

# UK STEWARDSHIP POLICY 2020

CHURCH HOUSE INVESTMENT MANAGEMENT

## The UK Stewardship Code

The UK Stewardship Code (The ‘Code’) was first published in July 2010 by the Financial Reporting Council (‘FRC’) with an aim to enhance the long-term returns to shareholders via improvements in the quality and quantity of engagement between investors and companies. This updated 2020 Code targets the integration of Environmental, Social and Governance matters into the investment approach and decision making process. Church House’s approach to the Code is outlined in this document.

The Code’s 12 principles are stated below:

### **Purpose and Governance**

1. Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2. Signatories’ governance, resources and incentives support stewardship.
3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.

### **Investment approach**

6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Signatories monitor and hold to account managers and/or service providers.

### **Engagement**

9. Signatories engage with issuers to maintain or enhance the value of assets.
10. Signatories, where necessary, participate in collaborative engagement to influence issuers.
11. Signatories, where necessary, escalate stewardship activities to influence issuers.

### **Exercising rights and responsibilities**

12. Signatories actively exercise their rights and responsibilities.

### Principle 1

**Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.**

Church House is an investment management business focused on the management of discretionary investment portfolios, principally via our range of authorized funds, an absolutely key component of which is the management of risk. Our priority is to generate returns in-line with client expectations, after careful consideration of individual risk tolerance and suitability, a primary concern is to avoid the risk of permanent loss of capital. 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 policies. An inclination to steer clear of companies, such as pay-day lenders, which we consider to be morally questionable has always formed a part of this.

Our investment philosophy is closely aligned with our stewardship beliefs in that we take a long-term view, managing assets for professional and retail clients as if they were our own. As active investors in both the UK and global markets, we place great importance on closely monitoring the companies in which we invest. We do this via frequent attendance of company presentations, engagement with company management teams, and continuous research and analysis in order to maintain a clear understanding of the companies in which we invest.

### Principle 2

**Signatories' governance, resources and incentives support stewardship.**

In order to formally implement our stewardship and ESG considerations into our processes, we maintain detailed policies and a disciplined approach to our relationships with clients all of which is documented. As regards investments, we encourage regular dialogue among our investment team on developments in the area, we consider that analyzing governance and promoting good stewardship within our investee companies has always been core to our investment process. ESG & stewardship matters are reviewed on a monthly basis at our Investment Committee and Executive Board meetings. This helps to formally embed practices into our investment process in our equity, fixed income and multi-asset class funds, as well as the approach that we take to investing clients' funds. Our view is that proper consideration of Governance and ESG matters can also add value and be an aid in discerning potential opportunities and risks.

### Principle 3

**Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**

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: <https://www.ch-investments.co.uk/site/assets/files/1103/conflicts-of-interest-policy.pdf>.

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.

We aim to handle any (potential) conflicts of interest 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 might benefit Church House or its clients.

#### Principle 4

### **Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**

At Church House, we keep a vigilant eye on macroeconomic and market-moving events as well as key themes in both equity and credit markets. We have eight full-time fund managers/investment analysts covering markets on a daily basis. We believe that a key strength of Church House is that we have a multi-asset approach to investment and so are required to monitor multiple markets from equities to fixed interest, foreign exchange and more. The investment team discuss developments in economies and individual companies on a daily basis and any major market events in detail during our Investment Committee meetings each month. The Committee considers any risks which may have a significant impact on the financial system and, in turn, affect the underlying securities within our funds.

We take advantage of a multitude of mediums of communication when keeping up to date with movements in the financial markets, including third party research, conferences, and direct engagement with analysts in addition to Bloomberg and news media. Church House contributes to this discussion via fund roadshows, where we express notable concerns in the markets, any implications to our funds and how we intend to mitigate these risks.

#### Principle 5

### **Signatories review their policies, assure their processes and assess the effectiveness of their activities.**

Church House strives to maximise value for its clients via the careful management of its funds and underlying investments. There are a multitude of factors our fund managers take into account when considering an investment. 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.

We regularly review our internal processes in order to ensure effective stewardship and act in the best long-term interests of our clients. All policies are subject to review and approval. We have two CIOs, both of whom have over 30 years of investment experience, and who are responsible for monitoring all investment decisions. All fund managers are required to report on their portfolio movements to the investment committee, which has an independent chairman.

