

# A responsible approach



It is our view that a responsible approach to the environment, society and governance is key to long-term sustainable businesses. This guiding principle is embedded not only in our investment philosophy but in how we manage Asset Value Investors as a company.

### EMPLOYEES WITH EQUITY OWNERSHIP IN AVI

41%

ONE OF THE ORIGINAL 200 INVESTMENT FIRMS TO SUPPORT THE 10,000 BLACK INTERNS PROGRAMME

### DIVERSITY OF WORKFORCE



	2023 Number	2023 %
● Male	15	65
○ Female	7	35

### OUR PURPOSE

Helping our clients to make the most of their financial future.

The people at Asset Value Investors are committed to leveraging our long heritage, stewardship, and expertise to make investing responsible, accessible, and profitable for everyone – individuals, families, institutions, private companies, and listed companies. Financial returns matter but we are in a unique position to influence positive change by questioning the practices of the companies we invest in for a more sustainable future.

### OUR PHILOSOPHY

We are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy, with a responsible approach to the environment, society, and governance.

We believe that the integration of ESG and sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment's ability to create long-term value, but aligned with our values as responsible investors.

## OUR PRINCIPLES

We are aligned with the PRI's belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation.

Such a system will reward long-term responsible investment and better align investors with the broader objectives of society. AVI became a signatory to the UN-supported Principles for Responsible Investment (PRI) on 9 April 2021. In doing so, we have confirmed our belief in our duty to act in the best long-term interests of our beneficiaries.

## OUR APPROACH

As research-driven value investors, we seek to truly understand each company in our portfolio and the context within which it operates on a case-by-case basis.

AVI has built ESG factors into its proprietary database and implemented a number of processes to support the integration of ESG considerations into each stage of the investment process.

## DEFINING 'E', 'S' & 'G'

AVI has identified\* the factors that we believe are the most material and relevant to our investments and developed a bespoke ESG monitoring system to track the performance and progress of our portfolio companies against defined ESG metrics.

We define **environmental** sustainability within the context of:

- Environmental Impact
- Tackling Climate Change
- Sustainable Management

Our **social** focus is divided into:

- Dignity and Equality
- Wellbeing and Development
- Community Engagement

Our approach to **governance** includes:

- Quality of Governing Body
- Corporate Strategy
- Ethical Behaviour

Our metrics within each of these areas enable us to assess corporate governance practices and evaluate a company's impact and dependencies on the environment and society, and the extent to which these are being effectively managed.

## Pre-Investment

**Exclusionary screening** is not our guiding framework, however there are certain exceptions to this.

AVI will not invest in a company with direct involvement\* in:

- Tobacco
- Controversial Weapons
- Pornography

Or companies that engage in child labour or human exploitation as defined by the relevant ILO conventions.

Assess company's **exposure to ESG risks and opportunities**, including climate-related risks and opportunities.

Identify whether the company is involved in any actual or potential violations of international norms and standards supported by **ISS<sup>^</sup> Norms-based Research**.



## Investment Period

**ESG monitoring system** built into our proprietary database to ensure ESG factors are considered alongside financial analysis.

**Ongoing ESG assessments** of portfolio companies' performance against defined ESG metrics. A scoring system is used to assess trends and highlight potential areas for engagement.

**Tailored questionnaires** sent to all companies based on our assessments to request additional ESG information and promote improved sustainability disclosure.

**Ongoing controversy monitoring** following a clear engagement pathway if companies are flagged.

**Constructive engagement** with boards and management to help sustainably increase corporate value by building resilience to ESG risks and promoting responsible business practices.



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\* Drawing on the World Economic Forum's '21 core metrics', <https://www.weforum.org/stakeholdercapitalism/our-metrics>

\* Whereby more than 5% of that company's NAV is derived from these activities.

<sup>^</sup> Institutional Shareholders Services group of companies.

Investment Review / Promoting Sustainable Attitudes continued

**OUR STEWARDSHIP**

Good stewardship should be viewed as a continuous practice and is essential to preserving and enhancing long-term value.

Active engagement is at the core of our investment strategy and our ESG monitoring system plays an important role in helping us to identify potential areas of engagement. As long-term investors, our aim is to build constructive relationships with the boards and management of the companies in which we invest, addressing issues and offering suggestions to sustainably improve corporate value in consideration of all stakeholders and in the best long-term interest of our clients.

**Controversy Monitoring**

Supported by ISS Norms Based Research, we also closely monitor any controversies and potential violations of international norms and standards associated with our universe. Whilst our hope is that controversies do not occur, they can be a marker of how well a company's policies are integrated into business operations and culture, highlighting vulnerabilities or structural problems and indicating where improvements can be made. Through constructive engagement, we encourage and expect investee companies to take meaningful action in addressing weaknesses in the context of long-term value creation.

**ACTIVE ENGAGEMENT**

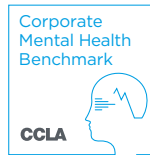
We seek to be constructive partners and continue to maintain an active dialogue with the boards and management of our portfolio companies.

The majority of our engagements take place behind closed doors, however, if necessary, we are willing to take our concerns public to raise awareness and compel change.

Our approach to engagement is highly bespoke and covers a wide range of topics including ESG themes. We identify ESG engagement topics on a case-by-case basis and avoid generic guidance, instead carefully analysing the issue within the company's particular context and offering specific suggestions to address weaknesses and sustainably enhance corporate value.

