INSIGHTS

Q2 2022 REPORT

Pengana WHEB Sustainable Impact Fund

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DELIVERING CHANGE

Articulating a theory of change for our investments

With the growth of ESG investing, impact investors have sought to establish core elements that differentiate impact strategies from the vast range of other investment products labelled as 'ESG' or 'sustainable'.

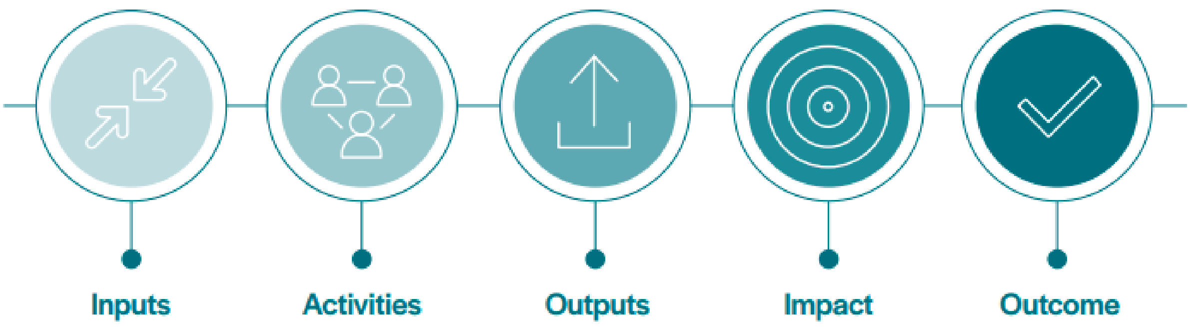
One of these elements is the 'theory of change' that is often implicit within an impact investment strategy. The theory of change is typically connected with a 'problem statement' and sets out the mechanism by which a given investment positively impacts upon the problem.

The importance of clearly articulating a theory of change has been given added emphasis in recent months by the publication of draft guidance from the Global Impact Investing Network (GIIN).[1] Developed by a working group of which WHEB was a part, this document sets out the GIIN's view on what characteristics define an investment in listed equities as being an impact investment.

The 'intentionality' of making investments that contribute to positive social and environmental impacts remains central, but the draft guidance also highlights the importance of setting out a theory of change that describes 'a sequence of cause-and-effect actions or occurrences that the investor believes will accelerate as a result of their actions and will contribute to a set of targeted social and environmental results'.[2]

Figure 1 below shows how conceptually a company takes inputs in the form of materials, capital and labour and through its activities transforms this into output products and services which have a positive impact that in turn lead to positive outcomes.[3]

Figure 1: A theory of change – linking inputs with outcomes



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[1] https://tinyurl.com/3yczcbd6
[2] Ibid
[3] Unhelpfully, definitions of 'impact' and 'outcomes' are not consistent within the industry. Some frameworks switch the order in figure 1 with outcomes leading to final impacts

WHEB's theories of change

At WHEB, we articulate a theory of change for our investment strategy. This is necessarily high-level as it embraces a variety of investment themes. More importantly though, in our view, is that we also provide a clear theory of change for each of our nine investment themes which are also evident at the level of each portfolio holding.

For WHEB's investment strategy, our theory of change states that 'The global economy currently consumes resources at a rate that is unsustainable. WHEB's investment strategy invests in companies that sell products and services that provide solutions to these challenges and that protect and enhance the quality of life'.

Underneath this headline theory of change, the strategy has nine social and environmental investment themes. Each of these is associated with an explicit theory of change or problem statement that the investment theme is related to as well as a company-level theory of change that describes how each individual investment delivers solutions to the problem through the impact of its products and services. An example is provided in figure 2 below. In addition, WHEB's latest impact report, published in late June, includes detailed problem statements for each of WHEB's nine investment themes. The report also discloses how each of the strategy's holdings aligns with these nine themes.[4]

Next steps

At WHEB we are convinced that impact investing has distinctive characteristics that differentiate it from other types of ESG strategy. We also agree with the GIIN that a clear theory of change for investments is one of these characteristics.

The GIIN guidance is still a draft, but we expect that the finalised version will be influential in helping market participants differentiate between impact investors and those investors that take ESG issues more generally into account in their investment processes. The guidance may also help inform the development of regulation, for example in the definition of fund labels.[5] We would encourage clients to provide feedback to the GIIN during the consultation process that is set out in the draft guidance.

[4] See pages 24-25 at https://impact.whebgroup.com/media/2022/06/20220623-WHEB-Annual-Impact-Report-2021.pdf
[5] For example the FSA initial discussion paper on Sustainability Disclosure Requirements (SDR) and investment labels proposed 'impact' as one potential label (https://www.fca.org.uk/publication/discussion/dp21-4.pdf)

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Figure 2: WHEB's theories of change

1

Investment strategy

THEORY OF CHANGE (TOC)

The global economy currently consumes resources at a rate that is unsustainable. WHEB's investment strategy invests in companies that sell products and services that provide solutions to these challenges and that protect and enhance the quality of life.

2

Investment theme

TOC (E.G. RESOURCE EFFICIENCY)

Resource Efficiency – In order to meet a target of net-zero emissions by 2050 and keep global warming to less than 1.5°C, the global economy needs to increase energy efficiency by more than 4% per annum from 2020 to 2030.

3

Company-level investment

TOC (E.G. SILICON LABORATORIES)

Silicon Laboratories (SLAB) designs and manufactures semiconductor chips. These enable the connection of devices by ensuring a reliable and secure connection, a long lifespan and low power requirements and all at a cost that allows connectivity to be scaled to large networks of devices (the 'internet of things'). The direct impact of SLAB's products is to enable devices to be connected to a network allowing better visibility of processes and the ability to improve them resulting in efficiency savings including:

– Better power and energy management

– Predictive maintenance

– More efficient systems and networks (eg water distribution)

– Preventative healthcare through connected medical devices.

The principal related outcomes are a reduced level of global warming resulting from reduced greenhouse gas emissions.

