Stewardship Report **Jan – Dec 2022**

WHEB

Preface

Our investment time horizon at WHEB is typically at least five years and generally much longer than this. On average, we invest and hold a company in our portfolios for between five and seven years. These long periods of ownership give us an opportunity to engage deeply with a company. Our objective in doing this engagement is to learn more about the company, and its culture. We believe this helps us make better investment decisions. Engagement also gives us an opportunity to advocate for progressive change. Warren Buffett famously said that his favourite holding period was 'forever'. Unfortunately, most investors have dramatically shorter time-horizons. In 2020, the average holding period of stocks listed on the New York Stock Exchange was just five and a half months. As an impact investor, we see our role as a counterweight to the short-term pressures applied by these investors. We want our companies to be successful businesses over the long term. We push for strong performance across the spectrum of ESG issues, which we believe helps underpin long-term out performance.

This report sets out the policies and processes that we have at WHEB that direct our stewardship activities. These do not change dramatically year-on-year. However, the report also documents the extensive work that we have done with portfolio companies throughout the year to encourage them to improve their ESG practices. We utilise the full arsenal of tools at our disposal including voting at company meetings, engaging bilaterally with companies, escalating engagement to work collaboratively with others who share our objectives and occasionally divesting and publicly reporting our reasons for doing so. The report provides summary data of the work undertaken in 2022 as well as detailed case studies that illustrate our decision-making processes and the impact that we can have.

Further information is provided on WHEB's website as well as in our annual impact report

Seb Beloe
Partner – Head of Research

George Latham
Managing Partner

WHEB

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Section 1: Purpose and governance

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

WHEB Asset Management draws its roots from deep within the ethical, socially responsible and impact-investing movement. We have a single investment strategy that focuses on investing in listed companies around the world that are providing solutions to the world's great sustainability challenges.

Our purpose as a business is encapsulated in our mission, which is 'to advance sustainability and create prosperity through positive impact investments'.

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WHEB's investment strategy is designed to deliver on this core mission. It is based on a belief that companies that create economic value by providing solutions to critical sustainability challenges will be market winners over the long term. Assessing the contribution that investee companies make in addressing key social and environmental challenges is a critical element of WHEB's investment process, within which stewardship is fully integrated. WHEB only invests in companies that sell products and services that directly address one or more of nine key social or environmental issues (Figure 1).

WHEB's culture

With stewardship being fully integrated into WHEB's investment strategy, our philosophy aimed at finding solutions to sustainability challenges, and a culture shaped by our values, we have a high conviction that WHEB's investment beliefs, strategy and culture enable effective stewardship.

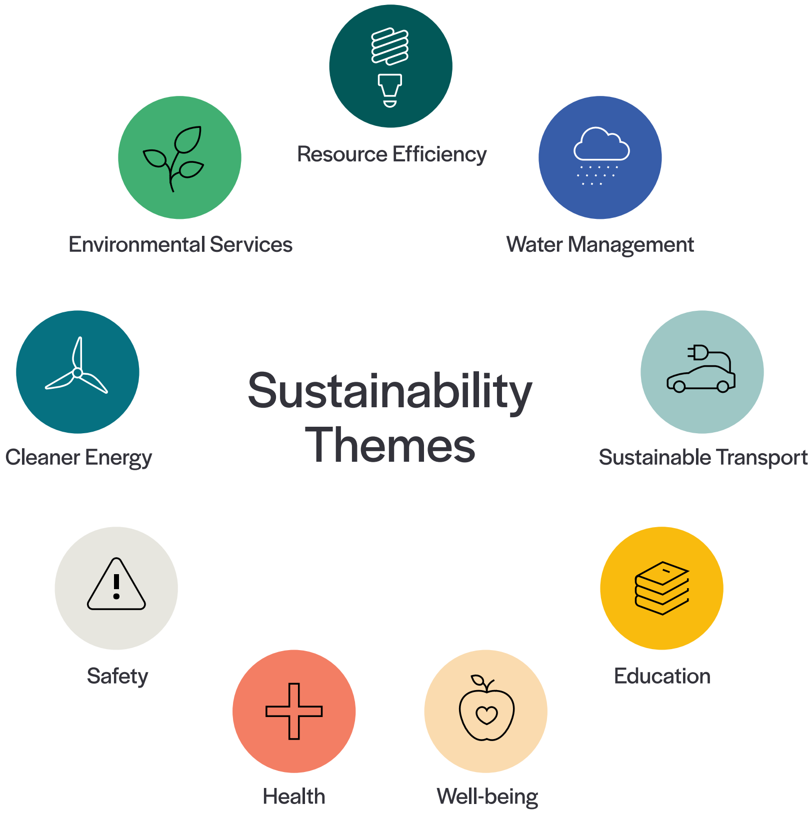
Our values

Our culture is shaped by our values and WHEB is built on five core values which support our mission and shape our culture. They are:

1. **Passionate about impact**: Our intention is to have a positive impact on people and planet in all that we do.
2. **Teamwork**: We build relationships based on trust and mutual respect. We promote an environment that enables our team to thrive and that drives client success.
3. **Continuous Improvement**: We foster a sense of purpose and a passion for progress, and we share what we learn along the way.
4. **Leadership:** We are creating a movement for positive change, within our company and beyond.
5. **Integrity**: Strong ethical principles guide all areas of our work. We are honest in our approach and treat all stakeholders fairly.

These values help align staff to our purpose and identity, and enable stakeholders to understand how we do business. Co-created with the team, the values underpin everything we do, from strategic decisions to everyday systems and processes. Our values are important to us and are integrated into the management process that is used to assess the team's performance throughout the year.

Figure 1: WHEB only invests in companies that sell products and services that directly address one or more of nine key social or environmental issues



Our philosophy

WHEB's business is based on a common philosophy focused on:

- Identifying and investing in solutions to society's pressing environmental and social challenges.
- Applying a long-term, research-based investment approach to uncover areas of value.
- Being transparent about our policies and systems and prepared to challenge the status-quo of the investment world.
- Providing clients with the best possible service and support.

We think long term and so our investment time horizon is well-above industry averages.[1] As a result, we behave as owners of our investee companies, rather than as short-term market traders. This directly enables the team to effectively support behavioural change at investee companies through long-term, often multi-year stewardship work.

Recent research[2] indicates that it is more likely that investors with more concentrated portfolios will push for changes that lead to higher profitability and valuations with company management. Meanwhile, those with highly diversified portfolios are less effective, potentially due to resources being more thinly spread across more holdings or because less is at stake for each company. The WHEB strategy holds between 40 and 60 stocks and the maximum portfolio weight is 2.9% and minimum 1.5% and as such, we believe that the strategy is inherently designed to enable effective shareholder engagement.

Activity and outcomes

A deep-rooted alignment of interests between the WHEB team, clients and other stakeholders in the business is central to WHEB's culture. In 2022, an important milestone for the business was achieved upon the implementation of the deferred equity plan. WHEB was already organised as an owner-managed partnership and a Certified B

[1] The average holding period for a company in WHEB's strategy is between five and seven years.
[2] https://research.liberum.com/view/49D84B52-7BB3-4662-9A4D-819538AF6B82?docRef=3fa7fbf5-47a0-49a1-a141-df31816476db&uid=92f98b43-c1ef-4508-85c9-122618e2ea8a&jobRef=6908c3d3-9fb2-4564-9cab-b38a11bda9b5

Corporation, but under this new scheme, employees have become Members of the Partnership and will gradually build an equity interest in WHEB Asset Management LLP over time. These factors create a longer term set of incentives that are more closely aligned with those of our clients.

Quick links

- WHEB's website
- Working at WHEB

WHEB has a unique focus on transparency and governance, which gives our clients confidence that we will remain consistent in our style, philosophy and the promise we have made. We undertook a major redevelopment of our website in 2022 which we consider to be a sizable investment in our commitment to communicating to our existing and potential investors. The aim of this redevelopment was to bring together all our impact reporting, which was previously housed on a separate microsite, alongside fund reporting to underscore the integrated nature of our approach to impact investing. The website also aims to be a key resource for investors by providing explanations around impact investing, our approach to it, our policies and reports and much more. How we work towards transparency, including in our stewardship activity, is explained in more detail under Principle 6.

Fundamentally we embrace diversity, inclusion and equality and we strongly believe that a business culture that allows minority groups to flourish is likely to be more successful over the long run. We also recognise the benefit of diversity for achieving sustainable outcomes. Our understanding of these issues has improved in recent years, and this is evident in the approach and composition of our employees and within our advisory bodies. More information about our approach to diversity, inclusion and equity can be found on our website under 'Working at WHEB'.

CASE STUDY: WHEB Asset Management LLP

Supporting diversity through CityHive ACT

CITY HIVE	**CityHive** City Hive is a think tank and advocacy group working to build an inclusive investment management industry.
Objective	Improve the diversity of WHEB's employees and support and help progress diverse talent in the broader investment management industry.
Background/ Issue	Like many investment managers, WHEB's diversity across all levels of seniority of the business has previously been poor. The question of how this could be improved, in the context of a boutique business with low employee turnover, was often discussed within Senior Management Team (SMT) meetings. WHEB has since undertaken a number of measures to improve its own diversity as well as to support broader improvements in the industry.
Actions	Much of our work on diversity has been informed through our involvement with CityHive, which we became a founding member of in 2019. For example, we have: ▪ Reviewed our recruitment practices, for example screening job descriptions to ensure they contain inclusive wording and are equally attractive to different groups and targeting specific recruitment channels which have the potential to boost the number of diverse applicants ▪ Publicised progressive staff policies on the company website, with the intention of attracting a diverse range of applicants for vacancies. For example, employee

benefits and family friendly policies are now visible for potential candidates to see.

More recently, in 2022, WHEB became a founding member of CityHive ACT. ACT provides a framework to support investment companies to create cultural change and communicate progress effectively via reporting. As a signatory, WHEB is applying the ACT framework to assess, measure and catalyse change across the business and clearly demonstrate commitment via the ACT mark.

Via CityHive we now also sponsor its Cross-Company Mentoring Scheme in association with #TalkAboutBlack and the Race and Ethnicity Workstream of The Diversity Project. The CityHive network has also helped us find a Diversity Equity and Inclusion (DEI) partner Wider Thinking to work with. Already in 2023 this has resulted in a workshop to the whole team and follow up learning via their online platform. As part of this we will be conducting a confidential survey to help us evaluate where we are today and where to invest in DEI effectively. Wider Thinking will then provide a report, with metrics from those surveys. This gives employees an opportunity to be heard and to expand our DEI strategy in a data-driven way. It also gives WHEB a more informed picture of workplace representation.

Outside of our involvement with CityHive, WHEB sponsors Insight Outreach, a social mobility and education charity that works with youth from disadvantaged backgrounds to help them gain access to top universities. WHEB also offers internship opportunities to their student base and hired its first intern in December 2022. We are planning to implement a new strategy in 2023 for how we work with and support different charities and not-for profit organisations. We will be working with our team to gather views on which charities we would like to support as an organisation and how we can effectively partner with them. WHEB is proud to be accredited as a Living Wage Employer.

We currently have a Diversity and Inclusion Policy document, which is available on our website,[3] and this will be reviewed as part of our work with Wider Thinking.

Outcomes

The team at WHEB has grown organically in the last five years and with that the proportion of women in the business has increased, as shown in the diagramme below. We are confident that many of the actions we have taken to increase our understanding of diversity and our approach to hiring have helped contribute to this outcome. Additional work into broader DEI topics is already underway as we believe there is still a long way to go in the industry and at WHEB.

Figure: WHEB’s gender balance, 2012 – 2022

WHEB has one of the longest track records in sustainable and impact investing. The investment strategy was first designed and implemented during 2004 and 2005. Since then, we have received a series of accreditations which we believe demonstrate our commitment to being a leader in sustainable and impact investing (Figure 2). In 2022,

[3] https://www.whebgroup.com/investing-for-impact/sustainability-policies

WHEB Asset Management was named in B Corporation's 'Best For The World' list.[4] Honoured in the 'Customers' category, we were delighted to be recognised in the top 5% of all B Corps in our size group worldwide for our sustainable business practices, based on an independent, comprehensive assessment administered by the non-profit B Lab. This is the fifth time that WHEB has been recognised as one of the companies creating the most positive overall impact in the Customers category. WHEB made the list thanks to exceptional practices which are embedded in our business mission to advance sustainability and create prosperity through positive impact investments.

Figure 2: Specialist sustainable and positive impact investors since 2005

Over the years, the team has regularly reviewed and evolved investment and stewardship processes in order to refine and improve our ability to integrate sustainability and environmental, social and governance (ESG) analysis as a source of investment return.

We have also deepened our understanding of investing for positive impact and its integration within the investment process as a natural evolution of the original definition of 'solutions to sustainability challenges'. For example:

- We were the first listed equity strategy to publish an impact report in 2016.
- In 2020 we implemented our 'Impact Engine', which provides a systematic methodology for assessing the positive impact generated by companies in the portfolio.
- In 2021 we also published an overall 'model' and definition of how WHEB creates positive impact. The model is shown in Figure 3 below. In 2022 and into 2023, Seb Beloe particularly has been involved in various consultations on the FCA's Proposals for Sustainability Disclosure Requirements (SDR). Our feedback has referred to WHEB's model of impact investing in listed equities and has highlighted the distinction between, as well as the importance of, the 'investor contribution' and 'enterprise contribution'. Feedback into public policy, such as the SDR, is critical for ensuring that the correct incentives exist to generate returns and that consumers navigate sustainable markets effectively.

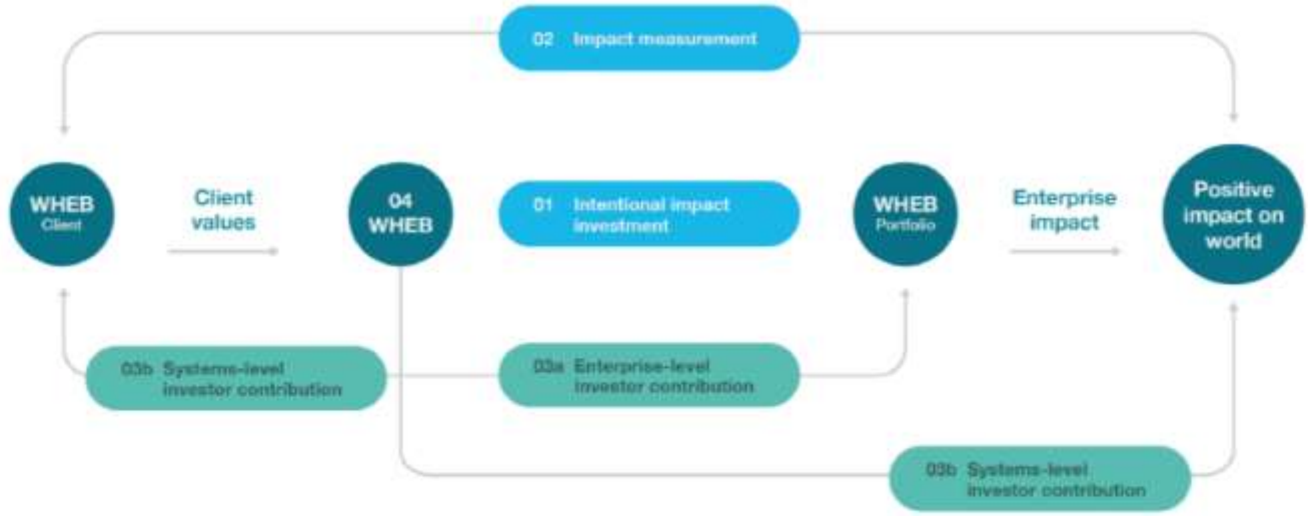
Within the model, WHEB's 'investor contribution' includes the work we do to identify businesses that deliver a positive impact through the products and services they sell. It also includes how we measure the positive 'enterprise impact' that these companies create in the world and the 'investor contribution' that WHEB makes both through our engagement with these businesses as well as with the wider financial system. The 'systems-level' investor contribution can involve engagement downstream with regulators, policy makers and standard setters, as well as upstream back to clients and their advisers to support and enable more positive outcomes ('03b' in Figure 3). Termed 'signalling' by the Impact Management Project this activity can play an important role by indirectly supporting positive impact enterprises. Stewardship is embedded at the core of our commitment to be positive impact investors.

Practical examples of this 'system-level' contribution at WHEB include work that we have done in supporting the development of new standards and guidance on sustainable finance for example, feeding into consultations on the

[4] https://www.whebgroup.com/news/wheb-recognised-as-a-2022-best-for-the-world-b-corp-for-exceptional-impact-on-its-customers

FCA's Sustainability Disclosure Rules (SDR) (see Principle 4); bilateral and collective advocacy on the need for more ambitious public policy targets on climate change with the Institutional Investors Group on Climate Change (IIGCC) amongst others; and efforts to educate and inform investors on the potential for asset management to have a positive impact through frequent presentations at industry and client events and through our blog[5] and wider publications.

Figure 3: Impact investment in listed equities – WHEB's approach



Based on the above, we feel very confident that WHEB's mission, culture and investment philosophy are aligned with the principles and objectives of the UK Stewardship Code and a transition towards a sustainable, zero carbon future.

In areas that would benefit from further development, such as DEI, we have done and are continuing to do a significant amount of work to improve our internal understanding and develop progressive policies and strategies to support improvements.

[5] https://www.whebgroup.com/our-thoughts

Principle 2: Signatories' governance, resources and incentives support stewardship

Stewardship resources

For WHEB, stewardship is achieved through the following elements:

1. **Allocation of capital:** WHEB's strategy is focused on investing in solutions to sustainability challenges.
2. **Proxy voting:** exercising our shareholder voting rights, at annual general meetings (AGMs) and other meetings.
3. **Company engagement:** dialogue with investee companies bilaterally and with other investors, on a collaborative basis, using escalation tactics where appropriate.
4. **Public policy and industry engagement:** broadly aimed at the wider financial system, indirectly supporting positive impact businesses.
5. **Reporting:** communicating efforts back to investors.

Effective stewardship has a dual purpose: (1), generating insights into company practices which feed into our investment decisions, and (2) enabling us to influence company policy, strategy and performance. It is therefore a fundamental component of WHEB's investor contribution.

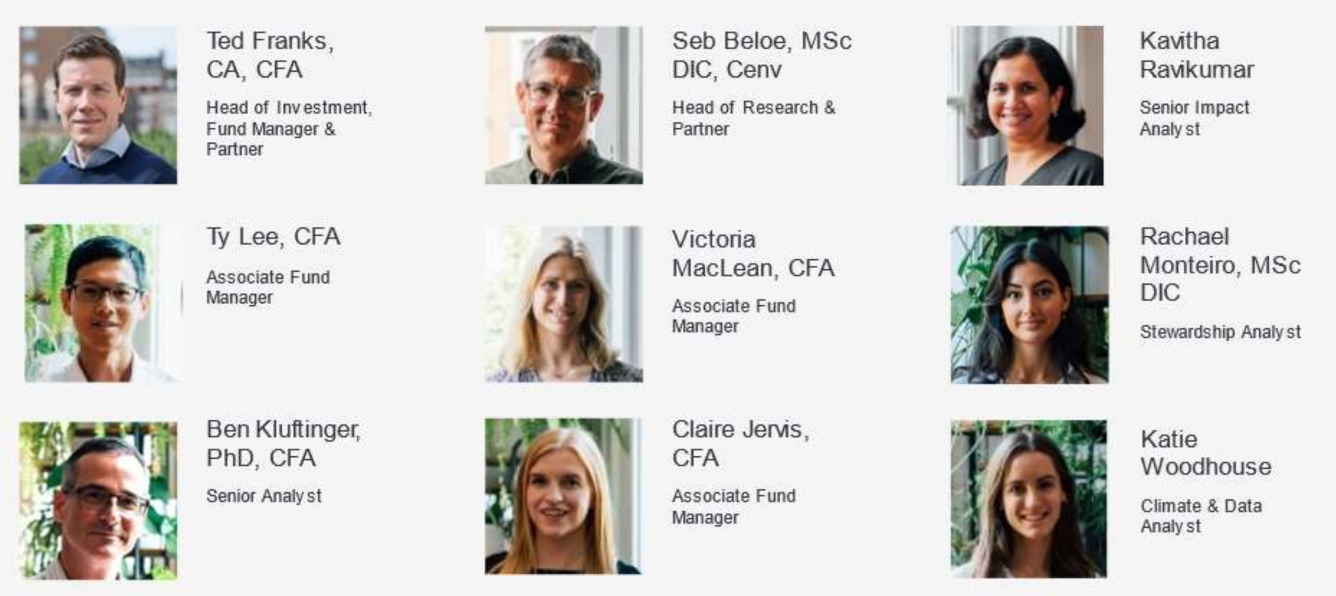
We believe it is optimal for stewardship activities to be performed by the Investment Team itself as it is this team who has ultimate responsibility on whether to buy, hold or sell investments in portfolio companies. A core task for WHEB analysts is to monitor and understand the activities and performance of investee companies.[6] Because it has this broader commercial context, we believe that the Investment Team is best placed to influence company management and integrate any insights back into our investment thesis.

In 2022, WHEB also invested in additional resources for stewardship including through the development of a dedicated Impact Research Team. Reporting to Partner and Head of Research Seb Beloe, this team provides additional research support to the Investment Team. Within the Impact Research Team, Rachael Monteiro has moved internally to take the role of Stewardship Analyst, to work on WHEB's stewardship strategy, priorities and reporting. She is also looking at improving the systems and infrastructure in place for the monitoring, recording and reporting of stewardship activity. Also in this team are Climate Analyst, Katie Woodhouse and Senior Impact Analyst, Kavitha Ravikumar.

