Responsible Investment and Sustainability Policy

2026

STELLAR



Contents

1. Our Policy **4**
- 1.1 Introduction 4
- 1.2 Commitment 4
- 1.3 Scope and Application 4
- 1.4 Industry Associations and Memberships 4

2. Our Approach **5**
- 2.1 Governance 6
- 2.2 Environmental 7
- 2.3 Social 8
- 2.4 Stellar’s Commitments and Initiatives 9
- 2.5 FCA’s Sustainability Disclosure Requirements 10

3. RI&S Approach **12**
- 3.1 RI&S Approach 12
- 3.2 RI&S Process 12

4. Policy Guidelines **14**
- 4.1 Environmental factors 14
- 4.2 Social factors 14
- 4.3 Governance factors 15
- 4.4 Investment Exclusions 15
- 4.5 Active Management and Stewardship 16
- 4.6 Overall stewardship objectives 16
- 4.7 How different stewardship tools and activities are used across the organisation 16
- 4.8 Guidelines on engagement with investees 16
- 4.9 How stewardship efforts and results are communicated across the organisation to feed into investment decision-making 17
- 4.10 Prioritisation of specific ESG factors to be advanced via stewardship activities 17
- 4.11 Approach to escalation in stewardship 17
- 4.12 Guidelines on overall political engagement 17
- 4.13 Proxy Voting 18
- 4.14 Minimum Due Diligence Requirements 18
- 4.15 Reporting 18

5. RI&S Commitment **19**

1. Our Policy

1.1 Introduction

Our Responsible Investment & Sustainability ("**RI&S**") Policy sets out the measures in place and steps implemented by Stellar Asset Management ('Stellar') to integrate sustainability and responsible investment across its corporate activities and key investment services in an effective manner that does not compromise its core investment mandates. This policy has been ratified by our board of directors and applies to Stellar's corporate and investment activities across its business operations to the benefit of all stakeholders.

1.2 Commitment

Stellar's RI&S approach and process will not detract from our ultimate duty: to make investment decisions that best serve our investor's interests in line with our established mandate.

Our process serves as an element of due diligence and analysis that adds to considerations prior to investment decisions being made, as well as enhancing the points we review when monitoring investments.

1.3 Scope and Application

This policy applies to Stellar's business areas and staff.

The policy is embedded within all areas of the business and staff must confirm they have read its contents.

1.4 Industry Associations and Memberships

Stellar adopts internationally recognised standards. In doing so, Stellar is able to enhance its transparency, whilst leveraging third party guidance as to best practice.

Stellar became a signatory to the Principles for Responsible Investment ("**PRI**") in 2021. Our first assessment by the PRI was undertaken in 2023. The assessment process has provided us with external guidance on our journey of improvement and has enabled us to further bolster our processes in 2024.

Stellar is also a member of UKSIF and supports ESG Accord.

2. Our Approach

At Stellar, we are inheritance tax and estate planning specialists, with over three decades of financial services experience. We provide services for financial advisers and individuals for whom inheritance tax is a concern and we seek to create a robust legacy for future generations with the capital with which we are entrusted.

Our core principles of transparency and integrity underpin everything that we do and protecting our investors' best interests has always been at the forefront of our philosophy. It has been important for us to embody the fundamental ethos of responsible and sustainable investment to engender the successful integration across our key investment services in an effective manner that does not compromise our core investment mandates.

The below sets out how Stellar as incorporates Environmental, Social and Governance ('ESG') into its daily business activities.



2.1 Governance

We firmly believe that embedding strong governance practices and principles is imperative in maintaining investor confidence and achieving risk adjusted attractive long-term returns.

Our board of directors have been at the forefront of tax-efficient UK investment since the early 1990s.

Craig Reader is a Non-Executive Director and Chairman of the board. The executive board comprises Jonathan Gain (Chief Executive) and Claire Taylor (Finance Director). The executive board meet weekly, whilst the full board meet monthly formally.

We are committed to fostering a culture that is inclusive of diverse backgrounds and cultures and which values the contribution of varied views and thoughts. This is exemplified by the board who have clear areas of responsibility and expertise.

Whilst the board of directors is ultimately responsible for decisions that are made at a company level, we have several committees to ensure that different aspects of the business are managed with the appropriate care, diligence, and oversight. A comprehensive list of these committees can be **found here**.