UPDATE ON WHEB'S CARBON EMISSION REDUCTION COMMITMENTS

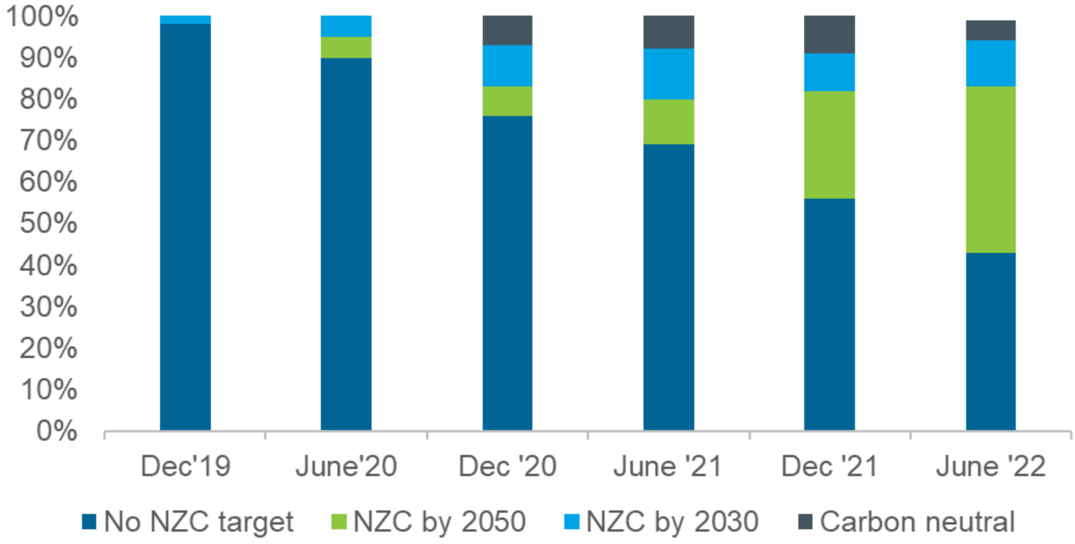
WHEB's core intention is to invest in companies that are proving solutions to sustainability challenges. In addition to the positive impact that these companies have through their products and services, it is also essential that the emissions generated in the manufacture and provision of those products and services are reduced in line with a 1.5°C limit of global warming. Below we give an update on the progress our portfolio companies have made at setting net-zero targets and reducing emissions, as well as the progress WHEB has made at decreasing emissions within our own operations.

Over half of WHEB's portfolio is committed to net-zero carbon emissions

As a signatory to the Net-Zero Asset Managers Initiative, WHEB is committed to ensuring that, by 2030, 100% of our portfolio have set net-zero carbon (NZC) targets and are able to demonstrate alignment with a trajectory towards 1.5°C limit of global warming. At the end of 2020, 10% of our portfolio had committed to being NZC by 2030 with a further 14% committed to net-zero by 2050. Over the course of 2021 and the first half of 2022 we've seen several changes to the portfolio. In early 2021 we sold Kingspan, a supplier of materials and solutions that reduce energy consumption in residential and commercial buildings, which had committed to NZC by 2030. This reduction was offset in early 2022 when we bought Spirax-Sarco, an engineering firm focusing on increasing energy efficiency within industrial processes, which has an equally stringent target. This has led to a small increase to 11% of the portfolio committed to NZC by 2030. Much more significant though has been the dramatic growth from 14% to 40% in the proportion of the portfolio committed to NZC by 2050. Consequently, WHEB has achieved our interim target of having at least 50% of the portfolio committed to achieving NZC emissions by 2050 at the latest. We had hoped to achieve this by 2025 and so have met this target three years early.

Of the 51% of the portfolio committed to achieving NZC by 2050 at the latest, 85% are either in the process of being– or have already been – approved by the Science Based Targets initiative (SBTi). Of the top five emitters in WHEB's portfolio (making up 77% of the total financed emissions), four have committed or had targets approved by the SBTi. This is a key area of focus for WHEB's engagement strategy, with over 16% of our portfolio engagement in 2021 specifically focused on the setting of NZC targets.

Figure 3: An increasing proportion of WHEB's strategy is committed to achieving NZC



Delivering reductions in carbon emissions in the real world

However, the reporting of emissions and the setting of targets is not sufficient to see real-world carbon reductions, it is essential that emissions are actually reduced. At the portfolio level, our financed emissions have decreased dramatically year over year, largely due to the divestment of China Everbright Environment Group, whose main business focuses on waste-to energy. However, there were a number of companies in the fund that did deliver real world carbon emission reductions in their scope 1 and 2 emissions. Of our portfolio companies, 60% reduced their total absolute emissions between 2020 and 2021, with almost 50% achieving a downward trend of total emissions over the past 5 years. Some significant reductions came from Silicon Labs, a semi-conductor and electrical component manufacturer, who have reduced their scope 1 and 2 emissions by 29% since 2018, and Vestas, the world's largest manufacturer of wind turbines, which has managed a 22% reduction in scope 1 and 2 emissions since 2017. Clearly, to limit global warming we need to see absolute reductions in emissions across all the portfolio, and the economy in general.

WHEB's operational emissions

In 2021 we completed the first full estimation of all relevant scope 3 emissions (purchased goods and services, business travel, waste generated in operations, employee commuting). The emissions associated with business travel have been monitored since 2017, and the effect of the pandemic can be clearly seen with a 94% reduction in business travel emissions in 2021 when compared with our 2019 base year. As we begin to travel to see more clients and investee companies, we expect this figure to increase, however we remain focused on reducing this figure to meet our 2025 net-zero carbon target for our operational emissions. One example of this is WHEB's travel policy that requires employees to take the train when travelling for business for any journey that is under 6 hours.

The shift to working from home has caused the employee commuting category, which includes emissions associated with home working, to be the largest contributor to our operational emissions (excluding investments). WHEB has now initiated a hybrid working model with most employees returning to the office for at least two days per week. This will reduce emissions associated with home working. These emissions were calculated using a survey sent to all employees with questions regarding their working from home habits. One result of the survey was confirmation that 88% of WHEB employees are on a “green” electricity tariff, with 22% of employees directly using renewable energy.

Pushing our suppliers to do more

WHEB’s engagement strategy is not purely focused on portfolio companies, but also extends to the suppliers of goods and services to our own operations. For new contracts and contract re-negotiations, we require that suppliers monitor and report their carbon emissions, in addition to setting targets for emission reductions. In 2022, we aim to have 60% of our suppliers setting emission reduction targets, increasing to 80% in 2023. As a B Corp, we aim to work with other B Corps wherever possible which increases our confidence that our suppliers are also committed to managing their environmental impact.

Next steps

Despite the ongoing issue of lack of available data, WHEB’s own data analysis increased in quality when estimating the positive impacts associated with our portfolio companies. The impact calculator, referenced in our annual impact report showed an increase in the quality of the data from 87% in 2020, to 94% in 2021 as assessed by the Carbon Trust. Even with this improved level of data quality, there is a long way to go before in terms of data quality. Many companies are not yet reporting emissions, particularly scope 3, and when data providers attempt to estimate emissions, the results can vary significantly. With these estimation techniques being so subjective it is essential that more companies begin to report their emissions, including what many are calling “scope 4”, the avoided CO_2e that occurs with the use of more efficient or lower carbon products or services. WHEB has demonstrated our continued commitment to transparency and accountability by reporting all emissions calculated in 2021 in a CDP disclosure which will be publicly available later this year, as well as committing to have our net-zero targets approved by the SBTi.

ENGAGEMENT ACTIVITY

Phasing out hazardous chemicals

Last quarter we reported on a new collaborative investor initiative that we had joined to push for the phase-out of hazardous chemicals. WHEB has led the engagement with two portfolio companies **Ecolab** and **Linde**.

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 by Ecolab in their detergents, as a candidate to phase out. The company 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.

Ecolab 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 disputes this and so we are seeking additional clarification from them on this.

Our second engagement was with Linde. Like Ecolab, Linde has 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 c.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 have subsequently written to the Chair of the company's new Board-level Sustainability Committee with these points and are awaiting a response.