Together these teams are known collectively as the Impact Investment Team (Figure 4), which is also supported in its stewardship activities with specialist resources including expert opinion on company votes and bespoke reporting frameworks.

[6] Our approach is team based. Each stock in the portfolio and on the watch list is assigned a Person in Charge (PIC), which rotates approximately every 18 months. This helps avoid behavioural biases including confirmation bias and equips each team member with the knowledge and experience to be able to challenge the views of others on portfolio holdings.

Figure 4: WHEB's Impact investment team was created in 2022



Service providers

WHEB's stewardship process does not rely heavily on third party service providers. We believe that we are best placed to collect and assess material ESG information, as well as positive impact data relating to products and services. We do not rely on third-party ratings which are often of poor quality, in our view.[7]

From time to time, WHEB will use a range of third-party service providers to support proxy voting and provide voting advisory services. Whilst we consider the recommendations of advisory services in how we vote our shares, the Impact Investment Team independently assesses each individual company vote against our own internal policies before recommending a vote to the rest of the investment team (see Principle 12 for more information).

In 2022 WHEB initiated onboarding of data provider Net Purpose to assist with impact measurement and reporting. In 2023 we aim to incorporate Net Purpose data into our engagement with portfolio companies on product impact.

Other resources implemented last year include:

- Sevva, an AI based platform used to assess the credibility of net zero carbon targets and claims.
- We are currently extending our use of Impact Cubed data to inform our understanding of our portfolio carbon strategy.
- Canalyst, which provides an efficient approach for WHEB's analysts to collect and integrate recent financial data into our financial models.
- Essentia Analytics, a specialist in data interpretation, which can help us analyse our investment decisions and uncover biases in a way that helps us learn and improve.

[7] WHEB has written multiple blog posts on this topic, see our latest here: https://www.whebgroup.com/our-thoughts/esg-ratings-a-quick-fix-or-a-bodged-job

Incentives

Stewardship is fully integrated into the team incentive plan. Each investment analyst has specific engagement objectives included in their annual appraisal. For example, each investment analyst is required to contribute to at least four meaningful engagements throughout the year – that is to say, engagements that achieve progression through WHEB's objective milestones; that generate useful investment insights or useful communications with clients; involve three or more interactions with relevant stakeholders; and involve a significant Person In Charge (PIC) contribution. The Stewardship Analyst has a variety of explicit stewardship-focused objectives integrated within their incentive plan touching on engagement research and support, development of strategies, policies, priorities and systems for stewardship.

In his role heading up the company's stewardship and engagement activities, the Head of Research is responsible for ensuring that WHEB's engagement is impactful. This is assessed through a bottom-up analysis of the success of engagement with investee companies. We also apply a qualitative review of our engagement in policy and standard setting initiatives.

Governance

Investment team activities including stewardship, voting and engagement activities are overseen by the Investment and Risk Committee (Figure 5). This committee meets monthly and includes both WHEB's Chief Risk Officer (CRO) and the company's non-executive Chair.

Quick links

WHEB's PRI report

Investment Advisory Committee minutes

In addition, WHEB's independent Investment Advisory Committee also provides independent scrutiny of the Impact Investment Team's activities, including stewardship (Figure 4). This committee is composed of independent experts in the field of sustainable investing and meets every four months. The Investment Advisory Committee plays an advisory role and summary minutes of this meeting are published on WHEB's website.[8]

Activity and outcomes

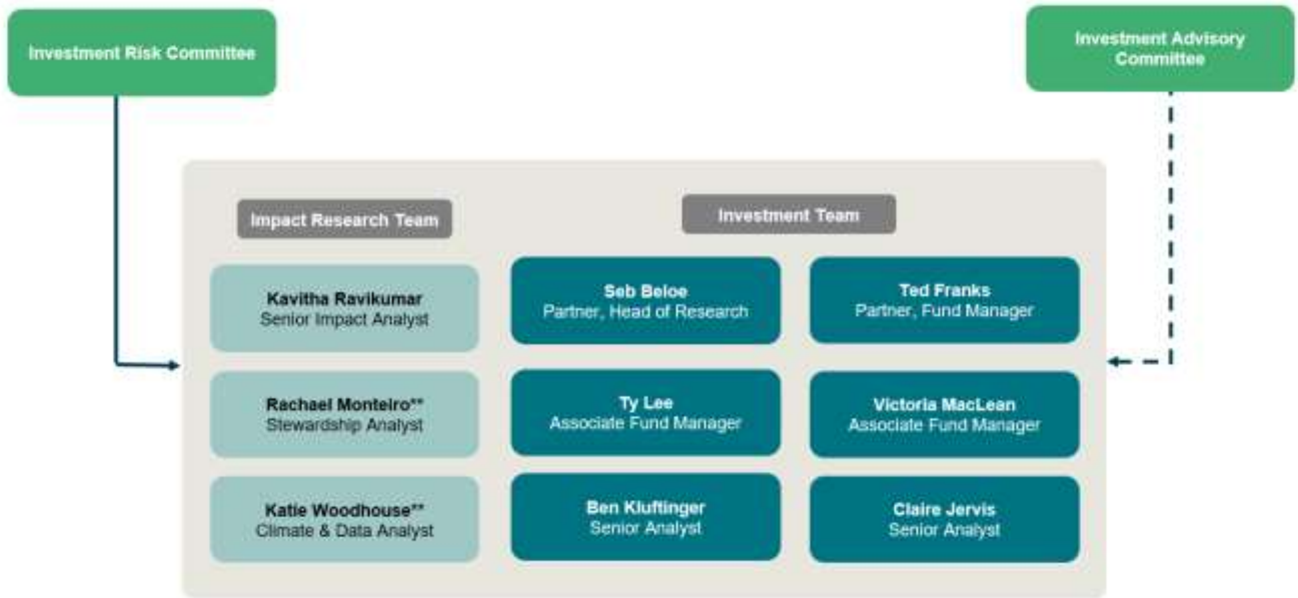
Being a leading steward of our clients' capital is a core part of WHEB's proposition to our clients. It is embedded in how our Impact Investment Team is assessed and incentivised and is a regular part of investment and risk committee meetings (Figure 5) and is a topic that we address with our independent advisory committee.

We routinely assess the effectiveness of all our company engagement activity as part of our quarterly reporting (see Principle 9 for detail). We also publish this information annually in our impact report (see Principle 6 below). We believe that our governance structures and processes continued to be effective in directing our engagement activity in 2022. We engaged with or voted at the meetings of 50 of our portfolio companies in 2022.

It was our ambition in 2022 to do more and drive deeper engagement (which WHEB defines as being more than three interactions with company executives on the issue in question) with these companies. This has become possible with a larger Impact Investment Team. This has enabled us to increase the depth of the engagement that we conduct with portfolio companies. Because engagement is led by the Investment Team, it is contextualised and connected to the company's specific commercial objectives and strategy.

[8] The current composition of the Advisory Committee is available at https://www.whebgroup.com/reporting-impact-investment/advisory-committee-minutes

Figure 5: Governance of WHEB's stewardship activities



*Fanny is employed by FundRock Management Company S.A., which is the distributor for WHEB Asset Management in the EU.
** Rachael Monteiro and Katie Woodhouse both spend 50% of their time with the Impact Research Team and 50% of their time with the BD and Ops teams, respectively.

WHEB dedicated resources to building out its stewardship function last year, mainly through the addition of the Impact Research Team. Already in 2023 this has enabled us make improvements to our engagement approach (covered in more detail under Principle 5) to ensure consistency across the larger team, increase efficiency, progress outcomes for investors and provide more granular reporting. These improvements are:

- The introduction of a time-bound escalation process to encourage a review and re-appraisal of the engagement approach in the context of any developments against the objective or in the materiality of the issue. This time frame also acts as a safeguard, ensuring that matters are pursued as appropriate.
- Moving from reporting "engagement outcomes" to "objective milestones", allowing for better monitoring and reporting of progress against long-term objectives that target improvements in company strategy or governance that could take years to achieve.

We aim to further develop the infrastructure to support WHEB's stewardship in 2023, with a particular focus on IT systems for recording, monitoring and reporting our stewardship work.

CASE STUDY: WHEB's Investment Advisory Committee

Gender diversity and reproductive rights at Vestas and Xylem

WHEB's Investment Advisory Committee

Alice Chapple
- Founder of Impact Value
- Chair of Investor Watch, Trustee of the Shell Foundation

Carole Ferguson
- CEO, Carbon Transition Analytics
- Previously Head of Investment Research at CDP

Martin Rich
- Co-founder and executive director of Future-Fit Foundation
- 25 years' experience in mainstream and social investment

Abigail Rotheroe
- NED HydrogenOne, Baillie Gifford Shin Nippon, Templeton
- Previously Investment Director at Snowball Impact Management

Jayne Sutcliffe
- Non-Exec Chair of WHEB Asset Management
- Founder and former CEO at Charlemagne Capital

Objective

Information gathering exercise to understand what corporate best practice is in supporting the well-being of employees in sensitive areas like reproductive rights.

Background/ issue

In light of the Roe v Wade ruling form the US Supreme Court, we considered how best to approach key public social issues, especially where they are contentious and have become politicised. We therefore raised this issue with the Investment Advisory Committee in July 2022.

Actions

After a discussion in the committee meeting, it was decided that, in potentially contentious areas like reproductive rights, for example, we should encourage businesses to be sensitive to differing views within the employee base whilst encouraging companies to adopt practices that clearly support the well-being of all employees. We decided to initially undertake an information-gathering exercise to understand what corporate best practice is in supporting the well-being of employees in sensitive areas like reproductive rights. Following the committee meeting, two opportunities arose to discuss reproductive rights with investee companies: Vestas and Xylem.

- After voting at Xylem's AGM, we wrote to the company to explain our reasons for voting against management's recommendations, as per our policy. As is often the case, this led to a dialogue with the company management and we were able to raise this topic, amongst others. Specifically, Associate Fund Manager Victoria MacLean enquired about whether there had been a discussion internally on how the recent overturning of Roe v Wade impacted Xylem's workforce and whether there had been any subsequent changes to benefits. The company stated it has introduced new and reiterated exisiting measures that support employees whose choices about whether or not to have a child may have been influenced by Roe v Wade. Measures include access to increased travel and accommodation allowances to support out-of-state care; increased short-term disability salary cover from 75% to 100% (providing additional support to those needing down time to recover after an abortion); and increased parental leave from four to eight weeks.

- Similarly, a letter written to Vestas following our voting at the company AGM sparked a conversation with the company's Investor Relations Team. Senior Analyst Claire Jervis shared examples of company action on employee care in response to Roe v Wade. Vestas clarified that medical plans in the US covered abortion and that travel coverage had been expanded to cover out-of-state abortion costs for employees and covered dependents. As with Xylem, Vestas has a comprehensive approach to critical ESG issues, and we are pleased to see that company management is supporting a healthy and diverse workforce.

Outcomes

Successful and ongoing

The benefits of a healthy and diverse workforce are well known. It is WHEB's view, therefore, that investee companies should look after their employees and support diversity. This is evidenced by our long history of engaging with companies on internal social issues, such as diversity and inclusion, employee safety and labour rights, all of which are well-established as valid aspects of the 'ESG' agenda. As stated, we are pleased to see that investee companies with a US footprint are taking appropriate measures in light of the overturning of Roe v Wade. We continue to build a picture of best practice and will share this with companies as appropriate.

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

WHEB is an independent business that focuses solely on managing, on behalf of its clients, investment funds invested in the equity of publicly quoted companies. WHEB has recently implemented a new Deferred Equity Bonus scheme to allow the team to build an equity interest in WHEB Asset Management LLP over time, alongside the partners and WHEB Group. We are committed to carrying out its business in compliance with the highest standards of governance and integrity.

WHEB operates a Conflict of Interest Policy which is applied to avoid or reduce any actual or potential conflict of interest arising (1) between WHEB, its staff, any appointed representative or any person directly or indirectly linked to them by control and a client of WHEB; or (2) between a WHEB client or clients. The key elements of our Conflicts of Interest Policy are summarised below. The policy itself can be provided upon request.

Our Conflicts of Interest Policy is focused on five main areas:

1) Identification of conflicts of interest: WHEB and its staff are required to take all reasonable steps to identify conflicts of interest between WHEB and its clients or between two or more clients. The Compliance Officer maintains a conflicts of interest register related to staff and WHEB. Staff are required to inform the Compliance Officer if they become aware of an actual or potential conflict of interest between WHEB and a client or between clients.

2) Record of conflicts: WHEB maintains a record of the kinds of service or activity carried out by, or on behalf of WHEB, in which a conflict of interest leading to a material risk of damage to the interest of a client or clients has arisen or may arise.

3) Prevention: We have in place a wide range of measures designed to prevent conflicts of interest from arising. These measures include proactively identifying conflicts of interest, documenting investment recommendations, restricting the receipt or offer of gifts or inducements and reporting on conflicts or potential conflicts of interest.

4) Managing conflicts: Whilst there are many types of conflicts of interest that may emerge in other aspects of our business and which are addressed in our Conflicts of Interest Policy, conflicts as they relate to stewardship are relatively limited. Conflicts may emerge, for example, between the interests of clients and our Voting Policy (e.g., between a corporate pension fund as a WHEB client, and our voting position at the associated company’s general meetings). In such cases it may not be possible to prevent conflicts of interest from arising. In these cases, we manage conflicts of interests by monitoring, appropriate disclosure to the client, and/or declining to provide the service. The Compliance Officer, with the assistance of the Investment Risk Committee, will manage actual and potential conflicts of interest. In any case, before a potential conflict of interest becomes an actual conflict of interest, or as soon as is reasonably practicable after becoming aware of an actual conflict of interest, WHEB will manage that conflict to ensure that no client is prejudiced as a result.

5) Monitoring: Where staff are involved in transactions involving carrying out activities on behalf of clients whose interests conflict, or may conflict with the firm, those members of staff will be monitored by the Compliance Officer. In addition, the Compliance Officer may disclose the nature of the risk to the client in order to enable the client to take an informed decision about the service in the context of which the conflict of interest has arisen. Equally, the Compliance Officer may decide that it is not possible to avoid or manage a conflict of interest and so decline to provide the service requested. With specific regard to our stewardship activities, the central objective when reviewing which companies we engage with, and how we engage and vote, is to act in the interests of clients and to treat all clients fairly. Our independent

Investment Advisory Committee reviews our voting and engagement activity and may assist us in deciding how best to resolve and address any conflicts arising in the context of our corporate governance and wider stewardship activity. We may also be provided with inside information and made an 'insider' by a listed company or their advisors on specific corporate actions. WHEB considers this to be permissible but requires it to happen on a controlled basis and with the prior consent of the Compliance Officer or a member of WHEB's Senior Management. Should WHEB receive inside information, the relevant company will be placed on the restricted list and WHEB staff may not trade in (or arrange a transaction in the securities in) issuers on the restricted list, whether on their personal account or on behalf of a fund, without the prior written permission of the Compliance Officer, which would normally only be provided following legal advice and in exceptional circumstances.

Conflicts of interest in 2022

As a relatively small, boutique business with a single strategy, conflicts of interest are rare at WHEB. This continued to be the case during 2022, in which time there were no conflicts of interest reported. Potential conflicts of interest in respect of the seven WHEB fund vehicles are monitored on a continuous basis by Compliance.

Potential conflicts of interest

We have mapped a potential conflict in relation to stewardship:

- Potential conflict of interest: where a company is included in the WHEB strategy and is also an investor in the fund via corporate investment vehicle.
- Management arrangements: Fund management decisions (to buy / add to / trim / sell a position in the portfolio) or company engagement are undertaken independently of business development considerations, at both the underlying investee company level and WHEB Asset Management level and are subject to the oversight and scrutiny of the Investment and Risk Committee and the independent Investment Advisory Committee. Any potential conflict is required to be disclosed to the investor/investee company prior to corporate investment in a WAM fund or proposed investment from the fund(s) included in the WHEB strategy. Preferential terms for investment would not be offered or permitted.

A broader based potential conflict that we identified in 2022 arose from WHEB having been appointed as sub-theadvisor and fund manager of the iMGP Sustainable Europe Fund (iMGP) from 1st July 2022. This is a European focused mid-cap vehicle, with around 25-28 stocks held from a universe of around 150 stocks. This universe is a direct carve-out from the universe from the main strategy, so all stocks will qualify for both portfolios. However, the main strategy has only 12-14 European stocks. Therefore, of the 25-28 stocks in the European portfolio it is expected that around 12-14 will be common to both the main strategy and this vehicle, and a similar number held only in iMGP. The iMGP portfolio will usually hold all the European stocks which are held in the main global strategy, plus additional names from the universe to build a portfolio of 25-28 stocks. The Trade Allocations policy and process in respect of this and the other WHEB fund vehicles, providing for fail allocation of aggregated orders and transactions, is detailed in the Compliance and Operations Manuals and monitored by the Investment and Risk Committee.

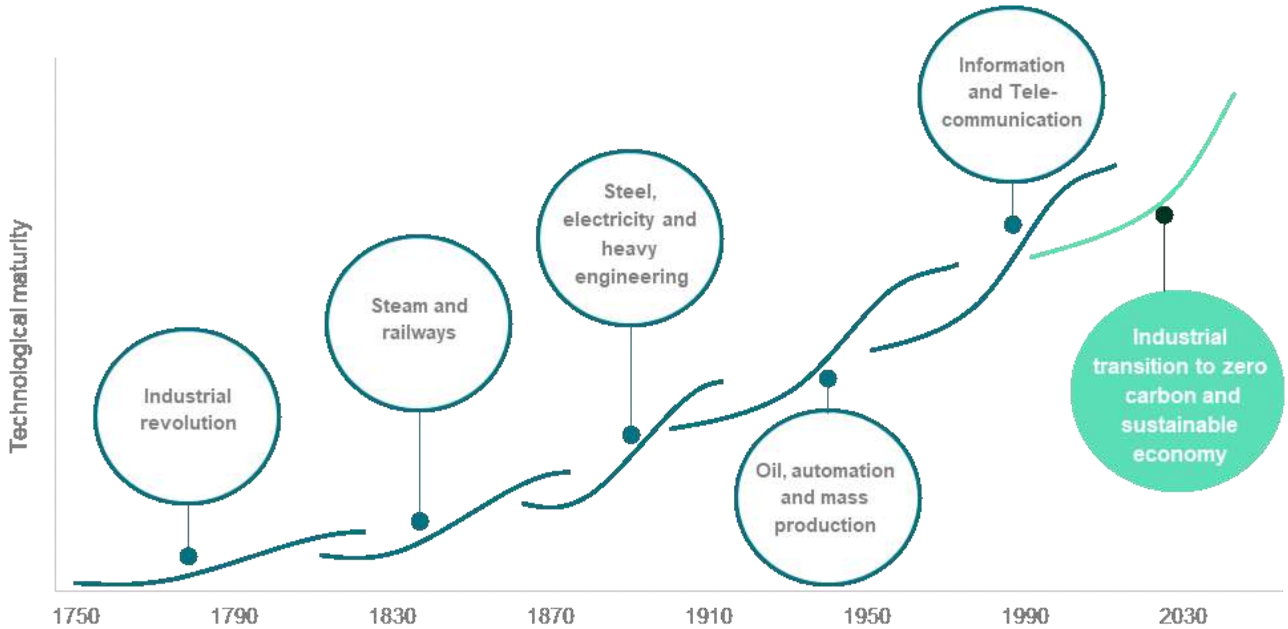
Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Identifying and responding to market-wide and systemic risks

As an active and responsible financial market participant, WHEB has the opportunity, and responsibility, to help ensure that financial markets are cognisant of, and responsive to, critical systemic risks.

We live in a rapidly and profoundly changing world. A growing global population aspires to continually rising living standards for both current and future generations. Historically, such progress has been enabled through continuing growth in resource use. Physical boundaries of resource scarcity are now being breached, driving a need to fundamentally change our systems to sustain current standards of living, let alone aspire to continuing improvement. The starting point for the WHEB strategy, therefore, is our view that the global economy is in the early stages of a fundamental transition to a zero carbon and more sustainable global economy. This is sometimes referred to as the sixth industrial revolution (Figure 6).

Figure 6: The sixth industrial revolution[9] is the starting point for the WHEB strategy



This transition itself is creating risks that, for some sectors, are existential threats. For others, transition risk is better described as a transition opportunity, as the global economy orientates towards companies providing low and zero carbon solutions.

The thematic nature of WHEB's investment process means that the strategy is entirely absent from areas of the economy which are most susceptible to this transition risk, such as fossil fuel production or power generation, cement, steel and bulk chemicals. It is also structurally focused on those parts of the economy that we believe are well placed to both enable and benefit from the transition, such as renewable energy, resource efficiency in buildings and manufacturing, sustainable transport and water management.

[9] Derived from: Carolota Perez, Technological revolutions and Financial Capital, Carlota Perez, 2002 adapted by WHEB Asset Management LLP

It also means that the strategy embeds a <1.5°C scenario and that mitigation actions taken by regulators will, we believe, have strong positive impacts on our portfolio. This was evidenced in 2022, in part[10], thanks to the landmark legislation of the US's Inflation Reduction Act, as our best performing theme was Cleaner Energy, in which FirstSolar, SolarEdge and Vestas all performed strongly.