#### Principle 6

### **Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

We manage our clients' money on a discretionary basis, in line with their appropriate risk level, time horizon and best interests. Church House's clients are predominantly UK private clients and financial institutions. Our private client business has a team of relationship managers, who are responsible for assessing the objectives and risk tolerance of current and potential clients on an ongoing basis, and accommodating their needs. We publish monthly fund factsheet updates that are sent to institutional clients and a quarterly review of our funds and the macroeconomic climate that is sent to all clients, both private and institutional. At each step of our investment process, our stewardship responsibilities are carefully considered. We review our Stewardship Policy annually, or sooner, should policy changes be implemented.

Reporting occurs annually and we remain available to respond to any questions our clients might have with regards to our stewardship policy.

#### Principle 7

**Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

We look to invest in companies that 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 encourage progressive policies and well placed controls that promote good company culture and social practices. We aim to promote well founded and sound corporate governance in our investee companies, towards robust ESG and sustainability practices. Analysis of these ESG considerations facilitates us in evaluating which (potential) investments to enter, hold or exit.

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 these and their shares/stock must be listed on the exchange(s) of one of them. Essentially these are the recognised Developed Markets.

Our full ESG policy can be found here:

[http://churchhouse.com/site/assets/files/2141/church\\_house\\_esg\\_policy.pdf](http://churchhouse.com/site/assets/files/2141/church_house_esg_policy.pdf)

#### Principle 8

**Signatories monitor and hold to account managers and/or service providers.**

In addition to the direct investments that we make within Church House funds and private client portfolios, where suitable, we also utilise third party funds for specialist asset classes. For example, closed-ended funds may be used for, but are not limited to, private equity, emerging market and infrastructure exposure. This has been our policy for many years and we aim to maintain the same level of due diligence on third party funds as we do our direct investments. We ensure to closely monitor the performance, underlying assets and investment activity of these external funds, meeting directly with fund managers on an ongoing basis. To supplement this, we use third party research providers who cover these funds, reviewing their analysis and opinion either via written research or in meetings.

#### Principle 9

**Signatories engage with issuers to maintain or enhance the value of assets.**

Regular attendance of roadshows and direct engagement with issuers is an important feature of our investment process. We prioritize engagement depending on the issue and the size of our holding. Our fund managers and research analysts dedicate the majority of their time to monitoring investee companies and assessing whether they remain a suitable investment for each respective fund. Should it be in the interest of shareholders, Church House may engage in active communication with an investee company's board and/or senior management to clarify particular concerns.

#### Principle 10

**Signatories, where necessary, participate in collaborative engagement to influence issuers.**

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. The shareholders with whom we would collaborate would have to share both our investment fund objectives and our concerns about the investee company. In each instance the fund manager will review the situation on a case-by-case basis, pursuing a course of action that is in the best interests of all clients.

Situations where it may be suitable to act collectively with other shareholders could be if Church House perceive there to be a lack of conviction in the corporate governance or business strategy of an investee company, or if we are not convinced the remuneration scheme is consistent with the interests of shareholders. Church House is averse to collaborate with other shareholders should this impinge on our duty to act in the best interest of our clients or should it be perceived as 'acting in concert' with fellow institutional investors. No legal or regulatory duty should be compromised with a decision to act collectively.

#### **Principle 11**

**Signatories, where necessary, escalate stewardship activities to influence issuers.**

Should Church House have any concerns with an investee company and/or the potential for a loss of value to our clients, we will in the first instance engage in confidential and constructive communication directly with senior management. Should we feel that our concerns are not being handled appropriately, we will meet with Board member(s) or company advisors in order to put forward our proposals and views. Only as a last resort would we partake in external dialogue by collaborating with other shareholders, or vote against management and/or shareholder proposals at the investee company's general meeting. At each stage, the extent to which we will escalate the matter is dependent on the nature and value of our investment, but above all will be conditional on our clients and their best interests.

#### **Principle 12**

**Signatories actively exercise their rights and responsibilities.**

Church House follows a policy to vote at AGM and EGM shareholder proposals and corporate actions, conditional on the best interests of clients; however, this policy need not be applied should no vote be more favourable. The decision to vote is also influenced by the size/value of the shareholding our clients hold. This policy will be reviewed annually. For more information, please see the Governance section of our ESG Policy.