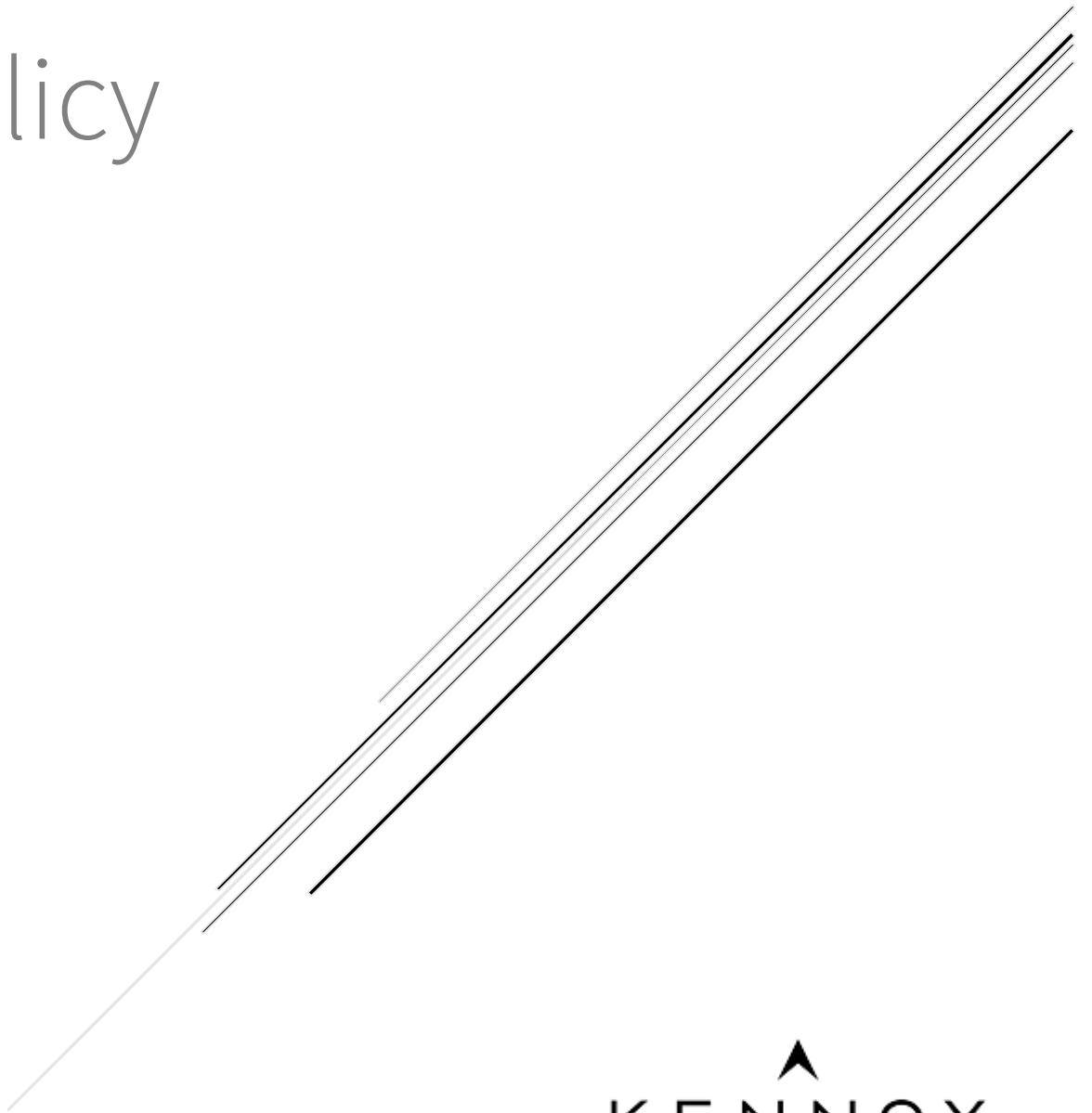


ESG, STEWARDSHIP, & ENGAGEMENT

Policy



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1. Introduction

Kennox takes its fiduciary and stewardship responsibilities seriously. We believe it is important to invest responsibly and consider long-term impacts. As such, **an assessment of environmental, social and corporate governance (ESG) factors is an integral part of our investment process.**

We are signatories to the UN supported Principles for Responsible Investment (PRI).

We participate in active ownership of the stocks in the Fund's portfolio through adherence to the UK Stewardship Code and the exercising of our voting rights (our [voting record is publicly disclosed](#)).

Kennox has in place a conflicts of interest policy as well as procedures to address any conflicts should they be identified.

The investment team takes responsibility for the implementation of this ESG policy which will be reviewed at least once a year.