This is an explicit objective that is core to WHEB's investment strategy, within which stewardship is fully integrated. Our scenario testing and long portfolio track record suggest that the portfolio does show resilience in times of crisis.

For our clients' benefit, WHEB's frequent reporting and commentary often draws links between investee companies and how their products and services may address systemic and market-wide risks. For instance, our July 2022 blog highlighted the merits of portfolio company Trimble's precision farming technology. Considering the inflationary environment and cost-of-living crisis, the ability to improve crop yields and overall production whilst protecting the environment and fostering biodiversity, is increasingly significant.[11]

Systemic risks are complex by nature and companies can be susceptible to being affected by and/or affecting some issues whilst also being resilient to/mitigating others. The existential threats of climate change and biodiversity, for example, are closely interconnected. Climate change is a threat multiplier for biodiversity loss, whilst the destruction of ecosystems undermines nature's ability to regulate greenhouse gas emissions and protect against extreme weather. Despite this strong interdependence, we are witnessing global energy systems being decarbonised often to the detriment of habitats that support wildlife. Being cognizant of this paradox, we are currently engaging with Vestas, one of the largest wind turbine manufacturers in the world, on this issue, as detailed under Principle 9.

As a shareholder, WHEB therefore recognises the importance of using our influence with investee companies to engage them on risk mitigation strategies where this is appropriate. As described under Principle 2, WHEB's engagement and voting activity is fully integrated within our investment process. As a result, our stewardship activity benefits from the consideration of systemic and market-wide risks that investee companies are not only vulnerable to but may also exacerbate (aee the 'Power Integrations' case study below).

CASE STUDY: **WHEB's engagement**

Tax at Power Integrations

power integrations	Power Integrations is a pure-play manufacturer of integrated power conversion components. Unlike traditional power conversion solutions requiring dozens of components, the company's integrated solutions reduce the bill of materials and the size of the integrated circuit board. Power Integrations has strong market positions across a range of end markets including industrials and renewable energy, and a leading position in consumer appliances.
Objective	For the company to stop including the tax rate as part of the company's financial model.

[10] The war in Ukraine also further highlighted the need to move away from volatile and politically costly fossil fuels.
[11] https://www.whebgroup.com/our-thoughts/first-we-feed-the-people-then-we-plan-the-revolution

Background/ issue	Power Integrations' products offer the ability to significantly reduce households' idle load electricity consumption and the company's leading position in gallium nitride (GaN) technology enables strong growth prospects. However, most of its international sales go via the Cayman Islands, one of the most widely known tax havens. As we believe that this represents a risk to the management quality of the business, which is otherwise good, understanding this strategy has been a priority for us. We initiated an engagement with the company on this topic in Q4 2021 in order to question the responsibility of reporting sales in the Cayman Islands. This resulted in a lengthy discussion, including a call with the CFO, in which the company indicated no plans to change its reporting practices unless the benefits of reporting in the Cayman Islands are removed. Ultimately, none of the arguments that the company presented will protect it from increasingly stringent rules of corporate tax, such as the OECD's proposed minimum corporate tax rate or the US's proposed increased tax rate on foreign earnings. The discussions helped to build a foundational relationship with the company, which was new to the portfolio as of Q3 2021, though this engagement remained open, requiring further efforts.
Actions	In June 2022, we were invited to speak to Joel Achramowicz of Shelton Group, who Power Intergrations hired in preparation for their first-capital markets day. We took this opportunity to reiterate our belief that tax structuring is unhelpful for society and that it is not differentiating. We set out our expectations that the company should not include the tax rate in their target financial model and instead should focus on their differentiated technology, intellectual property, markets and operational execution. In addition to tax, we also suggested improved impact and ESG reporting.
Outcomes	**Unsuccessful** We have since spoken to the company's Investor Relations and CFO again on tax, but they remain clear that they have no intention of changing the structure. We will continue to pursue this with the company and escalate as appropriate.

Net zero

WHEB was delighted to become a founding signatory of the Net Zero Asset Managers initiative in December 2020 and commit to a goal of net zero emissions from our investment portfolio by 2050 or sooner. This covered WHEB's entire investable assets and consequently, has since been a significant focus of our bilateral engagement with investee companies.

Back in 2020, under this initiative we also committed to ensuring that, by 2025, 50% of our portfolio would have set a net-zero carbon ("NZC") target for 2050 or earlier. By 2030, the ambition was that 100% of the portfolio would have such a commitment. At that point,[12] only 10% of the portfolio had a NZC target and 50% by 2025 seemed like a challenging ambition. Now, at the end of 2022, we have confirmed that 54% of WHEB's portfolio companies have announced NZC commitments (Figure 7) – and 90% of these companies have targets that have already been approved - or are committed to having them approved, by the Science Based Targets initiative.

We are delighted with the progress our portfolio companies have made and have now set our sights higher. One of the features of our portfolios is that a large majority of Scope 1 and 2 greenhouse gas (GHG) emissions come from a small number of companies. In fact, the top five emitting companies in our portfolio account for over 75% of the

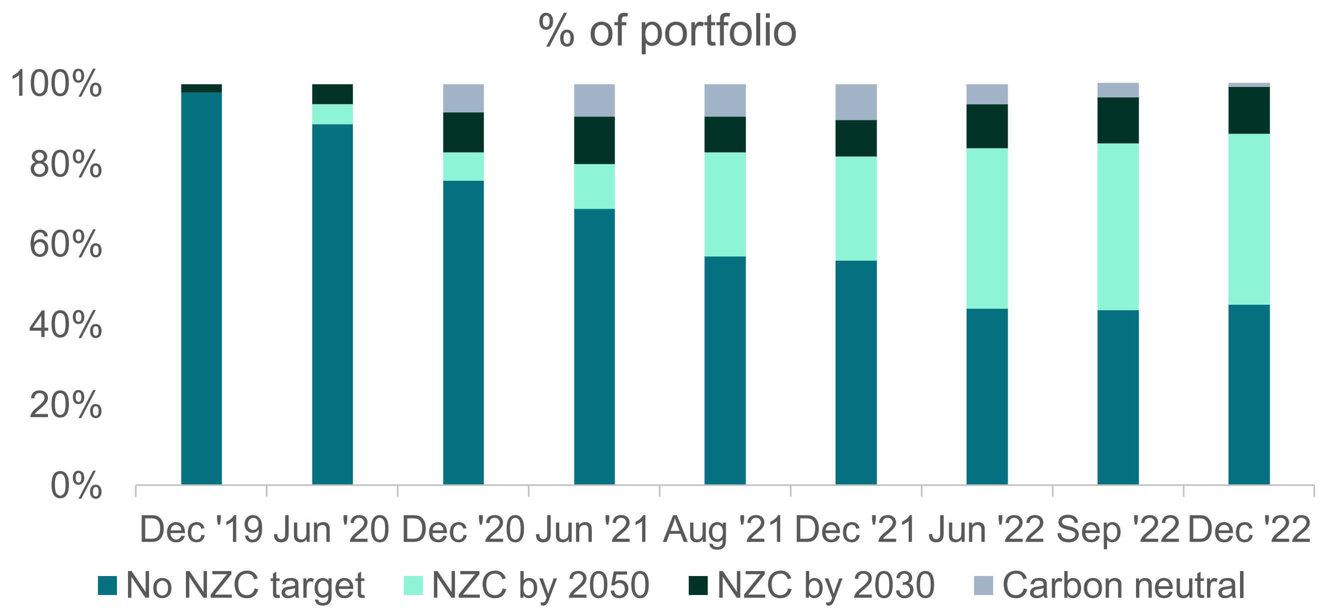
[12] June 2020

entire portfolio's emissions. In contrast, the bottom 5 account for less than 0.5%. In order to deliver significant emission reductions, we need these high emitting-companies to set NZC targets and reduce their emissions.

In 2023, therefore we have established new targets that will focus specifically on the proportion of 'financed' emissions[13] that are covered by targets, rather than the proportion of the companies in the portfolio that have targets[14].

Based on this new metric, the percentage of our financed emissions currently covered by a NZC target sits at 74%[15]. In addition to changing the parameter, we will also be increasing the aim of our target, with 85% of the financed emissions in the portfolio to be covered by a NZC target by 2025, and 100% by 2028 rather than the original aim for 100% by 2030. More details can be found on our website.

Figure 7: We are delighted with the progress our portfolio companies have made in setting Net Zero Carbon commitments



Promoting a well-functioning financial system

Together with key stakeholders including clients, investee companies, non-governmental organisations, regulators and standard-setters, WHEB helps to develop investment tools and frameworks that codify and standardise the financial market response to key systemic issues.

- **The Impact Engine:** Because impact data remains poorly defined by the market, WHEB developed the Impact Engine as a tool to underpin a systematic approach to codifying impact across different themes and end markets (Figure 8). This tool was finalised and implemented in 2020 and now represents a core part of our investment process. It is used to collect and organise impact data across six dimensions and leads to an overall impact score. The Impact Engine draws on the work of the Impact Management Project and the Future

Quick links

2022 carbon commitments review and 2023 goals

[13] 'Financed emissions' refer to the emissions associated with WHEB's specific level of investment in the investee company.
[14] The new financed emissions target will be more volatile as it depends on the enterprise value of the portfolio company, as well as the value of our holding in the company which both change constantly. Consequently, we use a rolling 12-month average of the financed emissions data point to provide a clearer trend.
[15] Based on the FP WHEB Sustainability Fund.

Fit Foundation, both of which we participate in and contribute to. WHEB has made the details of the Impact Engine available publicly within our 2019, 2020 and 2021 impact reports[16] and instructed a third party to conduct a review of the tool during 2021.

Figure 8: WHEB's Impact Engine

Systematic analysis of the positive impact or products/services

- **Impact reporting and the Impact Calculator:** WHEB produced the first impact report on a listed equity strategy in 2015 and developed the first Impact Calculator in 2017. The Impact Management Project defines 'signalling' as engagement downstream with regulators, policy makers and standard setters, as well as upstream back to clients and their advisers. We believe that WHEB's commitment to transparency within our reporting of impact (including publishing our peer-reviewed impact data methodology[17] and the commentary and opinion pieces we produce on wider environmental and social themes[18]) is an important signalling contribution towards the promotion of a well-functioning financial system. As detailed under Principle 2 and Principle 6, WHEB invested a significant amount of resources into a redevelopment of our website in 2022 as part of our commitment to transparency and communication with investors. They website now better serves as a key resource for investors, explaining our approach to impact investing and housing key documentation such as policies and reports.

Quick links

- **WHEB's impact reports**
- **WHEB's Impact Calculator**
- **Our Portfolio (company profiles)**

In particular, our Impact Calculator helps to communicate the positive impact generated by the companies held in the strategy, thereby helping people understand the opportunities resulting from transition risks (Figure 9). Similarly, reporting negative impacts associated with the strategy creates accountability for negative externalities which contribute to systemic risks, and encourages reductions over time. Almost all products and services will

[16] The impact engine is described on page 17 of the 2019 report (https://impact.whebgroup.com/media/2020/06/WHEB-Impact-Report-2019.pdf**)** and on 24 & 25 of the 2020 report (https://impact.whebgroup.com/media/2021/06/WHEB-Impact-Report-2020-1.pdf**).**

[17] WHEB's detailed methodology document is available on our impact microsite. It sets out WHEB's approach to assessing and measuring the positive impact associated with the products and services sold by companies held in the investment strategy and was reviewed by the Carbon Trust in 2020. https://www.whebgroup.com/investing-for-impact/how-we-invest/our-methodology

[18] These contributions are outlined in more detail under Principle 6.

also have some negative impacts that need to be acknowledged and actively mitigated. As part of our impact analysis, we capture information on the key negative impacts associated with products and services supplied by investee companies, which can be seen in 'Our Portfolio' company profiles on our website.

However, in many cases, negative impacts are not routinely acknowledged by the companies themselves. Where they are acknowledged, they are typically described qualitatively. It is rare for companies to have developed clear management plans and targets on negative impacts associated with products and services. The only exception is reporting of greenhouse gas emissions associated with product use.

More work is therefore needed for reporting of negative product impacts, which are also considered within our investment process as we note in this report.

Figure 9: WHEB's Impact Calculator showing the positive impact associated[19] with owning £1m in WHEB's investment strategy in 2021

19 'Investors in WHEB's strategy are aligned with these positive impacts by investing in companies that form part of crucial supply chains that manufacture these products and provide these services. WHEB's investments contribute to the attainment of the impact, however, are not solely responsible. The impact is therefore referred to as 'associated'. CO_2e avoided is

Collaborative efforts

As detailed under Principle 10, WHEB has a long history of collaborating with other investors, non-governmental organisations, regulators and standard setters. Many of these organisations seek to shape the financial system to address systemic risks and support and enable more sustainable and positive impact investment.

The Senior Management Team at WHEB, and Seb Beloe especially, have been significantly involved in providing feedback for the FCA's SDR and fund labelling consultation paper. We have also been significantly involved in the work done by the Global Impact Investing Network (GIIN) to develop guidance on impact in listed equities.

Quick links

Our industry networks

CASE STUDY: WHEB's public policy engagement

The GIIN Listed Equities Working Group

GIIN	**Global Impact Investing Network (GIIN)** A not-for-profit network dedicated to increasing the scale and effectiveness of impact investing around the world.
Objective	WHEB has been a core member of the working group defining guidance for impact investing in listed equities since 2021. This working group has two main objectives: 1. To understand how strategies delivering impact in listed equities can align with the expectations of the 'Core Characteristics' of impact investing.[20] 2. To provide reference points for best practice in order to support investors in structuring and deploying effective impact strategies in listed markets.
Background/ issue	The project began with the formation of the GIIN's Listed Equities Working Group in 2019 after the GIIN Investor Survey identified listed equities as one of the fastest-growing asset classes for impact investing. Its purpose has been to assess how funds investing in listed equities could engage in impact investing. The working group has conducted research to evaluate market trends and has engaged with fund managers offering investments identified as impact funds to understand their approaches. WHEB has been a core member of the working group defining guidance for impact investing in listed equities since 2021.
Actions	Over the course of 2021-2022 WHEB participated in fortnightly meetings of the core working group to review drafts and recommend amendments and updates. WHEB also facilitated sessions with the wider working group on conference calls and at the GIIN Annual Conference as well as participating in outreach to journalists on behalf of the working group. WHEB's contribution was singled out for praise by the GIIN - 'Listed equities are a key asset class in scaling sustainability solutions. WHEB has been a

Based on a global average carbon price of £25 per tonne based on IHS Markit's Global Carbon Index which estimated an average weighted carbon price of $34.99 (£25) in 2021 (**https://carboncreditcapital.com/value-of-carbon-market-update-2021-2/**). Waste materials is based on a landfill tax of £96.7 per tonne of waste which is equivalent to the UK's landfill tax in 2021.

[20] https://thegiin.org/characteristics/

Outcomes	valued contributor to our work developing our approach to impact investing in listed equities.' Sean Gilbert, Chief Investor Network Officer, Global Impact Investing Network (GIIN) Whilst not 'regulation' the guidance, which was published in early 2023, has already been an influential and widely quoted document that has fed into regulatory and standard-setting processes all over the world. Full details of what the working group has achieved to date can be found here: https://thegiin.org/listed-equities-working-group/

CASE STUDY: WHEB's public policy engagement

The FCA's proposed Sustainability Disclosure Requirements (SDR)

FCA FINANCIAL CONDUCT AUTHORITY	**The FCAs proposed SDR** In October 2022, the FCA published proposals for a new labelling system for retail products to be launched in 2024 that would affect funds using certain terms in the names and marketing of their investment products.
Objective	The FCA to make amendments to fund categorisation under the SDR, specifically with respect to what funds are eligible for the 'Sustainable Impact' label. More general support of the principle of FCA action in requiring more rigour in the use of key terminology in sustainable investing.

Background/ issue	We are very supportive of FCA regulation of the sustainable investment market in principle; however, we are highly concerned that these new labels are not appropriately scoped and that this will result in unintended consequences of reduced transparency and increased confusion for consumers. The key area of disagreement for us is in the definition of the Sustainable Impact label. This is because the label does not adequately recognise the enterprise contribution of the investment product and instead focuses primarily on the contribution that the investor makes through their engagement with companies, or their influence on asset prices or on decisions to allocate capital to underserved markets. We recognise the distinction between the enterprise contribution and the investor contribution and believe both are important. In our view, the current proposals will dramatically reduce the size and scale of the impact fund market in the UK. They will create a label that will only be useable by illiquid, unlisted and often sub-market rate of return products. Consequently, this label will be largely irrelevant to the retail market. What's more, many strategies that currently define themselves as impact will likely be forced to use the 'Sustainable Focus' or 'Sustainable Improver' labels, conflating different types of strategies under a single label. The result will be reduced transparency and consumer choice and increased consumer confusion – the opposite of what the labels are intended to achieve.
Actions	WHEB has been intensively involved in conversations with the FCA, peers, investor groups and associations, clients and other stakeholders in making these arguments. As a member of the Disclosure and Labels Advisory Group (DLAG) we have been able to talk directly to the FCA. We have also successfully worked with groups including the UK Sustainable Investment and Finance Association (UKSIF), the Impact Investing Institute, IIGCC and the GIIN to make these points through their submissions. Working more broadly with impact-focused clients including the Big Exchange and Worthstone as well as peers and suppliers, we have sought to build a coalition of practitioners within the industry to provide a clear set of recommendations to the FCA.
Outcomes	**Ongoing** Ongoing. There are other amendments that we plan to propose in our response to the consultation paper which we will be publishing on our website once it has been finalised.

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities

WHEB's Stewardship and Engagement Policy as well as Responsible Investment Policy are developed and implemented by the Senior Management Team. Both are subject to regular review and are considered in light of evolving industry best practice.

The application of the policies is overseen by WHEB's Investment Risk Committee. In addition, our independent Investment Advisory Committee (IAC) also scrutinises our voting and engagement activities. Summary minutes of the committee meetings are published on our website. The committee also reviews WHEB's annual Impact Report and includes a statement outlining their findings and overall view of the report.

All details on company engagement are stored in our investment research database. Analysts capture key information from their engagements typically including the date, the issues discussed the name and title of investee company representatives and the type of engagement. This is linked to the specific company or companies that are the subject of the engagement. The database is updated in real time as new information on engagement is added and allows analysts to track their engagement and report on related outcomes.

Quick links

- WHEB's sustainability policies
- Investment Advisory Committee minutes
- Stewardship reporting

We then report on our engagement activity in our quarterly client reports. This typically includes more detailed disclosures around key issues that have been a focus during the quarter, as well as a summary of all engagement undertaken in the quarter.

Review and assurance processes

We are convinced that effective stewardship is best delivered through the investment analysts who have responsibility for the companies in question. Outsourcing engagement to a separate team – let alone a separate company – severs the link with the investment decision. It also means that engagement conversations are disconnected from the investment thesis. We think this undermines the credibility of the engagement and reduces the opportunity to learn and reflect this back into the investment thesis.

As previously mentioned, in 2022 WHEB invested in additional resources for stewardship including through the development of a dedicated Impact Research Team. Reporting to Partner and Head of Research, Seb Beloe, the team provides additional research support to the Investment Team. In addition, the Stewardship Analyst has begun the process of improving systems and infrastructure to record, monitor and report our stewardship activity. Seb Beloe continues to oversee all our engagement to ensure that it is fully aligned with the firm's philosophy, strategy and culture.

In addition, we have also commissioned third parties to assess the quality of our internal processes and methodologies and recommend improvements to the effectiveness of our processes, particularly on our assessment and measurement of impact. In 2020, we reported that we had commissioned the Carbon Trust to review our methodology for calculating impact measures, including levels of carbon avoided, waste recycled, water treated and numbers of patients treated with healthcare products and services. In 2021 we commissioned the Carbon Trust again to review the data that we collected covering the 2020 period. Whilst they recommended some modest changes to our data collection and calculation, their overall conclusion was that our approach was consistent with best practice and that 'WHEB's approach to data sourcing is fit for purpose and provides a reasonable basis for impact calculations. Overall, the Carbon Trust believes that the data used is of reasonable quality'.[21]

Finally, as expectations have changed over time, we have also made some small revisions to our voting policies. This has included voting against the chair of the nomination committee if board-level gender diversity is less than 33% (previously less than 25%). We also vote against the chair of the board if there is no target to achieve net zero carbon emissions by 2050 at the latest. We also vote against the executive remuneration package if there is no evidence of ESG criteria in the performance conditions.

Updates to Engagement Policy in early 2023

In early 2023, we updated WHEB's Sterwardship and Engagement Policy in order to better articulate existing processes and ensure consistency of approach across the newly grown Impact Investment Team. In doing so, we aimed to:

- Improve efficiency meaning better outcomes for investors and improving time efficiency for the Investment Team; and,
- Improve communication to clients and provide more granular reporting on key engagements

These updates are outlined below.

i. Reporting outcomes against objective milestones

Once an issue has been identified as being material to one or more portfolio companies, an appropriate engagement objective is determined for each company. Objectives are often ambitious and target improvements in company strategy or governance that may take multiple years to achieve. We have therefore introduced objective milestones to track progress against the long-term objective (Figure 10). This approach provides more detail on progress than our previous system which only reported outcomes as being unsuccessful, partially successful or successful.

