

## Inheritance Tax Service Sustainability Spotlight

We are delighted to present this edition of the Stellar Sustainability Spotlight. This edition will showcase the steps taken to bolster internal processes and drive sustainability within The Stellar ITS, Stellar Growth IHT Service, Stellar Bespoke IHT Service and Stellar Business IHT Service (the “AB Services”).

### Why?

We recognise the importance of our position as stewards of clients’ capital. As owners of each business within our AB Services, we also recognise that we have both the direct opportunity and responsibility to drive improvements for the betterment of the environment and wider stakeholders without compromising.

Our AB Services commit capital to businesses across a breadth of sectors, all of which are underpinned by tangible assets. According to the Chartered Institute of Building, approximately 40% of carbon emissions derive from the construction, operation, or maintenance of buildings. As this encapsulates the key activity undertaken across businesses within our AB Services, we are striving for improved measurement of negative impacts and to enhance practices that will have a positive effect on the environment and society.

Our activities continue to reflect the prevailing trends within the UK real estate sector. Recent insights from Knight Frank indicate that ESG considerations remain prevalent to corporate real estate strategies, with sustainability transitioning from ethical preference to business imperative. Furthermore, the Royal Institution of Chartered Surveyors emphasises the growing significance of sustainability and ESG factors in property valuations, noting that properties with strong ESG credentials are more likely to retain value and attract investment. As long-term investors, we recognise ESG as a fundamental shift reshaping the UK real estate landscape. Integrating sustainability practices into our investment approach is crucial not only to align with market expectations but also to preserve and enhance the value of our assets. Neglecting ESG considerations could limit acquisition opportunities and diminish the appeal of our properties to environmentally conscious buyers upon exit. By prioritising sustainability now, we position ourselves for resilience and success in the medium and long term.

### How?

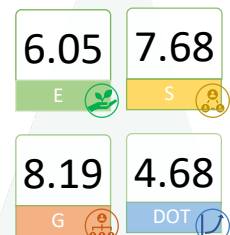
Unfortunately, there is no one size fits all approach to ESG assessment. The guidance from regulators is inconsistent and often open to interpretation.

This is further compounded by ESG rating agencies using quite different methodologies, leading to often contradictory outcomes, where the same company can be deemed “good” or “bad” depending on how the rating agency weights each of the E, S, and G.

When designing our ESG approach we were clear that it had to be simple, flexible, and pragmatic. Quantitative data is important, but so are the more intangible qualitative elements.

Each of our asset backed businesses are scored out of a total of 40 points, with 10 points on offer for each of the E, S, G, as well as their direction of travel (DOT). The scoring is subjective and material factors across the different sectors we operate can vary. We have established bespoke questionnaires for each sector which aim to get to the heart of what good practice looks like across each respective industry. Businesses are required to maintain a score of at least 24. As we own each business, divestment is not our first port of call. If a business is tracking behind expectations, it will be subject to enhanced scrutiny with progress against performance plans monitored at our monthly investment committee meetings.

Our first full round of scoring was completed in December 2023, with the second iteration taking place in December 2024.



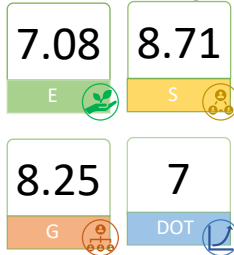
### Implementation

We underpin our assessments with established benchmarks, including the UN Sustainable Development Goals. As owners of the businesses within our AB Services, we can drive positive impact directly. We do this by engaging with each of the counterparties that we work with across these businesses (typically, developers, operating partners, or management teams) to ensure that all parties are aligned driving the improvements contained in the action plans that we establish.

“To improve is to change; to be perfect is to change often”

## ESG Excellence in Hospitality: A Case Study

Staybridge Suites Birmingham is an established extended-stay hotel located in central Birmingham, UK.



The hospitality sector is increasingly shaped by ESG factors, which are becoming key benchmarks used by investors and operators alike to assess the long-term resilience and appeal of an asset. As with other real estate categories, ESG credentials have the potential to increase asset value, strengthen operational performance, and enhance guest satisfaction. For hotels, performance in these areas is often assessed using sector-specific scoring frameworks, with strong ESG ratings becoming a prerequisite for discerning investors.

Staybridge Suites Birmingham is an example of a hotel that has taken meaningful steps to embed ESG practices into its day-to-day operations. The asset has achieved an overall ESG performance score of 31.04 out of 40, placing it firmly as a driver within the industry.

From an environmental standpoint, the hotel has made efforts to reduce carbon intensity through the adoption of energy-efficient systems and LED lighting as well as implementing water-saving fixtures. The property has also minimised waste through recycling programmes and reduced its reliance on single-use plastics. These improvements not only contribute to operational efficiency but also support broader climate-related goals.

The hotel maintains inclusive recruitment practices and offers ongoing staff development opportunities. It has also engaged with community-led initiatives and partnered with local charities, enhancing its role as a positive contributor to the wider Birmingham economy. These measures help ensure that the hotel is aligned with evolving stakeholder

expectations around diversity, wellbeing and community impact.

Governance at the hotel is underpinned by clear reporting lines, internal oversight, and independent performance reviews. Data security and compliance protocols are in place, and ESG strategy is regularly reviewed at the senior management level. The hotel's governance framework also ensures that ethical conduct is embedded across operations.

The hotel has a positive direction of travel illustrating broader adaptability and forward-thinking mindset. Whether through digital upgrades, guest experience innovation, or sustainable procurement, the hotel is continually evolving in response to sectoral and societal shifts.

By proactively addressing its environmental impact, social responsibility, and governance structure, Staybridge Suites Birmingham has positioned itself as a future-facing hospitality asset, aligned with both investor priorities and guest expectations.



**David Stein**  
Investment Director

Having joined Stellar in 2019, David has spent the past five years acquiring expertise managing assets within the AB Services through the entire deal cycle.

David is a passionate advocate of asset backed investing and a CAIA charter holder.

To support Stellar on its quest to integrate ESG and sustainability best practice into its investment management, David also attained the CFA Certificate in ESG Investing.

### Important Information

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