2. ESG & Responsible Investment

Sustainability is the foundation of Kennox's investment decisions. For each company that we consider, we calculate an estimate of its sustainable earnings by analysing financial performance as well as evaluating the widest range of issues and risks that could impact its long-term viability and profitability. This explicitly includes ESG-related factors, which we believe have a significant impact on the long-term health of a company. We endeavour to find high quality stocks that are industry leaders – we believe that evidence of positive ESG behaviour is inherent in such stocks.

Integral to our investment process are the following:

- ESG specific screening. Prior to investment and as part of our research process, we access Bloomberg’s ESG analysis. In addition, we access key databases in order to screen the company being researched (e.g. <https://business-humanrights.org/en>, www.csrhub.com, www.ilo.org/global and <http://csr-asia.com>). We conduct due diligence to check for historical occurrences of ESG violations, and for both potential holdings and current holdings, we review sanction and exclusion lists
- Research reports. These include a section on ESG. Issues related to ESG considerations are also taken into account throughout (for example: key risks; management; board composition including diversity; and culture)
- Sanctions screening. All potential investee companies, along with current holdings, are regularly screened against an internationally recognised sanctions list (incl. Norwegian Government Pension Fund exclusion list)
- Exclusions. Cluster munitions are excluded from the Fund, and as such we check all new investments into the Fund against the “red flag list” in the most recent [report published](#)

We are aware that all companies are complex entities and it is not unusual for a company to exhibit conflicting individual ESG factors (such as when a company might be positive on “S” and “G” but lagging in “E”). We examine each situation individually, attempting to find the best balance between factors. In any case, at Kennox we do not hold tobacco, armament, gambling, or pornography stocks. Whilst not explicitly excluded by our mandate, we are biased against these areas of the market as we feel they exhibit a high level of long-term risk. This could come in the form of political or legislative actions but also other negative outcomes such as changes in consumer habits, or class action suits.

3. Stewardship, Engagement, and Voting

3.1. Stewardship

Kennox is committed and adheres to the UK Stewardship Code 2020. Kennox takes its management and stewardship responsibilities seriously and we believe it is important to stay aware of issues regarding our companies and engage with them where appropriate. We assess any issue in terms of its impact to the long-term value of an underlying company and thus the value of our clients’ holdings.

- Kennox makes public how it will discharge stewardship responsibilities along with an annual voting disclosure
- We regularly monitor our investee companies
- We will escalate our activities as necessary as a method of protecting and enhancing shareholder value
- We are willing to act collectively with other investors where appropriate
- Kennox minimises the conflicts of interest in relation to our stewardship. We regularly review our conflicts to manage any that arise
- We will always vote in the long-term interests of our clients

Commitment to the Financial Reporting Council's Stewardship Code 2020

We apply our approach on stewardship to all companies that we invest in on behalf of our clients. Our approach is consistent with Kennox’s overall aims, which are to provide good long-term performance to our clients and keeping clients’ interests paramount.

UK Stewardship Code 2020 Principles	Kennox Commitment & Adherence
Purpose, strategy and culture	Kennox takes its fiduciary and stewardship responsibilities seriously. We believe it is important to invest responsibly and consider long-term impacts. As such, an assessment of environmental, social, and corporate governance (ESG) factors is an integral part of our investment process. We participate in active ownership of the stocks in the Fund’s portfolio through adherence to the UK Stewardship Code and exercising our voting rights.
Governance, resources and incentives	Stewardship/RI/ESG is woven into the fabric of our investment philosophy and investment process. Given our concentrated focus on one strategy, all members of the investment team factor in stewardship and ESG issues in research and investment decisions. Owing to the non-complex structure of the firm, we do not have additional monitoring structures in place nor is performance management or reward programmes pegged to stewardship.
Conflicts of interest	Kennox has a conflicts of interest policy that is reviewed regularly. At least on an annual basis all members of the company receive compliance training which includes a section on conflicts of interest as well as a conflicts of interest disclosure. Any conflicts identified will be addressed through the appropriate channels.