Figure 10: WHEB's objective milestones mapped against previously reported engagement outcomes

Objective milestone	WHEB engagement outcome
0. No response/refusal to acknowledge issue	**Unsuccessful:** When the company either does not respond to us or refuses to amend its practices.
1. Company acknowledges issue	**Partially Successful:** When the company acknowledges the issue but does not commit itself to change.
2. Company shares or agrees to disclose information on the issue	
3. Company develops or commits to developing an appropriate policy or strategy to manage the issue.	**Successful:** When the company agrees to amend its approach
4. Company provides evidence that the issue is being managed in line with the policy or strategy demonstrating concerns have been addressed (conclusion)	

[21] Page 79 of WHEB's 2021 Impact Report https://www.whebgroup.com/assets/files/uploads/1678124972-20220623-wheb-annual-impact-report-2021.pdf

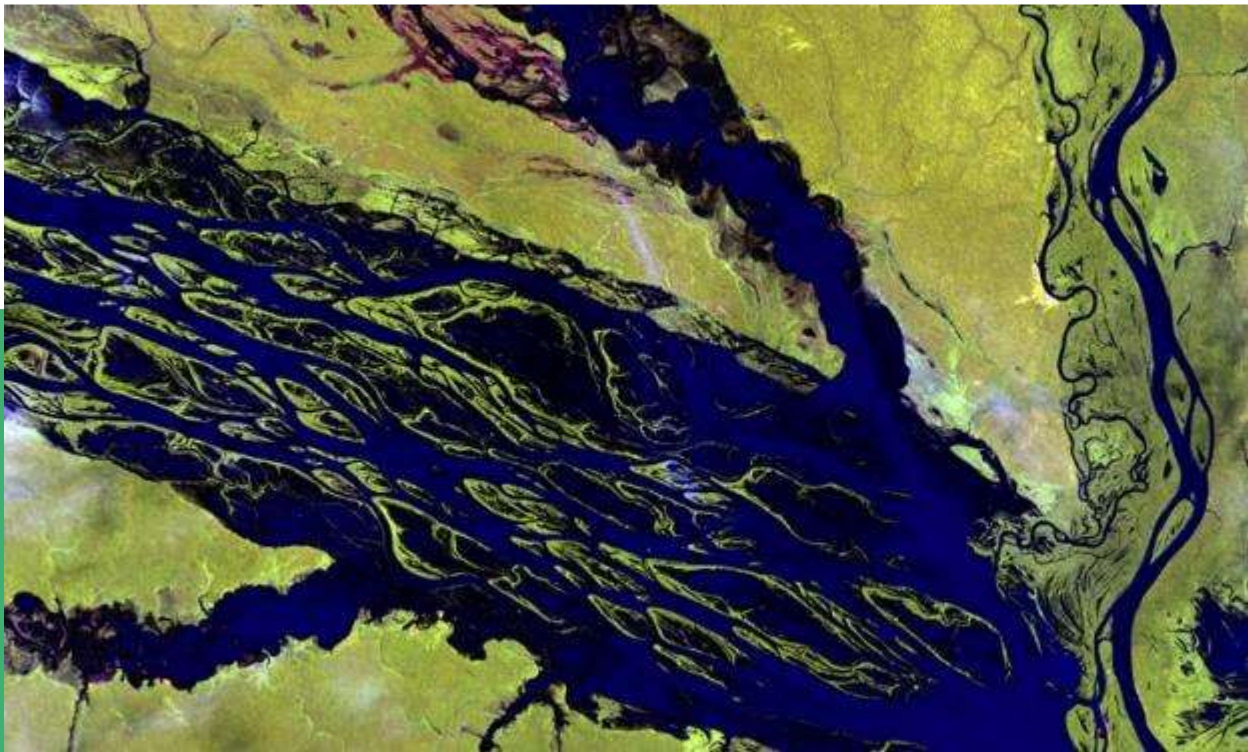
ii. Clarifying our approach to escalating engagement

We have introduced a policy to review progress against the engagement objective three to six months after the topic has been raised with the target company. This timescale has been informed by the teams' experience and is caveated in that it may be shortened or lengthened depending on the specific context of the engagement. Discussions with the broader Investment Team or Investment Advisory Committee may inform the decision about whether to pursue the matter and escalate. We believe that this timescale will serve as a useful prompt for analysts to revaluate materiality and progress and to determine next steps whilst also safeguarding against issues from being forgotten about. Reviewing the progress against long-term objectives will be iterative as each milestone is reached (Figure 11).

Figure 11: An overview of WHEB's engagement process including timescales for escalation[22]

[22] In some cases, where our analysis shows that this is justified, a period greater than 6 months may be allowed for a company to respond. Timescales for the achievement of objective milestones are case specific and feed into decisions as to what and when various escalation methods are used

Section 2: Investment approach



Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

WHEB's clients and investment time horizon

Figure 12 shows a breakdown of WHEB's clients, both in terms of geography and segmentation, byassets under management (AuM). As the charts show, the majority of WHEB's investors are professional investors based in the UK. This has not changed since 2020.

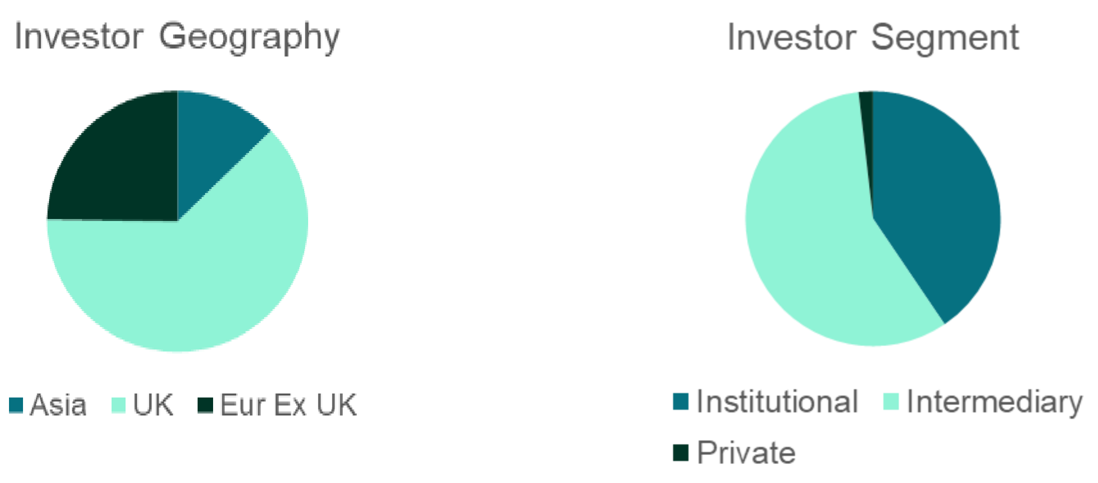
Quick links

2022 Annual Investor Conference

As a boutique asset manager dedicated to positive impact investing, WHEB's view is inherently long-term. Our investment philosophy is underpinned by a belief that businesses that successfully turn sustainability challenges into opportunities will access faster-growing markets and gain a long-term competitive advantage. Our thematic focus and interest in ESG issues is driven by our desire to understand the fundamental quality of businesses that we are researching over a multi-year investment horizon.

As a result, the expected holding period for the strategy is five to seven years - well-above industry averages and in line with our investors time horizons[23]. This enables us to act as owners of investee companies, rather than as short-term traders. WHEB's integrated engagement activity is therefore typically structured as proactive initiatives that are aimed at long-term issues affecting whole sectors and/or companies in our investment universe. In addition, we also conduct a range of 'reactive' engagement activities in response to specific issues at individual companies. This gives us the opportunity to encourage more progressive approaches to ESG and sustainability issues which, in our view, help to generate superior risk-adjusted returns over the medium to long-term.

Figure 12: Investor breakdown by assets under management (AuM) as of 31st December 2022



WHEB's policies: alignment with client's views

As a boutique asset manager with a long track record, WHEB has developed a close relationship with many of our investors. This has been possible through extensive reporting, hosting events, such as our Annual Investor

[23] 97% of the respondents to WHEB's 2021 client survey expected to hold most of their investments for four years or more.

Conferences, which returned in 2022 after the pandemic[24]; and, Christmas Teas and webinars, as well as through regular client meetings. These channels are also a means through which we build relationships with new and potential investors in the strategy, and our regular communications have generally informed us on what their needs and views are.

We are confident that WHEB's Stewardship and Engagement Policy and Responsible Investment Policy align well with our client's needs. Many clients have been long-term investors in the strategy because they appreciate WHEB's disciplined approach to applying the definition of 'solutions to sustainability challenges'.

Our voting policies are based on the Association of Member Nominated Trustees' (AMNT)[25] 'Red Lines', which are typically more demanding than the market standard and cover ESG issues. We vote on all our active positions in the strategy. As a result, we have always found that our voting policy covers clients' Voting Policy and, in many cases, go above and beyond their expectations.

> **'We greatly appreciate WHEB's strong commitment and highly authentic approach to impact investing in listed equities.'**
>
> **Daniela Barone Soares, CEO, Snowball Impact Management Ltd.**

Client feedback

Having conducted a formal client survey in 2021, we returned to collecting feedback on an ad hoc basis in 2022 with specific comments being volunteered or requested, and including responses to reports, commentary, events, webinars and generally within the normal course of business (within meetings and in response to tender processes).

WHEB has a track record of improving communications with clients following feedback, as we have detailed in previous stewardship reports. For example, we introduced the company profiles document (now found under 'Our portfolio' on our new website) in 2021, to provide an overview of each investee company's business model; its impact score and fundamental quality score, as well as a snapshot of the justifications for both; links to the most relevant Sustainable Development Goal (SDG); recent stewardship topics; and, finally, links to related commentary pieces.

Also in 2021, we launched the WHEB Environmental Impact Fund, a targeted version of WHEB's global equity strategy that is focused solely on its five environmental themes. This provides a carve out of the WHEB strategy for asset owners investing in line with a 1.5°C-degree target for limiting global warming, alongside commitments to build net zero carbon portfolios.

In the second half of 2023 we explored the possibility of onboarding a fintech platform that enables asset owners to compare the voting practices of its managers. The providers of these platforms cater to managers whose voting behaviour and policies focus on shareholder resolutions. In contrast, WHEB's policy requires that we be proactive and make use of routine votes to express our views on company governance, strategy and performance. Shareholder resolutions occur only infrequently at our portfolio companies' AGMs (as explained in our Q4 2022 stewardship blog[26] and under Principle 12). Unfortunately, this means that these platforms are not currently a viable option for us, though we hope that this changes as the technology develops.

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25 AMNT: Association of Nominated Trustees
26 https://www.whebgroup.com/our-thoughts/stewardship-in-the-spotlight-our-hopes-for-voting-practices-in-2023

Communication of stewardship

Transparency and accountability is central to WHEB's philosophy. Our main reports are the annual impact report[27] which is also complemented by quarterly client reports[28] (with accompanying webinars). These include detailed reporting of stewardship activity as well as impact and ESG data.

Quick links

- **'Our thoughts' – WHEB's blog**
- **Engagement case studies**

Impact reports summarise portfolio impact and ESG analysis, carbon emissions and the SDGs, stewardship activity (including bilateral and collaborative engagement and voting) and WHEB's approach to sustainability over the calendar year. WHEB's newly developed website[29] now brings together all sustainability and fund information in one place. This includes our interactive Impact Calculator, which demonstrates the positive impact associated with a chosen investment amount and WHEB's peer-reviewed methodology document[30] for calculating the impact associated with investments in the WHEB strategy.

Our quarterly reports include thematic and performance commentary, recent purchases and sales, stewardship activity and outcomes as well as quantitative information on fund positioning and on WHEB's impact and ESG measurement frameworks. In terms of stewardship, alongside this report, these other reports are complementary and provide comprehensive information on our approach and outcomes. They include a summary table in the data pack covering all engagement activity for the quarter including company, topics, tool (e.g., method: letter, email, conference call, collaboration) and outcome[31]. This is supported by a stewardship commentary blog which is also published on our website, along with case studies detailing bilateral and collaborative engagement activity from the quarter. It is also supported by our voting appendices[32] which contain a record of every shareholder resolution on which WHEB is eligible to vote in the quarter, how we have voted and a rationale for each vote. Full fund holdings[33] are also published every quarter in our Company Profiles document including investment rationales to indicate why a stock fits with the fund's investment policy.

Quick links

- **WHEB's 2022 Impact Report**
- **Stewardship Reporting**
- **WHEB's Impact Calculator**
- **Mapping WHEB's impact**
- **'Our Portfolio' company profiles**
- **Quarterly reports**
- **Fund Factsheets**

On a monthly basis, WHEB circulates and publishes fund factsheets along with a newsletter and links to commentary and opinion pieces written by the team, many of which go into additional detail on specific engagement examples.[34] All of this information is published on our website and so is not limited only to investors but is available to the public to see. As outlined under Principle 2, WHEB's Investment Advisory Committee also provides independent scrutiny of our stewardship activity three times a year, and the summary minutes of these meetings can also be found on our website.[35]

27 https://impact.whebgroup.com/
28 For UK domiciled OEIC: https://www.whebgroup.com/investment-strategy/fund-options/fp-wheb-sustainability-fund/quarterly-reports/ and for Dublin domiciled ICAV: https://www.whebgroup.com/investment-strategy/fund-options/wheb-sustainable-impact-fund/quarterly-reports/
29 https://impact.whebgroup.com/
30 https://www.whebgroup.com/investing-for-impact/how-we-invest/our-methodology
31 We systematically rate the success of each engagement as: 'Successful': the company agrees to amend its approach, 'Partially successful': the company acknowledges the issue but does not commit to change; or 'Unsuccessful': the company either does not respond to us or refuses to amend its practices.
32 https://www.whebgroup.com/investment-strategy/fund-governance/engagement-and-voting-records/
33 https://www.whebgroup.com/investment-strategy/fund-options/fp-wheb-sustainability-fund/fund-holdings/
34 https://www.whebgroup.com/news-views/wheb-insights/
35 https://www.whebgroup.com/investment-strategy/fund-governance/investment-advisory-committee-minutes/

Feedback from clients on WHEB's reporting and transparency is generally positive and we received strong positive feedback on the new website, which supports our efforts around reporting.

Client communications and COVID-19

Over the course of the COVID-19 pandemic, communication methods and styles with clients changed to accommodate the need for reduced in-person contact. In 2022, WHEB continued to offer video conferencing meetings as well as webinars to accompany quarterly reporting cycles. WHEB's 2021 client survey showed that quarterly webinars were ranked as the fourth most informative communication method from WHEB, after our impact report and monthly and quarterly commentary. With fewer restrictions in place last year, we were able to use a combination of in-person meetings and video calls for effective client communications.

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

Integration of sustainability in WHEB's investment process

WHEB is wholly focussed on a single global equity strategy that seeks to generate superior returns by investing in companies providing sustainability solutions. Thus, 100% of everyone's time is spent on this strategy. The entire WHEB team, especially the Impact Investment team, are responsible for implementing the strategy. Positive impact, sustainability, ESG and stewardship are therefore integrated at every stage of our investment process. We believe that engagement is most effective when conducted as part of the overall analysis of a business and its strategic objectives. We further believe that this reveals important information about a company's growth potential and risk profile.

WHEB's policies and processes for stewardship did not change in 2022, though more resources have been made available to the team, as outlined earlier in this report.

Universe creation

WHEB has selected nine investment themes which we use to focus our attention on companies that provide solutions to sustainability challenges and therefore have the potential to significantly grow their earnings. They include four social themes (Education, Health, Safety and Well-being) and five environmental themes (Cleaner Energy, Environmental Services, Resource Efficiency, Water Management and Sustainable Transport).

We are only interested in companies that have genuine exposure to these themes and set a threshold of having at least 50% of their revenues or profits coming from these areas. In practice, most holdings in the fund are 100% exposed to the themes, and the weighted average across the fund is over 80% exposure. We capture evidence to support our decisions on whether companies fit our themes and assess the intensity of their positive impact,[36] and share this publicly with our investors.[37]

Our analysis of sustainability trends and themes enables us to construct an 'investment universe' of stocks which qualify for investment in one or more of the themes. We select the best ideas from our universe for a portfolio of 40 to 60 holdings.

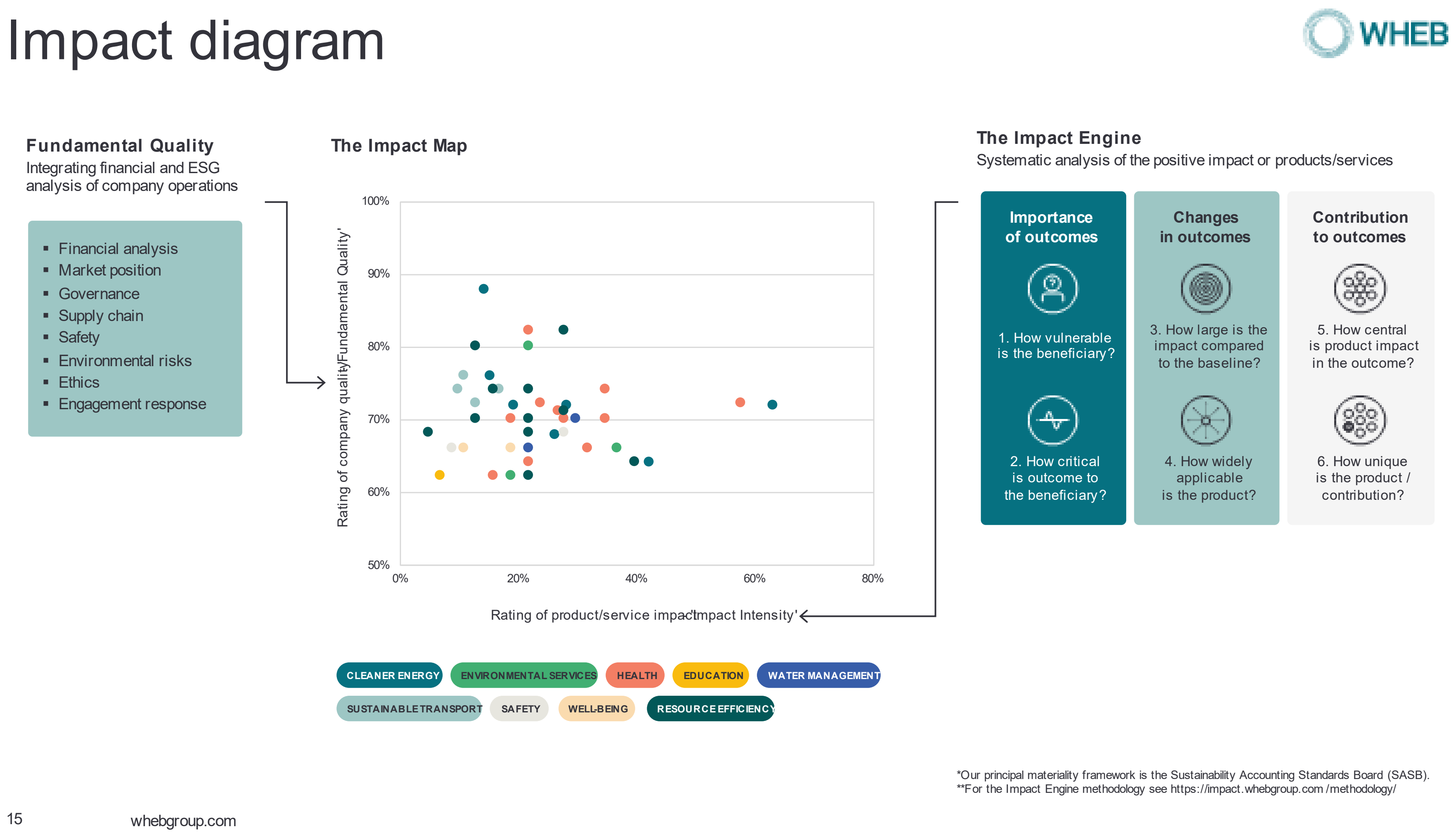
Stock selection

Our guiding principle is that the success of the stock should be driven by the success of the sustainability solution it provides. In other words, 'the sustainability story is the equity story'. Our assertion is that as the world becomes more sustainable, these stocks are likely to outperform. We also want to be supportive shareholders, remaining invested for the duration of the sustainability-led growth, and not increasing the cost of capital by frequent trading.

Our integrated analysis helps to protect the fund from companies that are poorly positioned to deliver market out-performance over the long-term. We assess companies with respect to both the products and services provided, via the Impact Engine, and multiple dimensions of the fundamental quality of a company organisation and operational performance (Figure 13). We therefore consider a range of measures relating to both financial and ESG management and performance.

[36] The Impact Engine helps us to assess the intensity of the positive impact generated by products and services sold by investee companies.
[37] For example, through our annual impact and quarterly reports.

Figure 13: WHEB's Impact Engine and Fundamental Quality Score feed into the WHEB's integrated analysis



Once companies have been through this analysis and the valuation is appropriate for the level of quality determined, the company will be considered for investment. In some cases, companies may be suitable for investment whilst also having weaker performance on some ESG matters[38]. In this case, such issues will be discussed within stock initiation meetings between the Investment Team and an engagement plan will be agreed, based on WHEB's engagement and voting policies. Likewise, if a company already held in the strategy is subsequently found to have weak performance on an ESG matter, this will be discussed by the Investment Team and an engagement plan will be agreed. WHEB's engagement can be loosely defined as either proactive or reactive, as outlined under Principle 9.

We believe that engaging with companies to challenge them on a range of topics, including ESG and sustainability issues, and analysing their responses, further adds to our knowledge and understanding of a company. All engagement activity is logged in our company profiles with conclusions feeding directly into our assessment of company quality scores. Engagement therefore feeds into investment decision-making and escalation strategies (such as those described under Principle 11) may even contribute towards a decision to divest in some circumstances.

