
Governance, risk management and strategy



Governance and risk management

WHEB Asset Management (WHEB) is an investment management business. We invest exclusively in listed companies providing products and services that help solve critical sustainability challenges, including climate change. We are led by our mission and values. As a B Corporation, WHEB's deed requires us to consider the interests of all stakeholders – not just shareholders – when making decisions to ensure that no single stakeholder group is prioritised above the others.¹

This legal basis provides a solid foundation for WHEB's governance processes to take account of sustainability-related risks and opportunities in our decision-making. At WHEB the Senior Management Team (SMT) is responsible for the overall management of the business including the development and execution of policies to address key sustainability issues. These issues relate to the operational activities of the company as well as our investment activities. The WHEB staff handbook details a comprehensive range of operational policies governing work at WHEB. These cover key issues such as the management of diversity and inclusion as well as other issues such as health and safety, remuneration and absence policies. Many of these policies are available on our website.²

Climate change and biodiversity are also an integral part of the SMT's discussions. For WHEB's own operations direct physical risks relating to climate change and biodiversity loss are extremely limited given that we have one office based in Central London. Climate transition and biodiversity risks – and opportunities – are nonetheless a key topic for the SMT in the context of our investment proposition to clients. The ultimate direction and focus of WHEB's investment strategies are the responsibility of the SMT.

Separately, WHEB's Investment and Risk Committee, which is independent of the Impact Investment Team, oversees the implementation of WHEB's investment policies and the management of investment risk within our investment portfolios. Climate change, along with other sustainability issues such as biodiversity, are a core focus of our investment strategy both in terms of our asset selection and ongoing monitoring. An external Investment Advisory Committee composed of independent experts in sustainability investment also scrutinises our activities to ensure the investment policies and approach are both rigorous and rigorously applied.

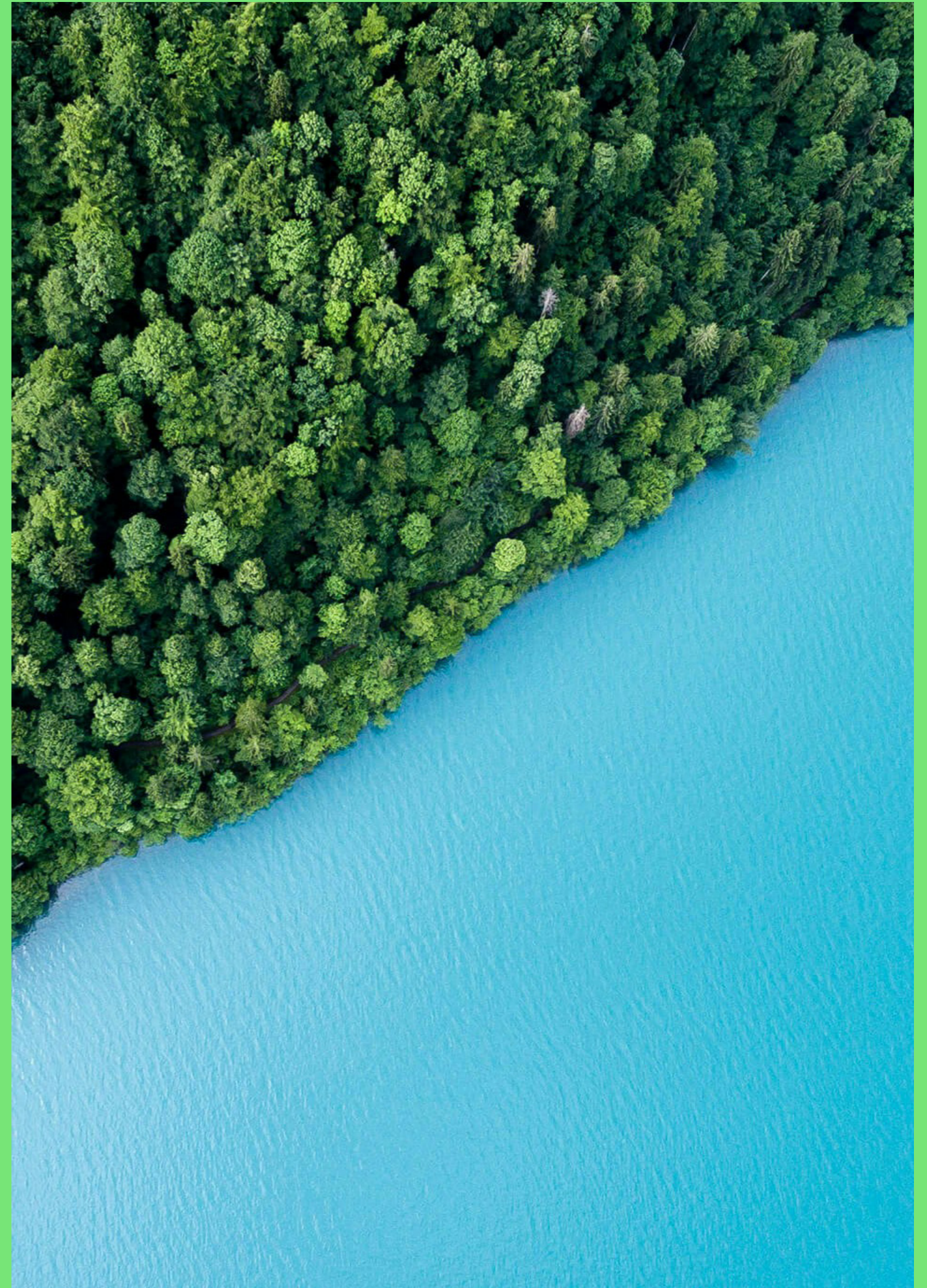
Detailed biographies of the members of the SMT as well as members of the Independent Advisory Committee are available on the WHEB website.³ We also publicly disclose the summary minutes of the Investment Advisory Committee's meetings.⁴