Our Responsible Investment & Sustainability Policy is a focal point of discussion at board meetings and investment committee meetings. At a company level, a concerted effort continues to be made by the board to maintain a company culture that aligns with the UN Principles of Responsible Investment.

Business Ethics and Compliance

As an FCA regulated firm, the firm adheres to the FCA's Principles. All employees are held to the highest professional standard.

Stellar has a zero-tolerance approach to bribery and corruption and ensure that the businesses and funds we manage adhere to rigorous policies and procedures. All Stellar employees are required to complete bribery and corruption and anti-money laundering training.

All client money is handled by third-party custodians. Stellar is audited annually by RSM.

Stellar engages Cosegic Limited, a third-party compliance specialist firm that provides a host of tools that ensure Stellar's compliance management is robust and that effective systems of control, are in place across the organisation.

All Stellar employees are required to review compliance policies on a quarterly basis and attest to the agreement of these policies following each review. In addition, Stellar employees regularly attend compliance refresher training which incorporates all aspects of compliance law.

2.2 Environmental

As a company, Stellar supports the global effort to tackle climate change by reducing our carbon footprint taking steps to refrain from activity that may damage the environment.

Energy efficiency

Stellar incentivises employees to utilise energy efficient modes of transport when commuting (i.e., public transport or cycling). Stellar offers a Bike to Work scheme whereby employees are rewarded for cycling to work, as well as season ticket loans to encourage the use of public transport.

Stellar operates a flexible working policy for employees which affords the opportunity for employees to work from home. This has significantly reduced heating and air conditioning requirements and water use across our offices.

Waste efficiency

Stellar discourages printing of documents within its offices. Having enhanced its collaborative tools in recent years, Stellar encourages documents internally to be provided digitally, without the requirement to print.

Our offices recycle all relevant materials, including dry recyclables, such as paper, cardboard, plastics and metals to minimise waste to landfill.



2.3 Social

Corporate Social Responsibility (CSR) Policy

Stellar has an established CSR Policy that is reviewed annually, a copy of which can be **found here**.

Stellar's CSR Policy demonstrates how Stellar addresses key social considerations associated with ESG investing. This includes:

- promoting the health and wellbeing of employees;
- championing the professional and personal development of employees;
- training and educating employees on the importance of Sustainability & ESG;
- enhancing and maintaining cyber security;
- protecting and providing an optimal service to investors; and
- vetting suppliers to ensure they align with Stellar's core principles and maintaining these relationships.

Stellar regularly seeks opportunities to give back to society and is committed to engaging with local communities and supporting good causes. Stellar encourages employees to participate in its 'Give and Gain' initiative whereby employees are actively supported in volunteering their time to pursue charitable endeavours of their choosing.

Staff training

Stellar is committed to training all staff on the core principles of sustainability and responsible investment.

Members of the investment team are encouraged to attain an appropriate professional qualification on ESG. It is also factored into staff appraisals for members of the investment team.

All employees attend quarterly meetings hosted by Stellar's board or investment team. During these meetings, employees are updated on the steps being implemented by Stellar as a company and as an investment manager.

Investment Processes

Stellar's investment team has developed tailored approaches to tracking, measuring and reporting sustainability performance. This is reviewed regularly and updated as required. Further detail as to how responsible and sustainable investment has been embedded within Stellar's investment process is detailed in the 'Investment Activities' section of this policy.

2.4 Stellar's Commitments and Initiatives

UN Principles of Responsible Investment (UN PRI)

These principles provide a voluntary framework to help institutional investors incorporate ESG issues into investment analysis, decision-making, and ownership practices. The PRI works to achieve a sustainable global financial system by encouraging the adoption of six principles and collaboration on their implementation, by exhibiting good governance, integrity and accountability and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

Having become a signatory to the PRI in 2021, we adhere to the PRI's six principles, along with the frequent and comprehensive disclosure requirements associated with being a signatory. All investment activities must comply with:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of PRI within the investment industry.
5. Work together to enhance our effectiveness in implementing these principles.
6. Report on our activities and progress towards implementing these principles.

UN Sustainable Development Goals ("SDGs")

The UN's SDGs underpin Stellar's investment and corporate activities.

Further information as to how Stellar's activity contributes to the SDGs is set out below within the 'Investment Activities' section of the policy.

Other Commitments

Stellar is a member of UKSIF and supports ESG Accord.