CASE STUDY: Bilateral engagement

Engaging Keyence on product impact

KEYENCE	**Keyence's products include machine visions systems such as sensors and measuring instruments that are primarily used in the automation of factories. These components help customers achieve higher levels of efficiency, energy-savings, improved material utilisation reduced wastage and better-quality management.**
Objective	Strengthen our understanding of the positive impact associated with Keyence's products and services.
Background/ Issue	We have recently been undertaking a project to further strengthen our understanding of the positive impact associated with the products and services sold by our investee companies. Additional insights allow us to build a strong case and 'impact story' for each of our stocks, which is especially useful when talking to investors. It also feeds into our broader analysis and can result in us improving the impact score we give to our companies.
Actions	We reviewed the analysis on Keyence within our Impact Engine to identify areas on which we felt we could develop our understanding. This work formed the basis of a series of questions we put to the company in advance of an arranged discussion on these areas.
Outcomes	Partially successful. In summary, the call was not as helpful as we had hoped, unfortunately. The main problem is that it is really very difficult to quantify resource efficiency gains when using Keyence's technology at a broad level, due to the fact that many different variables are involved. For example, the speed of conveyor belts from

[38] If the company is, in our view, exposed to excessive reputational risk, or has significant activity in areas that are not consistent with the philosophy of the fund, then it is unlikely to be selected for investment.

other manufacturers can be a limiting factor to how many defects can be identified by machine vision tech.

CASE STUDY: Bilateral engagement

Engaging Steris on product impact

STERIS

Steris provides a variety of products and services to the healthcare industry including hospitals, medical device manufacturers, pharmaceutical companies and biotechnology businesses, as well as food safety and industrial markets. The company's main areas of activity are providing hygiene, sterilisation and anti-microbial treatment services to these end markets in order to ensure a safe and hygienic operating environment.

Objective

Strengthen our understanding of the positive impact associated with Steris' products and services.

Background/ Issue

We have been speaking to issuers as part of a project to further strengthen our understanding of the positive impact associated with the products and services sold by our investee companies. Additional insights allow us to build a stronger 'impact investment case' for each of our stocks, which is especially useful when talking to investors. It also feeds into our broader analysis and can result in a change to the impact score we give to our companies.

Actions

Whilst undertaking a review of the research within Steris' Impact Engine, we identified areas that would benefit from additional detail, including quantifying the extent to which human error influences the efficacy of sterilisation and reprocessing of medical devices, the role of Steris's products and services in enabling the positive outcomes; and the uniqueness of the company's contribution.

Outcomes

Successful/Milestone 2

We had a productive call with our contact in Investor Relations who was able to provide additional detail for our Impact Engine. For example, we discussed the role of human error as the most significant factor influencing the efficacy of Steris's equipment and the measures taken by the company to reduce the risk of it occurring. This includes reducing the number of decision and touch points for reprocessing staff by increasing automation. The company was, however, unable to quantify the proportion of processes that have been automated. We also discussed Steris' in-house training provided for the reprocessing operatives working within its outsourcing team and the technologies that it uses to ensure that processes run correctly.

In terms of other factors or services influencing the efficacy of the sterilisation process, Steris was keen to point out that hospital-acquired infections do not come from sterile equipment but, instead, mostly from poor hand hygiene or improper cleaning of the operating room, though the company did not have any data on this. Steris had previously made efforts to offer sterilisation for touchpoint items like blood pressure cuffs, for example, through the use of hydrogen peroxide chambers, though, this was not taken up by the industry because it slows the turnover of the kit.

This information has been helpful for adding colour to Steris's 'impact story', although did not change any of the underlying scores within its Impact Engine.

CASE STUDY: Bilateral engagement

Engaging Centene on governance

CENTENE Corporation

Centene is a US-based managed care organisation that provides insurance and other services to government -healthcare programmes covering 26 million people in the US. This includes supporting Medicaid coverage for households on low incomes; providing coverage to the healthcare exchanges that were set up as part of the Affordable Care Act (also known as 'Obamacare'); and health insurance products that support Medicare Advantage, which is a programme aimed at the elderly and senior citizens. The company also has a small business working internationally including in the UK.

Objective

Gain an understanding of - how controversial issues – such as how decisions affecting care provision for vulnerable groups – are made and how they might be improved.

Background/ Issue

Centene has emerged as a major provider of health insurance to poor and vulnerable communities in the US, and in some states it is the only provider. Whilst we believe that Centene, when it does its business well, plays an important role in enabling healthcare access for poor communities in the US, it is not without controversy.

Actions

We engaged with the company over the course of 2022 to understand the various issues faced and how management has responded.

For example, the company received a number of significant fines in recent years for overbilling state-level healthcare agencies. These issues go back to 2017 and involve the way in which Centene was sourcing and billing states for pharmaceutical products. The company acknowledged that their approach led to overbilling and has since restructured that business so that any pharmacy management services are now provided purely as a pass-through so that the company makes no margin on these services.

There has also been a group of legal cases concerning the level of access to specialist services that patients are entitled to (known as network coverage). There are inevitably cases where coverage is incomplete (for example when a specialist retires creating a shortage in that indication at local level) but these instances tend to be temporary and are in any case addressed by enabling access to other providers – albeit sometimes further away – until coverage can be provided more locally. The first of these cases has been thrown out in Washington State. Our engagement with the company confirmed that they believe that the other cases are being taken on a contingent basis ('no win, no fee') and that they will also be dismissed in due course.

Potentially more problematic has been the case concerning a small child called D'ashon Morris. Centene, through its Texan subsidiary Superior, had reduced the level of care provided to D'ashon Morris which led directly to him suffering severe brain damage. It is

	clear in talking to the company that the case has caused quite a lot of introspection into how this happened. The Texan healthcare regulator has also been involved and has identified areas where Superior's systems needed to be improved. The company claims that all of these areas have now been addressed and formally agreed with HSSE, and that a final settlement has been reached with D'ashon Morris's family. We followed up with the company because we were keen to understand what the areas for improvement that were identified with HSSE were, what Superior/Centene have done to address them and whether, ultimately, these changes will ensure that these events cannot be repeated.
Outcomes	**Partially successful/Milestone 3** It was clear from our conversation with the company's General Counsel and their Head of Investor Relations that substantial changes have been made to how decisions get made, particularly on foster care provision in the company's Texan subsidiary Superior. These changes include for example, a foster care supervisory team that includes independent medical professionals to oversee feedback from clients on the company's interactions with the foster care community. There are also now opportunities for caregivers to raise red flags before an issue becomes critical and any decision to withhold care is now subject to an appeals process to consider whether the application constitutes a medical necessity. We were impressed with the scale and scope of changes at Superior, but it is also clear that these clear improvements in governance have not been proactively rolled out across the rest of Centene's activities. Our investment case for Centene was originally centred around the growth opportunity from its social impact, as the company focuses on providing healthcare access to low-income and vulnerable communities across the US. We felt that the period of strongest opportunity has now passed, and the company is looking for alternative growth avenues which are necessarily less impactful. These were the prevailing reasons for us selling our position in Centene however, our remaining concerns about governance within the business did also factor into this decision-making process. We exited our position in Centene in our Health theme in Q4 2022.

Activity and outcomes

We are confident that our investment process achieves a very high standard in terms of the integration of stewardship, sustainability, and material ESG issues (including climate change). The strategy was set up in 2012 with this integrated nature at its heart and over time we have evolved the process to further embed these characteristics in it.

That said, there is always room for improvement and consequently during 2021 we commissioned a third-party consultant to review WHEB's proprietary 'Impact Engine' methodology. This tool is core to our investment process and is used to codify our assessment of impact in our investment process. The outcomes of this review included subtle changes in the focus areas of the questions and the methodology for scoring. For example, a sixth dimension was added to the Impact Engine with the question 'How widely applicable is the product?'. The scoring was also simplified. Whilst this mechanistically results in slightly lower Impact Engine scores for issuers, it has helped to avoid unintended consequences in the original scoring system. The lower score doesn't imply a reduction in the underlying impact. We believe that the Impact Engine is a highly innovative investment tool which is not widely replicated across the market.

We have also started to utilise financial models for portfolio companies that are supplied by a third-party provider. We adapt these models by factoring in additional data points and use them to help stress-test our valuation assumptions about portfolio businesses.

Service providers

It is also worth stressing that the WHEB process does not rely heavily on third party service providers. We believe that we are best placed to collect and assess material ESG information as well as positive impact data relating to products and services. We do not rely on third-party ratings which are often of poor quality. Furthermore, whilst we do utilise third-party providers to inform our voting positions at company meetings, we have our own bespoke voting policies that we use to determine our ultimate voting decisions (see Principle 12 for more detail).

As mentioned under Principle 2, we aim to incorporate Net Purpose impact research into our engagement with portfolio companies on product impact in 2023.

Principle 8: Signatories monitor and hold to account managers and/or service providers

Management of service providers

WHEB uses a range of third-party service providers which provide services to our fund vehicles, including host authorised corporate directors (ACDs), transfer agents, fund accounting, custody and depository services, research and information services and trade execution. We regularly review the performance of these service providers to ensure that services continue to be delivered to a standard that meets our needs and those of our clients, performing obligations effectively and within agreed service levels. This oversight includes weekly calls and monthly service review meetings, which are supplemented by ad hoc control arrangements as required. We review any incidents, including near misses, to investigate the underlying causes and identify process improvements (the effectiveness of which being subsequently monitored and reported on in the context of regular oversight meetings). WHEB's IT support function has been outsourced to a specialist provider, in order to leverage economies of scale and access expertise from this larger IT-focused service organisation. A formal analysis to identify and report on critical outsourcers for the business is carried out on an annual basis.

Proxy voting services

From time to time, WHEB uses a range of third-party service providers to support proxy voting and provide voting advisory services. When considering how to vote shares, we appraise the governance standards of the relevant investee company and compare these with local market standards (such as the UK Corporate Governance Code for UK-listed companies). Whilst we consider the recommendations of advisory services in how we vote our shares; the investment team independently assesses each individual company vote against our own internal policies before recommending a vote to the rest of the Investment Team. WHEB's voting policies are modelled on the AMNT's 'Red Lines'. These are typically more demanding than the market standard. We regularly engage with service providers to encourage them to adopt more progressive voting policies on issues ranging from auditor independence to greenhouse gas emission reduction targets.

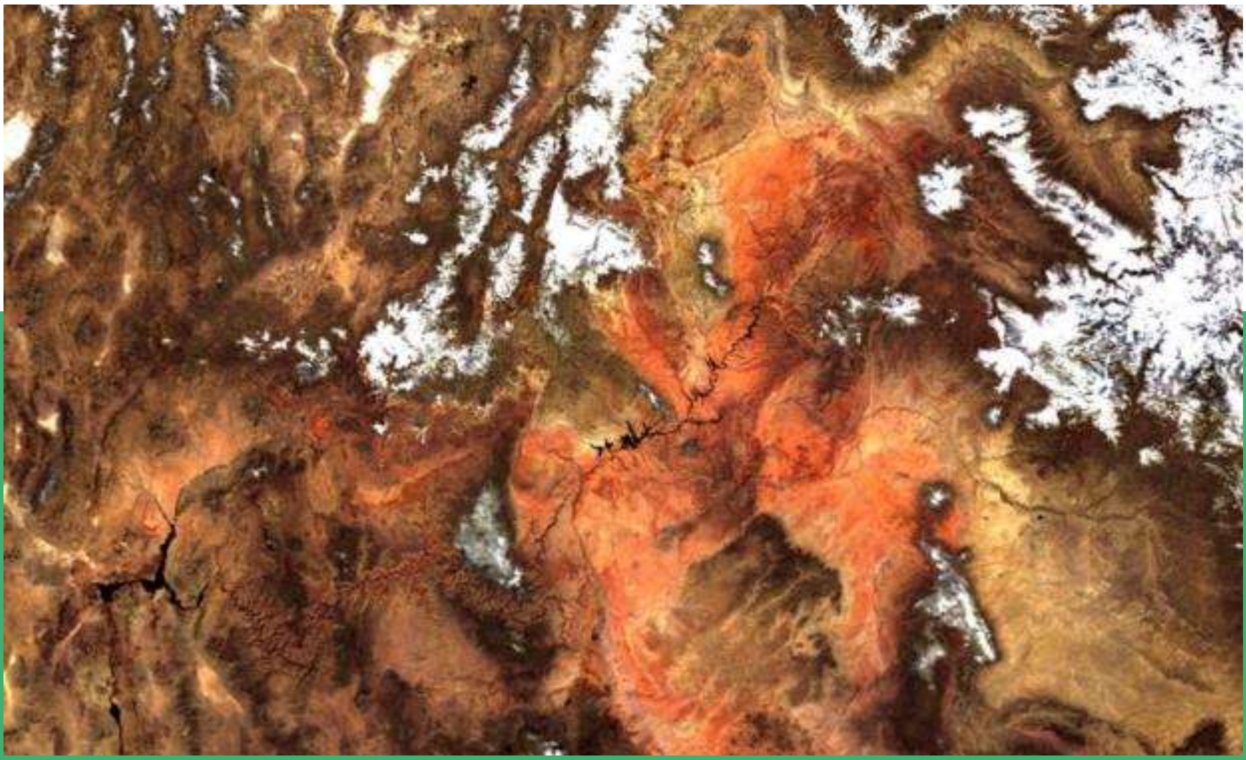
NZC engagement activity and outcomes

During 2020 we started engaging with every service provider where we spend more than £10,000 annually, to encourage them to implement progressive policies and practices on ESG, particularly covering their approach to managing their own carbon footprint and setting net zero carbon targets. We track all net-zero carbon commitments and review progress against targets. As of 2022, 51% of our suppliers now publish their Scope 1 and 2 emissions and have carbon reduction targets, with a further 11% being carbon neutral. We continue to engage with these suppliers throughout the year to encourage further disclosure of emissions across our purchased goods and services.

Investment research and data

We annually review providers of investment research and other inputs into our investment research to ensure that they are providing added value to the investment process. Providers are selected and a budget set annually by the Head of Research which is reviewed by the Senior Management Team. At the beginning of 2020 we removed the Research Payment Account structure previously used to pay for external research, and instead put in place a single management fee structure covering all the costs and charges included in Ongoing Charges and Fees (OCF), including research. This single fee structure provides greater certainty and transparency for our investors; research costs are now borne directly by WHEB rather than being included in the OCF.We continuously review data providers for data quality and utility. We use multiple data providers, which enables us to compare different data sources. We use several different sources of data as part of our impact measurement and reporting, including carbon measurement. The data underlying the calculations in our 2021 Impact report was reviewed by the Carbon Trust, who found WHEB’s approach to data sourcing to be ‘fit for purpose and provides a reasonable basis for impact calculations’.

Section 3: Engagement



Principle 9: Signatories engage with issuers to maintain or enhance the value of assets

WHEB's approach: proactive and reactive engagement

WHEB's approach continues to include a combination of proactive and reactive engagement and is underpinned by materiality, as we focus our efforts on the highest-priority issues. Objectives are focused on long-term product impact or material ESG issues and are either information-seeking and/or encourage behaviour change in investee companies, depending on the state of progress on the issue.[39]

Proactive engagement

Proactive engagement topics may affect a significant proportion of the portfolio, as has been the case with our work on climate change and gender diversity for example. Topic selection is done by the relevant investment analyst based on their review of the companies they monitor in consultation with the Head of Research, Seb Beloe and with support from the broader Impact Research Team. It may also be set based on analysis of the strategy's performance against 14 well-established measures of ESG performance against the strategy benchmark (MSCI World).[40]

Led by WHEB's Stewardship Analyst, we have identified climate change, diversity, equity and inclusion (DEI) and remuneration as key cross-cutting themes that we plan to continue to prioritise across the portfolio in proactive engagement in 2023.

On climate change, we have already set robust targets as part of our membership of the Net Zero Asset Managers Initiative (NZAMI) and have exceeded some of our early targets in this area (see Principle 4). This was a significant area of focus for us in 2022 (See the Daikin case study below and MSA Safety case study under Principle 12) and in 2023 we will continue to encourage more of our portfolio companies to commit to net zero carbon targets, to assess the credibility of these targets and to deliver year-on-year reductions in Scope 1 and 2 emissions of >5%.

With regards to DEI, the WHEB strategy has historically been overweight in traditionally male-dominated industries, compared to the benchmark. Improving gender-equality across the strategy has therefore been an ongoing objective since 2019. In 2018 when we first measured this data point, women occupied less than one in five board positions on portfolio companies. This has improved year-on-year and is now just over 26%.

Our work on this topic has largely been initiated by our voting policy which requires a vote against the chair of the nominations committee where the company has <33% gender diversity on the board. As such, there remains a long way to go. We will continue advocating for greater board-level gender diversity in 2023, as well as encouraging our companies to support a healthy and diverse workforce in other ways (as outlined in the Roe v Wade case study under Principle 2) for example, by targeting the improvement of other metrics for gender diversity and expanding our scope to include other types of diversity.

Biodiversity and nature loss is another critical issue and one that we recognise is important to many of our clients. WHEB has signed the Finance for Biodiversity Pledge[41] and has undertaken a comprehensive review of the portfolio for areas of significant biodiversity risk. We have identified around 10% of portfolio companies where we believe biodiversity and nature loss is a material issue. We are now engaging with these businesses to encourage a more systematic approach to the management and reporting of biodiversity related risks and opportunities. We will report on our progress with these companies during 2023.

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[39] Information-seeking or fact finding is usually a higher priority during the earlier phases of engagement and informs behavioural change which comes later.

[40] This analysis is included in our annual impact reports. The year-on-year change in the ESG performance of the strategy is shown on p. 50 of the 2021 Impact Report https://www.whebgroup.com/assets/files/uploads/1678124972-20220623-wheb-annual-impact-report-2021.pdf

[41] https://www.whebgroup.com/news/desjardins-global-asset-management-and-unicredit-among-15-new-signatories-of-the-finance-for-biodiversity-pledge-announced-at-cop15

CASE STUDY: Bilateral engagement

Engaging Vestas on biodiversity

Vestas	**Vestas Wind Systems is one if the world's largest manufacturer of wind turbines. The company manufacturers both onshore and offshore wind turbines.It also provides operation and maintenance services for wind power parks**
Objective	Understand Vestas' policies and approach for managing biodiversity.
Background/ issue	In early 2022, following our analysis that identified the company as having an elevated level of exposure to potential biodiversity impacts,[42] we contacted Vestas hoping to discuss the company's approach to managing this issue.
Actions	Specifically, we highlighted the impacts associated with onshore and offshore wind park developments. After some chasing, Vestas responded to acknowledge the importance of biodiversity but stated that it was prioritising carbon reductions and product circularity for the time being. Nonetheless, the company did mention that it was planning on launching a biodiversity strategy which it hoped to have available nearer the end of the year. We followed up with Vestas in late 2022 to check on the progress made against setting a biodiversity strategy.
Outcomes	**Partially successful/Milestone 1** The company did not have an update for us at this stage but did mention that there would be an update within the annual reporting package. Vestas also reiterated that the focus of its sustainability strategy was elsewhere, as it believes a bigger impact can be made by working on carbon reductions. Whilst it is positive that Vestas acknowledged the importance of biodiversity, it is yet to provide any concrete information concerning a policy, targets or a strategy. We believe that this makes the company a good candidate for escalation and we are preparing to do this in 2023.

[42] https://www.whebgroup.com/assets/files/uploads/202110-summary-minutes-final.pdf

CASE STUDY: Bilateral engagement

Engaging Daifuku on gender diversity

DAIFUKU Always an Edge Ahead	**Daifuku is a global material handling systems manufacturer. The company supplies global storage systems, conveyors and automatic sorters. These products support the automation of warehousing and manufacturing helping to reduce energy and resource use in these activities. Daifuku also provides an integrated approach from consulting to engineering, design, manufacturing, sales, installation, and after-sales services for automation.**
Objective	Strengthen our understanding of the positive impact associated with Daifuku's products and services.
Background/ issue	Improving board-level gender diversity has been a long-term goal within the strategy. Whilst we have seen good progress generally across the strategy, we find that our Japanese companies are laggards in this area. At the time, in 2019, the company's response was disappointing with it either failing to respond or stating that the hiring of one female director was sufficient progress.
Actions	We therefore continued to push this topic with Daifuku in 2022. This involved asking the company how it was approaching the topic of gender diversity, at both the board and executive levels, during a call with the company's Investor Relations, Hirobumi Akiba.
Outcomes	**Partially successful** During the call, Mr Akiba expanded on the cultural challenge of improving gender diversity in Japan, particularly within the field it operations. He noted that 70% of Daifuku's staff have engineering knowledge, but only 10% of those studying the subject at university are female. Whilst the company has been accelerating female employees to management level, it remains unsatisfied with the current gender balance, and this is a priority for the business. We appreciate the additional information the company provided. However, we note the company has not formed partnerships with universities in Japan, which we see as a missed opportunity. We also noted the company's justification for not doing so – that it believes it is difficult to change the culture – is unhelpful and perhaps indicates a lack of appreciation of the benefits of a diverse workforce. We will continue to engage the company on this topic and hope to learn more about how it is supporting female employees to reach management positions.

Reactive engagement

Reactive engagement often occurs in response to media or other third-party commentary on the company and may relate to a controversy. Objectives are determined by the investment analyst responsible for the company based on a review of the issue and the company's response to date. This work is also supported by the Impact Research Team. The HelloFresh case study below is one example of how we respond to reactive issues.