¹ <https://bcorporation.uk/b-corp-certification/how-to-certify-as-a-b-corp/legal-requirement/>

² <https://www.whebgroup.com/about/working-at-wheb> and <https://www.whebgroup.com/investing-for-impact/sustainability-policies1>

³ <https://www.whebgroup.com/about/our-people>

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



Management of sustainability issues

Our assessment of which sustainability issues are most material to WHEB's business interests is based on our own analysis, but also informed by guidance from third parties including that provided by the IFRS Foundation.⁵ Figure 2 below details WHEB's governance approach to these issues. Relevant metrics are collated and presented throughout this report.

Figure 2: WHEB's management of material sustainability issues

SUSTAINABILITY ISSUE	APPROACH	POLICIES, PERFORMANCE AND LINKS
<p>1</p> <p>Transparent information and fair advice for customers⁶</p>	<p>In addition to complying with regulatory obligations, WHEB deploys industry leading practices in terms of:</p> <ul style="list-style-type: none"> • Clear pricing: We charge a single transparent fee for our investment funds. • Transparent information: We publish detailed accounts of all the investments held in our funds and our investment and engagement activities; • Independent oversight: Investment activities are scrutinised by independent experts, with summaries of these meetings published. 	<p>Information on our approach to pricing can be found at www.whebgroup.com/news/wp-wheb-sustainability-fund-moves-to-a-single-fee. Our latest value for money report is available at www.whebgroup.com/assets/files/uploads/wheb-value-for-money-2023-final.pdf</p> <p>Detailed summaries of the companies held in our portfolios are available at: www.whebgroup.com/investing-for-impact/our-portfolio</p> <p>Summary minutes of WHEB's independent Investment Advisory Committee can be found at: www.whebgroup.com/reporting-impact-investment/advisory-committee-minutes</p>
<p>2</p> <p>Employee diversity, equity and inclusion (DEI)</p>	<p>Our aim is to ensure that all our colleagues and job applicants are given equal opportunities and that our firm represents a diversity of perspectives, cultures and experiences. We want every member of staff to feel respected and valued, and able to be their best self as a result.</p>	<p>Our Diversity, Equity and Inclusion (DEI) policy is available at: www.whebgroup.com/assets/files/uploads/wheb-dei-policy-updated-nov-2023.pdf</p> <p>See Section 5 of this report for more details on DEI at WHEB</p>

