

A landscape photograph showing several wind turbines in a field of golden wheat under a warm, sunset sky. The turbines are silhouetted against the bright light of the setting sun, which creates a gradient from yellow to blue in the sky. The foreground is filled with the texture of the wheat field, and the background shows rolling hills and more turbines in the distance.

# Sustainability Report

International Equities

Q4 2023



## Sustainable Philosophy

### Core Beliefs

Our active approach to the stewardship of investments ensures sustainability commitments

We emphasize active ownership to influence positive change and progress

The integration of sustainability factors is key to our long-term investment research process

Prioritising pro-active engagement rather than excluding and divesting

Investing responsibly is aligned with superior risk-adjusted long-term returns

### Our actions

Engaging directly with and voting on investee companies

Researching sustainability factors is fully integrated into our overall investment approach

Materiality ensures that we prioritise what matters most

Extensive screening to ensure norm-based alignment

# C WorldWide International Equities

## Quarterly Comments

### Balancing Corporate Profits with Social Responsibility

Many investors are increasingly seeing the need to navigate the complex intersection between financial objectives, investment returns and societal impact.

There are multiple global initiatives addressing these trends. One example is the Just Transition's fundamental framework which believes that the move towards a lower-carbon economy should be characterised by inclusivity and fairness. Their belief is that energy transition should not only be guided by economic and environmental factors but also by social justice, job creation, and the development of community resilience. Although we agree with their ambitions, the transition will look and be applied differently depending on respective country or regional starting point.

Asset managers such as us are also confronted with the challenge of navigating policy and regulatory uncertainties in the rapidly evolving landscape of environmental policies. This is embedded in our on-going thematic work categorized under "Big Government". This demands ongoing awareness and monitoring of governmental initiatives, a precondition to making well-informed and long-term investment decisions. The reason is that the regulatory environment significantly shapes the feasibility and success of investments in environmentally conscious sectors. How governments shift from policy support to policy headwind, depending on opinion polls, thereby adding another layer of complexity.

Our investment approach is to strike the right balance between financial returns and social responsibility demands, a holistic approach. Our investment objectives remain unchanged, and we continue to prioritize financially driven return outcomes.

During the final quarter of 2023, we focused on finalising the integration of our stewardship risk tool, LISA (Long-term Investments in Sustainable Assets), which includes, but is not limited to, the analysis of the mandatory principal adverse impact indicators (PAI). These are also factors that are part of other frameworks, like Just Transition, that include social equity, economic stability, and environmental sustainability. For example:

- An evaluation of the potential impact on employment where companies can be assessed on their implications on job markets, especially within industries undergoing significant transformations.
- An evaluation of skill development and training programs. Companies can be assessed on how they facilitate the transition of workers from declining industries to emerging, sustainable sectors, promoting retraining and upskilling for a more inclusive and equitable transition.



## Investment Screenings

### Sanctions Screenings

All investments are screened against Refinitiv World-Check sanctions-screening covering all known sanction bodies

### Norms-Based Global Standards Screenings

Convention Breach screenings, compliance with UN Global Compact Principles, OECD Guidelines for Multi-national Enterprises and the UN Guiding Principles on Business and Human Rights

### Investment Exclusions

None of the companies within the portfolio exceeds a certain level of involvement in the activities specified

- 0% Controversial Weapons
- 5% Military Contracting
- 5% Small Arms

- An evaluation of any potential environmental impact. The ecological consequences of investments must be thoroughly examined, focusing on reducing carbon emissions, promoting sustainable resource use, and aligning with broader environmental conservation objectives.

## Portfolio Changes

### RELX

RELX is a global provider of information-based analytics and decision tools for professional and business customers. As a data company, both data security and energy usage in, for example, data centers are material topics to the operations, where the Company has initiated projects and programs to reduce its impact. RELX is committed to advancing the United Nations Sustainable Development Goals (SDGs) and has set ambitious targets to reduce its carbon footprint. The Company aims to reduce its carbon emissions by 50% by 2030 and to achieve net-zero emissions by 2040. Furthermore, the Company has also pledged to source 100% renewable electricity by 2025 and to reduce its water consumption by 30% by 2025. RELX has received a negligible 8.6 ESG risk rating from Sustainalytics and has been recognized for its sustainability efforts and has been included in the Dow Jones Sustainability Index for 4 consecutive years.

## Direct Engagements

We engaged with several companies during the quarter, including SAP and Iberdrola.

### SAP

SAP, a global leader in enterprise software, is deeply committed to sustainability, integrating it into every aspect of its operations.

SAP's sustainability approach is comprehensive and integrated into the daily operations, rather than being a standalone strategy. The Company offer specific products, for example, HR management, and allows clients to track the CO<sub>2</sub> footprint for each product through the software. Additionally, SAP has recently announced an AI tool, Joule, which can answer complex queries like "lower my emissions but keep profits stable". However, AI isn't new to SAP; they have over 200 use cases in the portfolio and see high interest in AI tools.