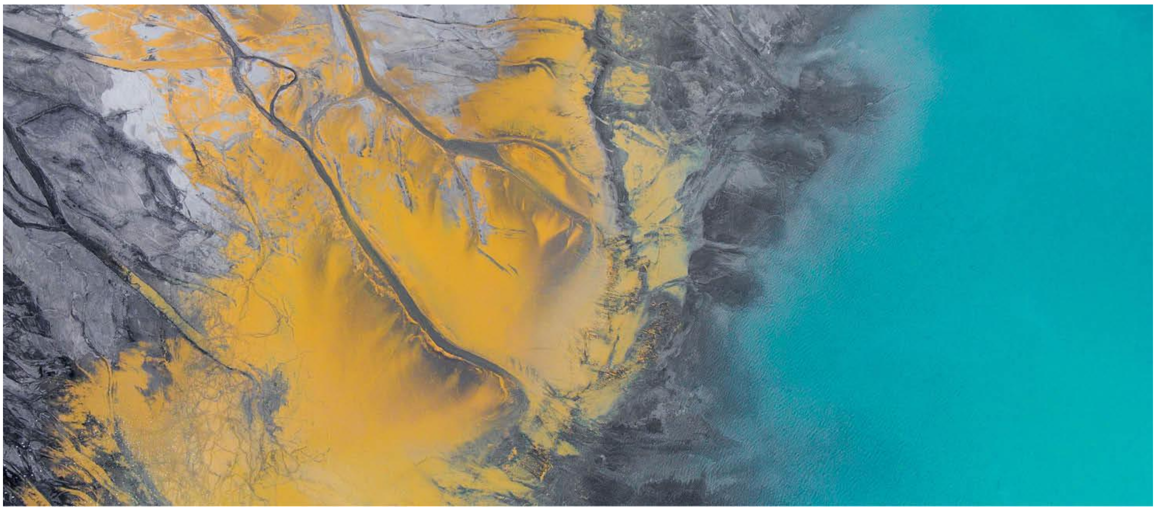
First Solar

In a separate initiative organised by the US-based Investor Environmental Health Network (IEHN) we have been engaging with the US solar module manufacturer **First Solar** to encourage them to take a proactive approach to phasing out hazardous chemicals in the solar value chain.

FirstSolar is clearly the industry leader on a number of aspects of sustainability including in the avoidance of abusive labour practices in their supply-chain and in the environmental credentials of their solar modules including being the only solar module company to have achieved EPEAT certification.[6] The company has also addressed a number of toxic materials in their production including the phase-out of lead in solder, and the avoidance of any PFOAs in their production processes.

The company does however used cadmium telluride (CdTe) as a core ingredient in their thin-film panels. They argue that this material is fully encapsulated and is fully recycled at the end of the module's life. They also argued that on a full life-cycle basis CdTe is preferable to other solar materials with lower overall harmful emissions.

The company has clearly thought deeply about these issues and has made significant improvements already in its processes and policies. We encouraged the company to participate more fully in industry fora such as the Chemical Footprint Project and to ensure that chemical safety policies are fully integrated into their approach to labour and community rights.



Following up with companies on poor ESG performance

Last quarter we reported on the work that we have been doing to engage with **Centene** on a series of controversies involving the company. We've continued this engagement this quarter along with seeking to understand more about an issue at **Smurfit Kappa**.

Centene - Decision-making in healthcare provision

The two key issues that we wanted additional insight on following our first Zoom meeting with the company were more clarify on how decision-making within the US business has changed following the tragic case of D'ashon Morris and others, that we reported on last quarter. Centene's UK subsidiary Operose was also the subject of a Panorama documentary in the quarter and we wanted to understand more about how decisions to consolidate GP surgeries are made at the company as well as to address specific concerns raised in the documentary.

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

[6] https://www.epeat.net/

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. In our views this is an important oversight which we remain concerned by.

With regard to Operose, the company argued that decisions to consolidate GP practices can only be undertaken following a review by the Care Quality Commission (CQC) and that ultimately the CQC has to reach a decision as to what level of consolidation is reasonable. This was the process that the company has followed. The company was similarly tight-lipped in their response to the Panorama programme and pointed out that the CQC have rated 97% of Operose's operations as good or outstanding. In our view, this business is likely to be put up for sale as their Operose's activities no longer fit with the Centene's new strategy of which is focused on a consolidation on the core business in the US.

Following this engagement, the company remains under review.

Smurfit Kappa – allegations of land rights abuse in Colombia

Smurfit Kappa has faced criticism of its operations in Colombia where indigenous communities have accused the company of damaging local ecosystems through their commercial forestry activities and of illegal ownership of ancestral lands belong to the Misak people.

WHEB have been invested in Smurfit Kappa for nearly nine years and over this time we have engaged regularly with the company to understand the nature of their operations in Colombia. The company acquired the properties in the 1940s and neither the company nor we have heard of any of these types of allegations until protests began in 2021. All of the company's activities in the country have been certified by the Forestry Stewardship Council (FSC) since 2003. As part of this certification the company has had 19 independent international audits undertake on them with no corrective action, recommendation or any concern regarding Smurfit Kappa's conduct towards indigenous communities.

We are minded to agree with the company which has emphatically rejected the allegations of illegality or damage to local ecosystems. It seems to us that the company has been an example of a responsible business in their communities. However, we will continue to engage with the company not least to understand why these concerns have arisen in the past few years and what else the company might do to address legitimate grievances.

Steady progress on carbon

We've reported elsewhere in this report on the progress that we have made against our portfolio level carbon targets. However, we do in addition continue to see good progress from portfolio companies not just in establishing commitments, but also in delivering real carbon reductions in their operations. For example, in just the past quarter:

- Ecolab announced in April that they are sourcing 100% renewable power for their European power requirements and Infineon announced the following month that they have done the same and are now focused on using 100% renewables in their US operations.
- **Trane Technologies** have now had their carbon reduction commitments validated by the Science Based Targets initiative (SBTi) and in May HelloFresh committed to having their targets validated by the SBTi.
- We met with the Chair of Remuneration Committee at Intertek who are proposing to link 15% of the CEO's bonus to the achievement of the company's carbon emissions reduction target – an initiative that we support.

PERFORMANCE COMMENTARY

After the dramatic events of the first quarter of 2022, global equity markets remained under pressure and with elevated volatility throughout the second quarter. The Russia/ Ukraine war, spiralling inflation and China's COVID lockdowns kept the market jittery. Our Fund's benchmark, the MSCI World Index (in AUD) was down 8.5% for the quarter.

The Fund underperformed the benchmark, falling 11.2%. Our Resource Efficiency and Wellbeing themes were the largest negative contributors; but while many other themes were only narrowly negative, Education was the only theme in positive territory.

This widespread pressure across the strategy reflects the ongoing style rotation in equity markets, away from "growth" styles and in favour of "value" styles which place more emphasis on short-term cash flows. Our strategy focuses on positive impact first and foremost; because many companies delivering impact have strong growth prospects, this does introduce a natural bias to the "growth" style. In the short term this is therefore a headwind for the strategy.