⁵ https://d3flrxduht3gu.cloudfront.net/latest_standards/asset-management-and-custody-activities-standard_en-gb.pdf

⁶ WHEB Asset Management does not provide advice [WHEB Asset Management is authorised and regulated by the Financial Conduct Authority for the provision of investment management services, and may only provide those services to persons classified as Eligible Counterparties or Professional Clients. We do not provide investment advice to Retail Consumers].

SUSTAINABILITY ISSUE	APPROACH	POLICIES, PERFORMANCE AND LINKS
<p>3</p> <p>Incorporation of environmental, social and governance (ESG) factors into investment management</p>	<p>As impact investors, the core purpose of our investment strategies is to deliver positive real-world impact on critical sustainability issues and minimise any material negative impacts. 100% of our investments are covered by these policies and commitments.</p>	<p>Our responsible investment, stewardship and voting policies are available at: www.whebgroup.com/investing-for-impact/sustainability-policies1</p> <p>See Section 2 of this report for more information on how sustainability is integrated into our investment management.</p> <p>Sectors that are subject to exclusions are detailed in our 'Ethical Outcomes' document available at: www.whebgroup.com/assets/files/uploads/20240110-ethical-outcomes-final.pdf</p>
<p>4</p> <p>Climate change</p>	<p>In addition to investing in companies providing solutions to critical sustainability challenges such as climate change, we are also committed to reducing our own and our portfolio's carbon footprint to net zero by 2050 at the latest.</p>	<p>Our net zero carbon policies are available at: www.whebgroup.com/investing-for-impact/sustainability-policies1</p> <p>See Section 3 for more information on the positive impact of our investments on climate change and for information on our progress in reducing carbon emissions at portfolio companies.</p> <p>See Section 5 for information on WHEB's own operational emissions.</p>
<p>5</p> <p>Business ethics</p>	<p>Strong ethical principles guide all areas of our work. We are honest in our approach and treat all stakeholders fairly.</p>	<p>No employees or identified decision makers have had any record of complaints or investigations and there have been no legal proceedings against the company on any issues.</p> <p>WHEB has a whistleblowing policy and employees can contact an independent third party with concerns.⁷</p>

⁷ <https://protect-advice.org.uk>

Strategy

We are positive impact investors, focused on the fundamental connection between long-term positive change and long-term growth. As a business, our mission is: ‘To advance sustainability and create prosperity through positive impact investments.’ Our ambition is to create a high-quality investment business that is wholly focused on delivering positive impact investment strategies. We believe that this is an area of the investment market that is underserved and that needs to grow dramatically in order to meet client demand, as well as support our investee businesses and the positive impacts that they deliver.

We have set out in a separate white paper WHEB’s ‘impact model’. This describes how we seek to deliver positive impact both through the investments that we make (the ‘enterprise impact’) as well as through our engagement with investee companies and other stakeholders (the ‘investor contribution’). For more information, please see: www.whebgroup.com/investing-for-impact/about-impact-investing.

WHEB’s theory of change

We describe below our ‘theory of change’ – the sequence of cause-and-effect actions that connect WHEB’s activities with the specific positive social and environmental outcomes that we are targeting. This theory of change frames all of WHEB’s investment activities. We also articulate theories of change at the level of each of our investment themes (see Figure 4) as well as each of our individual investments. At the individual investment level, our ‘Impact Engine’ helps to distil the theory of change which describes how a specific company’s products and services deliver real-world social and environmental outcomes.

