



WORLDWIDE
ASSET MANAGEMENT

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

ESG Report

Emerging Markets Equities

Q1 2022



ESG Philosophy

Core Beliefs

Our active approach to the stewardship of investments ensures ESG commitment

We emphasize active ownership to influence positive change and progress

The integration of ESG 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 ESG factors is fully integrated into our overall investment approach

Materiality ensures that we prioritise what matters most

Extensive screening to ensure norm-based alignment

Quarterly Comments

We are pleased to welcome you to the new design and layout of our quarterly ESG reports. The idea behind the new look is for you as a reader to get an accessible overview of our stewardship practices in the latest quarter and continue to receive detailed insights on our engagements. We hope you value the new look. Enjoy reading.

The first quarter of 2022 was eventful from both an ESG and geopolitical perspective. The already significantly increasing energy prices rose even further, putting pressure on policymakers to act and investors to start focusing even more on energy opportunities. Additionally, there have been more discussions developing regarding the acceptance of potential investments in the weapons industry, anchored in the framework of security, peace, and justice. Although controversial weapons will always remain un-investable for us, perhaps other weapons-related companies will become more investable again from a SRI/Ethical perspective.

Our latest quarterly report emphasised the continued focus and progress in setting abatement plans and working with climate matters and emission reduction targets. This quarter, the discussions accelerated exponentially with Russia's invasion of Ukraine, particularly in the EU, where many energy sources depend on supply from precisely Russia. The original ambitious EU climate plan, Fit for 55, announced in the summer of 2021, was replaced by the even more ambitious REPowerEU plan that emphasises scaling down gas, oil and coal (45%, 25%, and 45% of the consumption are imported from Russia, respectively) from external suppliers and focus on developing measures for EU to be self-sufficient, including further investments in renewable energy sources. This has ignited the debate on investments in energy from an ESG perspective, including whether investments in gas and nuclear from more secure and affordable sources might be part of the solution in the transition to a decarbonised world. To some extent, a shift may also become beneficial for countries in Emerging Markets. As an example, China also plans to increase the share of renewables in its power generation mix to 40%. The needed green investments across, e.g. solar PV plants, wind farms and EV factories, drive an increase in demand for critical materials such as lithium, nickel, cobalt, and copper, to mention a few.

Despite more events taking place this quarter than in decades, we continue to view investments from a long-term perspective and focus on companies with thematic tailwinds. Please also refer to our piece ['The Longer-term Investment Consequences of the War in Ukraine'](#) just published for further insights into how we view the implications of the ongoing invasion

Portfolio Changes

During the first quarter of 2022, we initiated new positions in Totvs, MCX, LTTs and Ganfeng.

Totvs

Totvs has a strong position in the ERP market in Brazil. It is primarily focused on the SMB segment, where the penetration level of ERP is relatively low. Following a poor operational performance from 2014 to 2018, the company has turned around its performance, delivering double-digit recurring revenue growth. In addition to Totvs' core software business, it is also focused on fintech initiatives, including payments and credit. It "owns" the clients, so cross-selling new offerings is significantly higher. In an environment of potentially higher inflation, Totvs is well-insulated because its core product is mission-critical to customers, only comprises, on average, 0.15% of customers'



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 Multinational 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

revenue, and contracts are renegotiated annually. From an ESG perspective, there are no notable controversies. The company has a low-risk rating on Sustainalytics.

MCX

MCX is the leading commodity exchange in India. Over 90% of India's energy, bullion and base metals are traded on its platform. It has been expanding its product range across metals and soft commodities. The very nature of exchange business favours the incumbents, perhaps more so in the case of commodities, as one requires a reliable network of warehouses and logistics support backing it. The most material ESG issues include data privacy and security, human capital and business ethics. There are no significant controversies to note, and the company has a low-risk rating on Sustainalytics.

LTTS

LTTS is amongst the leading global pure-play engineering research & development companies. They provide services to design, manufacturing, technology and process engineering companies. These engagements are often multi-year and IP driven, making the switching cost relatively high for their customers. We like the moat the company has built around its services and strong growth outlook for the segment. The most material ESG issues include data privacy and security, human capital and business ethics. There are no significant controversies to note, and the company has a low-risk rating from Sustainalytics.

