

WHEB Asset Management LLP - UK Stewardship Code Compliance Statement

Preface

The rules of the UK's Financial Conduct Authority ("FCA") require all FCA authorised asset managers such as WHEB Asset Management ("WHEBAM") to disclose the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Stewardship Code") or explain why the code is not appropriate to its business. WHEBAM is committed to the Stewardship Code as set out in this Compliance Statement.

The Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. WHEBAM's mission is to advance sustainability and create prosperity through positive impact investments and weⁱ believe that this mission is well-aligned with the aims and objectives of the Code. This document sets out the seven principles of the Stewardship Code and details WHEBAM's policies and processes for complying with each.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

- WHEBAM believes that companies which create economic value by providing solutions to critical sustainability challenges will be market winners over the long-term. All potential investee companies are reviewed to consider the extent to which they provide products and/or services that help address key social and environmental challenges. Management practices and corporate governance are also reviewed as a key aspect of company analysis.
- Where deemed appropriate and with reference to the company's strategy and level of risk exposure to environmental, social or governance (ESG) issues, WHEBAM will engage with company management to encourage greater attention to the management and mitigation of these risks.
- Stewardship is fully integrated into the investment process. WHEBAM's investment team directly engage with approximately three-quarters of the companies that are held in our portfolio on an annual basis as a minimum. This work is done directly by the 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, WHEBAM also monitors corporate events including annual and emergency general meetings and takes an active approach to voting the shares of investee companies held by its funds ("shares"). We endeavour to exercise our voting rights in all cases and write to companies where we elect to vote against management recommendations.
- From time to time, we also use 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).

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

WHEBAM 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 jointly owned by the partners and WHEB Group and 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. A full copy of WHEBAM's conflicts of interest policy is available on request.

Our conflicts of interest policy is focused on five main areas:

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

2) Record of Conflicts: WHEBAM maintains a record of the kinds of service or activity carried out by, or on behalf of WHEBAM, 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 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 WHEBAM 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 WHEBAM 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, WHEBAM 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 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. Subject to confidentiality obligations, the Investment Advisory Committee's views are published in summary minutes on the WHEBAM website.ⁱⁱ We also publish voting and engagement activity on a quarterly basis, providing additional transparency on how we exercise our stewardship responsibilities.ⁱⁱⁱ

Principle 3: Institutional investors should monitor their investee companies

A critical input throughout the investment process is on-going engagement with investee companies and other stakeholders such as other investors, non-governmental organisations, policy-makers, academics and regulators, in order to:

- Generate additional insights into company practice or into particular issues, which in turn feed into investment decisions; and
- Improve investee companies' corporate management and performance over the long-term.

The WHEBAM investment monitoring process aims to identify problems at an early stage and in any case before investment. Following investment, we regularly review investee companies to ensure that they remain appropriate investments for the relevant fund(s). We actively monitor investee companies and where we identify issues of concern, we will enter into dialogue with management and escalate where necessary (see Principle 4 below).

We specifically review corporate governance standards at investee companies for compliance with the appropriate local market corporate governance code (where these exist). While we are inclined to vote in line with the relevant code, we reserve the right not to do so on the basis of specific circumstances at the company in question. However, where we choose to depart from the code in our voting decisions, we ensure that a detailed rationale for such decisions is documented and recorded. This may be made available in our quarterly voting and engagement reports and appendices.

The investment monitoring process may include the following:

- Satisfying ourselves as to the company's performance against ESG criteria;
- 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 may also be provided with inside information and made an 'insider' by a listed company or their advisors on specific corporate actions. WHEBAM 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 WHEBAM's Senior Management. Should WHEBAM receive inside information, the relevant company will be placed on the restricted list and WHEBAM 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: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

We take an active approach to making our views clear to companies and seeking improvements. For example, we always write to companies where we vote against management's recommendations at the company's general meeting(s). In addition to engagements that are initiated by our voting decisions at company meetings, we also prioritise engagement with companies where we believe we can catalyse real change in fostering a more progressive approach to sustainable business practices. These engagements may result from proactive research by WHEBAM into the company's position on an issue or may also be in response to media or other third-party commentary on the company.