Identifying social and environmental problems and the companies that provide solutions

WHEB’s theory of change starts with the identification of critical environmental problems (e.g. climate change and other forms of environmental pollution) and social problems (e.g. lack of educational opportunities, disease, accidents and injuries, and unhealthy lifestyles – including diet, exercise and lack of care for vulnerable communities).

Not all social and environmental problems are solvable through private companies and the market. Still fewer through the companies that are listed on public stock exchanges. We have developed a set of nine sustainability impact investment themes⁸ and identified over 450 companies selling products and services that target these social and environmental problems.

These themes include Cleaner Energy, Resource Efficiency and Sustainable Transport which deliver reductions in the greenhouse gas (GHG) emissions that cause climate change. Two further environmental themes Environmental Services and Water Management deliver reductions in other types of environmental pollution such as plastic waste and water pollution.

Our Health theme directly targets diseases. Our Education theme includes companies that improve educational opportunities by providing education and training or by providing educational products and services. The Safety theme includes companies that help reduce accidents and injuries in the workplace, at home or while travelling. The Well-being theme includes companies that provide care to vulnerable groups, that improve hearing, visual and oral health and that enhance well-being through exercise and healthy eating.

WHEB’s activities and levers for change

Using our suite of analytical tools, we identify businesses that are well-placed in our view to deliver strong positive impact across one or more of our investment themes, and in so doing to deliver attractive financial returns to us as investors. Our intention in investing is to support this positive impact by:

- Buying shares in these businesses and holding these over a long period of time.⁹
- Advocating to these businesses’ management and other stakeholders for the delivery – and enhancement – of this positive impact.
- Signalling to the wider market the importance of the contribution made by the businesses we own.
- Where businesses are no longer aligned with our views on positive impact, divesting and often disclosing our reasons publicly for doing so.

We believe that the aggregate impact of these activities is to directly support the share prices of the companies we own which in turn provide multiple benefits to them.¹⁰

We also deploy resources to advocate for changes in financial markets and the wider economy to enable and support more investment in solutions to critical social and environmental problems. In this way, we also help to accelerate the delivery of positive impact by businesses we own and across the market as a whole.

⁸ These themes were first developed in 2005 and are aligned with seven of the UN Sustainable Development Goals (SDGs) first published in 2015.
⁹ Our average holding period is four to seven years.
¹⁰ For a description of some of these benefits please see <https://www.whebgroup.com/assets/files/uploads/20211014-impact-investing-in-listed-equities-whebs-approach.pdf>