On the environmental front, SAP is working with hyperscalers (predominantly Microsoft, Amazon, Alibaba, and Google) while also operating their own data-centers. The goal is to achieve net zero across the entire value chain by 2030. SAP's datacenters have been powered by renewable energy since 2014 and as more applications transition to the cloud, the Company is intensifying its collaborations with hyper scalers to minimize energy- and water usage.

SAP's view on carbon offsets is pragmatic; carbon offsets have been halved since last year and the Company aims for carbon neutrality this year. SAP is also awaiting approval to advance its SBTi target from 2050 to 2030.

On the social front, data security about cloud-based services and datacenters is material to its operations. SAP takes data security seriously, and as a German company, it adheres to stringent standards based on German regulations. Robust systems are in place capable of halting a breach within 48 hours, but the Company remains vigilant as no system can guarantee 100% security. In terms of governance, SAP invests in venture capital and unlisted companies primarily



through a venture capital company named Sapphire Ventures. The governance structure includes a dual board structure with half of the directors being appointed by the employees, as per German corporate governance law.

### **Iberdrola**

Iberdrola is a global energy leader that specializes in clean energy and smart grids. The Company is focused on and has embedded sustainability in its general strategy. The Company has set ambitious goals for 2025 and 2030 to comply with sustainability targets and do no material harm to the environment and society.

One of the areas where Iberdrola expects to have the biggest impact in the coming years is biodiversity. The Company believes that biodiversity is the next frontier of sustainability, as it has been undervalued and overshadowed by emissions reduction. Iberdrola has implemented policies and initiatives to ensure biodiversity in the areas where it operates and to have a net positive impact on biodiversity by 2030. Some of these initiatives include fencing facilities, using sheep and bees to maintain vegetation, protecting bird nests, planting 20 million trees, and starting a company to perform carbon offsets.

Iberdrola has also published 2040 net zero targets, but the progress indicates that it will achieve this target earlier, by 2030. The Company has taken several measures to reduce the environmental impact of its operations, such as increasing the share of renewables in its energy mix, investing in new solar panel factories in Spain, and developing hydro and storage projects to ensure distribution through disruptions.

Iberdrola has also formed strategic alliances with other companies, such as GIC and Masdar, to expand its transmission networks in Brazil and to develop offshore wind in the Baltic Sea. These partnerships allow the Company to leverage its expertise and resources to enter new markets and increase its renewable capacity. The Company has also addressed some of the challenges and risks that it faces, such as allegations of bid rigging, price manipulations, and racketeering, and has been working to improve its social and governance aspects, such as increasing safety training, promoting equal opportunities, and separating the roles of chairman and CEO.

The Company has evolved from these allegations and has implemented measures to ensure fair business ethics and practices, such as including ESG components in executive remuneration and conducting supply assessments. The Company has also been monitoring the regulatory changes in the countries where it operates, such as Brazil and the UK, and has been engaging with the politicians to make them understand the need for further improvements of network infrastructure and energy transition.

### **Proxy Voting**

There were no AGMs held during this quarter.

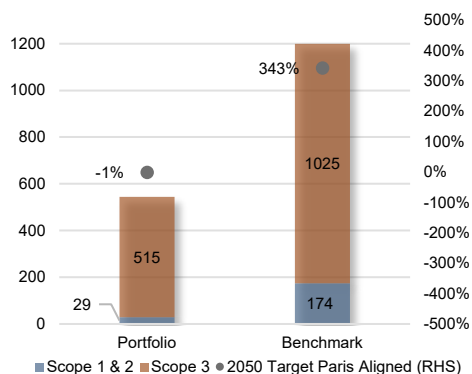
A full list of all meetings voted is available upon request or can be retrieved directly from the C WorldWide website.

# C WORLDWIDE INTERNATIONAL EQUITIES

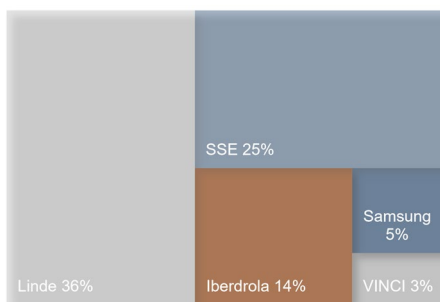
**Sustainalytics Portfolio Risk Rating: Low**

Benchmark: MSCI All Country World ex. USA

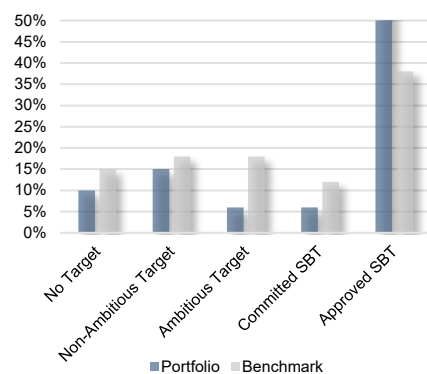
## Emissions Exposure & SDS (tCO<sub>2</sub>e)



## Top 5 Contributors to Portfolio Emissions

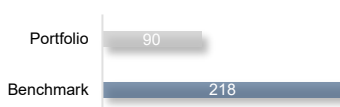


## Climate Target Assessment



The above graph summarises the portfolio's carbon footprint compared with the benchmark. The Sustainability Development Scenario (SDS) pathway on the right-hand side of the graph is fully aligned with the Paris Agreement. The graph indicates whether the portfolio and benchmark are expected to over-/undershoot the allocated carbon budget until 2050.

