an investment breach could trigger an overdrawn cash position on a fund, thereby creating charges that should be reimbursed. While we were able to provide comfort that our processes were indeed sufficiently robust to identify any such instances, and we were able to demonstrate that none had occurred in the previous two years, we did update our process to ensure that we could fully document consideration of such charges and the potential requirement for reimbursement.

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.

2019 Assessment of Value Dashboard (published 2020)

SVM ICVC Funds	Share Class	Quality of Service	Performance	General Fund Costs	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units	Fair Share Evaluation	Overall Fund Evaluation
SVM UK Growth Fund	A	🟢	🟢	🟢	🟢	🟡	🟢	🟢	🟢	🟢
	B	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
SVM UK Opportunities Fund	A	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
	B	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
SVM All Europe SRI Fund	A	🟢	🟡	🟢	🟢	🟢	🟢	🟢	🟢	🟢
	B	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
SVM Continental Europe Fund	A	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
	B	🟢	🟢	🟢	🟢	🔴	🟢	🟢	🟢	🟡
SVM World Equity Fund	A	🟢	🔴	🟢	🟢	🟡	🟢	🟢	🟢	🟡
	B	🟢	🟡	🟢	🟢	🟡	🟢	🟢	🟢	🟡

Source: SVM 31.12.2020

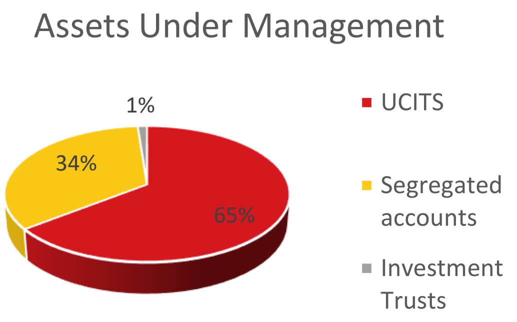
Investment Approach

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. The funds are based in the UK and depending on the remit of the fund, can have a UK, European or global focus. At 31st December 2020 SVM had £606m assets under management.

All of our asset management is of mutual funds, or segregated accounts linked to the mutual funds. All are UCITS compliant as applies to their respective jurisdictions. We manage five investment companies with variable capital (ICVC) funds under a single umbrella (SVM Funds ICVC), as well as a listed investment trust (SVM UK Emerging Fund). The ICVC funds are designed for retail investment, with our direct clients generally being professional investors such as platforms, wealth management and other distributors.



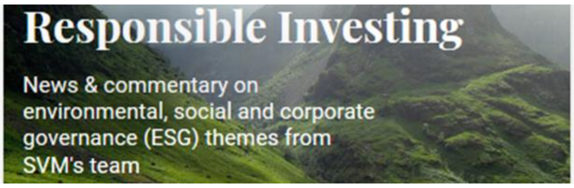
Source: SVM 31.12.2020

SVM undertook a client survey in 2019 to assess views on our perceived culture, our engagement with clients, as well as fund performance and perceived areas of improvement. This assisted us in improving our offering to clients, as well as supporting us in our work on the Assessment of Value. The review also highlighted the need for us to clarify our objectives and the appropriate investment timescales. As a result of the review, in 2020 we updated the funds' objectives, highlighting that they are intended for long term investment, by which we mean five years or more. We believe this discourages a short term view of the investment.

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.



SVM does take client views into account and acts upon them. We received a couple of queries in relation to our investment trust over the course of 2020, and while direct responses were provided to each query by the fund manager, we took the opportunity to identify a need for greater communication about the fund to its investors. To address this we ran a webinar in September 2020 specifically for the fund's investors, providing information about the methodology used to manage the fund, and also allowing investors to ask questions of the fund manager. A synopsis of the webinar was also added to our website for those investors unable to attend.

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.

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
- 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 CO_{2e} Intensity	Mwh intensity	M^3 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 Cyle 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			
			Comparisons Sector Averages			

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

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 through the materiality process only unless 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.

Engagement Process

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.

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.

We do not 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 services of Institutional Shareholder Services (ISS) as proxy advisors. ISS provide SVM with analysis and recommendations on voting, but we determine for ourselves the way in which we will vote on behalf of our clients. 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.

Engagements

Principle 9

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

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.

Recent examples have included a chemical company, operating in a sector where GHG emissions have the potential to erode future shareholder returns. Research highlighted an exponential year on year increase in CO_{2e} emissions with no company explanation as to why. The objective of the engagement was to determine the reason behind the emissions increase and to gain a commitment from management to address the issue. Contact was made first by letter followed by a face to face meeting with senior management as well as the site manager of the plant concerned.

A further example is a large UK bank where a material risk concerning whistleblowing procedure was identified by our research. Although a whistleblowing facility existed the bank did not provide data on its usage. The objective of our engagement was to have the company publicly disclose data on whistleblowing activity. The method of engagement was to first write to senior management followed by correspondence with the bank's Chair of the Risk Committee.

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 our holding is greater than 1% of a fund's value.

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.

In OpEds, articles and presentations, SVM has advocated for good accounting practices, transparency in corporate reporting, including narratives and presentations, and meaningful metrics that relate to sustainability and executive rewards. In 2018 and 2019, SVM worked with an ad hoc group led by Sarasin and involving a number of other institutional investment groups including PIRC and Hermes to advocate for capital protection and implementation of the Kingman Review of December 2018 and its proposals for reform of audit governance. This group worked to advocate for reform - with SVM becoming a signatory to the group's aims in March 2019 - and engaged with the Brydon Review which concluded in December 2019. SVM assisted the group in articles and OpEds and in engaging with CFA UK, CFA Institute and CFAI's Future of Finance. The collaboration was successful in 2019 with the Brydon Review signalling the need for change and Kingman's proposals gaining traction.