2.5 FCA's Sustainability Disclosure Requirements

Having reviewed our services in light of the FCA's Sustainability Disclosure Requirements (SDR), we have concluded that a sustainability label is not warranted as we do not market our services as having a sustainability objective. Whilst sustainability and responsible investment are considerations that underpin our investment analysis and processes, our services are designed to preserve investors' capital and achieve capital growth, and these fundamental objectives will not change.

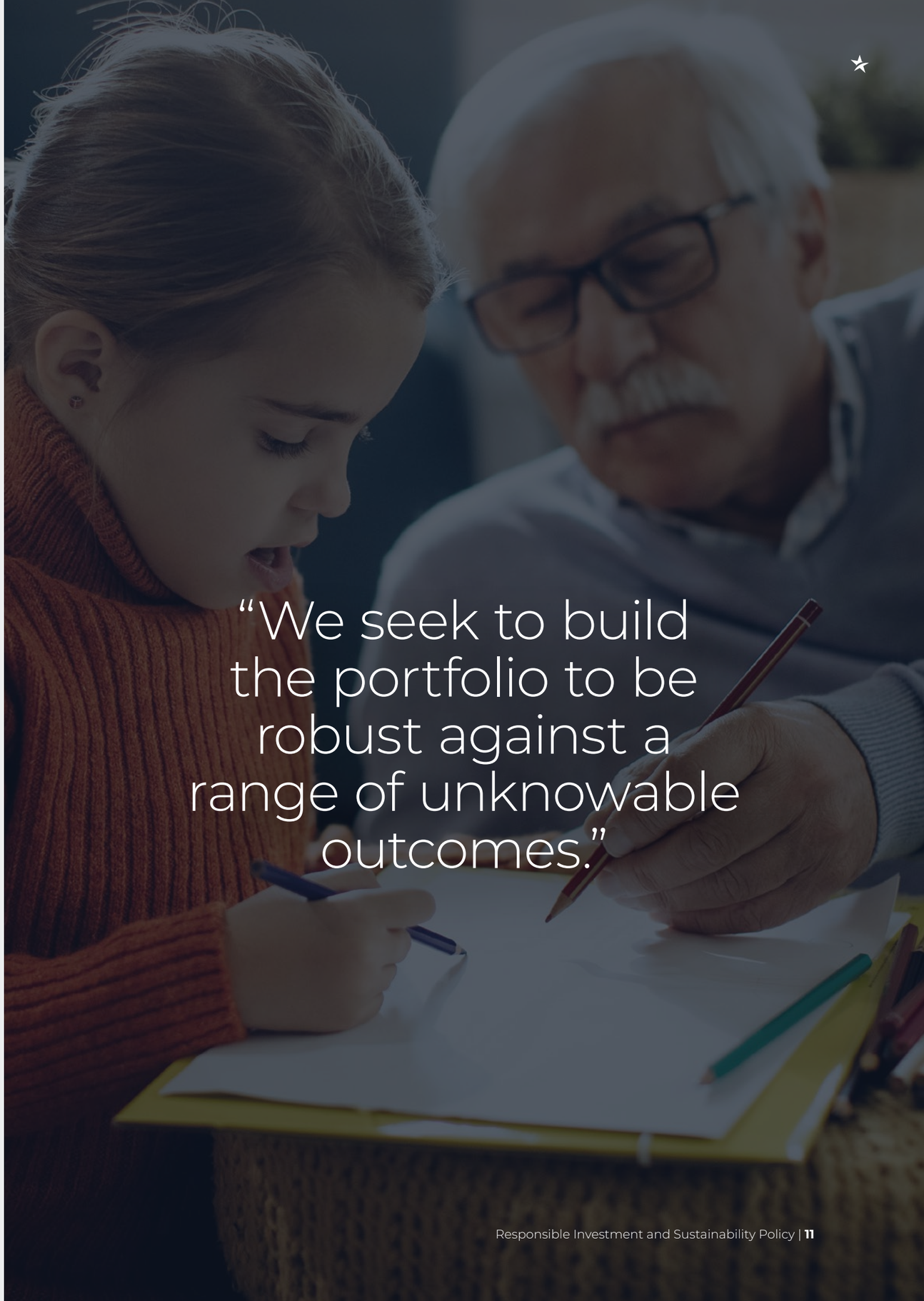
Investment Activities

There are two primary areas that Stellar commits capital on behalf of investors: equity investment into quoted companies on the Alternative Investment Market (AiM) and equity investment into unlisted, asset-backed private businesses.