In the meantime, inflationary and supply-chain shocks have raised the prospects of a global recession, with several regions starting to see overall output contract. Another natural bias in our environmental themes is towards industrial companies, as these make the physical items to change the physical environment. Industrial companies do tend to be cyclical; and so, these recession fears have weighed on our environmental themes.

These effects were most visible in the second quarter in the Resource Efficiency theme, which lead the negative side of the ledger. **Kion**, **Keyence** and **Ansys** were the biggest detractors in the theme, in each case reflecting growth style headwinds and recessionary fears.

Kion provides warehouse automation and logistics solutions. Its share price came under pressure due to fears of an industrial recession and the impact of supply-chain pressures. While we are conscious of the near-term cyclical risks, we don't believe these impact the long-term opportunity from a growing focus on automation and efficiency. In fact, raw material and cost inflation are underlying drivers for customers adopting their solutions.

Keyence sells sensors and measuring instruments which are also driven by an increasing focus on industrial automation. The company is facing short-term headwinds due to lockdown restrictions in China as well as the general challenges of cost inflation. However, Keyence has consistently delivered very strong results despite these challenges. As with Kion, we remain confident in the long-term drivers as well as the company's competitive position.

Ansys sells engineering simulation software to a wide range of end-markets including the automotive and electronics industries. As with Kion and Keyence, it is a value-adding supplier occupying a strong position in a key industrial niche, and as with those stocks recessionary fears have created strong negative sentiment.

In these three cases, as with the rest of the portfolio, we have strong conviction in the underlying growth prospects of these companies. We look forward to learning how they intend to see off these short-term challenges in the coming reporting season. We are confident in their ability to do so.

The second-largest negative thematic contribution was from our Wellbeing theme. All three of our ongoing holdings in this theme underperformed, but largest single negative contributor was HelloFresh. It is a leading supplier of fresh food meal kits to consumers.

There has been continuous selling pressure in food delivery stocks, in general, this year, amidst concern over the demand for food delivery in a deteriorating economic environment. While we do anticipate short-term challenges for the business, there has so far been no sign of such a slowdown in HelloFresh's results. The company continues to be able to acquire new customers and improve average values per order, both of which are key to its long-term success.

Our Education theme was the largest positive contributor to the quarter. Our single holding in the theme, **Grand Canyon** continued to show relative defensiveness given its lack of exposure to current short-term challenges. Grand Canyon provides a variety of education services predominantly in the US, including enrolment, academic counselling, learning management system support, curriculum development, and faculty recruitment and training. We still see positive fundamental momentum as enrolment rates have just begun to improve following COVID-driven challenges. The University has also seen healthy demand for on-campus housing. This provided reassurance that the higher education sector is recovering following the pandemic.

The outlook for the second half of this year remains highly uncertain. A resurgence in covid-19 cases in Europe serves as a reminder that we are not ready to claim victory over the pandemic. Discontent and uncertainty are rising, due to the cost of living squeeze and divisive politics, as exemplified by the US Supreme Court's decision to overturn Roe v Wade. We are also watching the shifting relationships between the US, Europe, and China, particularly as it relates to allegations of slave labour in supply chains.

In this context, we expect markets to remain volatile during the coming months. We will continue to be led by the long-term opportunities for sustainable positive impact to guide us through these near-term uncertainties.

PORTFOLIO ACTIVITY

After a period of increased activity in the first quarter, the second quarter was relatively quieter in trading activity.

We exited one position, **LHC Group**, which was the subject of a takeover offer.

Recent purchases

We did not initiate any new positions in the quarter.

Recent sales

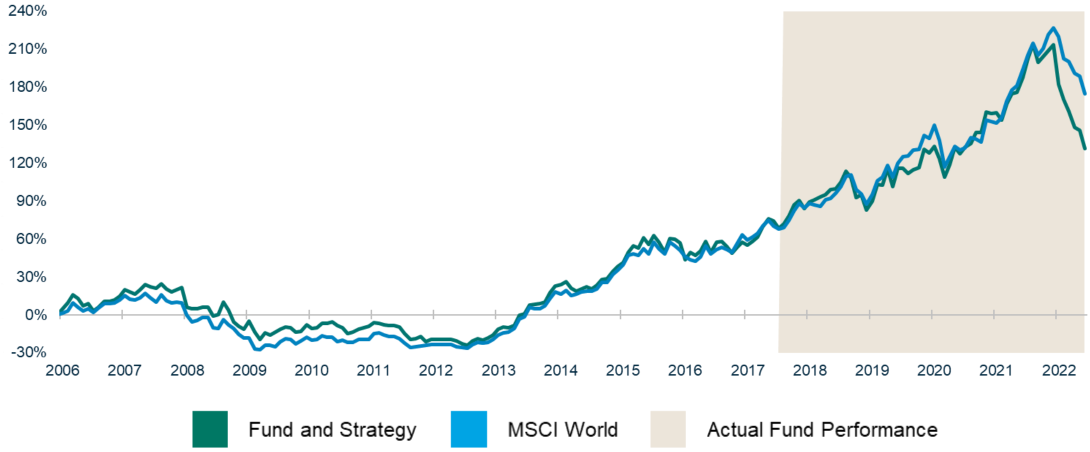
We sold LHC Group in our Health theme. The company provides post-acute healthcare services primarily to Medicare beneficiaries in rural markets in the southern United States. The company provides home-based services through home nursing agencies and hospices as well as facility-based services through long-term acute care hospitals and outpatient rehabilitation clinics. On March 29th United Health announced it would buy LHC Group for $5.4bn, representing a premium of approximately 8% to the stock’s closing price. As a result of the bid, we chose to sell our position ahead of the deal closing.

INVESTMENT PERFORMANCE

Cumulative Investment Returns

Net performance for periods ending 30 June 2022					
	3 mth	**1 yr**	**3 yrs p.a.**	**5 yrs p.a.**	**Since inception p.a.**
Fund	-11.2%	-19.5%	2.4%		
Strategy (partial simulation)[7]				5.9%	5.2%
MSCI World[8]	-8.5%	-6.5%	7.7%	10.0%	6.3%

