

Ethical Outcomes from Impact Investing – the WHEB approach

WHEB Asset Management's mission is to advance sustainability and create prosperity through positive impact investments.

Our approach

We are an impact investor, which means we consider the positive social and environmental impact of our investments as a critical part of our investment process. We also measure and report the impact of our investments.

When we consider impact, we consider the products or services created by the company. We also consider the way in which the company creates those products and services, which includes environmental, social and governance (ESG) analysis.

Positive impact criteria

The WHEB strategy only invests in companies providing solutions to sustainability challenges, which is, by definition, a positive impact activity. We apply this principle rigorously using fixed criteria:

Specifically, at least half of the company's revenues must be derived from businesses with positive impact related to our sustainability investment themes. In practice most holdings are 100% exposed to the themes, and the weighted average across the fund is over 80% exposure so we are confident that the strategy's overall impact is strongly positive.

Based on these criteria, over 80% of companies in the MSCI World Index do not qualify for investment.

Consideration of negative impacts

When we analyse companies, we consider potential negative impacts associated with their products and services as well as their operations. We only invest in companies where we are clear on the overall positive impact of the business.

As a result, we have never invested in any company with substantial activities (defined as more than 5% of revenues) related to products and services that we consider to have a significant negative impact. Such companies would not be considered to have an overall positive impact and would therefore be ineligible for investment.

Activities covered include:

- alcohol;
- tobacco;

- cannabis;
- gambling;
- pornography;
- weapons;
- fossil-fuel exploration or production, including thermal coal and oil sands;
- nuclear power generation;
- intensive farming or fishing practices;
- unsustainable timber products;
- unsustainable palm oil;
- GMOs where they are released into the natural environment (however, some GMOs have been developed for contained use applicationsⁱ); and
- cosmetics involving animal testing (animal testing is permitted where required by regulators for the approval of healthcare products).

Furthermore, the strategy will not have any exposure to the manufacturing of controversial weapons such as cluster munitions and land mines, in line with international regulations banning investment in these industriesⁱⁱ.

ESG and minimum quality standards

Our investment process actively reviews the ESG quality of a business. Companies with persistently poor practices regarding equal employment opportunities, human rights and environmental management are highly unlikely to be selected for investment. If a company is considered particularly weak (scoring a zero) on any single metric in our fundamental analysis profile, or scores less than 50% overall, it will not be qualified for investment.

Note that the strategy has never invested in any company with operations that have breached/ violated UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises.

Safeguards

Consideration of impact is central to our investment process. Our expert Impact Investment Team carries out all analysis of impact and ESG factors. Additional tools that underpin and safeguard this approach include:

- A list of the portfolio holdings, along with a brief impact investment thesis, is available on our website and is updated quarterly: <https://www.whebgroup.com/investing-for-impact/our-portfolio>.
- Any exposure to controversies would be reviewed by our internal Investment and Risk Committee, and our independent Investment Advisory Committee. Controversies are flagged as and when they arise through portfolio monitoring via ISS and followed up by the PIC (analyst in charge).
- Our internal Investment and Risk Committee reviews the Impact Investment Team's decisions monthly.

- Our independent Investment Advisory Committee reviews the decisions again every four months with a specific remit to consider compliance with the stated positive impact philosophy, policies, and objectives of the strategy. The minutes of the Committee meetings include a summary of discussions of each stock purchased and are published on our website here: <https://www.whebgroup.com/reporting-impact-investment/advisory-committee-minutes>.

Customisation

We are able to accommodate client requirements for specific ethical screens in relation to segregated accounts if required.

ⁱ Genetically modified organisms that have been created for contained use applications pose a much lower risk to the natural environment and ecosystems. These types of GMOs include a variety of industrial enzymes that typically have a much more benign environmental footprint compared to the chemical processes they replace.

ⁱⁱ See <https://stopexplosiveinvestments.org/disinvestment/countries-best-practises/> for a list of countries with effective bans on investment in controversial weapons.