

# WHEB Asset Management

## Stewardship & engagement policy

### Preface

WHEB's mission is to advance sustainability and create prosperity through positive impact investments. We are active owners of the companies that we invest in and integrate positive impact and environmental, social and governance (ESG) issues into our ownership policies and practices.

As investors we believe that we have a responsibility – and an opportunity – to advocate for progressive change at the companies in which we invest. Done well, we believe this will benefit the companies as well as society more generally. WHEB's engagement activity with companies is therefore driven fundamentally by a desire to understand them better, and to advocate for practices that we believe will help secure the company's long-term success. Our approach is well-aligned with the expectations of key stakeholders including clients, partners and regulators.

This document sets out WHEB's approach to engagement and stewardship. The policy is aligned with the UK's Stewardship Code and details WHEB's purpose and governance, our investment approach, as well as voting and engagement activities. Performance reporting on these activities is provided in WHEB's annual impact report as well as in other published materials referenced throughout this policy.

### 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's investment strategies are designed to deliver on the company's core mission; 'to advance sustainability and create posterity through positive impact investments'. Our strategies are founded 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. WHEB only invests in companies that sell products and services that directly address one or more of nine key social or environmental issues<sup>1</sup>.
- Our culture is shaped by our values. 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.

<sup>1</sup> <https://impact.whebgroup.com/>

5. **Integrity:** Strong ethical principles guide all areas of our work. We are honest in our approach and treat all stakeholders fairly.
- Our core mission, combined with our investment beliefs, strategy and values and culture, give us the mandate and the means to help create long-term value for clients. We do this by investing in the equity of listed companies that enable – and benefit from – the transition to a zero carbon and more sustainable global economy.

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

- Investment stewardship is delivered through our engagement and voting activity. Effective stewardship has a dual purpose. It can generate additional insights into company practices which feeds into our investment decisions. Stewardship can also be used to exercise influence in order to improve corporate management and performance.
- A principal task for WHEB's investment analysts is to monitor and understand the activities and performance of investee companies. Understanding this broader commercial context means analysts are, in our view, best placed to influence company management and integrate any insights back into our investment thesis.
- The Impact<sup>2</sup> Investment Team is supported in their stewardship and engagement activities with specialist resources including expert opinion on company votes and bespoke reporting frameworks. Each investment analyst has specific engagement objectives included in their annual appraisal. Engagement activity is scrutinised at monthly Investment and Risk Committee meetings<sup>3</sup> as well as at meetings of WHEB's independent Investment Advisory Committee which take place every four months<sup>4</sup>.

### 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. The business is owned by the partners, WHEB Group and its team members<sup>5</sup>. WHEB is committed to carrying out its business in compliance with the highest standards of corporate governance and integrity. We apply a consistent and transparent approach to the management of conflicts of interest. The key elements of our conflicts of interest policy are summarised below.

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 that are designed to prevent conflicts of interest from arising. These measures include proactively identifying conflicts

<sup>2</sup> In 2022, WHEB also invested in additional resources for stewardship including through the development of a dedicated Impact Research Team which reports to Partner and Head of Research Seb Beloe and provides additional research support to the Investment Team.

<sup>3</sup> WHEB's Investment and Risk Committee is comprised of WHEB's non-executive Chairman and Chief Risk Officer.

<sup>4</sup> <https://www.whebgroupp.com/reporting-impact-investment/advisory-committee-minutes>

<sup>5</sup> WHEB offers a deferred equity bonus scheme to team members.

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:** While 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 (for example 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 and 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 may conflict, or whose interests 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.

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

- 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.
- 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.
- In recent years this has included significant involvement in providing feedback for the FCA's SDR and fund labelling consultation paper.<sup>6</sup> We have also been significantly involved in the

<sup>6</sup> <https://www.fca.org.uk/news/news-stories/fca-updates-sustainability-disclosure-requirements-and-investment-labels-consultation>

work done by the Global Impact Investing Network (GIIN) to develop guidance on impact in listed equities.<sup>7</sup>

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

- The stewardship and engagement policy as well as WHEB's Responsible Investment policy are developed and implemented by the Senior Management Team. They are subject to regular review and are considered in light of evolving industry best practice.
- The application of the policies is overseen by the WHEB Investment and Risk Committee. In addition, WHEB's independent Investment Advisory Committee also scrutinises our voting and engagement activities. Summary minutes of the Advisory Committee meetings are published on the WHEB website.
- The Advisory Committee also reviews WHEB's Annual Impact Report and includes a statement outlining their findings and overall view of the report.

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

- Asset managers like WHEB wield considerable influence over investee companies. Our investors are eager that WHEB should use this influence to drive positive change on critical environmental and social issues.
- WHEB has a fully integrated approach to voting shares at company meetings. We consider voting to be an integral part of our active ownership of investee companies. Voting decisions are taken by the investment team and are based on a rigorous set of voting policies as well as a holistic understanding of the business. We take account of client and beneficiary needs when it comes to our voting activities and report in detail on our engagement and voting activities and outcomes.
- Transparency and accountability are central to WHEB's philosophy. We publish our voting on all investee companies and wider company engagement activity in client quarterly reports. These are publicly available on the WHEB website and accessible to both institutional and retail investors<sup>8</sup>.
- We also provide transparency around other aspects of our investment activities. This includes making available on the website:
  - summary minutes of meetings of our independent Investment Advisory Committee;
  - full details of our strategy holdings are updated quarterly including 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;<sup>9</sup>
  - a blog where we regularly comment on various aspects of our stewardship activities; and<sup>10</sup>,
  - an annual Impact Report that covers the results of our engagement activities as well as other positive impacts associated with WHEB investment funds<sup>11</sup>.