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. If we are unable to resolve the matter, we may then 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. Ultimately if this approach is unsuccessful also, we may use our voting rights to effect change through, for example, filing or co-filing shareholder resolutions. Should these efforts be unsuccessful, we may reduce or sell investments in the investee company concerned.

Ultimately, we assess the results of all of our engagement as either 'successful' (where the company agrees to amend or alter its approach to the issue), 'partially successful' (where the company acknowledges the problem and agrees to review it further but does not commit to change anything) or 'unsuccessful' (where the company either does not respond to our approach or refuses to amend its policies). We report these results on a quarterly basis and also summarise the results in our annual Impact Report.^{iv}

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate

As indicated above, we seek to collaborate with other institutional investors to effect change in investee companies where we consider it appropriate, consistent with the investment policy of the relevant fund 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 securing a successful or partially successful engagement on our own.

We may also be invited to participate in collaborative engagement by third parties (for example the CDP or the UN-PRI^v) or other investors. We elect to be involved in such initiatives on a limited basis and only where the issues are of direct relevance to our investee companies. We aim to lead any engagement initiative that focuses on companies held in our portfolios.

We have, for example, worked closely with the CDP and a wide variety of UK, European and US investors to write to companies that have yet to provide full responses to the CDP's climate change questionnaire. Such initiatives are discussed in detail in our quarterly Voting and Engagement reports^{vi}.

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 WHEBAM blog. WHEBAM 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.^{vii}

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity

We endeavour to exercise voting rights in accordance with the investment objectives and policies of the relevant fund. We also take an active approach to voting shares in investee companies in the best interests of the relevant fund, and where we intend to vote against the recommendation of the board of an investee company, it is our normal practice to inform them of our reasons for voting in this way.

We may use the services of proxy voting agencies to advise on voting policy and facilitate voting shares listed on stock exchanges around the world. We currently use Institutional Shareholder Services (ISS) as our proxy voting agency. While 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. The investment team may then discuss the proposal further before finally 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 WHEBAM 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.^{viii}

Our policy is not to undertake stock lending from any WHEBAM funds.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities

Transparency and accountability are central to WHEBAM's philosophy. We publish our voting on all investee companies and wider company engagement activity in a quarterly report which is available on the WHEBAM website.^{ix} We also provide transparency around other aspects of our investment activities. This includes making available on the WHEBAM website:

- summary minutes of meetings of our independent Investment Advisory Committee^x;
- full fund holdings every four months including investment rationale to indicate why a stock fits with the fund's investment policy^{xi};
- a blog where we regularly comment on various aspects of our stewardship activities^{xii}; and
- an annual Impact Report that covers the results of our engagement activities as well as other positive impacts associated with our investment funds^{xiii}.

The implementation of the Stewardship Code and our broader engagement policy is overseen by the WHEBAM Investment and Risk Committee and which includes the independent Chairman. We also report and discuss our voting and engagement with the independent Investment Advisory Committee. We believe that these activities give investors in WHEBAM funds a clear picture of our stewardship and voting activities. Consequently, we do not currently plan to conduct a separate independent audit of WHEBAM's compliance with the Stewardship Code but remain open to doing this in future.

For further details on any of the above information, please contact:
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ⁱ 'We' in this context refers to WHEB Asset Management ('WHEBAM').

ⁱⁱ <http://www.whebgroup.com/investment-strategies/listed-equity/fund-governance/investment-advisory-committee-minutes/>

ⁱⁱⁱ <http://www.whebgroup.com/investment-strategies/listed-equity/fund-governance/engagement-and-voting-records/>

^{iv} <http://www.whebgroup.com/media/2016/04/WHEB-Impact-Report-2015.pdf>

^v 'CDP' formerly known as the Carbon Disclosure Project and the UN Principles for Responsible Investment (UN-PRI).

^{vi} Op. cit. iii

^{vii} <http://www.whebgroup.com/about-us/thought-leadership/>

^{viii} Op. cit. iv

^{ix} Ibid

^x Op. cit. iii

^{xi} <http://www.whebgroup.com/investment-strategies/listed-equity/fp-wheb-sustainability-fund/fund-holdings/>

^{xii} <http://www.whebgroup.com/news-views/wheb-insights/>

^{xiii} Op. cit. v