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.

A recent example of an escalated issue was with a UK gaming company where our initial request to management to consider the incorporation of a responsible gambling component into senior management LTIP was rebutted. The company was then informed we would make contact with the chair of the remuneration committee. Our objective was submitted to the chair who initially turned down the request but we were subsequently asked to take part in the company's remuneration review where our request was again submitted. The company has now adopted our proposals.

A London-listed property investment company with residential apartments in Berlin implemented a management incentive scheme that SVM had concerns with. It would have rewarded management for implementing legal change in its ownership of number of its condominiums to allow individual property sale. SVM considered that this risked misalignment – it could drive rewards that could be paid out before the cash value of this legal change was achieved via sale. SVM met with the chair and its broker and was told other investors had not asked for this. However, in advocating for this change it emerged that it was aligned with the views of some other institutional shareholders. The company agreed to amend the scheme.

Correspondence was sent to the management of a large UK insurer requesting that ESG became embedded in senior management remuneration. It became clear this was not currently under consideration so a meeting was arranged with the company global head of HR. The issue was said to have been discussed by the remuneration committee but no concrete decision had been made. We requested that our engagement was escalated to the chair of the remuneration committee and contact has now been made. As yet the engagement is on-going.

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

Exercising Rights and Responsibilities

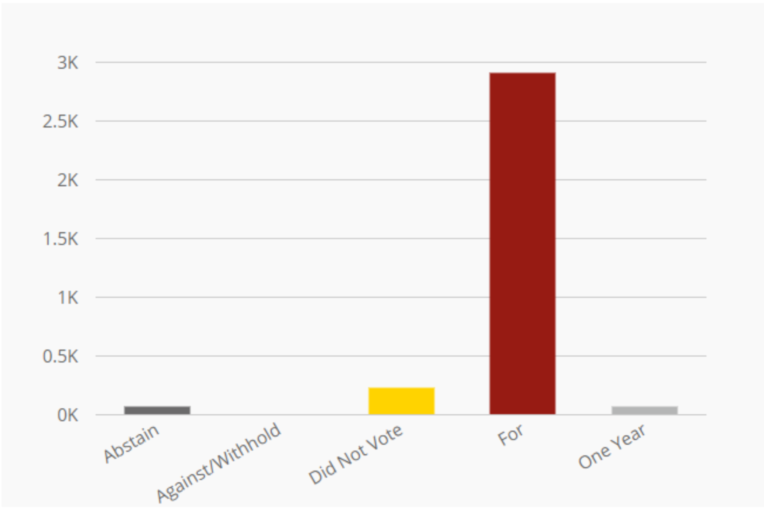
Principle 12

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.

Voting Statistics

Across 3,269 unique proposals available to vote, we voted 3,034 for which 0 proposals were voted in varying ways for the same meeting agenda item.



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

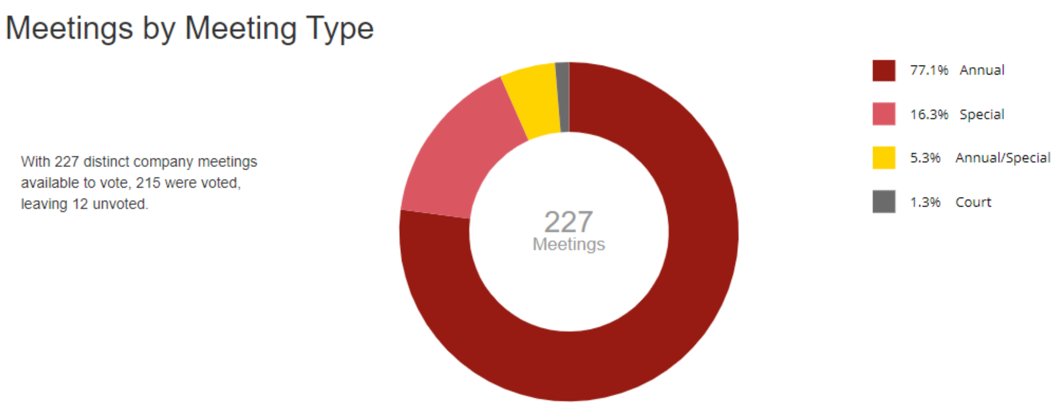
Due to the work intensive nature of this area we employ proxy advisors ISS to conduct the research on our behalf to ensure all meetings receive the appropriate coverage. ISS base their research on 4 key tenets:

- 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 be 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.



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/

SVM voted against the re-appointment of the Chair of a UK legal firm in 2019 as his other working commitments deemed him "over-boarded". We conducted a number of meetings with the person concerned in an attempt to resolve the issue and received a commitment that he would resign from one of his existing commitments which he subsequently did. At the 2020 AGM ISS recommended we vote against the Annual Report and Accounts as the board lacked independence as a result of a major shareholder's representation. In this instance we took the decision to act against the advice of ISS based on the Chair's commitment to seek a further independent director with the knowledge that our engagement in the preceding year had been successfully resolved.

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

Period – 1/1/20 to 31/12/20

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