Investment into a portfolio of companies on the AiM market is made via the Stellar AiM IHT Service (the "**AiM Service**"). Investment into asset-backed unlisted businesses are made via Stellar's Asset-Backed Services (the "**AB Services**").

Our investment process and philosophy is consistent across the AB Services. There is also continuity of process and philosophy between the AB Services and the AiM Service (together, the "**Services**"). As Stellar's investment process and philosophy remain consistent across the Services, the concept of responsible investment and sustainability has been incorporated in a congruous way.





3. RI&S Approach

3.1 RI&S Approach

Two of the most prominent challenges associated with integrating responsible investment and sustainability for asset managers are the lack of available data and the absence of a consensus regarding the most effective method of integration. In our view, this has led to over-complication and confusion.

At Stellar, we have adopted what we believe to be a pragmatic, bottom-up approach that holistically assesses the credentials of each business that the Services invest in. In taking this approach, our AiM is to align our management approach with the essence of what good ESG practice is.

3.2 RI&S Process

Maintaining our core approach, we have developed a process for the Services that seeks to ensure Sustainability and ESG considerations are at the heart of investment selection and management throughout the investment life cycle.

For each of the Services, our process can be broken down into three stages.

1. Initial questionnaire
2. SWOTDOT analysis
3. Ongoing review

Our process is implemented as part of our due diligence for each new investment opportunity considered by the Services.

For existing businesses held within the Services, we have assessed our active holdings and continue to monitor them regularly in accordance with our 'ongoing review' stage.

Further detail regarding what each stage entails is outlined below.

1. Initial Questionnaire

Stellar's AB Services commit capital to asset backed businesses operating across a range of different investment sectors, including Commercial Forestry, Hotels, Care Homes, Golf Clubs, Bridging Finance, and Residential and Commercial Property Development. As each of these sectors exhibit unique factors that must be considered, we have developed comprehensive questionnaires for each sector.

The AiM Service commits capital to up to 40 AiM companies we believe qualify for Business Relief, operating across most investment sectors, excluding oil & gas, mining, property investment trusts and investment companies more generally. We use a standardised 15-point questionnaire for every investee company.

These questionnaires provide a quantitative means of capturing key data points across E, S and G for each company.

It is designed to be simple, unambiguous and repeatable.

The questionnaire is divided into 3 sections (environmental, social, and governance). The output from the questionnaire is used to inform the SWOTDOT analysis. Updated at least annually, the questionnaire allows us to monitor, measure and track improvement over time.

2. SWOTDOT Analysis

The answers to the initial questionnaire allow us to identify each business' strengths and weaknesses from an ESG and sustainability perspective, the relevant opportunities and threats that are relevant to the business and the business' direction of travel. This, coupled with the business' initial questionnaire score, provides us with both a qualitative understanding of the business's ESG credentials as a whole and a quantitative means of assessing each business.

We have established a threshold that businesses must exceed to warrant investment by the Services.



3. Ongoing Review

All businesses invested in via the Services are reviewed regularly by Stellar's investment team, or where an 'event' is of such significance it requires more immediate attention.

All scores are updated at least annually.

For companies held within the AiM Service, where, on the rare occasion, the score falls below our internal threshold, the stock will be put 'on watch' with no upweighting of the position allowed. Stellar's investment team actively engage with the management teams of businesses held in the portfolio to notify them of this position and to assist with suggestions for improvement. If there is no improvement over the subsequent 12 months to get back above our threshold, the position will be exited in an orderly manner with least impact on the portfolio.

Businesses held within the AB Services are naturally less liquid than those in the AiM Service. As such, if the score falls below our threshold on review, the reasons are analysed and Stellar's investment team work in conjunction with its specialist partners to ensure that shortcomings are addressed. An 'ESG action plan' is created for each business in Stellar's AB Services to drive improvement following the annual review. Plans are reviewed quarterly to ensure progress is made throughout the year with a view to improving the next annual score.

For Stellar's AB Services, the ESG action plan for any asset that scored below the internal threshold will be presented to Stellar's investment committee and will be an item of focus during investment committee meetings thereafter until positive progress has been made.