<sup>7</sup> <https://thegiin.org/listed-equities-working-group/>

<sup>8</sup> <https://www.whebgroup.com/impact-investment-funds/sustainability-fund-oeic/quarterly-reports-fp-wheb-sustainability-fund-oeic>

<sup>9</sup> <https://www.whebgroup.com/investing-for-impact/our-portfolio>

<sup>10</sup> <https://www.whebgroup.com/our-thoughts>

<sup>11</sup> <https://www.whebgroup.com/reporting-impact-investment/impact-reports>

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

- WHEB’s investment strategies invest exclusively in companies that provide solutions to critical social and environmental challenges. In addition, we also assess company practices and performance in managing environmental, social and governance (ESG) issues in the company’s own operations. We believe that the effective management of material ESG issues is a core competence displayed by high-quality businesses. We have strong conviction in the impact of ESG issues on company performance, either in their own right, or as a wider proxy for the quality of a business franchise, especially over a multi-year investment horizon.
- Stewardship is also fully integrated into the investment process. WHEB’s Impact Investment team directly engage with approximately two thirds of the companies that are held in our investment strategies on an annual basis as a minimum.
- This work is done directly by the Impact Investment team because it is our belief that engagement helps us make better investment decisions by enabling us to understand better the quality of a company’s management and its business franchise. It also gives us the opportunity to encourage more progressive approaches to ESG issues which, in our view, help to generate superior risk-adjusted returns over the medium to long-term.
- All engagement activity is logged in our company profiles with conclusions feeding directly into our assessment of company quality scores.
- Our average holding period for stocks in our portfolios is typically greater than five years. This relatively long hold period enables us to benefit from engagement-driven improvements to company governance and risk management.
- In addition to bilateral engagement with investee companies, WHEB also monitors corporate events including annual and emergency general meetings and takes an active approach to voting the shares of investee companies held by WHEB funds. We endeavour to exercise our voting rights in all cases and write to companies where we elect to vote against management recommendations.

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

- 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.

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

- WHEB’s approach includes 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.

- Proactive engagement topics may affect a significant proportion of the portfolio. 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.
- Reactive engagement often occurs in response to media or other third-party commentary on the company and may relate to a controversy.
- 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<sup>12</sup> 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. Our engagement typically involves meeting with company management and/or writing to them to express our concerns on a confidential basis. Our objective at this point is to give management sufficient time to engage with us and respond to the concerns raised.
- The investment monitoring process may include the following:
  - Satisfying ourselves as to the company’s performance on material ESG issues;
  - Where appropriate, entering into dialogue with company management;
  - Retaining thorough records of meetings with company management and of any votes cast and abstentions; and
  - Retaining records of reasons for voting against a company’s management, for abstaining or for voting with management in a contentious situation.
  - We take an active approach to making our views clear to companies and in seeking improvements. For example, we write to companies where we vote against management’s recommendations at the company’s general meeting(s).

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

- We seek to collaborate with other institutional 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).
- We typically act to involve other investors in our engagement activity where we have not been successful in our bilateral engagement with a company.
- In these cases, we may work with other institutional investors to put our concerns to the company jointly. This will usually take the form of a joint letter initially, followed up with a meeting or conference call. Ultimately if this approach is unsuccessful also, we will continue to escalate per the policy outlined under principle 11.
- We may also be invited to participate in collaborative engagement by third parties (for example the CDP or the UN-PRI<sup>13</sup>) 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

<sup>12</sup> We withhold or abstain from voting where there is no option to vote against management’s recommendations.

<sup>13</sup> ‘CDP’ formerly known as the Carbon Disclosure Project and the UN Principles for Responsible Investment (UN-PRI).

companies. We aim to lead any engagement initiative that focuses on companies held in our portfolios.

- Finally, we also share our thinking and collaborate, including in the promotion of sustainability issues to investee companies (e.g., through the UN-PRI Clearinghouse), as well as by hosting, participating and/or speaking at conferences and seminars and through the WHEB blog. 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<sup>14</sup>.

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

Our Escalation Policy was updated in early 2023 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 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.

<sup>14</sup> <https://www.whebgroupp.com/our-thoughts>

6. Should these efforts be unsuccessful, we may reduce or sell investments in the investee company concerned.

**Principle 12: Signatories actively exercise their rights and responsibilities.**

- We exercise our voting rights at company meetings in accordance with WHEB's voting governance and policies which are published on our website<sup>15</sup>
- 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.
- While 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. We typically vote against or abstain on at least one vote at more than three-quarters of all company meetings. We endeavour to vote all shares and report quarterly on our voting and wider engagement activity through the WHEB website. These reports include commentary on our voting and engagement activity, as well as a more detailed appendix which sets out how every single vote is cast and includes explanation where the vote is against management or was otherwise considered controversial.
- Our policy is not to undertake stock lending from any WHEB funds.

For further details on any of the above information, please contact:

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Last updated May 2023

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<sup>15</sup> <https://www.whebgroup.com/assets/files/uploads/20221201-wheb-voting-policy.pdf>