Ganfeng

Ganfeng is an essential player in lithium, a key component in the upstream value chain of battery production. As the world transitions to EV and green alternatives, the company will be at the centre of the green transition. We expect this secular trend to underpin compounding earnings in the coming years with a certain amount of volatility through price fluctuations. The most material ESG issues include the environmental impact of its operations. There are no significant controversies to note, and the company has a medium-risk rating as per Sustainalytics.

Quarterly Direct Engagements

This year we have set out key focus areas for our engagement throughout 2022. We will focus on three areas with two underlying topics in each area. The key areas have been decided through a materiality assessment across all holdings in our strategies:

- 1) Climate change (Decarbonisation and Alignment with international standards such as SBTi and TCFD)
- 2) Environmental impact (Biodiversity and Water management)
- 3) Business Ethics (Bribery & corruption and Signatory to UN Global Compact)

These topics are addressed in engagement meetings with investee companies. During the first quarter, we had a research trip to India, where we also had the opportunity to discuss sustainability matters with the companies we met. Notable highlights from the meetings are detailed below.

Lemon Tree Hotels

During the tour in India, one of the beneficial meetings was with Lemon Tree Hotels. From the company's materiality assessment, Energy, Climate Change & Emissions, Water, Waste, and Biodiversity are the critical focus ESG areas for Lemon Tree. We primarily discussed their target to increase renewable consumption. The plan is to take renewable consumption up from 27% to 50% of total energy requirement across hotel facilities by 2030. Additionally, there is a crucial focus on water savings. The target is to become water neutral; in doing so, Lemon Tree is committing to zero discharge from operations and utilising rainwater harvesting. Other examples of limiting water use are the "half glass



water" servings for guests and the "3rd day linen change" service. Both are initiatives to minimise resource utilisation and limit environmental footprint.

Amber Enterprises

We also met with Amber Enterprises India. Historically, this is not a company with the most emphasis on ESG, but we can see this is starting to change from our meeting with them. They aim to promote thought leadership within its sector in India and are running a safety program of improving safety by 50% and lower wastage by 50%. Additionally, Amber Enterprises is currently working on publishing a sustainability report, which will be the first for the company.

Proxy Voting

During the first quarter of 2022, we voted on a few companies' general meetings. A decent amount of Asian companies use stock option programs for remunerations purposes. We are not fond of this tool and thus vote against such items. Specifically, this was present at the AGMs of My EG Services and Aavas Financiers.

Longi Green Energy Technology

Longi Green Energy sought to have its financing and performance guarantees approved. However, the lack of disclosure regarding pertinent details made us vote against the proposals.

Bank Rakyat Indonesia

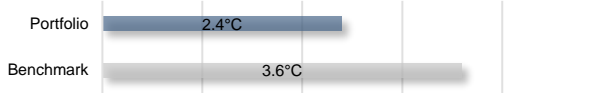
We voted against the share repurchase program and the changes in the board due to a lack of sufficient information to assess the potential impact on shareholder value.

C WORLDWIDE EMERGING MARKETS EQUITIES COMPOSITE

Average Sustainalytics Risk Rating: 25

Emissions Exposure

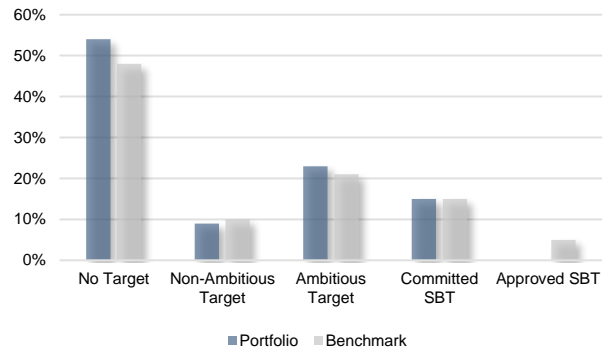
	Emission Exposure		Relative Emission Exposure	Sustainable Development Scenario
	tCO ₂ e		tCO ₂ e/mill. USD revenue	
	Scope 1 & 2	Incl. Scope 3	Carbon Intensity	
Portfolio	14	129	59.18	271.05%
Benchmark	225	1042	404.99	899.65%
Net Performance	93.6%	87.7%	85.4%	-



In the above table, the portfolio and benchmark are compared regarding their emission exposure and relative emission exposure, enabling us to see the difference between the two.

