Family Trading Companies ESG Policy

STELLAR

Stellar Family Trading Companies - ESG Policy

At Stellar Asset Management ("**Stellar**"), we are committed to integrating Sustainability and Environmental, Social and Governance ("**ESG**") considerations across all aspects of our business. Whilst this begins with Stellar as a corporate entity (as outlined in our ESG Policy), it is important that this also extends to the services that we provide.

Given the diversity of Stellar's services and the nuances of integrating Sustainability & ESG effectively, it is necessary to have an ESG policy for each of services that Stellar provides.

This policy focuses on our ESG process for the services that involve when applicable to each of the services that involve creating a solely owned Personal Trading Company for investors, including the Stellar Family Trading Company Service, Stellar Business IHT Service and Stellar Bespoke IHT Service (together, Stellar's "**Stellar Family Trading Company Services**", or "**Services**").

Our ESG Approach

Two of the most prominent challenges associated with integrating ESG for asset managers in the smaller company investment arena are the lack of available ESG data and the absence of consensus in how to determine an all-encompassing score. The latter is borne out of the infinite way of weighting the hundreds, if not thousands, of potential data points. This has led to over-complication, a narrow and blinkered tick-box approach and confusion, adding little value to the company, investors, or clients.

We have adopted what we believe to be a pragmatic, bottom-up approach that holistically assesses the ESG credentials of each company in which the Stellar Family Trading Companies Service invests. In taking this approach, our aim is to align our management approach with the essence of what good ESG practice is. This includes an assessment on overall 'direction of travel', seeking to populate the portfolio with both 'drivers and strivers'. In other words, investing in companies that either possess strong ESG credentials today, or those that are lagging improving trend.

Our ESG Process

Maintaining our core ESG approach, we have developed a process for the Stellar Family Trading Companies Service that seeks to ensure ESG considerations are integrated into the management of each of the underlying businesses throughout their life cycle.

For the Stellar Family Trading Companies Service, our ESG 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 business considered by the Stellar Family Trading Companies Service.

We have retrospectively assessed the existing businesses held within the Stellar Family Trading Companies Service and will continue to monitor them regularly in accordance with our 'ongoing review' stage.

Further details regarding what each stage entails are outlined below.

1. Initial Questionnaire

The Stellar Family Trading Companies Service commits capital to asset backed businesses operating across a range of different investment sectors, including Hotels, Golf Clubs, Bridging Finance, Lending, and Residential and Commercial Property Development.

As each of these sectors exhibit unique ESG factors that must be considered, we have developed comprehensive questionnaires for each sector. These questionnaires provide a quantitative means of capturing key data points across E, S and G for each sector. They are designed to be simple, unambiguous and repeatable.

The questionnaire is divided into sections (environmental, social, governance and direction of travel). Each answer in the questionnaire contributes a weighted score to a score of 10 for each section. The maximum score available for a business is 40.

2. SWOTDOT Analysis

The answers to the initial questionnaire allow us to identify each business's ESG strengths and weaknesses, the relevant opportunities and threats to each business and the business's direction of travel. This, coupled with each business's 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 Stellar Family Trading Companies Service. For new deals, the first two stages of our process form part of our wider due diligence and each investment committee paper will include an explicit ESG review and commentary.

3. Ongoing Review

All businesses invested held within the Stellar Family Trading Companies Service are reviewed regularly by our investment team.

All ESG scores will be updated at least annually. If a business's score decreases upon review, the reasons will be analysed and our investment team will work in conjunction with its specialist partners to ensure that any shortcomings are addressed.

Our ESG Commitment

Since our inception, we have put in place robust measures to mitigate risk and deliver positive returns to investors. It has become increasingly clear that Sustainability and ESG factors constitute key considerations that must be integrated in addition to existing risk mitigation measures to protect the long-term interests of our investors, as well as enhancing the wider positive impact that we can have on both society and the economy.

Investors can rest assured that we will not compromise the existing investment mandate for the Stellar Family Trading Companies Service. Our ESG approach and process will not detract from our ultimate duty: to make investment decisions that best serve our investors' interests in line with our established mandate.

Instead, our ESG 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.

We are cognisant of the fact that Sustainability and ESG are evolving concepts. Our work in this area will continue to develop accordingly. It is unrealistic to expect all companies held within the Stellar Family Trading Companies Service to have perfect ESG scores from the outset. This is a feature not a bug. By correctly identifying companies on an improving ESG trajectory, their cost of capital should fall over time, delivering attractive shareholder returns alongside improved ESG outcomes for all stakeholders; a proverbial 'win win'.

That said, we are committed to Sustainability and ESG and we will abide by our core approach and implement our ESG process to achieve continued sustainable improvement in the Stellar Family Trading Companies Service.



Get in touch

We're here to help

Further Information

Our team are here to support and guide you during this process. Should you require any further assistance, or have any questions, please do not hesitate to get in touch.

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

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