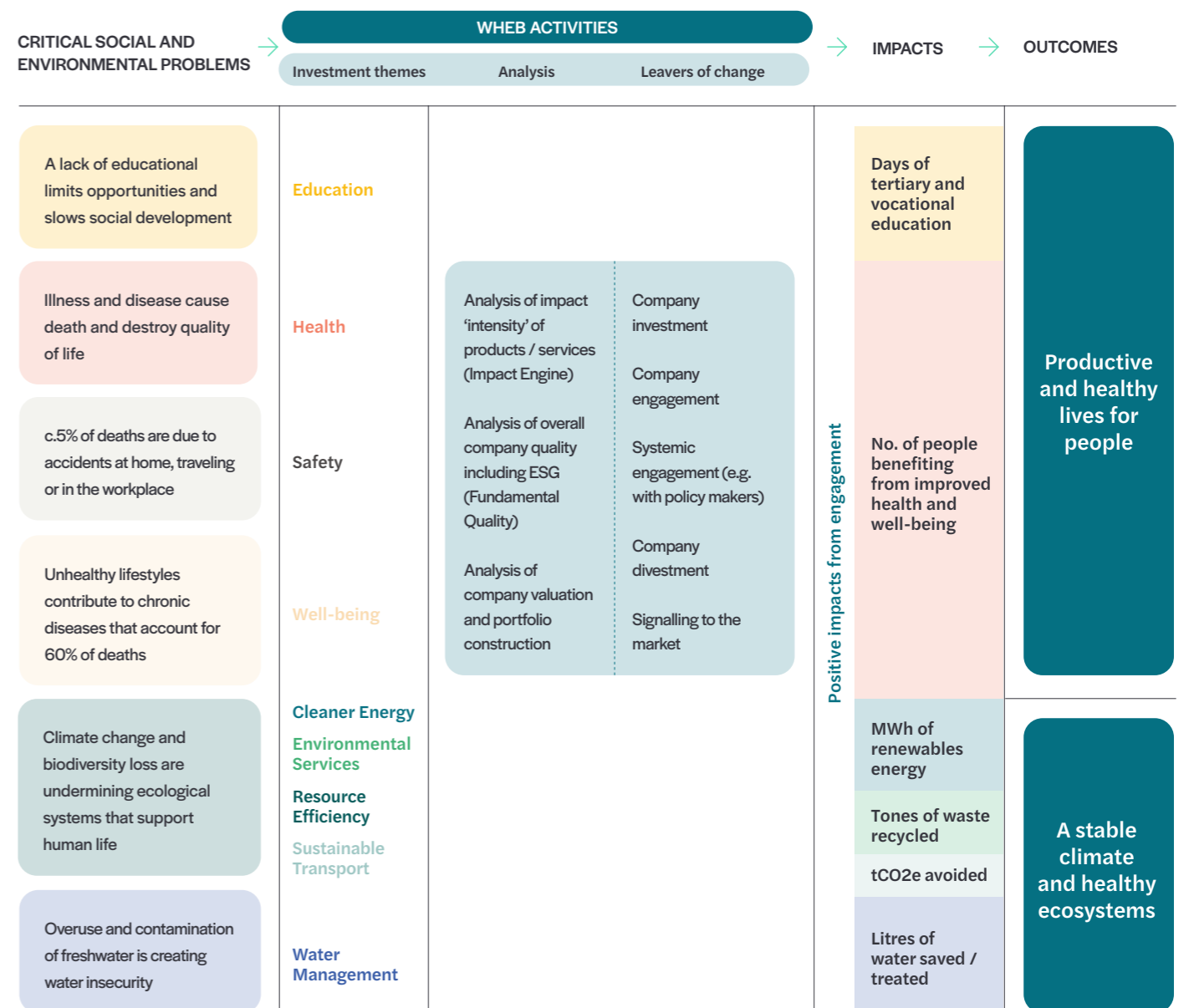
Impacts and outcomes

We are reluctant to claim that any specific action by WHEB is directly responsible for any specific positive outcome. Nonetheless, by investing in our portfolio companies, we are part of the value chain culminating in products and services that deliver positive impacts in the real world. Similarly, our engagement with portfolio businesses and regulators is one contribution from the many made by investors and other stakeholders. These contributions together lead to changes in business practices and regulatory frameworks that ultimately deliver more positive social and environmental outcomes.

We believe that trying to parse out WHEB’s contribution from all of these other contributions would be extremely challenging, if not impossible. Instead, we focus on clearly articulating our investment intention and corroborating how this is rooted in our investment decisions. We also set out credible engagement strategies that are underpinned by documented activities and outcomes that show that we are contributing effectively to these positive changes. Ultimately what really matters is not the attribution of a specific change to WHEB or any other individual investor, but the ultimate positive social or environmental outcome.

The impacts delivered by WHEB and our investee companies ultimately feed through into the social and environmental outcomes that we are targeting. These can be broadly grouped into supporting a stable climate and healthy ecosystems and enabling more productive and healthy lives for people.

Figure 3: WHEB’s theory of change





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A summary of investor rights is available at: <https://www.whebgroup.com/impact-investment-funds/sustainable-impact-fund-icav/additional-documents-wheb-sustainable-impact-fund-icav> This is a marketing communication. Please refer to the prospectus and KIID before making any final investment decisions. The decision to invest in the Fund should take into account all the characteristics or objectives of the Fund as described in its prospectus.

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