Performance Since Strategy Inception

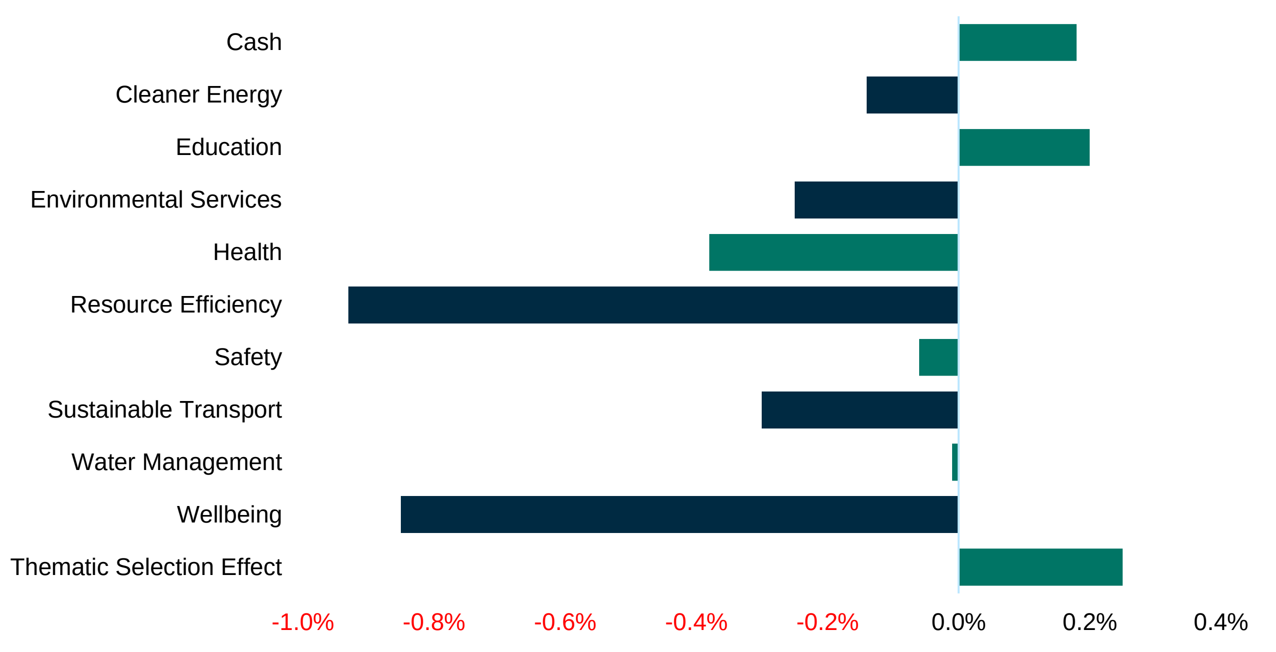


[7] From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns of the Henderson Industries of the Future Fund (from 1 January 2006 to 31 December 2011) and the FP WHEB Sustainability Fund (from 30 April 2012 to 31 July 2017). This was done by: 1) converting the GBP denominated net returns to AUD using FactSet's month-end FX rates (London 4PM); 2) adding back the relevant fund's monthly ongoing charge figure; then 3) deducting the Pengana WHEB Sustainable Impact Fund's management fee of 1.35% p.a. The WHEB Listed Equity strategy did not operate between 1 January 2012 and 29 April 2012 – during this period returns are zeroed. The Henderson Industries of the Future Fund's and the FP WHEB Sustainability Fund's GBP net track record data is historical. Past performance is not a reliable indicator of future performance. The value of the investment can go up or down.

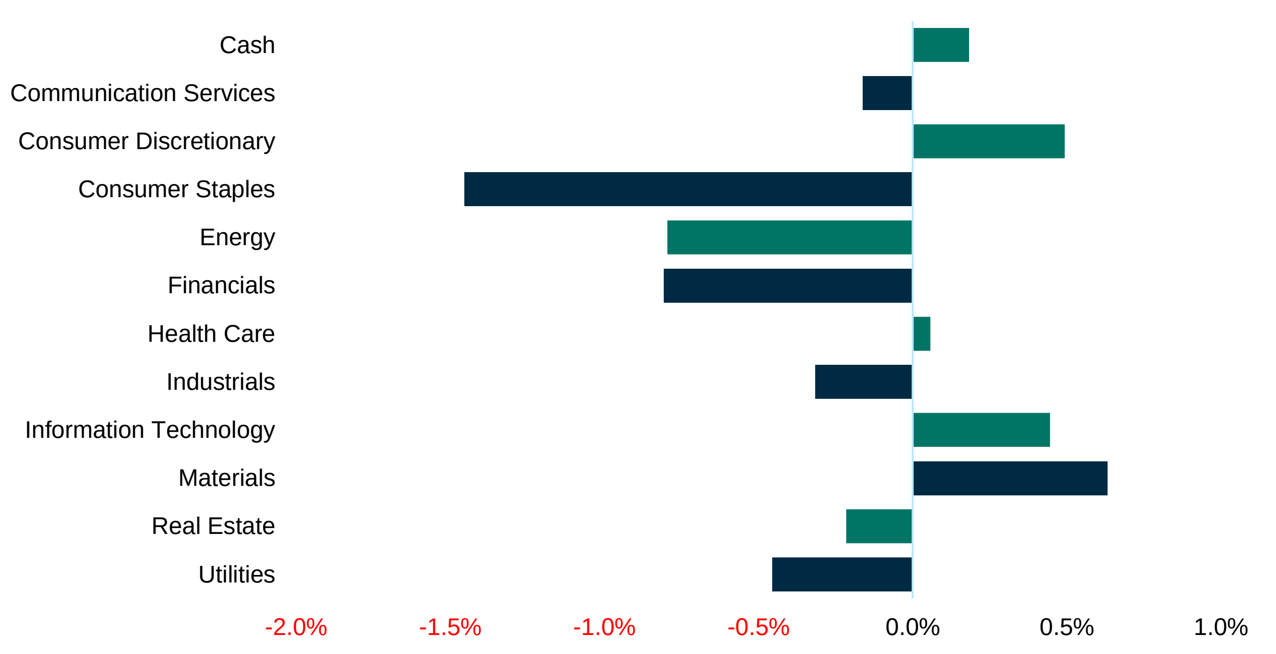
[8] MSCI World Total Return Index (net, AUD unhedged).

Performance Attribution – Last 3 Months[9]

Attribution by Sustainability Theme[10]

