

## 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

As an impact investor, 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<sup>i</sup> must be derived from businesses with positive impact related to our sustainability investment themes<sup>ii</sup>. 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, circa 85% of companies in the MSCI World Index do not qualify for investment.

### Consideration of negative impacts

When we analyse companies, we also 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 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 the production and sale of:

- alcohol;
- cannabis for recreational use;
- controversial lending activities (predatory lending);
- conventional weapons (including civilian fire arms) and including military contracting where this is focused on weapon-related products and/or services;

- cosmetics involving animal testing (animal testing is permitted where required by regulators for the approval of healthcare products);
- fossil-fuels (including exploration, extraction, distribution or refining) and including thermal coal, lignite and oil sands<sup>iii</sup>;
- fur;
- gambling services;
- GMOs where they are released into the natural environment;
- intensive farming or fishing activities;
- nuclear power generation activities;
- pornography;
- unsustainable timber products; and,
- unsustainable palm oil.

### Avoiding significant harm

Furthermore, the strategy will not have any exposure to the following activities and a 0% revenue threshold applies:

- Companies involved in the production of tobacco, manufacture of nicotine alternatives and tobacco-based products;
- Companies involved in the development, production and maintenance of nuclear weapons;
- Companies involved in the development and production of biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/sub-munitions and their key components, in line with international regulations banning investment in these industries<sup>iv</sup>. Whilst not specifically a banned weapon, we include white phosphorous in this definition in line with its status as a highly controversial weapon.

### 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.

We use a third-party screening tool to help us assess company compliance with international norms on human and labour rights, environmental standards and anti-corruption standards. The framework and process that we use explicitly considers the following general frameworks and principles:

- Principles of the UN Global Compact
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles for Business and Human Rights
- UN Sustainable Development Goals

These frameworks in turn reference a variety of international agreements and conventions.<sup>v,vi</sup>

### 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>.

**Time to comply**

If it is the investment manager’s opinion that an investee company no longer meets the sustainable investment criteria (for example due to new information coming to light, or resulting from a change in business mix), the investment manager will not make any further investments in the company. In addition, the investment manager will seek to realise its investment in such a company in an orderly fashion.<sup>vii</sup>

**Customisation**

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

Signed:



Dated:

12<sup>th</sup> December 2024

Seb Beloe, Partner – Head of Research

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<sup>i</sup> Throughout this document, ‘revenues’ refers to gross revenues as reported by the company.  
<sup>ii</sup> In exceptional circumstances, WHEB’s independent Investment Advisory Committee may approve stocks that are below 50% so long as there is clear visibility to achieving this threshold.  
<sup>iii</sup> For companies that derive revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite the threshold is 1% of revenues.  
<sup>iv</sup> See [https://stopexplosiveinvestments.org/wp-content/uploads/sites/6/201910\\_Factsheet-states-best-practices.pdf](https://stopexplosiveinvestments.org/wp-content/uploads/sites/6/201910_Factsheet-states-best-practices.pdf) for a list of countries with effective bans on investment in controversial weapons.  
<sup>v</sup> These include: The International Covenant on Civil and Political Rights (ICCPR), The International Covenant on Economic, Social and Cultural Rights (ICESR), International Labour Conventions, Rio Declaration on Environment and Development, The Convention on Biological Diversity, The UN Framework Convention on Climate Change, The Paris Agreement and The UN Convention against Corruption.

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<sup>vi</sup> Determining whether a given company complies with these principles is inherently subjective. WHEB's decisions are based on the views of third-party data providers that we use. Where these views are not aligned with other third parties, we will encourage our provider to resolve areas of misalignment.

<sup>vii</sup> We would ordinarily expect to fully exit the position within three months unless extenuating circumstances cause the exit process to take longer.