CASE STUDY: Bilateral engagement

Engaging HelloFresh on animal labour

HelloFresh is the leading supplier of fresh food meal kits to consumers in developed markets around the world. The meal kits use fresh ingredients in pre-measured quantities allowing for calorie control with the intention of supporting healthy eating. Customers are provided with a flexible and convenient route to eating more healthily that also offers up to one third less food waste than more traditional food supply models.

Objective

Understand the extent to which animal labour is used in the supply chain, and specifically monkeys for the harvesting of coconuts.

Background/ issue

We were first alerted to a potential issue with HelloFresh using animal labour in their supply chain by a PETA report into the use of monkey labour for the harvesting of coconuts in Thailand.[43] Our policy in such instances is to initiate a conversation with the company to clarify it's response and assess the extent to which accusations have been verified.

Actions

We therefore prepared a range of questions, organised into four categories, and sent these over to the Investor Relations team ahead of a call as outlined below.

1. **The scale of the issue:** Coconut milk comprises a very small proportion of HelloFresh's ingredients (< 5% of meals sold in the last 12months). Whilst HelloFresh had been sourcing from Suree, one of the wholesalers named in the PETA report, their analysis has not yet found any evidence of monkey labour at farms supplying Suree. We are in the process of contacting PETA to further discuss their evidence.

2. **Timeline and sourcing:** The company had already begun shifting its procurement away from Thailand before it was targeted by PETA as it had seen the NGO's initial campaign targeting US supermarkets. Instead, it began sourcing from Sri Lanka based on initial research suggesting that the use of dwarf palm trees there enables an easier coconut harvest. Sourcing from Thailand had stopped altogether by the start of 2023 and the company's focus is now on building robust supply chains to source entirely from Sri Lanka.

3. **Auditing:** HelloFresh requires that suppliers meet Global G.A.P or GFSI certification. Audits are conducted by its Food Safety and Quality Assurance team, including unannounced site visits for items deemed as high risk. Following the PETA report, the company contacted Suree to secure affidavits confirming monkey labour was not used and audits were regularly conducted. We expressed our concerns about the effectiveness of these measures, which the company ultimately agreed with and stated it was unlikely to resume sourcing from Thailand. It also said it is enhancing its ethical trading policy to cover animal welfare issues more explicitly, and we have requested a copy of this policy as soon as it is available. HelloFresh is also exploring

[43] https://www.peta.org.uk/media/news-releases/hellofresh-under-fire-suppliers-caught-forcing-chained-monkeys-to-pick-coconuts/

whether to establish an NGO working group, the purpose of which would be to help identify controversial issues earlier on.

4. **Next steps:** We aim to follow up in Q1 2023 to monitor progress made and hope to better understand how audit checks are completed. Independently of this, we also aim to discuss evidence with PETA and research claims that the use of monkeys for coconut harvesting is a traditional/historic practice.

In Q1 2023 we arranged a call with a member of the Corporate Engagement Team at PETA to gain a better understanding of PETA's investigation, its interactions with HelloFresh and what a responsible transition away from Thai coconut milk would look like.

The investigations: PETA's undercover investigations provide irrefutable evidence that the use of monkey labour is widespread and deeply ingrained in Thailand. It is also fragmented, both geographically and with many different parties involved such as monkey training schools, brokers, pickers, and the farms themselves. Coconuts harvested by monkeys are mixed with those that are not making traceability through the supply chain nearly impossible. Supplier audits, which are often announced in advance, are difficult as monkeys can be easily moved from farm to farm, as is often the case during the harvest season. Still, undercover site visits found evidence of the practice easily. PETA has previously contacted major coconut suppliers though most have not responded to the latest investigation, indicating the need for government intervention. However, part of the problem is that the Thai government is actually promoting it as a traditional practice to generate tourist revenue. PETA estimate that roughly 50% of all Thai coconut milk is being harvested in this way. Whilst the practices will exist in other growing regions, such as Sri Lanka, the Philippines and Vietnam, they are not nearly as entrenched, industrialised and ubiquitous as in Thailand.

PETA's interactions with HelloFresh: PETA first contacted HelloFresh in Germany in 2020 to share findings from an earlier investigation, which was when the company was first alerted to the issue. At the time, the German subsidiary committed to stop sourcing Thai coconut milk from two of the suppliers named in the investigation, Aroy-D and Chaokoh. HelloFresh was targeted as a well-known global brand and a major buyer of coconut milk and, by all accounts, had been cooperative. Changes in personnel at the NGO contributed to the decision to target the company a second time.

Managing a responsible transition away from the use of monkey labour: PETA confirmed that farmers using monkey labour are small-scale, based in rural communities with limited resources. We expressed our concern about the risk of financial ruin, or uptake of equally concerning practice such as child labour, as a result of the campaign to stop sourcing from Thailand and asked how companies can responsibly transition away from Thai coconut milk. PETA stated that the next part of its campaign will focus on targeting the government and some of the big suppliers. The aim is to have these parties provide funding for human and machine collection, as well as for the prevention of capture, for facilities to look after rescued monkeys and to stop the tourist department from promoting the use of monkeys.

Outcomes

Successful/Milestone 3

We believe that HelloFresh was establishing proportional measures to prepare for the risk as soon as it became aware of it. The scale of the issue in Thailand has only recently become apparent to PETA. We are pleased to see that the company has made the decision and subsequent public commitment to stop sourcing form Thailand and we will continue to monitor the company's progress on responsible sourcing of coconut milk from other geographies, as well as broader quality and assurance practices and animal welfare policies that it stated it was developing as a response to this subject.

A larger question remains about how to support low-income communities in transitioning away from using monkeys for harvesting coconuts. Support for this needs to be led by the Thai government and followed by major suppliers, which is what PETA are pushing for. We would welcome any action from HelloFresh on this, though believe that the company has taken proportional measures already.

Prioritising engagement

WHEB's mission is 'to advance sustainability and create prosperity through positive impact investments'. As outlined under Principle 2, stewardship is fully integrated within WHEB's investment process, and both proactive and reactive approaches are of equal importance for WHEB in fulfilling its mission.

Prioritisation of engagement is done by the Investment Team based on the materiality and severity of the issue in question.

Engagement methods

Where possible, WHEB aims to proactively identify problems at an early stage prior to investment. After investment, we regularly review and monitor investee companies to ensure that they remain appropriate investments for the relevant fund(s). Where we identify issues of concern, we will enter into dialogue with management and escalate where necessary. This process often involves voting against company management or abstaining to vote[44] and then writing to the company to explain our reasons for doing so, seeking further engagement as appropriate.

Our engagement activity is therefore often closely linked to company AGMs, which often presents opportunities to discuss other issues in addition to the subject and rationale for the vote.

We have found this to be an effective strategy, as company management is typically more receptive to investor dialogue on engagement topics around the time of AGMs. We find that we achieve more progress this way, resulting in positive outcomes for our investors. A significant proportion of our 2022 engagement subsequently involved voting with accompanying letter writing (56%). This leads to further dialogue via calls (18%), email (12%) and meetings (6%). This is consistent with previous years.

We are also active participants in collaborative efforts, which usually form part of our escalation process. We note a small uptick in collaborative activity to 8% in 2022, from 6% the year before. With a larger Impact Investment Team and greater support for collaboration within the industry, we hope our involvement in collaborative engagements continues to increase in 2023.

Table 1. Letters are the most frequently used tool in WHEB's engagement, as they are often closely linked with AGMs, with other methods, such as calls, often ensuing

Method of engagement	%
Vote/letter	56%
Email	12%
Call/video call	18%
Meeting	6%
Collaborative	8%
	100%

Overview of company engagement in 2021

Materiality underpins WHEB's engagement activity, ensuring that our resources are focused on the highest priority areas. For that reason, we do not always engage with every portfolio company in a calendar year. Still, over the last three years we have consistently engaged withapproximately two thirds of our portfolio companies. With a larger Investment Team, and support from the Impact Research Team, the number of engagements almost doubled between 2020 and 2022 (Table 2).

[44] We withhold or abstain from voting where there is no option to vote against management's recommendations

WHEB was appointed as subadvisor and fund manager of the iMGP Sustainable Europe Fund in Jully 2022. This fund includes additional European stocks to the main strategy hence, the percentage of companies engaged dropped slightly in 2022. We discuss ongoing efforts to support our engagement of iMGP stocks under Principle 10.

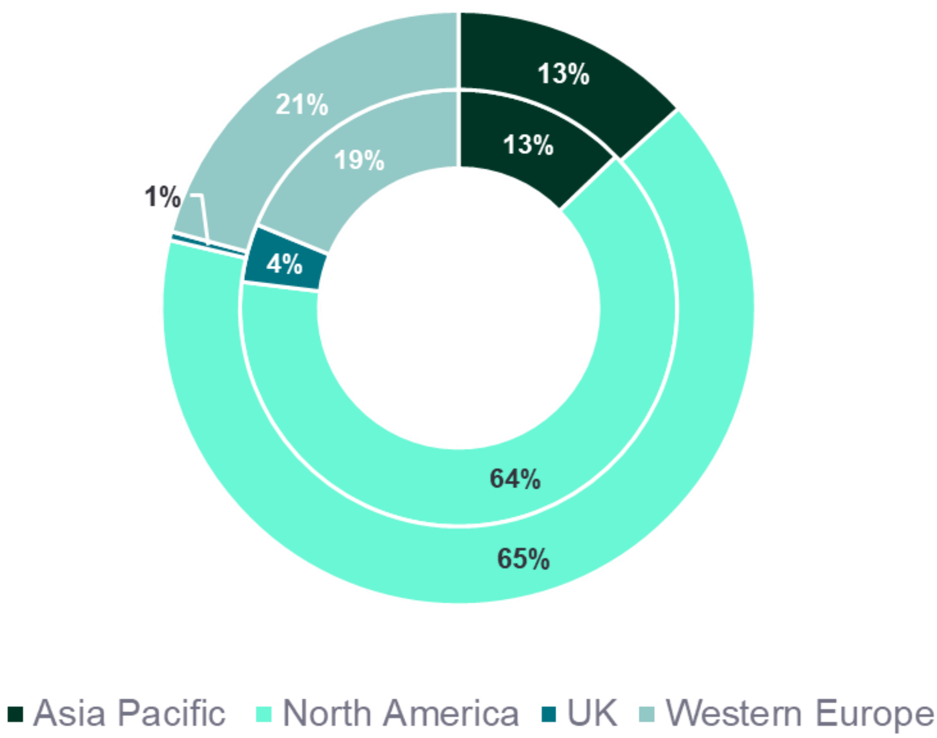
Table 2. A larger investment team has led to an increase in engagement activity in 2022

Engagement activity	2020	2021	2022
Number of engagements	112	156	201
Number of companies engaged	38	41	42
Number of companies held in WHEB funds throughout 2022	47	52	68
% of portfolio engaged	81%	79%	62%

By geography

Our engagement was broadly in line with the geographical exposure of the global strategy in 2022, which is consistent with previous years (Figure 14).

Figure 14: Engagement continued to be broadly in line with the underlying exposure of the strategy in 2022



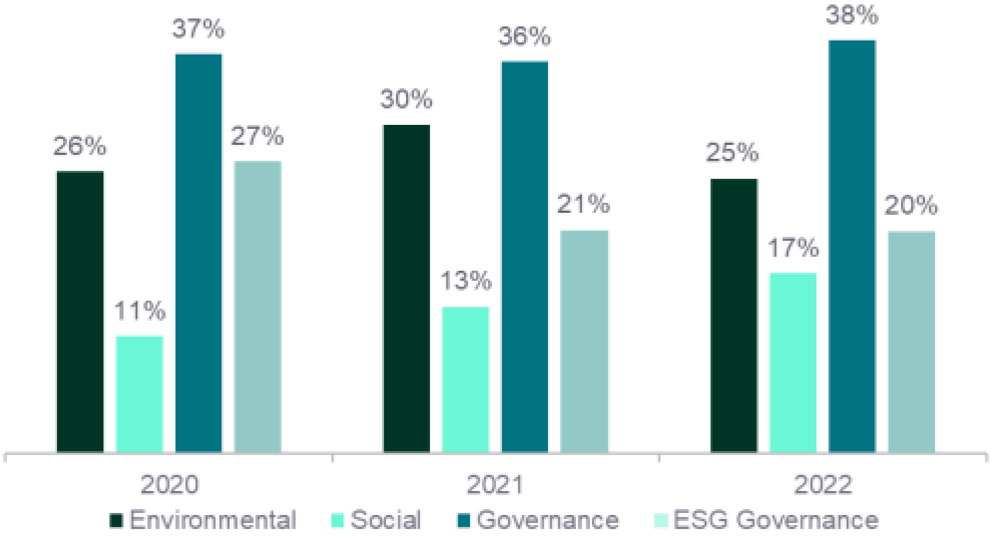
Geographic exposure of the global strategy (inner ring) and the corresponding engagement in that region (outer ring)

By topic

As in the year before, corporate governance issues continued to be the focus of WHEB's company engagement, representing 39% of our engagement (by count) in 2022. Environmental issues were the second most frequent (26%), followed by ESG governance (18%), with social issues being the least (17%) frequently occurring issues in our engagement (Figure 15):

- Within **corporate governance**, our efforts remained centred on director independence (10%), auditor independence (9%) and executive remuneration (9%). These issues dominate our engagement (in terms of volume) and we expect that they will continue to as they present such a large challenge to the investment management industry. For example, average CEO pay was 324 times that of their median worker' in 2022, up from 299 times in 2020 and 264 times in 2019.[45] Other governance issues that we engaged on include authorised capital, board independence, combined CEO/chair, committee independence, donor safety and benefits, shareholder rights and tax.
- As one of our proactive engagement themes in 2022, net zero carbon targets and strategies and greenhouse gas emissions comprised the majority of engagement on **environmental** issues, totalling 17% together. We also ramped up efforts on hazardous chemicals (5%), due to our involvement with various investor initiatives, as outlined under Principle 10, and continued to engage on biodiversity (2%). Other environmental topics include animal rights, conflict minerals and supply chain oversight.
- Sustainability criteria in executive compensation plans was the main issue (10%) we addressed under **ESG governance**. However, with the addition of the Impact Research Team, we were also able to engage on product impact more than ever before (4%) and we hope to increase our engagement on this in 2023.
- As in recent years, gender diversity was at the heart of our engagements on **social issues** (9%) however, we also covered drug pricing, employee health and safety, labour rights, human rights and human capital under this topic.

Figure 15: Company engagement by topic has remained fairly consistent since 2020



Effectiveness

We have historically rated the success of each company engagement as either 'successful' when the company agrees to amend its approach, 'partially successful' when the company acknowledges the issue but does not commit to change and 'unsuccessful' when the company either does not respond to us or refuses to amend its practices.

[45] The average pay of the 100 Most Overpaid CEOs as tracked by As You Sow was $38,192,249, up 30.6 percent from last year's average of $29,233,020. https://www.asyousow.org/report-page/the-100-most-overpaid-ceos-2023

Until 2021, there had been a general upward trend in successful or partially successful outcomes and general downward trend in unsuccessful outcomes. This changed in 2021, when we noticed a decline in the number of successful engagements and a sharp increase in the number of partially successful engagements (Figure 16). At the time, we attributed this to prioritising more demanding and long-term engagement objectives for example, moving from requesting sustainability disclosures to setting net zero carbon targets.

In contrast, there was a slightly more equal balance of outcomes in 2022; 27% were successful, 32% were partially successful and 35% were unsuccessful (a remaining 6% were ongoing at year-end).

We look at trends in our engagement outcomes to understand how we can be most effective, though this has become difficult to do in the last two years. It has also become apparent that recording engagement outcomes as successful / partially successful / unsuccessful lacks sufficient detail to draw insights and conclusions about effectiveness against engagement objectives.

In early 2023 we subsequently introduced 'objective milestones', which we think acknowledge the key stages of progress in a long-term engagement aimed at changes in company strategy or governance (Figure 17). We believe these milestones provide a better framework for tracking engagement progress, which, along with upgraded IT systems for monitoring engagements, should improve WHEB's future ability to identify and report on engagement progress and outcomes. We began reporting objective milestones in our Q1 2023 report and have included them in case studies in this report, where appropriate.

Figure 16: Company engagement effectiveness (2014 – 2022)

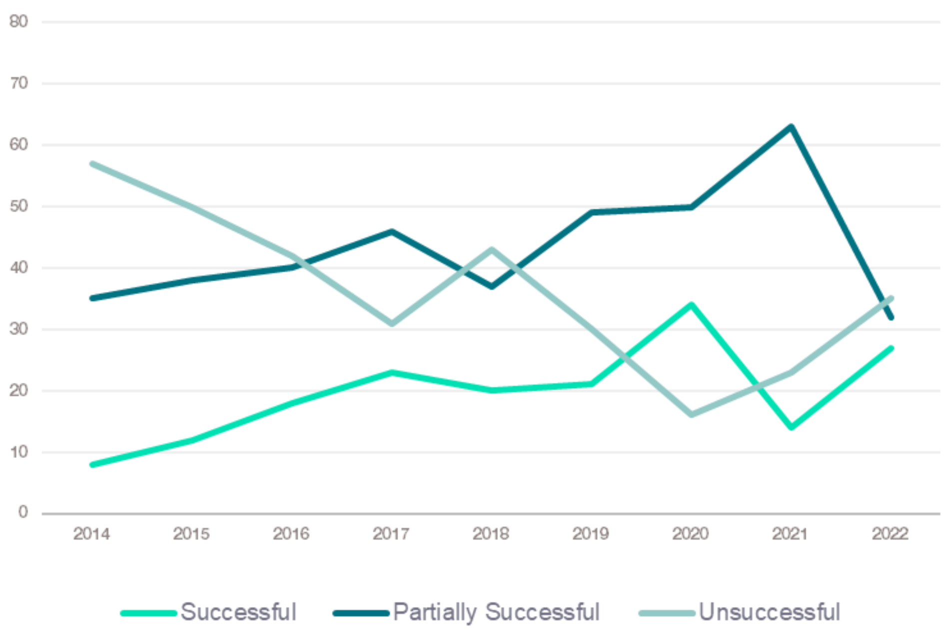
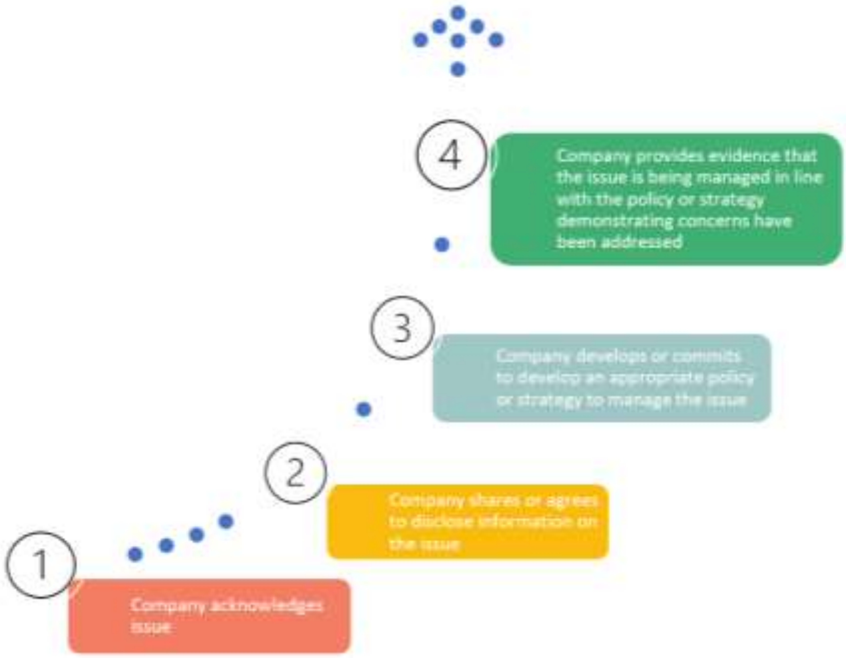


Figure 17: Engagement objective milestones enable more granular monitoring and reporting of progress against long-term objectives



Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers

WHEB's approach to collaborative engagement

Industry networks and associations

In addition to the contribution that WHEB makes at the level of an individual enterprise, we also believe that our contribution is important at a wider level. As a business, WHEB explicitly seeks to shape the wider financial system to support and enable more positive outcomes. We do this through our engagement downstream with regulators, policymakers and standard setters, as well as upstream back to clients and their advisers. WHEB is also represented in several industry initiatives aimed at supporting long-term sustainable investing. A full list of these initiatives is available on our website and is included below in Table 3.

WHEB's contributions to these efforts includes sharing our thinking and collaborating, including in the promotion of sustainability issues to investee companies, as well as by hosting, participating and/or speaking at conferences and seminars and through the WHEB blog.

Collaborative engagement

Collaborative engagement is an important tool for institutional investors to influence both portfolio companies and the financial system as a whole. Where asset managers or owners collaborate with other investors to engage an issuer to achieve a specific change, or work as part of a coalition of wider stakeholders to engage on a thematic issue, there can be advantages in doing so bilaterally, because:

- Investors may enjoy enhanced power, legitimacy, and urgency as their collective weight behind a unified message can be more difficult for company management to ignore. This is especially helpful as an escalation tactic where previous attempts to engage or effect change when firms are acting individually have been unsuccessful. We have found this to be a particularly effective approach **when previously discussing net zero carbon targets with Intertek**[46] alongside another investor.
- Collective expertise and research can be shared and developed amongst group members, supporting knowledge and skills sharing, with wider-ranging effects beyond the scope of the engagement. For example, **WHEB has benefited greatly from the expertise of ChemSec when engaging on hazardous chemicals**[47] in an initiative that has effectively combined the NGO's technical knowledge with the clout of a number of institutional investors.
- Efficiency gains can be achieved where companies are collaborating but would have otherwise engaged the same company separately, therefore reducing duplication of work (for both investors and issuers) and potentially costs, as was the case when we engaged **Aptiv on labour standards**[48] alongside another sustainability-focused investor.