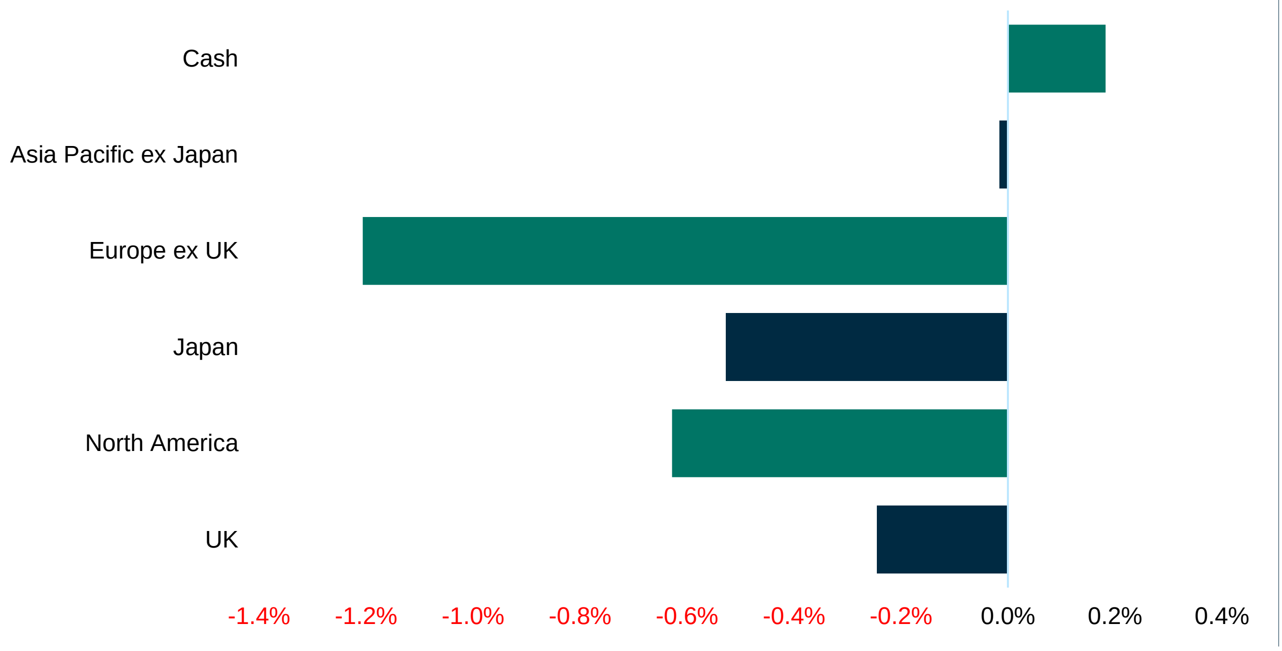


Attribution by Sector

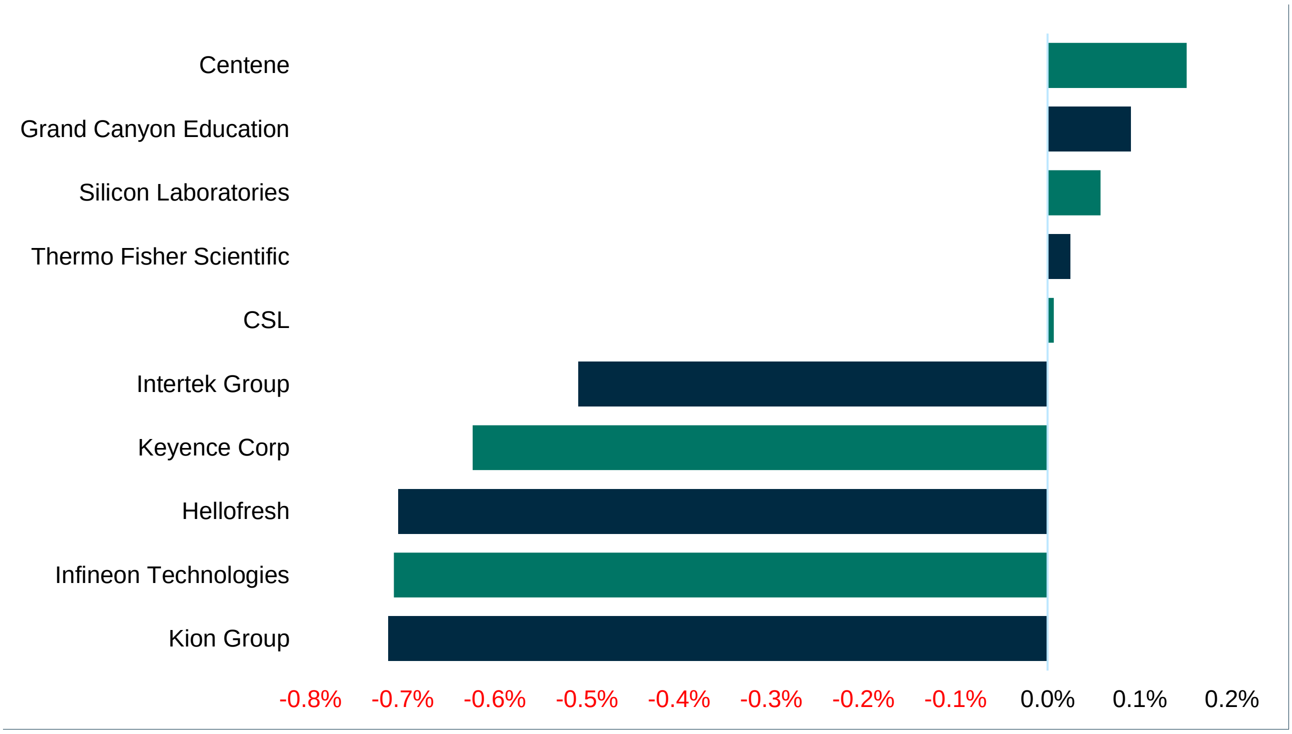


[9] Performance attribution is calculated with reference to the MSCI World Index
[10] The "Thematic Selection Effect" is calculated as the attribution from not having any holding in stocks which are constituents of the MSCI World Index but are not in WHEB's investable universe.