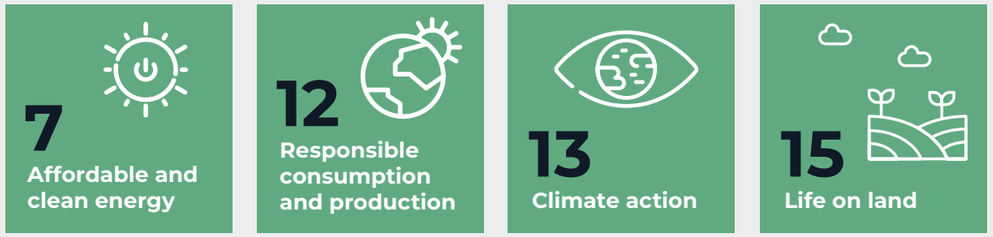
4. Policy Guidelines

Across all our Services, we focus on materiality when reviewing environmental, social and governance factors as part of our investment analysis. Our key areas of focus are underpinned by the UN's Sustainable Development Goals as noted **here**.

Whilst our analysis is underpinned by the UN SDGs, there are nuances for each business that capital is committed to and the scope of our assessment is broad. We review any material positive and negative implications that trading activity has on the environment and society.

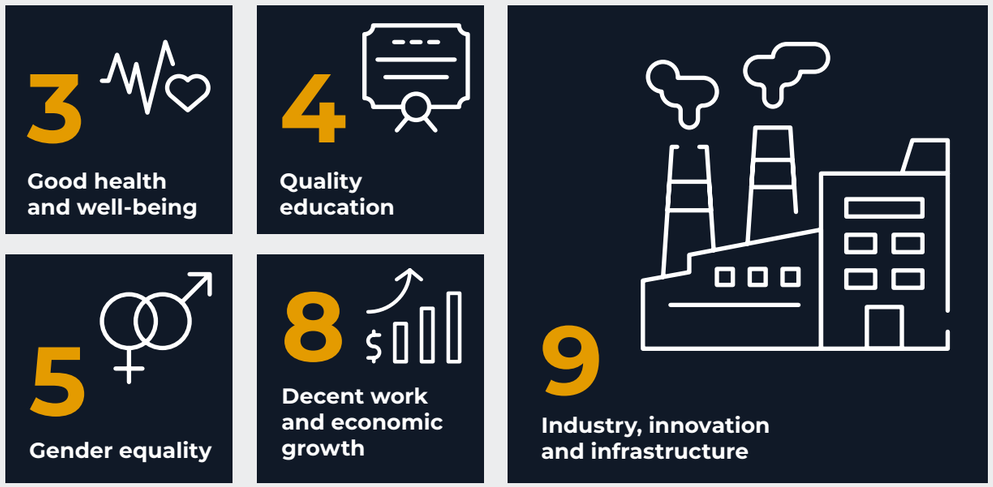
4.1 Environmental factors

We assess the businesses we commit capital to on their contribution to the following:



4.2 Social factors

We assess the businesses we commit capital to on their contribution to the following:





4.3 Governance factors

Whilst the assessment of a business' governance credentials varies dependent on the services, the focus on materiality remains at the crux of our analysis. The reason for variation across the Services is primarily because of the different ownership models. For companies held within our AB Services, investors typically constitute 100% of share ownership and it is therefore possible to directly influence the quality of governance within these companies. In addition to the governance within the business, these companies benefit from Stellar's governance framework which has ultimate oversight and control of each business in the service.

As our AiM Service will have minority ownership of the companies it invests in, the quality of governance within the business is a crucial consideration prior to committing capital and is regularly reviewed regularly thereafter. During our governance review, we assess the board and management team.

Key considerations include diversity, alignment of interests with shareholders, robust oversight structure with independence of thought, remuneration, alignment with regulators and anything that may be a relevant consideration for a company within each respective industry.

4.4 Investment Exclusions

Stellar's AB Services currently invest in asset backed businesses operating across a range of different investment sectors, including Commercial Forestry, Hotels, Care Homes, Golf Clubs, Bridging Finance, and Residential and Commercial Property Development.

Stellar's AiM Service commits capital to up to 40 AiM companies that we believe qualify for Business Relief, operating across most investment sectors, excluding oil & gas, mining, property investment trusts and investment companies more generally.

4.5 Active Management and Stewardship

As we retain full ownership of assets within our AB Services, we control the management of and ESG approach of the underlying assets to ensure that sustainable and responsible investment considerations are embedded.