We seek to collaborate with other investors to effect change in investee companies where we consider it appropriate, consistent with our investment policies and having considered potential legal and regulatory consequences (including conflicts of interest and insider information). This will typically take the form of a joint letter initially, followed up with a meeting or conference call.

As shown in Table 3, WHEB is involved in a large number of industry networks and initiatives, many of which support our collaborative engagement. We believe that these networks are most effective for amplifying our voice due to the scales achieved when many organisations come together, and many align with our proactive approach. Collaborative engagement outside of industry initiatives (for example, with one or a small number of other investors) is often, but not always part of an escalation strategy.

[46] https://www.whebgroup.com/intertek-case-study
[47] https://www.whebgroup.com/hazardous-chemicals-engagement-case-study-2023
[48] https://www.whebgroup.com/aptiv-engagement-case-study

We may also be invited to participate in collaborative engagement targeting investee companies by third parties (for example, via the Climate Action 100+ (CA100+)) or other investors. We elect to be involved in such initiatives on a limited basis and only where the issues are of relevance to our investee companies, and we aim to lead any engagement initiative that focuses on companies held in our portfolios.

To support our engagement with stocks held in the iMGP fund, WHEB has joined the European network for shareholder engagement Shareholders for Change (SfC) as of April 2023.

Collaboration and escalation

Collaboration is also an explicit part of our Escalation Policy for engagement. We typically act to involve other like-minded investors in our engagement activity where we have not been successful in our bilateral engagement with a company. This is covered in more detail under Principle 11.

CASE STUDY: Collaborative engagement

Engaging Daikin on zet zero via CA100+

DAIKIN	**Daikin's core business is in manufacturing energy efficient air-conditioning and refrigeration equipment including air conditioners, heat pumps, air purifiers and water boilers for both commercial and residential use. The company also produces chemical products including refrigerants used in air-conditioning systems, as well as a small business selling hydraulic equipment for industrial machinery. Its chemical business supplies products used in the renewable energy, battery and healthcare sectors.**
Objective	Progress on net zero carbon targets and strategy.
Background/ Issue	WHEB has been engaging Daikin on the topic of carbon via the CA100+ for several years now. Through this initiative, we have seen success with the company setting a net zero carbon emissions target of 2050.[49]
Actions	In 2022 we continued work done the year before that focused on strengthening the quality of the company's strategy for achieving this target. Specifically, within this workstream, WHEB was involved in discussions with CA100+ on engagement tactics, requesting disclosure of targets by scope and requesting a report on lobbying activities and product development. We also suggested how to refine and improve the strategy.
Outcomes	**Partially successful/Milestone 2** Partially Successful. This ongoing dialogue with Daikin has been effective in achieving progress and enriched our understanding of the challenges the company faces. For example, Daikin is limited in its ability to influence Scope 3, but is working to promote inverter-enabled AC systems which allows great energy efficiency. The company has also co-established the GX public/private collaborative working group for accelerating action

[49] See page 41 of the 2021 Stewardship report for details of previous experience engaging Daikin on net zero with the CA100+: https://www.whebgroup.com/assets/files/uploads/20220429-wheb-asset-management-stewardship-report-january-december-2021.pdf

on climate, which we hope to learn more about in further conversations, particularly where activity is policy-related.

CASE STUDY: Collaborative engagement

Engaging SolarEdge with a like-minded peer

SolarEdge manufactures inverters and power optimisers for residential and commercial solar systems. Solar inverters convert the DC power produced by solar panels to AC, which is used to power electronic appliances and devices. SolarEdge's accompanying power optimisers are fitted to each solar module and track the maximum power point of each individual panel, increasing the energy output of the overall solar system. The company also manufactures energy storage solutions and electric vehicle (EV) chargers for the home and is also growing its position in electrical powertrain units and batteries for EVs themselves. SolarEdge is headquartered in Israel but listed on the US stock exchange.

Objective

Develop a strategy to achieve net zero emissions by 2050 at the latest, in line with the Science Based Targets initiative (SBTi).

Background/ issue

Despite SolarEdge expecting to be a key beneficiary of an increased drive to reach net zero carbon targets by governments, we had been frustrated with the emissions target the company had set for itself – 30% reduction in emissions intensity by 2025. Previously, our efforts to engage them on this topic had not been productive. We therefore took the opportunity to work with another sustainability-focused asset manager that had had a similar experience with SolarEdge.

Actions

The process that followed involved the joint preparation of an engagement document by WHEB and the other investor, in which we outlined our clear expectations for the company. This was followed by a call with SolarEdge's Corporate Secretary which provided greater insight into the company's progress against both objectives.

Outcomes

Partially successful/Milestone 2

Unfortunately, the company is unlikely to progress from a carbon intensity based target and set an absolute emissions target. This is due to concerns that such a target might be difficult to achieve due to the rate of the business's growth. They do, however, plan to set an absolute emissions target once the growth rate has stabilised.

We will need to continue monitoring the company's progress on setting an absolute emissions target, as a stabilisation of the growth rate may be several years away. As is often the case when engaging on these topics, our efforts will continue over the long-term and will likely span multiple years.

CASE STUDY: Collaborative engagement

Engaging Ecolab and Linde on hazardous chemicals

Ecolab sells cleaning products and services to restaurants, hotels, hospitals, food and beverage producers and other businesses. The company has a particular focus on energy and water efficiency. Ecolab has developed a range of products and services that help to reduce, and in some cases even eliminate, the use of water in a wide range of industrial applications. In turn, this helps to lower costs through a reduction of energy and water impacts.

Linde Plc produces and distributes industrial gases. The company operates globally supplying oxygen, hydrogen and other gases to a very wide range of downstream markets including the manufacturing, petrochemical and electronics industries. The gases are used in a variety of applications including in making manufacturing processes more efficient and reducing harmful emissions. The company is establishing a strong presence in the green hydrogen market and also sells oxygen and other gases into the healthcare sector.

Objective

Achieving increased transparency around the use of hazardous chemicals and a reduction in their use within the chemicals industry.

Background/ Issue

Engaging with companies in the strategy on this topic is something we have done since 2012. There has been progress, at least in terms of transparency, but there is still a long way to go in delivering a real reduction in the prevalence of hazardous chemicals on the market and in the wider environment. Over the course of 2022, we have been involved in two initiatives and engaged three companies on the topic.

Actions

In December 2021, WHEB was one of a number of investors representing $41 trillion in assets that called for chemical manufacturers to phase out hazardous chemicals, particularly persistent and prior-informed-consent (PIC) substances. As part of this initiative, we lead on engagements with Ecolab and Linde.

- **Ecolab:** In mid-May we hosted a call on behalf of the investor group with Ecolab's Head of Sustainability. The company clearly acknowledged the need to move away from hazardous chemicals and had identified nonylphenol, a product used in their detergents, as a candidate to phase out. Ecolab has worked with other companies to identify alternative products such as enzymes to replace nonylphenol and has set a date of 2030 to complete the phase-out. It has also been proactive in sharing more data – for example with the Chemical Footprint Project – and for pushing the phase-out agenda with other companies in the industry. However, little of this data is publicly available and we encouraged the company to be more proactive in sharing this information publicly. We also understand that the company uses 15 other substances that are classified as substances of very high concern (SVHCs). The company disputed this, and is in the process seeking clarification. WHEB continues to engage Ecolab on this issue and is now working with ChemSec via its Investor Health Initiative on Chemicals to inform and support our approach.

- **Linde:** Like Ecolab, Linde is scored relatively highly by ChemSec, the NGO that is supporting our engagement. However, in recent years Linde has seen its ranking fall. We met with the company's Head of Investor Relations and Head of Sustainability in early May to discuss the company's approach. Most of Linde's products are derived from ambient air and are not therefore considered to be toxic. However, the company does provide three products that are considered hazardous – the company was keen to stress that together these products account for around 1% of sales. The company does also have a commitment to phasing out hazardous chemicals 'where possible'. They have committed to finding alternatives to hexavalent chromium for example – but have only set a target to find alternatives by 2028 (with phase-out at an unspecified future date). We are keen to see the company adopt a more proactive stance on the phase-out of these chemicals. We also believe, like Ecolab, that they could be much more open about their exposure to hazardous chemicals and the issues that make phase-out a challenge. We later wrote a letter to the chair of the company's new board-level Sustainability Committee with these points and continue to pursue further progress with the company.

Later in the year, in September, Seb Beloe was part of a sub-group of investors to give further feedback on a new letter under the same initiative calling for further action from companies, including:

- Increasing transparency through disclosure of which hazardous chemicals are being manufactured. A timebound plan for the phase out of persistent chemicals, such as PFAS, especially in light of the increased regulatory risk facing these chemicals in the EU and US.
- To further improve dialogue with the NGO ChemSec.

This letter was sent to over 50 companies in September, and given the success of the previous years' engagement, we hope to see companies engaging with ChemSec to act on the above.

Outcomes

Partially successful/Milestone 2

Partially successful and ongoing. As noted above, we are at various stages of progress with each company and the two initiatives. The very nature of the requirements means that this continues to be a long-term engagement campaign for WHEB and the industry.

Table 3: WHEB's involvement in industry initiatives and networks in 2022

Initiative/ organisation	Background	WHEB's participation	Its effectiveness	Affiliate since
B Corps	B Corps certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.	WHEB Asset Management has been a Certified B Corporation since 2016. Katie Woodhouse and Laura Grenier are co-leads of the B Corp Finance & Investment Net Zero Sub-Working Group. The objective of this group is to curate and share challenges, learnings, and best practice amongst members regarding carbon measurement, auditing and offsetting. We focus on collaboration and knowledge sharing to guide members through their B Corps net zero journey. The group is best suited to those leading in the measurement and offsetting process within their company. George Latham, Managing Partner, is a B Corps Ambassador.	Outcomes from the working group in the past year include engagement with common suppliers on setting net zero carbon targets and the measurement of emissions, as well as researching projects in the UK to meet offsetting obligations and generate other co- benefits, such as rewilding.	2016
CA100+	This is a collaborative engagement initiative focused on major carbon emitters.	WHEB is involved in collaborative engagement initiatives with companies (e.g. Daikin, Trane) and has worked with CA100+ since 2020.	The ongoing CA100+ campaign with Daikin has been effective in achieving progress and has enriched our understanding of the challenges the company faces. For example, Daikin has set out its Vision 2025 strategy to achieve net zero carbon emissions. This includes working to promote inverter enabled AC systems which allows great energy efficiency. The company has also co-established the GX public/private collaborative working group for accelerating action on climate change, which we hope to learn more about in further conversations, particularly where activity is polic- related.	2020
Carbon Disclosure Project (CDP)	The CDP is an international, not-for-profit organisation providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information.	WHEB has been a signatory since 2012, assists with research projects, speaks at events and completed our 2022 disclosure.	Please review our latest CDP response here: https://www.whebgroup.com/assets/files/uploads/wheb-cdp-response-2022.pdf	2012
European SRI Association (Eurosif)	Eurosif is a pan-European association promoting sustainable finance at European level – encompassing the EU, the wider EEA and the UK.	WHEB has been a signatory since 2012 and has been awarded the Eurosif Transparency logo for the past ten years.	Please review our transparency statement here: https://www.whebgroup.com/reporting-impact-investment/external-reports	2012
Finance for biodiversity pledge	The Finance for Biodiversity Pledge is a commitment from financial institutions to protect and restore biodiversity through their finance activities and investments.	Financial institutions that have signed the Finance for Biodiversity Pledge can become members and join the working groups of the Finance for Biodiversity Foundation. We became a signatory in December 2022 and will become more involved with the initiative throughout 2023.	As the pledge is relatively new, we are unable to comment on its effectiveness as yet.	2022

FRC Stewardship Code	The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.	WHEB has been a signatory to the Stewardship Code since 2012.	The UK Stewardship Code is widely considered to have improved the quality of engagement and encouraged resources available for stewardship across the market. Stewardship has been a core part of WHEB's investment process for a long time. We are pleased to have seen a deeper level of interest in our work from our investors, which we attribute to the code.	2012
Global Impact Investing Network (GIIN)	A not-for-profit network dedicated to increasing the scale and effectiveness of impact investing around the world.	WHEB has been a core member of the working group defining guidance for impact investing in listed equities since 2021. This Working Group has two main objectives: 1. Understand how strategies delivering impact in listed equities can align with the expectations of the Core Characteristics.[50] 2. Provide reference points for best practice in order to support investors in structuring and deploying effective impact strategies in listed markets.	WHEB's contribution was singled out for praise by the GIIN (quote published in our impact report). Full details of what the Working Group has achieved to date can be found here: https://thegiin.org/listed-equities-working-group/	2021
Institutional Investors Group on Climate Change (IIGCC)	IIGCC is a leading global investor membership body and the largest one focusing specifically on climate change.	WHEB has been a signatory since and member of the Policy Group since 2013. We have also been an active participant in formulating the Paris Aligned Investment Initiative.	Please refer to the Appendix "WHEB public policy engagement 2022" for examples of our work with the IIGCC in 2023.	2013
Net Zero Asset Managers initiative (NZAMi)	An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.	In 2020, WHEB became a founding signatory. In 2022, WHEB participated in surgeries and completed an update on targets. Our CDP response was also part of our commitments to NZAMi	In 2020 we committed to reaching a target in 2025 that 50% of portfolio holdings would themselves have set a target to achieve net zero carbon emissions by 2050 at the latest and that by 2030 100% of the portfolio would have set such a target. In 2022 we reached this 2025 target three years early when 55% of portfolio holdings had set a target to achieve net zero carbon emissions by 2050 at the latest. We believe that our own bilateral engagement efforts have benefited from the significance of this initiative and that it has been a contributing factor to many of our portfolio companies setting net zero targets. In January 2023 we updated our targets and are now committed to having 85% of portfolio carbon emissions covered by a net zero carbon target by 2025 and that by 2028 100% of emissions will be covered by such a target.	2020

[50] In 2019 the GIIN released a set of Core Characteristics of Impact Investing that help consolidate key practices to support investors in the formulation of impact investing strategies and to guide the market in developing effective approaches to impact investing.

Net Zero Carbon 20	NZC20 is an initiative focusing on delivering absolute carbon reductions at the fund level.	WHEB was a founding signatory of the first phase, NZC10, in 2019 and participates in events aimed at promoting the standard.	NZC20 was developed following the success of the Net Zero Carbon (NZC10) target. NZC20 increases the minimum proportion of fund/ portfolio assets that have set a net zero target with a target date of 2030 from 10% to 20%, including those portfolio companies that are subject to engagement. As of Dec 2022, the percentage of WHEB's portfolio that are carbon neutral, or have a net zero target of 2030, was 17%. Additionally, 14% of all engagements in 2022 related to net zero targets and strategies, covering over half of WHEB's portfolio.	2019
Responsible Investment Association Australasia (RIAA)	Responsible Returns is an initiative of the RIAA, which champions responsible and ethical investing in Australia and New Zealand. It operates the world's longest-running responsible investment certification program.	The Pengana WHEB Sustainable Impact Fund has been certified since 2017.		2017
TCFD	The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.	WHEB bases its carbon reporting around the TCFD framework and has been a supporter since 2017. Our current carbon policies, commitments and reporting respond to requirements.	TCFD is a key platform for rigorous reporting on company (and investor) approaches to managing climate risk. However, it does not provide sufficient guidance on how to address exposure to climate solutions which is a key focus for our strategy.	2016
The Big Exchange	The Big Exchange is a mission-led business that is striving to build a new financial system in the UK that works for everyone and delivers a positive impact on people, and the planet.	WHEB is a founding partner, and Seb Beloe is a member of the impact advisory board of this pioneering new investment platform launched by Big Issue Invest.	The Big Exchange has been the recipient of a number of awards in recognition of its work in sustainable and ethical investing. **https://www.bigexchange.com/our-blog**	2019
UK Sustainable Investment and Finance Association (UKSIF)	UKSIF exists to bring together the UK's sustainable finance community and support our members to expand, enhance and promote this key sector.	WHEB has been a member since 2009 and is regularly involved with events and initiatives including for example helping to develop responses to the UK government's sustainable finance proposals (e.g. the Sustainability Disclosure Requirements).	Please refer to the Appendix "WHEB public policy engagement 2022" for examples of our work with UKSIF in 2023.	2009
Principles for Responsible Investment (PRI)	The PRI works to support investors in incorporating environmental, social and governance (ESG) factors into their investment and ownership decisions.	WHEB has been a signatory since 2012.	Please refer to the Appendix "WHEB public policy engagement 2022" for examples of our work with PRI in 2023.	2012
Engaging the FCA on SDR	The SDR are intended to be the main regulatory tool to substantiate sustainability claims and disclosures against minimum safeguards, an important first step to enact the UK's Greening Finance Roadmap	Please refer to our recent blog covering this topic: **https://www.whebgroup.com/our-thoughts/whebs-view-on-the-fcas-proposals-for-sustainable-disclosure-requirements-sdr**	This work remains ongoing. Please refer to the Appendix "WHEB public policy engagement 2022" for examples of our work in this area in 2023.	2022

Investor Initiative on Hazardous Chemicals	The Investor Initiative on Hazardous Chemicals (IIHC) is an investor-led initiative that encourages chemical companies to increase transparency and stop the production of persistent chemicals.	Please refer to the above case study covering our engagements with Ecolab and Linde on hazardous chemicals.	This work remains ongoing.	2021
ESMA	The European Securities and Markets Authority has consulted on 'guidelines on funds' names using ESG or sustainability-related terms	WHEB has participated in this consultation working in particular with the Global Impact Investing Network to share our views on the definition of 'impact investing'.	The final rules will have a major bearing on the definitions and labelling requirements for funds like WHEB's that use sustainability- and ESG-related language.	2021

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers

As described under Principle 9, WHEB's engagement approach includes a combination of proactive and reactive engagement. Our Escalation Policy was updated in early 2023, as outlined under Principle 5, and can be summarised in the following steps:

1. Where WHEB votes against company management's recommendations (or abstains from voting), it is our policy to write to company management after the vote to explain our vote rationale, based on WHEB's Voting Policy.
2. Writing to company management after voting often (but not always) initiates an engagement dialogue. Initial dialogues may be via letters, emails, calls or meetings (via video call or in person) and aim to discuss the engagement issue with management, as per the objectives and relevant milestones.
3. After careful analysis of the company's response to initial engagement efforts, a decision will be made as to whether escalation is warranted:
    a. Within three to six months of the initial contact with the company on this engagement, the responsible analyst supported by other team members may send chasers to the company to prompt a response, if appropriate.
    b. If, after this three to six month window the company has not responded or refuses to amend its practices, the engagement becomes a candidate for escalation. In some cases, where our analysis shows that this is justified, a period greater than six months for a company to respond may be allowed. Using the three to six month timeframe as a starting point ensures that matters are pursued internally. Timescales for the achievement of objective milestones are case specific and feed into decisions as to what various escalation methods are used and when.
    c. Engagements where the company agrees to amend its approach are successful and do not warrant escalation.
4. A decision to escalate bilateral engagements may result in the responsible analyst raising the matter with more senior members of company management. If this is unsuccessful, we will seek collaboration with other institutional investors. We seek collaborations to effect change in investee companies where we consider it appropriate, consistent with our investment policies and having considered potential legal and regulatory consequences (including conflicts of interest and insider information). In these cases, we may work with other institutional investors to put our concerns to the company jointly. This will typically take the form of a joint letter initially, followed up with a meeting or conference call.
5. Ultimately if this approach is also unsuccessful, we may use our voting rights to effect change through, for example, filing or co-filing shareholder resolutions or voting against the re-election of key board members with oversight for the function relevant to the engagement issue.
6. Should these efforts be unsuccessful, we may reduce or sell investments in the investee company concerned.

CASE STUDY: Escalation of engagement

Engaging J.B. Hunt on net zero

J.B. Hunt provides logistics and transportation services in the US. The company's main service is providing 'intermodal' services, where truckloads are carried by rail over long distances before being transferred back to road for final delivery. Using rail in preference to road in this way results in dramatic emission savings. J.B. Hunt also provides a technologically enabled brokerage service which helps to optimise routes and reduce empty haulage miles. This also reduces emissions from freight transport.

Objective

Voting against the chairman as the company had no commitment to net zero targets.

Background/ issue

WHEB's voting policy recommends a vote against the re-election of the board member with responsibility for sustainability or in the absence of this role, a vote against the re-election of the chair of the main board where the company has not set a net zero carbon target to be achieved by 2050 at the latest.

Actions

We wrote to the company to explain our reasons for voting in the way we did at its AGM in April 2022, as per our Voting Policy. At that point in time, we had already begun a dialogue with J.B. Hunts Chief Sustainability Officer and its Investor Relations on their approach to net zero and so in our letter acknowledged these discussions and the progress being made here.