Attribution by Geography

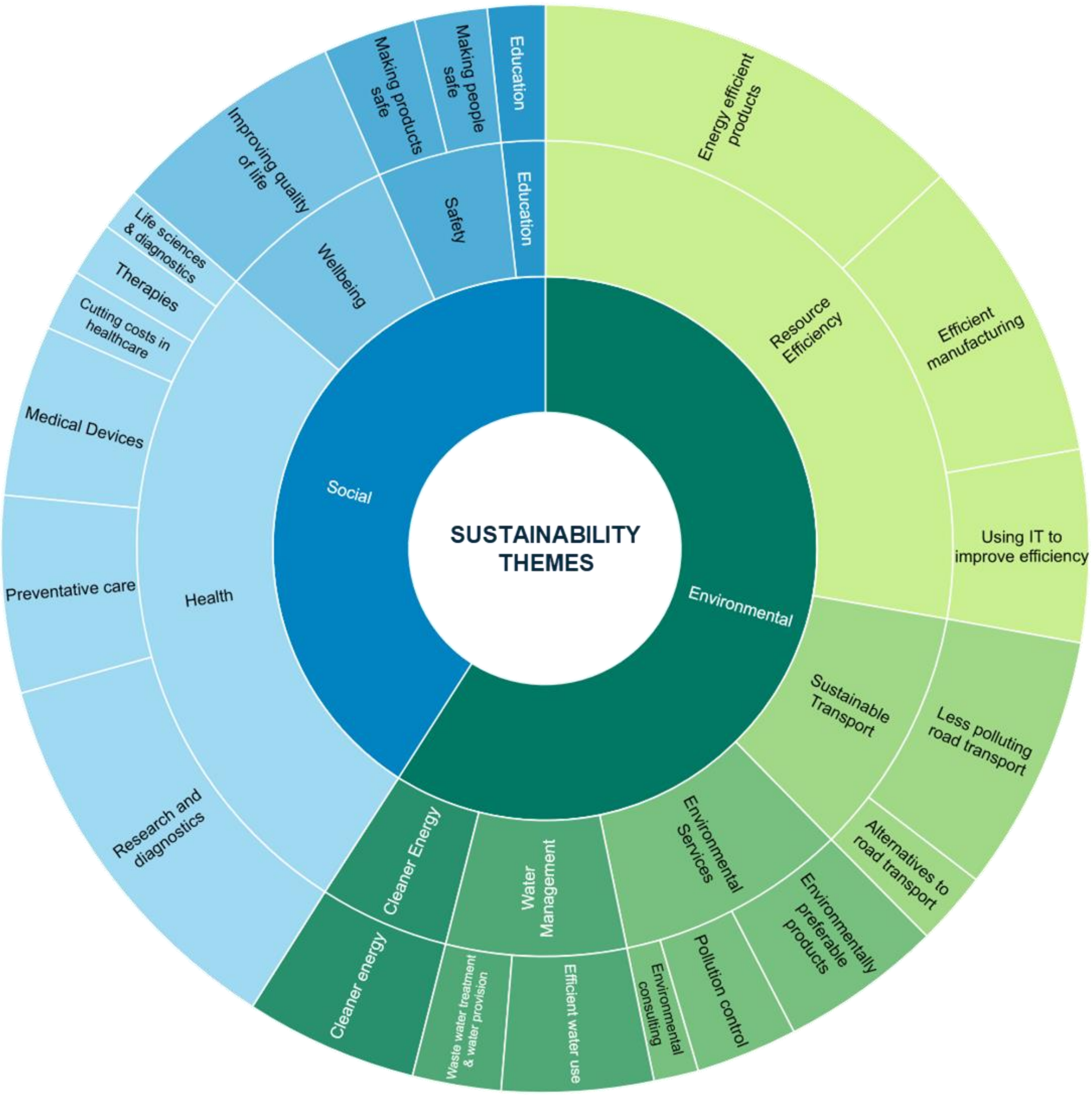


Contribution by Stock (Top and Bottom 5)



PORTFOLIO ANALYSIS AND POSITIONING[11]

Sustainability Theme Exposure



[11] As of 30 June 2022.

Largest 10 Positions

Name	Sustainable Investment Theme	Description
Ansys	Resource Efficiency	Using IT to improve efficiency
CSL	Health	Preventative care
Daifuku	Resource Efficiency	Efficient manufacturing
Danaher	Health	Research and diagnostics
Ecolab	Water Management	Efficient water use
Globus Medical Inc	Health	Medical devices
Icon	Health	Research and diagnostics
Linde	Environmental Services	Pollution control
TE Connectivity	Sustainable Transport	Less polluting road transport
Thermo Fisher Scientific	Health	Research and diagnostics

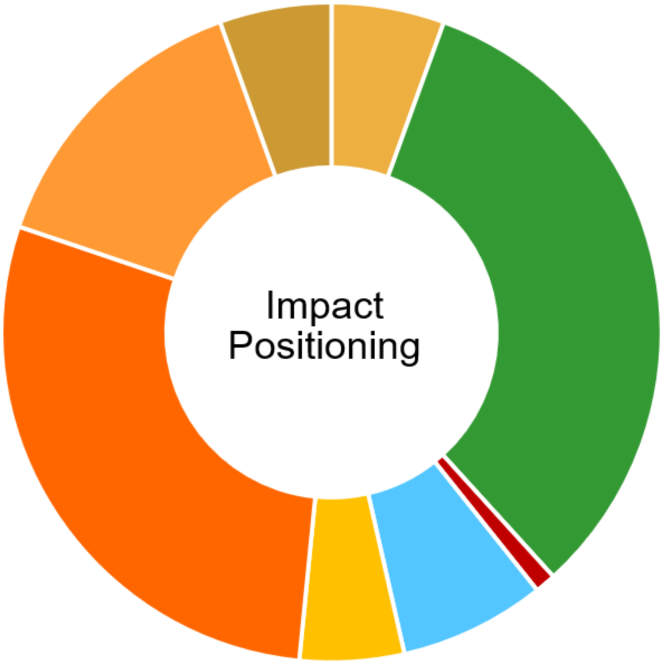
Strategy Characteristics

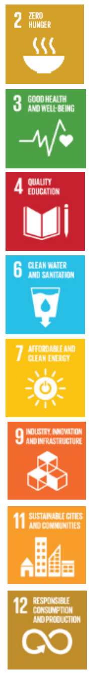
	WHEB	MSCI
FY1 Price/Earnings (PE)	19.29	14.02
FY2 Earnings Growth	15.84%	10.94%
FY1 PE/FY2 Earnings Growth (PEG)	1.22	1.28
3-year Volatility	17.52%	18.46%
Beta (predicted)	1.09	
1-year Tracking Error (predicted)	6.96%	
5-year Tracking Error (ex-post)	7.70%	

Trading Activity – Significant Portfolio Changes

Stock Name	Purchase or sale	Theme	Brief description or sale rationale
LHC Group	Sale	Wellbeing	Sale of LHC Group due to the announcement of United Health's takeover bid for the company.

Impact Positioning: Supporting the UN Sustainable Development Goals[12]





6% in agriculture & nutrition

31% in health & well-being

2% in education

7% in clean water & sanitation

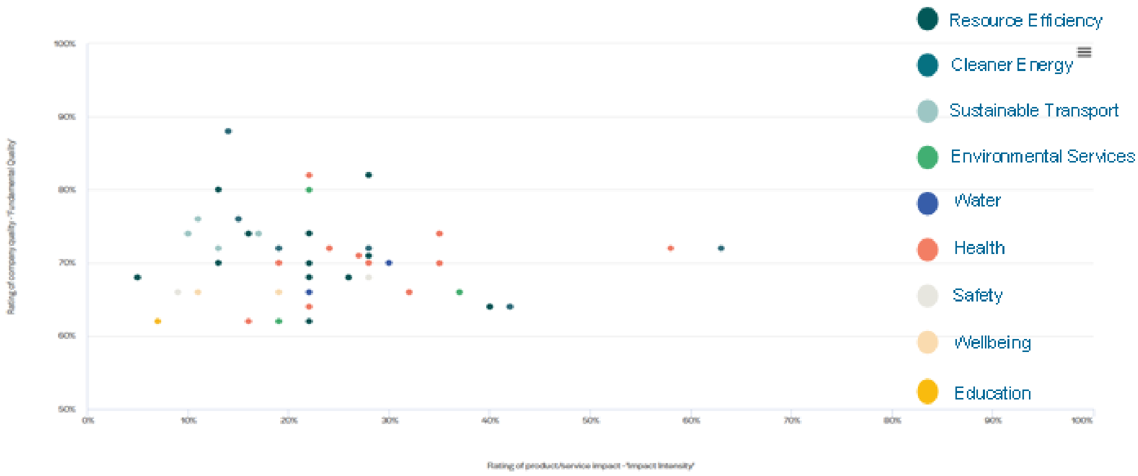
6% in affordable & clean energy

28% in industry, innovation & infrastructure

15% in sustainable cities & communities

5% in responsible consumption & production

Impact Map of the strategy's portfolio following changes in Q2 2022[13]



[12] For descriptions of impact mapping methodologies please see WHEB's impact reports, available at https://impact.whebgroup.com/methodology/. The SDG mapping methodology is described in the 2019 Impact Methodology Report, available at https://impact.whebgroup.com/methodology/, and the impact positioning graph is described in detail in the 2019 impact report.
[13] As above.

