

ESG Report

April 2022



At Church House we have always considered that investing in companies with properly sustainable practices and business models and run by people with integrity as an integral part of what we do. As long-term investors, selecting companies that have demonstrated sound corporate governance has always been inherent to our diligence and risk management policy, as well as the inclination to steer away from companies, such as pay-day lenders, which we consider to be morally questionable.

Our primary responsibility is, and has always been, to our clients, managing their affairs to the best of our abilities in accordance with their wishes. This document sets out our ESG policy to make this more explicit. We are signatories of **UK Stewardship Code** and have implemented the updated 2020 Code, which includes the integration of Environmental, Social and Governance matters into the investment approach and decision making process.

In order to formally implement our stewardship and ESG considerations into our investment decisions, we encourage regular dialogue among our investment team on such developments. ESG is an agenda point at our monthly Investment Committee and Executive Board meetings. This helps to formally embed ESG into our investment process in our equity, fixed income and multi-asset class funds, viewing it as a value creator and aid in discerning potential opportunities and risks.

ACTIVE MANAGEMENT, COMPANY ENGAGEMENT & PROXY VOTING

As active investors in both the UK and global markets, we place great importance on closely monitoring the companies in which we invest, assessing whether they remain a suitable investment for each respective fund. Our active-management approach promotes ongoing research with investee companies. We attend company presentations, engage in one-to-one meetings with company management teams, and carry out continuous research and analysis in order to maintain a solid financial picture of the current and future value of stocks we hold, along with their development in ESG matters. When appropriate, we engage in active constructive dialogue with investee companies and vote at AGMs, EGMs and corporate actions, should this be in the interest of our clients, especially, if direct communication with an investee company fails to satisfy our concerns.

Church House may seek to engage with other shareholders via both formal and informal avenues should this lead to more effective discussions in addressing material concerns with an investee company. We question management on financial and non-financial matters and while opportunities for voting with fixed income instruments are more limited, we endeavour to apply the above course of action.

Church House is an active manager and this lends itself to the holistic and effective implementation of ESG practices. As long-term investors, we aim to generate returns by investing in high quality companies, with strong fundamentals and sound corporate governance, and view strong and sustainable ESG policies as key characteristics of such companies.

ENVIRONMENTAL

We look to invest in companies which demonstrate a strong willingness and determination to carry out positive ESG practices, and ultimately guide companies along the path to create a more sustainable and environmentally friendly society. We understand that environmental concerns vary by company and, where concern is high (i.e. energy), we assess the company's long-term growth strategy and trajectory of change towards sustainability. Factors which we may take into consideration may include, but are not limited to, energy usage, greenhouse gases (GHG), carbon footprint and waste management.

SOCIAL

We aim to invest in companies with employee diversity and equality and effective upholding of human rights. Non-discriminatory, progressive policies and well placed controls in employee health & safety tend to be reliable measure of company culture and social practices. Cyber security and data privacy also remain key concerns and close attention is paid to controls in place to mitigate a cyber-threat.

GOVERNANCE

Engagement with investee companies, often via regular meetings with management and direct dialogue, is core to our due diligence investment process, and helps us gain a holistic and sound understanding of a company's corporate governance, including their long-term strategy. We aim to promote sound corporate governance in our investee companies, towards robust ESG and sustainability practices.

Assessing the corporate governance of a firm is important in determining the long-term sustainability, incentives and culture in a company and facilitates us in evaluating which (potential) investments to enter, hold or exit. Careful consideration is given, but not limited to, the following points:

- Composition and independence of the Board
- Ownership structure
- Remuneration
- Long-term growth strategy
- Conflict of interest policy
- Geographic locations the company operates in
- Transparent and accountable reporting

ESG MATERIALITY

We recognize that the materiality of ESG issues and opportunities vary by company and sector and these issues are thus discussed each month. Ultimately, we view ESG as a positive risk mitigator, which promotes investment in high quality businesses and has a positive effect on company fundamentals and the long-term interests of shareholders.

We do not necessarily view divestment as the most beneficial course of action. As responsible investors and where possible, we aim to help drive a change to positive ESG integration via active engagement, assuming the business fundamentals and pricing are still attractive.

RULE OF LAW – GEOGRAPHY/ MARKET LISTING

We only wish to invest in countries/jurisdictions where the rule of law persists, there is a free and liquid marketplace and unrestricted currency convertibility. Companies being considered for investment must be incorporated in one of the following countries and their shares/stock must be listed on the exchange(s) of one of them. Essentially these are the recognised Developed Markets*.

*This list (should) exclude any countries on the UN Sanctions List.

CREDIT

In relation to applying ESG to credit, we have always acted in the long-term and best interest of our clients, placing particular emphasis on corporate governance. In advance of taking up an issue in a bond, the company as a whole is evaluated, with careful consideration paid to the sustainability of the business model.

We evaluate the risks of various lending structures (senior secured/unsecured/subordinated/lower tier) and primarily invest in investment grade bonds. The bonds duration/maturity and the length of time it is intended to be held is closely deliberated. Potential changes to the strength of a company's balance sheet resulting from ESG or financial related issues are continually assessed, with particular attention paid to any effect on price and volatility.

We keep up to date with movements in credit markets, paying close attention to sector themes, alongside maintaining close and regular contact with credit analysts who alert us to any areas of concern. Regular attendance of roadshows and direct engagement with issuers is often an important feature in our investment process.

CONFLICTS OF INTEREST

Church House have implemented all reasonable steps in order to avoid any conflict of interest, in line with our Conflict of Interest Policy, which can be found on our company website: [Conflicts of Interest Policy](#). Church House endeavours to act in the best interest of all clients, where conflicts of interest may occur between Church House and our clients, or within our client base. Should a conflict of interest or potential conflict arise, employees are required to report to the Compliance Officer. Once the conflict has been identified, senior management will carry out the necessary steps in order to mitigate this conflict, and where suitable, notify the client. Any (potential) conflicts of interest aim to be handed fairly and efficiently. Situations in which conflicts of interest are more susceptible to occurring include, but are not limited to, personal account dealing or possession of restricted information belonging to a Church House client, potential client, past client or publically traded security, the information of which would benefit Church House or its clients.