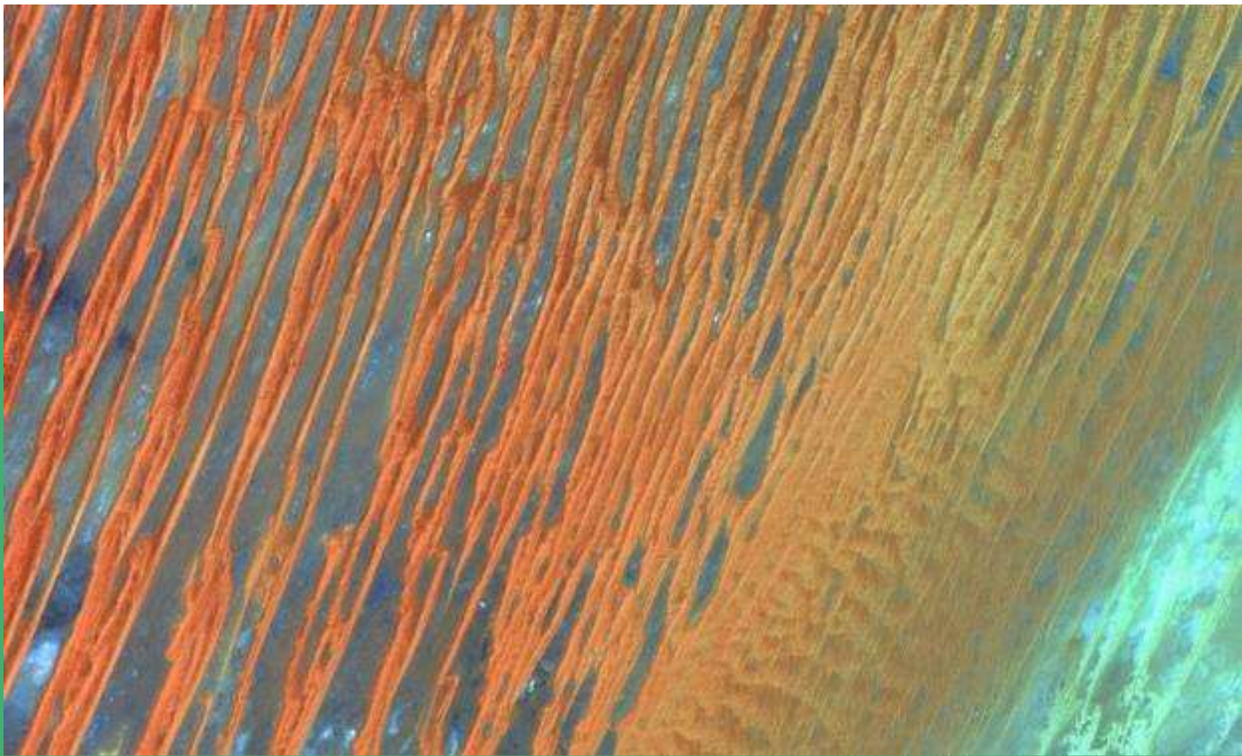
Outcomes

Partially successful/Milestone 2

Outside of this voting activity, we have been engaging with J.B. Hunt extensively on their net zero Carbon strategy throughout 2022. The companys commitments are clear and we can see where they are taking action to achieve their goals. Management is knowledgeable in this space and looking at setting science-based targets, though these are currently not feasible based on OEM projections for production volumes in electric vehicles (EVs). In the meantime, the focus is on improving efficiency and reducing energy intensity.

Accountability for sustainability is a core focus for us, along with reducing the emissions from our portfolio under our Net Zero Asset Manager initiative commitments. This is an ongioing campaign and we will continue to engage the company, particaulrly with regards to its potential EV truck capacity.

Section 4: Exercising rights and responsibilities



Principle 12: Signatories actively exercise their rights and responsibilities

WHEB's approach to voting at company meetings

As equity holders, our voting rights are an opportunity to exercise progressive influence on investee company strategy and governance. We therefore endeavour to vote all our shares, following the guidelines set out in WHEB's Voting Policy.

To achieve effective outcomes, we use voting to complement our other stewardship strategies. Our objective is not just to fulfil an obligation as part of a siloed process, but to use voting alongside wider engagement with company management to achieve a change in policy or performance.

For example, when voting against management's recommendations[51] WHEB's, policy is to explain to the company why we have done so which often leads to further dialogue with management. This way, even if the vote outcome is not what we hoped for, our time has been well spent, as the activity has enabled a conversation with the company, which we find most effective for driving change.

WHEB's Voting Policy is therefore primarily designed to guide voting on core governance and sustainability issues in relation to routine proposals. For instance, where there is no board-level responsibility for sustainability, our policy recommends a vote against the election or re-election of the chair of the board.

Quick links

WHEB's voting policy

Routine resolutions occur far more frequently than shareholder resolutions relating to ESG issues. In 2022 a mere 1% of the resolutions WHEB voted on were proposed by shareholders and none related to environmental or social issues (in 2022 a total of 6 out of 583 resolutions were proposed by shareholders and related exclusively to governance issues). This is likely because WHEB's investee companies tend to avoid major social or environmental controversies and do not therefore attract regular shareholder resolutions.

WHEB's approach is uncommon amongst fund managers, as many voting policies, especially those offered by proxy advisers, tend to focus voting guidance on sustainability issues only in relation to shareholder resolutions.

However, we find it advantageous to have a highly proactive policy that enables opportunities for conversations with company management and to exercise good stewardship. Combined with the high standards we require from our companies. this reinforces WHEB's impact-focused investment strategy.

Transparency and accountability are central to WHEB's philosophy, so reporting voting activity is important to us. We have published all our voting activity, including voting rationale, for a long time now.[52] This is more resource-intensive than publishing summary statistics, which, whilst helpful (and we do also publish these quarterly and annually), do not tell the whole story. Qualitative justifications linking activity and policy ensure accountability to our investors and provide assurance that capital is being managed in line with our policies.

WHEB's Proxy Voting Policy

Our Proxy Voting Policy is intended to promote long-term shareholder value creation and risk mitigation at portfolio firms through support for responsible global corporate governance practices.

Proxy advisors

We typically use the services of specialist proxy voting agencies to advise on voting policy and facilitate voting shares listed on stock exchanges around the world.

Whilst we consider the recommendations of advisory services in how we vote our shares, the Investment Team assesses each individual company vote against our own internal policies before agreeing on how to vote.

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[51] We also typically write when we abstain from a particular vote. In some cases, companies have policies which only offer investors the option of voting for a policy or abstaining.
[52] https://www.whebgroup.com/investing-for-impact/stewardship/voting-records

Stock lending

Our policy is not to undertake stock lending from any WHEB funds. Clients in segregated accounts may direct voting. We have found that our Voting Policy covers clients' voting requirements and, in many cases, goes above and beyond their expectations.

Activity and outcomes

We typically vote against or abstain on at least one vote at more than three-quarters of all company meetings.

In 2022 WHEB cast votes on 100% of the resolutions at 100% of the company meetings at which we were entitled to vote in that year. The key figures are summarised in Table 4 below.

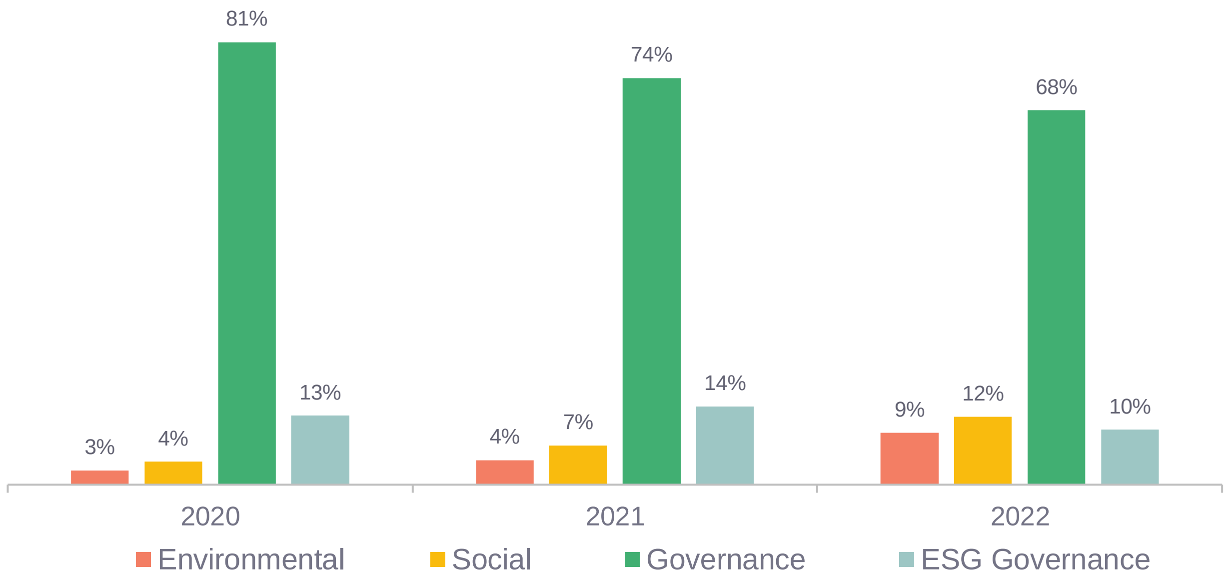
Table 4: Voting activities in 2022

	Number	Proportion of total
Meetings voted at	45	100%
Meeting with at least one vote against management	36	80%
Votes against management	102	18.5%
Votes with management	441	80%
Do not vote	0	0%
Votes withheld	13	2.4%
Votes abstained	2	0.4%
Resolutions voted	558	100%
Votes against ISS	108	19.6%

In addition, we report on the topic of the votes where we elected to vote against management's recommendations. In 2022, of the 102 occasions where we voted against management, 68.2% were on corporate governance issues (especially auditor independence, director independence and executive remuneration); 9.4% were linked to environmental issues, mostly carbon reduction targets; and, social issues accounted for 12.4%, the majority aimed at improving board-level gender diversity (see Figure 18 below). This pattern is very similar to that seen in 2021.

We believe that our voting largely centres around governance issues, because our portfolio companies provide solutions to sustainability challenges and consequently are not typically targets for shareholder resolutions focused on social and environmental issues. As mentioned earlier, our escalation process of writing to company management provides an opportunity to widen the scope of engagement to cover environmental and social issues too.

Figure 18: Votes against management by topic 2020 - 2022



CASE STUDY: Proxy voting

Voting on net zero at MSA Safety's AGM

Founded in Pittsburgh in 1914, MSA originally stood for 'Mine Safety Appliances'. This was changed in 2014 to 'MSA Safety' to reflect the broader range of products the company has developed. Today, MSA still manufactures products such as fixed gas- and flame-detection systems which are used across industry. They are also a leading manufacturer of self-contained breathing apparatus and fire helmets for firefighters as well as fall-protection equipment for working at height.

Objective	Encourage the company to set a net zero carbon target.
Background/ issue	WHEB's Voting Policy requires a vote against the election of the chair or lead director where the company does not have a net zero carbon target. It also requires us to write to company management to explain our reasons for voting against its recommendations.
Actions	We wrote to the company to explain our reasons for voting in the way we did at its AGM in 2022, as per our Voting Policy. Initially the company did not respond to this letter, but later in the year, our Associate Fund Manager Victoria MacLean met the company's Investor Relations Director at a conference where she raised the topic again.

Outcomes	**Successful/Milestone 3** After this discussion, MSA asked for WHEB's input in setting such a goal. We have since given full feedback and detailed insights. This included our own perspective on sustainability and the internal targets that we work towards at WHEB. In addition, we provided details on what we expect from companies when they set carbon targets and strategies. WHEB is delighted to see one of our portfolio companies take proactive steps towards creating beneficial real economy impacts and we will continue to support MSA in setting a net zero strategy and targets.

CASE STUDY: Proxy voting

Voting on gender at Trimble's AGM

Trimble	**Trimble is the leading provider of location-based solutions which contribute to efficiency and productivity improvements. It operates predominantly in the construction, transport and agriculture end markets, where we expect the company to benefit from increasing demand for efficiency improvements. The company is listed in the US but derives around 50% of its sales from countries outside the US.**
Objective	Understand the company's approach to improving gender diversity at board level.
Background/ Issue	Per our Voting Policy which recommends a vote against the chair of nominations committee where a company lacks board-level gender diversity, we voted against the election of Director Meaghan Lloyd at Trimble's AGM in May 2022.
Actions	Where we vote against company management or abstain, we typically write to the company in question, explaining our reasons for doing so and seeking further engagement as appropriate. This communication takes place after the vote.
Outcomes	**Successful/Milestone 3** Successful. Whilst the resolution itself still received a majority vote, we were pleased to learn later in the year that sustainability KPIs had been introduced to compensation from 2022 onward. This included KPIs relating to gender and ethnic diversity. The company has also introduced policy changes in light of Roe v Wade, making it easier for employees to travel out of state to receive healthcare.

CASE STUDY: Shareholder resolutions

Voting on a shareholder resolution at Danaher's AGM

DANAHER

Danaher is a diversified business that designs, manufactures and sells laboratory equipment and consumables to clinical and medical laboratories including microscopes, analytical software and imaging and molecular devices. These tools are used in the development of new drugs and for diagnosing critically ill patients. In addition, the company also designs, manufactures and sells equipment to test and treat water (including UV water treatment systems). Overall, Danaher's products offer improved efficiency and reliability.

Objective

Protect shareholder ability to use the special meeting right

Background/ Issue

For WHEB's portfolio companies, routine resolutions occur far more frequently than shareholder resolutions relating to ESG issues. In 2022 a mere 1% of the resolutions WHEB voted on were proposed by shareholders and none related to environmental or social issues. This is likely because WHEB's investee companies tend to avoid major social or environmental controversies and do not therefore attract regular shareholder resolutions. WHEB's voting policy is therefore primarily designed to guide voting on core governance and sustainability issues in relation to routine proposals.

Actions

WHEB voted for the Shareholder Proposal '4. Amend Articles/Bylaws/Charter - Call Special Meetings - Reduce Ownership Threshold for Shareholders to Call Special Meeting'. This was against management's recommendations and with ISS.

Where we vote against company management or abstain, we typically write to the company in question, explaining our reasons for doing so and seeking further engagement as appropriate. This communication takes place after the vote. We believe that a vote for this proposal is warranted. Lowering the ownership threshold from 25% to 10% would improve shareholders ability to use the special meeting right and no single shareholder would be able to act unilaterally to call a special meeting at the proposed threshold.

Outcomes

Unknown

We will continue to engage the company on these topics and where we deem them material and escalate as appropriate.

Appendix

WHEB Public policy engagement 2022

Public policy topic	Other orgs	Notes	Quarter in which work took place
2022 Global Investor Statement to Governments on the Climate Crisis	AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, UNEP FI.	At the start of the year, investor groups remained very active in keeping pressure on governments to continue to adopt aggressive action to mitigate greenhouse gas emissions and adapt to anticipated climate change. This included co-signing the 2022 Investor Statement which is the largest collaborative policy statement from investors. In 2021 the statement was backed by over 730 investors representing $52 trillion. The new '2022 Global Investor Statement to Governments on the Climate Crisis' was released over the Summer as part of a programme of measures aimed at building momentum leading up to COP27 at the end of the year. This statement asked for governments globally to enact ambitious policies to leverage private capital required to effectively address the climate crisis in line with limiting global temperature rise to 1.5°C. It also included new areas of focus compared to other years, including tackling methane pollution, climate adaptation and resilience and scaling climate finance for developing countries.	1, 3, 4
Letters to UK Government on stewardship and investor voting rights at company meetings	Minister for Pensions, Occupational Pensions Stewardship Council	In December 2021 we received a letter from the Minister of Pensions asking for our views on the report published by the Taskforce on Pension Scheme Voting Implementation. Separately we had received a letter from the Occupational Pensions Stewardship Council which also sought our views on specific questions regarding the transparency of our voting policies and the alignment with clients. We have responded to both of these initiatives as we too believe that it is important that asset managers are transparent about their voting policies and activity. We also welcome greater client interest in the role that asset managers can play in leveraging their position as owners of public equities in advocating for more progressive policies and behaviours at investee companies. As we hope this report and other client communications makes clear, we take voting at company meetings extremely seriously. We use it to engage with portfolio companies in our efforts to advance higher standards of corporate governance and social and environmental performance. Voting is a key part of WHEB's holistic approach to active management and as an impact manager it is core to our mandate to engage for progressive change with our portfolio businesses. We look forward to further engagements with both the Department of Work and Pensions and with the Occupational Pensions Scheme Stewardship Council on how we can best support our clients' ambitions as regards voting and engagement with portfolio businesses.	1
Green Taxonomy Working Group	UKSIF	Throughout the first part of 2022, the UK Government continued to develop a policy framework to underpin the development of sustainable finance. WHEB has been engaged in responding to the Government's consultations including on the Sustainable Disclosure Regime. In March we wrote to the Government to set out our views on the 'green taxonomy' for the UK. This is a key part of the Government's policies and will, we believe, have an important impact on how the market develops. We welcome the Government's ambition in developing the taxonomy and believe that there is an opportunity to structure the taxonomy in a way that is more explicitly supportive of products and services that are enablers of climate solutions. This is an area that is only partially addressed in the EU's taxonomy, and we believe that the UK's version could develop this area further, while also ensuring that it remains consistent with the broad principles set out in the EU taxonomy.	1, 2
Eliminating Plastic Pollution	Plastic Solutions Investor Alliance	In February 2022 we signed a letter in support of a global treaty on plastic pollution. The letter was put together by the Plastic Solutions Investor Alliance and called on the UN to agree a global treaty to reduce plastic use and eliminate problematic and unnecessary plastics from the global economy. The letter also called on policy frameworks to be developed to ensure a coordinated international approach including common reporting and monitoring standards. In early March, at a meeting involving representatives from 173 countries, an agreement was reached that included the majority of the provisions that we had called for in our letter. This included endorsing a decision to agree an international legally binding agreement by 2024 that would address the full lifecycle of plastic including production, design and disposal.	1
Investor groups call on new UK government to uphold net zero ambition	PRI, IIGCC, UKSIF	Investor groups call on new UK government to uphold net zero ambition. Following her election as the UK's Prime Minister by Conservative Party Members, the CEOs of the PRI, IIGCC and UKSIF wrote to Liz Truss urging the new government to uphold existing net zero carbon ambitions. As active members of all three of these investor groups, we supported this letter which highlighted the importance of investing in a net-zero energy system to deliver energy security and affordability in the long-term. In addition, it called on the Government to 'set out a clear delivery plan for the transition of the real economy and financial services, with credible sectoral roadmaps underpinned by the near-term policies, actions and milestones needed to shift financial flows towards net zero.'	3

Finance for Biodiversity Pledge		The Finance for Biodiversity Pledge is a commitment of financial institutions to protect and restore biodiversity through their finance activities and investments. The Pledge consists of 5 steps financial institutions commit to take:1. Collaborating and sharing knowledge; 2. Engaging with companies; 3. Assessing impact; 4. Setting targets; 5. Reporting publicly on the above before 2025 As financial institutions, they call on global leaders to agree on effective measures to reverse nature loss in this decade, during the Conference of the Parties (COP 15) to the Convention on Biological Diversity (CBD) taking place in Montréal, Canada from 7 to 19 December 2022. Financial institutions that have signed the Finance for Biodiversity Pledge can become members and join the working groups of the Finance for Biodiversity Foundation. With this new round of signatories, the total number of members increased from 56 to 60. The members are sharing knowledge and collaborating on topics such as impact assessment, engaging with companies, public policy advocacy, and target setting. An additional working group on positive impact will start in 2023.	4
Net Zero Investment Plan	UK Government	Private Sector Letter to the Chancellor of the Exchequer, RT Hon Jeremy Hunt on Net Zero Investment plan. Seb Beloe, Partner and Head of Research signed the letter along with other private sector firms businesses and investor organisations, encouraging the government to set out a clear 'Net Zero Investment Plan'. This would underpin the targets in the UK's Net Zero Strategy and we consider it to be a crucial element of the governance architecture required to ensure that the UK reaches its emissions reductions targets in a way that can leverage private sector investment into the UK's net zero transition, boosting growth in the process. The letter proposed that the plan include: A net zero delivery tracker to assess the financial flows in support of our climate and nature goals; an assessment of the investment need for decarbonisation in different sectors; an assessment of the low carbon investment gap for sectors and how these will be bridged. We also propose that an independent unit, such as the Office for Budget Responsibility, be given the role to conduct this tracking analysis on an ongoing basis.	4
Vote Reporting Group	FCA, UKSIF	We provided our feedback to the FCA's Vote Reporting Group in Dec 2022 via UKSIF. The aim of this group is to develop detailed proposals that enhance shareholder vote reporting by asset managers operating in the UK. This work will feed into the design of a comprehensive and standardised vote reporting framework for public consultation in mid-2023. We provided feedback in three areas: 1. We felt that disclosures should enable asset owners to discern the extent to which asset managers take a proactive and progressive approach to voting. This could be, for example, by detailing the proportion of shareholder resolutions versus routine resolutions voted against management's recommendations. 2. We are generally supporting of pre-vote disclosures, however, feel they are resource intensive for smaller firms such as WHEB. We therefore think more effective outcomes could be achieved if asset managers had a way of seeing how peers intend to vote as this could facilitate collaborative voting against management on routine resolutions. 3. WHEB has for a long time published full records of our voting activity on our website. This includes a detailed rationale for every vote against management's recommendations. We would welcome a voting reporting regime and infrastructure that enables asset owners to easily compare and contrast how managers have voted.	4
SDR Consultation	FCA, Various	**https://www.whebgroup.com/our-thoughts/whebs-view-on-the-fcas-proposals-for-sustainable-disclosure-requirements-sdr**	1-4