ENGAGEMENT AND VOTING ACTIVITY

Voting Record: Q2 2022

The table below summarises the voting record at companies held in WHEB's investment strategy from 1 April 2022 to 30 June 2022. Full details of how we voted on each of the individual votes are detailed on our website: https://pengana.com/our-funds/wheb-sustainable-impact-fund/

Meetings	No. of meetings	%
# votable meetings	31	
# meetings at which votes were cast	31	100%
# meetings at which we voted against management or abstained	25	81%

Resolutions	No. of resolutions	%
# votes cast with management	295	77%
# votes cast against mgmt. or abstained (see list in appendix)	90	23%
# resolutions where votes were withheld	13	3%

Company Engagement Activity

Company	Topic	Method	Detail	Outcome
Daikin	Net-zero carbon target	Collaborative email correspondence	Input into CA100+ discussions on engagement tactics with Daikin on their net-zero carbon strategy	Ongoing
Daikin	Director independence Gender diversity Net-zero carbon	Letter setting out AGM voting positions	Insufficient number of independent board directors Insufficient board-level gender diversity Need to see a tightening of NZC strategy	Ongoing
Centene	Governance of healthcare provision Gender diversity CEO Compensation Independent auditors Shareholder rights	Letter setting out AGM voting positions	Voted against the Chairman given level of controversy surrounding decisions on healthcare provision and inadequate Board-level gender diversity CEO is paid 362x the median salary which we consider excessive Auditors have been in place for >10yrs Votes to reinforce shareholder rights	Partially successful
Kion	Remuneration policy Gender diversity Net-zero carbon target	Letter setting out AGM voting positions	Inadequate disclosure in remuneration policy Inadequate levels of board-level gender diversity	Ongoing

			No net-zero carbon target	
HelloFresh	Net-zero carbon target	Email correspondence	Company has committed to set a science-based target and is reviewing a net-zero carbon target as part of this process	Partially successful
Trane Technologies	Net-zero carbon target	Email correspondence	Company has had its net-zero carbon target validated by the Science Based Targets initiative (SBTi)	Successful
	Director independence Combined CEO/Chair Director overboarding CEO remuneration Auditor independence	Letter setting out AGM voting positions	Insufficient number of directors serving <11yrs. The company has a combined CEO/Chair One director serves on too many company boards CEO remuneration is excessive our view Auditor tenure is excessive and compromises independence	Ongoing
Linde	Phase-out of hazardous chemicals	Collaborative meeting	Clear commitment to phase-out some hazardous chemicals in products Engagement focused on more proactive stance on other products and fuller disclosure	Ongoing
Intertek	Net-zero carbon target	Meeting	Company has proposed to link 15% of CEO remuneration with the achievement of carbon targets which we supported	Successful
Infineon	Net-zero carbon targets	Email correspondence	Company has achieved 100% reliance on renewable power in Europe.	Successful
Trimble	ESG Governance	Email correspondence	Company has put in place ESG metrics as part of the long-term incentive plan for executive officers	Successful
	CEO remuneration Independent auditor Net-zero carbon target Gender diversity	Letter setting out AGM voting positions	CEO remuneration is 195x the median employee pay and a lack of ESG criteria in incentive package (subsequently addressed – see above) Auditor has been unchanged for 36 years No net-zero carbon target No Board member with responsibility for sustainability Insufficient board-level gender diversity	Ongoing
Evotec	Drug pricing	Email correspondence	Lack of disclosure around drug pricing policies	Ongoing
Vestas	Independent auditor	Letter setting out AGM voting positions	Excessive auditor tenure compromising auditor independence	Partially successful
	Access to reproductive care	Meeting	Company confirmed that employee medical insurance covers reproductive care including access to abortions and that travel coverage is also covered.	Successful
Ecolab	CEO Compensation Lack of ESG criteria in CEO incentive package Combined CEO/Chair Independent auditor	Letter setting out AGM voting positions	CEO remuneration is 160x the median employee pay and a lack of ESG criteria in incentive package The company has a combined CEO/Chair Auditor has been unchanged for 52 years	Ongoing
	Phase-out of hazardous chemicals	Collaborative meeting	Company is working on phasing out hazardous chemicals Engagement focused on establishing a baseline of hazardous chemicals and better disclosure	Ongoing
Aptiv	Labour rights Impact metrics CEO remuneration	Collaborative meeting	Aptiv has increased minimum wages in Mexican facilities – though questions remain on whether these are in-line with best practice Company is now working on developing impact metrics	Partially successful

			CEO remuneration is still excessive – but now does include ESG metrics as part of the reward package	
Daifuku	Net-zero carbon	Meeting	Company plans to consider a net-zero carbon target with next management plan in 2024. We've encouraged the company to address this more urgently which the company is considering.	Partially successful
First Solar	Director independence Gender diversity Auditor independence Lack of ESG criteria in CEO incentive package Tax rate	Letter setting out AGM voting positions	Insufficient number of directors serving <11yrs. Insufficient board-level gender diversity Auditor has been unchanged for 22 years No ESG metrics in the CEO's reward package Tax rate is significantly below the headline tax rate without adequate explanation	Ongoing
	Phase-out of hazardous chemicals	Collaborative meeting	Company has phased-out all SVHCs in its manufacturing process other than CdTe which it considers to be environmentally preferable to alternatives.	Successful
Keyence	Director independence Gender diversity Sustainability leadership Net-zero carbon target	Letter setting out AGM voting positions	Insufficient number of directors serving <11yrs. Insufficient board-level gender diversity No Board member with responsibility for sustainability No net-zero carbon target	Ongoing
SolarEdge	Net-zero carbon target Sustainability leadership Living wage	Meeting	Company is working to develop a comprehensive carbon strategy Chief Marketing Officer has now been given responsibility for sustainability The company benchmarks salaries to local markets	Partially successful
Power Integrations	Impact metrics Net-zero carbon target Tax rate	Meeting	Company is investing in developing more impact metrics Company recognises that they need to reduce operation carbon emissions but would not commit to a NZC target Tax rate is currently part of the company's target financial model which we think it should not be	Ongoing
Smurfit Kappa	Human rights	Email and teleconference	Company refutes any allegations of human rights abuses at Colombian facilities	Ongoing
Danaher	Director independence Gender diversity Director overboarding Auditor independence CEO remuneration Net-zero carbon target Sustainability leadership	Letter setting out AGM voting positions	Insufficient number of directors serving <11yrs. Insufficient board-level gender diversity Two directors are on too many company boards CEO remuneration is excessive at 259x the company median salary No net-zero carbon target No Board member with responsibility for sustainability	Ongoing
Globus Medical	Director independence Gender diversity Director overboarding CEO remuneration Net-zero carbon target Sustainability leadership		Insufficient number of directors serving <11yrs. Insufficient board-level gender diversity One director is on too many company boards CEO remuneration is excessive No net-zero carbon target No Board member with responsibility for sustainability	Ongoing

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