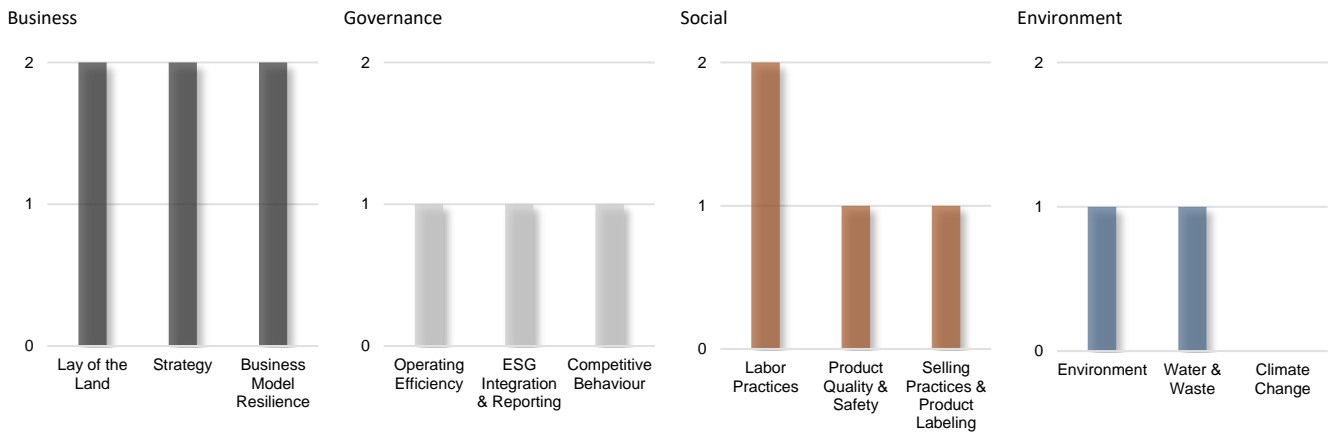
The bottom chart shows the alignment of the portfolio and the benchmark according to the Paris Agreement, thereby the 1.5°C scenario.

Climate Target Assessment



The graph above 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.

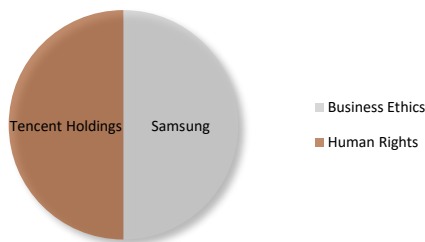
Direct Engagement Topics



Total direct company engagements for the portfolio: 2

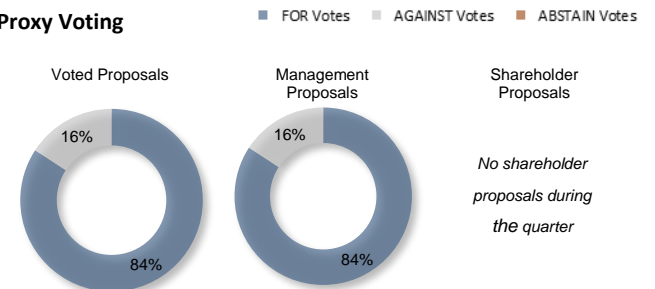
Throughout the quarter, we conducted several direct engagements with the portfolio companies. Our ESG engagements have most often incorporated an aspect of each subject E, S, and G. The above graphs show the top three engagements topics within business, governance, social and environmental aspects. There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

Collective Engagement



The collective engagement approach gives us access to a proven process and highly qualified specialists with strong knowledge and network that can be leveraged in monitoring and follow-up with the investee companies on key ESG issues. As we are minority shareholders, Sustainalytics' ability to pool our engagement and assets with other like-minded investors and shareholders amplifies our influence and our ability to encourage change.

Proxy Voting



Total votes for the portfolio: 38

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 chart above shows key topics and how votes have been cast during the quarter.

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