**COLLABORATIVE ENGAGEMENT**

We recognise the value of collaborative engagement in addressing collective issues.



In January 2023, we joined CCLA's global initiative seeking to improve the corporate approach to workplace mental health. LVMH, one of our portfolio companies in the initiative's scope, have since taken significant steps to demonstrate their commitment.

**Engagement Breakdown\***

**GOVERNANCE**

61%



**SOCIAL**

21%



**ENVIRONMENTAL**

18%



\* % breakdown of total ESG engagements (101) during FY23. Engagements with portfolio companies may address multiple themes at once.

**HIGHLIGHTS FROM 2023**

1. AVI published its Stewardship and Voting Policy
2. AVI reported through the PRI for the first time
3. AVI will publish its first ESG Report

Policies and reports can be found on our website: <https://www.assetvalueinvestors.com/agt/#responsibleinvesting>

- Useful resources:
- <https://www.ccla.co.uk/mental-health>
  - <https://www.assetvalueinvestors.com/process/esg-approach/>
  - [www.issgovernance.com/esg/screening/](http://www.issgovernance.com/esg/screening/)

**AGT 2023 Proxy Voting Record\*\***

**TOTAL VOTED**

100%



**VOTED AGAINST MANAGEMENT**

23%



**VOTED WITH MANAGEMENT**

77%



\* 6% of these votes were not officially counted for technical reasons.

\*\* As at 30/09/2023.



**ESME MORTER**

**AVI ESG Analyst**

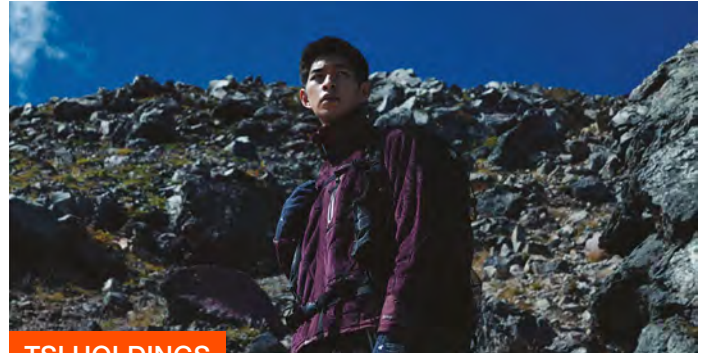
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**Esme Morter**  
ESG Analyst

AVI has traditionally focused on the ‘G’ in ESG and has nearly 40 years’ experience engaging constructively with boards and management of portfolio companies to promote strong governance practices. This expertise has stood us in good stead when deepening our approach to ESG.

We view strong governance as the foundation for effective management of E & S issues. However, we do not take a hands-off approach to the E & S. Indeed, although we prefer to conduct our engagement in private, last year we submitted shareholder resolutions at SK Kaken’s AGM, one of which addressed its failure to transparently report and address its environmental impact, which resulted in the company disclosing annual emissions for the first time in 2023.

ESG cannot usefully be universally applied; it must be carefully considered within the context of each company. The system we have developed complements our deep fundamental analysis and readiness to constructively engage with companies in a highly bespoke way, allowing nuance and honed judgement to drive our actions. ESG is complex, interconnected and constantly evolving, and we expect our approach to ESG to continue to actively evolve.



**TSI HOLDINGS**

We are encouraged by TSI Holdings’ progress in weaving sustainable practices into the fabric of the company.

AVI first invested in TSI Holdings, which owns a collection of diversified apparel brands including PEARLY GATES, Margaret Howell, HUF and Stüssy, in July 2022. TSI joined AGT’s portfolio in January 2023 and we are now the largest shareholder with c. 8.6% stake across all AVI funds. We have built a strong relationship and constructive dialogue with the company, holding 14 meetings, visiting its HQ in Japan, and sending a 43-page presentation, offering detailed suggestions to address its undervaluation and build sustainable corporate value.

Our approach to engagement is highly bespoke, looking at the company as a whole and considering all drivers relevant to its long-term success. Companies operating in the apparel sector are exposed to heightened environmental and social risks. As part of wider analysis on both financial and operational enhancements, our presentation identified a number of ESG-related improvements regarding the visualisation and management of GHG emissions, responsible supply chain management, diversity, employee training and development, and performance linked pay.

TSI Holdings recognises that the majority of its impact on the environment and society occurs in its value chain and is demonstrating its commitment to managing this. The company has partnered with Boost Technologies to develop a centralised mapping and managing tool, covering all of the company’s more than 50 apparel brands, to monitor emissions and drive decarbonisation across the entire supply chain. This commitment is bolstered by TSI Holdings having its emission reduction targets approved by the Science Based Targets initiative (SBTi) in October 2023.

The board and management continue to be receptive to our suggestions and we are encouraged by their proactive mindset. TSI Holdings’ share price has increased by 134% since we initiated our investment. We continue to engage with the company on a wide range of themes, and we see significant opportunities to unlock value.

Read more of our insights on our website:  
[www.assetvalueinvestors.com/agt/about-the-trust/our-edge/insights/](http://www.assetvalueinvestors.com/agt/about-the-trust/our-edge/insights/)

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