

## Voting and Engagement Report

### 1 July 2012 to 30 September 2012

The table below summarises the voting record for the period for the IM WHEB Sustainability Fund. This is the second quarterly report for the fund in line with WHEB Group's Responsible Investment policy.

Meetings	
Number of votable meetings	8
Number of meetings at which votes were cast	8 (100%)
Number of meetings at which we voted against management or abstained	5 (62.5%)
Resolutions	
Number of votes cast with management	91 (91%)
Number of resolutions where votes were cast against management or abstained – see list overleaf	9 (9%)
Number of resolutions where votes were withheld	0 (0%)

Company	Meeting date	Ballot #	Resolution	Vote	Rationale
Pennon Group plc.	26/07/12	16	Authorise Board to Fix remuneration of auditors	Against	For the seventh consecutive year, non-audit fees exceeded 100% of audit fees.
DS Smith plc.	4/09/12	3	Approve Remuneration Report	Against	Concern at the level of remuneration associated with a new acquisition in advance of benefits being delivered to shareholders.
	4/09/12	11	Authorise Board to fix remuneration of auditors	Against	Non-audit fees exceeded 100% of audit fees.
Keyence Corp.	12/09/12	1	Approve allocation of income, with a final dividend of ¥12	Against	Pay-out ratio consistently low for many years with no satisfactory explanation.
Faiveley Transport	14/09/12	4	Approve remuneration of Directors in the aggregate amount of €260,000	Against	Company does not provide sufficient disclosure on the rationale for fee 18% increase in pay.
	14/09/12	5	Approve auditors' special report on related-party transactions	Against	Disclosure of rationale for payment to former CEO and other Directors is insufficient and severance payments are not in line with market practice.
	14/09/12	11	Amend Articles 16, 20, 23, 25, 28, 35 to align by-laws with new legislation	Against	Amendments allow executives to define what constitutes a related-party transaction without oversight from Board or shareholders.
	14/09/12	12	Authorise up to 1% of issued capital for use in restricted stock plan	Against	Disclosure of performance criteria is insufficient.
Pentair Inc.	14/09/12	2	Advisory vote on golden parachutes	Against	Pentair executives to receive severance payments upon consummation of a reverse-merger where Pentair is the surviving entity.

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## Engagement activity

In addition to voting our shareholdings at annual general and other shareholder meetings, we also actively engage with company management over a range of environmental, social and governance issues which we consider to be material in the context of the company's activities. In addition, we also engage with a range of other stakeholders including governments, regulators, non-governmental organisations, academia and trade unions on critical ESG issues of relevance to our investments. The key areas of engagement over the past quarter are listed below.

Company	Topic	Comment	Outcome	Date
Danaher Corporation	Sustainability	We have engaged with Danaher over several years <sup>i</sup> to encourage them to measure and publish management and performance data on a range of material environmental and social issues for the business.	Following a shareholder proposal, the company has agreed to produce a sustainability report in 2013.	25/07/12
Emerson Electric	Sustainability	We have engaged with Emerson Electric over several years <sup>ii</sup> to encourage them to measure and publish management and performance data on a range of material environmental and social issues for the business.	A 2012 shareholder resolution requesting that the company produce a sustainability report received 35% support but the company has so far not agreed to produce a report.	25/07/12
BBC	Sustainability	Seb Beloe was invited to be an expert reviewer of the latest BBC report.		
Pennon Group plc.	Governance	We wrote to the Chairman explaining our reasons for voting against management on an AGM ballot (see above).	None	02/08/12
DS Smith plc.	Governance	We wrote to the Chairman explaining our reasons for voting against management on several AGM ballots (see above).	Chairman provided further detail on the exceptional circumstances involving non-audit work in 2012 and the remuneration policy.	11/09/12
Faiveley Transport	Governance	We wrote to the Chairman explaining our reasons for voting against management on several AGM ballots (see above).	None	15/09/12
Pentair Inc.	Governance	We wrote to the Chairman explaining our reasons for voting against management on an AGM ballot (see above).	None	17/09/12
EMC Corp.	Human rights	We have written to the CEO asking them to provide us with further detail on their policies and processes for managing	None	17/09/12

		human rights risks associated with the use of their equipment (see NetApp below).		
Tianneng Power	Environment	We met the company in May and requested that they publish additional information on their management of lead emissions from their battery manufacturing operations in China.	In subsequent correspondence the company has agreed to publish additional information in their Annual Report by 2014 at the latest.	19/09/12
NetApp	Human rights	We wrote to the company in June following allegations that some of their equipment has been used by the Syrian government in targeting human rights activists.	Although we have now sold the company, we have received an update from the company indicating that an internal review of their processes is underway.	28/09/12

### Policy and Industry Engagement

- **Investment industry and sustainability:** We have been working as an expert participant in a project (Project Delphi) involving the asset management industry to develop guidelines for mainstream managers to integrate environmental, social and governance (ESG) information into investment decision-making. The project will generate a framework identifying key ESG issues for different industry sectors which will be shared openly with interested managers.
- **Phasing out harmful chemicals from the chemical industry:** WHEB Asset Management, working with other investors and the environmental organisation ChemSec, has initiated a project aimed at engaging the chemical industry in phasing out controversial chemical substances. Working with a larger group of investors we aim to encourage companies to develop chemical substitution strategies for those products that are considered Substances of Very High Concern (SVHC).
- **Lobbying on climate:** As the invited investor expert, we have participated in a series of events organised by the Carbon Disclosure Project to develop a set of questions on climate lobbying that will be included in the next iteration of the CDP questionnaire. The questionnaire goes to over 5000 companies and in 2013 will for the first time ask questions aimed at understanding the role and activity of leading companies in lobbying for and against policy action on climate change.

<sup>i</sup> This has included work begun as part of the Henderson SRI Team and has continued at WHEB Asset Management.

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