## Carbon Intensity (tCO<sub>2</sub>e/mill. USD revenue)

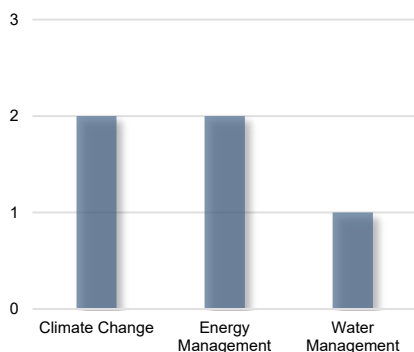


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

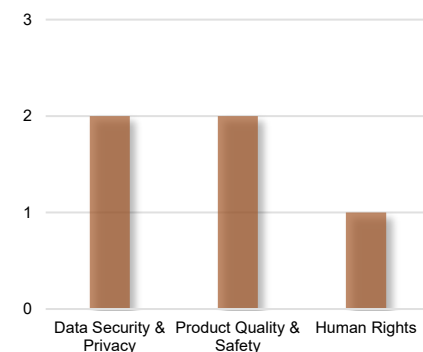
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 31st of December 2023

## Direct Engagement Topics

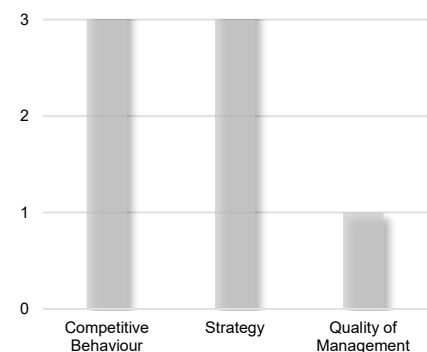
### Environment



### Social



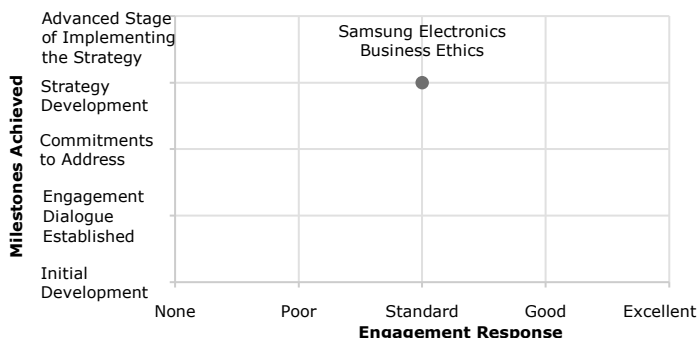
### Governance



**Total direct company engagements for the portfolio: 5**

Throughout the quarter, we conducted several direct engagements with the portfolio companies. Our ESG engagements have most often incorporated an aspect of each subject E, S, and G. The above graphs show the top three engagement topics within environmental, social and governance aspects. There are several sub-topics within each category that can overlap within one engagement.

## Collective Engagement



The above graph illustrates our collective engagements with Sustainalytics. The companies are shown within what milestone they have reached thus far and rated according to their communication in relation to the specific engagement topic.

## Proxy Voting

Meetings Voted	0%
Proposals Voted	0%
Meetings with at least one vote against management	0%
Proposal Categories (Top 3)	0%

We utilise proxy voting to emphasise the topics discussed with the investee companies in our ongoing engagement with them and to vote on key issues important to the governance of the investee companies. The table above shows key topics and how votes have been cast during the quarter.

Source: Sustainalytics. Portfolio as of 31st of December 2023

Source: Glass Lewis Proxy Voting. Portfolio as of 31st of December 2023

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# Active Investments

C WorldWide Asset Management Fondsmæglerselskab A/S is a focused asset manager. Our objective is to deliver consistent, long term capital growth for clients through active investments in listed equities on global stock exchanges.

Our clients are primarily institutional investors and external distribution channels. Our product range includes discretionary asset management services and commingled fund products.

The combination of a unique investment philosophy based on careful stock picking and long-term global trends coupled with a stable team of experienced portfolio managers, has since 1986 resulted in world-class investment performance.

Please find more of our Sustainability Reports on [cworldwide.com](http://cworldwide.com)

## C WORLDWIDE ASSET MANAGEMENT FONDSMAEGLERSELSKAB A/S

Dampfaergevej 26 · DK-2100 Copenhagen

Tel: +45 35 46 35 00 · VAT 78 42 05 10 · [cworldwide.com](http://cworldwide.com) · [info@cworldwide.com](mailto:info@cworldwide.com)

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