For our AiM Service, we conduct stewardship activity across the portfolio, adhering to the following principles:

4.6 Overall stewardship objectives

At Stellar, we recognise the importance of our position as stewards of clients' capital and holding companies to account while helping to shape the ESG agenda. It is an opportunity to drive improvements for the betterment of the environment, the company, and wider stakeholders without compromising potential upside returns. We refer to this process as "strivers-to-drivers", because we invest in companies which strive towards obtaining greater ESG credentials and assist these companies on their path to becoming key figures in driving the ESG movement within their respective industries. We believe this stewardship strategy helps investee companies create long-term value for shareholders and to improve ESG standards within the companies and their respective industries.

4.7 How different stewardship tools and activities are used across the organisation

Stewardship as a tool is a focal point of our AiM holdings. Details of the stewardship tools and activities used across our AiM holdings are provided in our guidelines on engagement with investees below.

4.8 Guidelines on engagement with investees

We seek to positively engage with investee companies through meetings and frequent dialogue in which we discuss pertinent issues relating to a given investee company, and ways in which the investee company can improve its ESG credentials. There is continually more regulation and points of focus within the ESG space, so as part of our engagement with investee companies we ensure that they are aware of any new trends and any material risks/opportunities they pose. In addition, we ensure that the investee companies meet minimum ESG standards, and divestment is considered after a prolonged period of non-compliance.

4.9 How stewardship efforts and results are communicated across the organisation to feed into investment decision-making

Stewardship efforts and results from ESG screens are tracked by the investment managers and are communicated to the investment committee during regular meetings held quarterly. The AiM fund managers then use this information in conjunction with other non-ESG information during the investment decision-making process. Stewardship efforts and results are assessed on an annual basis by the AiM investment team and are used in setting targets for specific ESG outcomes to be achieved through stewardship.

4.10 Prioritisation of specific ESG factors to be advanced via stewardship activities

The AiM investment team prioritise specific ESG factors for each company on an annual basis, considering industry trends and company specific SWOTDOT analyses and scoring. All factors believed to be material are advanced on to investee companies through stewardship activities. We believe this approach is more desirable than a rigid approach as it allows us to curate bespoke ESG stewardship strategies for each investee company rather than relying on boilerplate strategies.

4.11 Approach to escalation in stewardship

We assess the ESG standards of investee companies on an annual basis and evaluate whether investee companies meet our pre-defined minimum ESG standards. Investee companies are then informed of non-compliance in the event that they fail to meet the minimum requirements, and are provided with suggestions to improve ESG standards that we help implement through stewardship. Where investee companies fail to take necessary actions and continue to fall short of meeting minimum ESG standards over a prolonged period of time, investee companies are notified that we will be forced to divest unless urgent action is taken.

4.12 Guidelines on overall political engagement

Political engagement does not form part of our stewardship activities. We do not see this as a necessity and prefer to focus our stewardship activities on investee companies.



4.13 Proxy Voting

For Stellar's AiM Service, Stellar's investment team actively undertakes proxy voting to seek to drive positive sustainable outcomes on behalf of investors.

4.14 Minimum Due Diligence Requirements

As outlined in our RI&S Process, every investment across our Services is subjected to the same three step process which culminates in a score out of 40 based on strengths, weaknesses, opportunities, threats and direction of travel. All new investments must score 24 or above out of 40 in order for capital to be committed. Scores are reviewed annually.

4.15 Reporting

For Stellar's AB Services, an update is provided on Stellar's RI&S activity bi-annually. Any material change to assets within the portfolio is reported to investors.

For Stellar's AiM Service, we report bi-annually to investors and an update is provided on Stellar's RI&S activity. Any material change to assets within the portfolio is reported to investors.



5. RI&S Commitment

Investors can rest assured that we will not compromise the existing investment mandate for Stellar's Services. Our RI&S approach and process will not detract from our ultimate duty: to make investment decisions that best serve our investor's interests in line with our established mandate.

Instead, our process serves as an element of due diligence and analysis that adds to considerations prior to investment decisions being made, as well as enhancing the points we review when monitoring investments.

At Stellar, we are cognisant of the fact that Sustainability and ESG are evolving concepts. Our work in this space continues to develop accordingly.

We are committed to abiding by our approach and implementing our process to achieve sustainable improvement across each of our Services.



Get in touch

We're here to help

Investors

We recommend you speak to a Financial Adviser in the first instance, as we cannot offer investment or tax advice.

If you have any other questions please contact us on 020 3195 3500 or email us at enquiries@stellar-am.com

For further information, please visit www.stellar-am.com

Stellar Asset Management Limited
20 Chapel Street,
Liverpool,
L3 9AG

Registered in England and Wales No. 06381679. Stellar Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

RIS-BR-0926