UK Stewardship Code 2020 Principles	Kennox Commitment & Adherence
Promoting well-functioning markets	Kennox makes every effort to ensure well-functioning markets, including avoiding any actions which might be considered market abuse, and aiming to identify and disclose any irregularities in the wider market.
Review and assurance	Kennox has a range of review and assurance mechanisms, including a robust compliance function, the overview of the Board of Directors, and interaction and discussion with service providers, clients, and other market participants. The Board of Directors convenes on a quarterly basis and devotes a portion of its meeting to investments. In addition, the firm's policies are reviewed on at least an annual basis both internally and externally by a compliance consultant.
Client and beneficiary needs	Kennox aims to communicate clearly its long-term objectives and ensure clients' needs are appropriately aligned. Client and beneficiary needs are considered through assessing target markets and a formal assessment of value exercise.
Stewardship, investment and ESG integration	<p>The long-term, risk focussed approach central to the Kennox Strategic Value investment strategy fundamentally incorporates and integrates stewardship, investment and ESG issues.</p> <p>Sustainability is a key consideration in Kennox's investment decisions. For each company that we consider, we calculate an estimate of its sustainable earnings by analysing financial performance as well as evaluating the widest range of issues and risks that could impact its long-term viability and profitability. This explicitly includes ESG-related factors, which we believe have a significant impact on the long-term health of a company. We endeavour to find high quality stocks that are industry leaders and we believe that evidence of positive ESG behaviour is inherent in such stocks.</p>
Monitoring managers and service providers	Kennox carries out regular due diligence on its key service providers and monitors ongoing performance.
Engagement	In the regular course of work, the investment team discusses, challenges, and decides key issues and actions around engagement (i.e. which areas to engage and challenge). These can be strategic (such as acquisitions), financial (such as acceptable levels of debt) and/or ESG considerations (such as climate, working conditions, diversity).

UK Stewardship Code 2020 Principles	Kennox Commitment & Adherence
Collaboration	Where appropriate, Kennox collaborates with other shareholders and stakeholders. Kennox is a member of the Investor Forum, a group of investors set up to work together to facilitate dialogue with companies and create value through long term solutions.
Escalation	We evaluate any situation which arises and will escalate as required. Initially we estimate its importance, after which we decide if it is sufficiently important to pursue further. Generally, the company is approached directly. Other options include approaching other major shareholders, raising the issue in the public forum, voting against resolutions at the AGM, or other actions. Activities can be escalated as necessary to protect and enhance shareholder value.
Exercising rights and responsibilities	Kennox votes all resolutions in shareholders meetings for all our investee companies. We focus especially on management remuneration, as well as the potential for shareholder dilution and control, but we assess all resolutions. We will vote against management when we feel this is appropriate and in the interest of our clients.

3.2. Engagement

Kennox monitors all investee companies, and, in the regular course of work, the investment team discusses, challenges, and decides key issues and actions around engagement, including which areas to engage and challenge. This can be strategic (such as acquisitions), financial (such as acceptable levels of debt) and ESG considerations (such as climate, working conditions, diversity). Where Kennox decides to engage with a company, we discuss with the company so as to understand the nuances regarding the issues and the company’s perspective. Where escalation is needed, we will challenge a company on the issue, and continue to challenge, as long as necessary.

At all points of contact with management, we discuss the long-term strategy of the company and any risks to the sustainability of the company, including ESG risk factors but also strategic and competitive positioning and financial situation. We also research previous roles held by members of the management board to identify any potential misconduct. In addition, we take a close look at conflicts of interest and related party transactions.

Where appropriate, Kennox collaborates with other shareholders and stakeholders. Although we do not normally seek to obtain ownership holdings which would provide us with a significant influence on the operation of firm's strategic direction, where available we will seek to do so on a collective basis where that becomes possible, including at the initiation of others. As a member of the Investor Forum, we are able to magnify our voice by engaging collaboratively with other investors.

3.2.1. Environmental

We expect investee companies to be progressive in their approach to the environment. Each sector will face different challenges from an environmental perspective, so we do not believe that there any absolute metrics that are equally appropriate for all companies in a global equity portfolio. We will engage with companies on issues such as pollution, use of scarce resources, proactive approach to limiting climate change impact and greenhouse gas emissions.

3.2.2. Social

We are committed to ensuring good working conditions for our own employees (including, but not limited to the UK Modern Slavery Act) and expect the same from our investee companies. We will engage with investee companies to ensure that they are treating both customers and employees fairly and challenge them to improve working practices where this falls short of our expectations.

We would expect investee companies to take diversity seriously. We hold diversity of thought as paramount, but would expect this to be reflected in measurable areas such as representation by age, disability, gender, sexual orientation, race (including colour, nationality, and ethnic or national origin) and religion or belief.

3.2.3. Governance

Good corporate governance is imperative to safeguard our investments. We will engage companies where either corporate governance falls short of our expectations (such as the separation of CEO and Chairperson roles), or where lack of disclosure makes it difficult to ascertain levels of governance. We believe that a company's approach to executive remuneration is an important aspect of good corporate governance, and will engage with companies where we feel executive remuneration is either poorly structured, or excessive (either in absolute terms, or in relative terms with reference to the size of the company, the scope of the role, or the remuneration of other employees).

3.3.Voting

Kennox believes that voting is a key right and responsibility of investors, and an important aspect of both Stewardship and Engagement. As such, our voting mirrors our beliefs laid out in this policy.

We vote at all the shareholder meetings of our investee companies, ensuring that our votes are aligned with the long-term interests of our clients. Our voting decisions are recorded, and a report is disclosed annually on our website.