

# Emerging Markets

## Q2 2025





## 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 general meetings in 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 Emerging Markets

## Quarterly Highlights

During the past quarter, it was once again time for the NordicSIF conference. A conference gathering the Nordic sustainable investment forums (DanSIF, SweSIF, NorSIF, FinSIF, and IcelandSIF) in one of the Nordic capitals. This year the conference was held in Stockholm and the header of the conference was the 'Future of Humanity'. In scope quite broad, but also a timely and topical theme. Topics of discussion included the climate transition, sustainable living, the Nordic JEDI (justice, equity, diversity, inclusion) warrior, as well as peace and war.

The latter has seen significant public interest the last three years, specifically since Russia invaded Ukraine, as we also wrote about during the last quarter. Furthermore, the topic continues to be highly debated among market participants, politicians, as well as in the sustainability community. Since the EU in February 2025, announced its revised strategy to re-arm Europe in the Readiness 2030 strategy, a large number of European and in particular Nordic asset owners have gone from excluding defense companies as a standard in investment strategies to now including these in strategic investment guidelines. The month of June, in particular, showed many changes, even before the member countries of NATO decided to increase defense spending from 2% to 5% of GDP until at least 2035.

Investing in the defense sector presents numerous challenges and opportunities. The defense sector is highly regulated, and from an investment perspective requires additional attention to detail. Many companies are not pure defense contractors and much of their product range is used in other industries. An investment in defense was often treated as an exclusion criterion. From our perspective, all of our investment strategies, except for the Global Ethical Equities strategy, allow for investments in defense companies that produce or produce components for conventional weapons.

Importantly, one must distinguish between conventional weapons and controversial weapons. Conventional weapons are those that are not classified as weapons of mass destruction but rather encompass a wide range of military equipment including light weapons, artillery, tanks, combat aircraft, warships, and missiles. These weapons are commonly used in armed conflicts and are a subject of arms control efforts.

Controversial weapons on the other hand are regulated by international conventions, are used for mass destruction, and include anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, white phosphorus munitions, and nuclear weapons.

The recent development from asset owners is to include a broader range of defense companies. This includes the allowance of nuclear weapons, if the defense companies are based in countries that have signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). The NPT aims to prevent the spread of nuclear weapons and promote peaceful uses of nuclear energy.



## 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

The strategy avoids investments in companies exceeding a certain level of involvement in specific activities:

0% Controversial Weapons  
5% Small Arms

Despite close similarities between the Nordic countries, inclusion of weapons, and in particular controversial weapons in investment guidelines varies across countries. The most significant difference is Finland, which earlier in June decided to withdraw from the Ottawa Convention that bans anti-personnel mines. The Finnish parliament argues that reintroducing anti-personnel mines would offer a cost-effective deterrent to slow a possible Russian advance, while preserving Finland's territorial integrity. Finland shares a 1,340 km border with Russia.

As an active public equity manager, we follow the significant developments within defense investments and value our engagement with key stakeholders on this topic for the benefit of our long-term investment approach.

## Portfolio Changes

During the first half of the year, we initiated a new position in the following companies.

### Cosmax

Cosmax is a Korean-based specialized cosmetics research and development and manufacturing company. Cosmax develops and provides cosmetics to more than 600 cosmetics brands around the world. The key product consists of skin-care, makeup, mask sheets, oriental medicine, haircare, functional cosmetics, and scents. The company has corporations in China, Indonesia, and the United States and primarily sells its products in Europe, North America, and Central and South America. Cosmax supports sustainability across the beauty value chain through eco-friendly packaging, responsible sourcing, and carbon-conscious production, reinforced by dedicated ESG reporting.

### BYD

BYD is a leading global manufacturer of electric vehicles (EVs), batteries, and related technologies. The company is vertically integrated, meaning it controls much of the supply chain, from raw materials to battery production and vehicle assembly. This vertical integration provides a significant cost advantage and allows for greater control over quality and innovation.

BYD is directly exposed to the secular growth trend of global electrification of transportation. This megatrend is driven by environmental concerns, government regulations, and decreasing battery costs. BYD is a key enabler of the global energy transition, advancing clean mobility and battery innovation at scale. The company is currently on the watchlist by Sustainalytics for allegedly violating UN Global Compact Principle #4 (forced labor), at its facility in Brazil involving workers hired by its construction contractor, Jinjiang Group. BYD has subsequently stated that it had terminated its contract with Jinjiang and has pledged to comply with local labor laws for the workers who remain in Brazil. BYD continues to address the matter through internal compliance and stakeholder engagement and has outlined several measures to implement human rights policies, including human rights management, training and education, due diligence, and supervision mechanisms.





0% Controversial Weapons  
5% Small Arms

### **Mao Geping**

Mao Geping is a Chinese beauty company that manufactures and sells a range of cosmetics and personal care products. Founded by a famous Chinese make-up artist, Mao Geping's sells high-end beauty products. Mao Geping Cosmetics has stated its commitment to implementing sustainable practices across its production processes. This includes using eco-friendly packaging and sourcing sustainable materials for product formulations to resonate with environmentally conscious consumers. While specific details of their sustainability targets and achievements are still emerging, this stated focus is a positive indicator of a dedicated sustainability strategy.

### **Alibaba**

While the Chinese e-commerce market is maturing, Alibaba is still well-placed in terms of the continued growth within e-commerce, which will also benefit from the expected policy support for the consumer sector. The company is also well-positioned in terms of the opportunities within China's cloud and AI market, which are already seeing an impact from DeepSeek developments. Alibaba is exposed to the sustainability risks of data privacy and security as well as human resources management given the reliance on skilled talent for innovation. Alibaba has established a board-level sustainability committee to oversee sustainability issues. The board's risk management committee oversees data protection and information security across Alibaba's platforms, and its privacy policy follows industry best practices regarding transparency around the collection, use and disclosure of PII (Personally Identifiable Information) and the exercise of privacy rights. Alibaba assigns board and managerial responsibility for business ethics and bribery and corruption risks, and it faces significant regulatory scrutiny.

### **Computer Age Management Systems (CAMS)**

CAMS is the leading provider of financial infrastructure and services to mutual funds and other financial institutions in India. They act as a critical intermediary, offering a comprehensive suite of services including transaction processing, investor servicing, record-keeping, and technology solutions. The company will benefit immensely from the financialization of savings in the country. Inherently, CAMS has a low-risk business model, in which the company's ability to continuously avoid disruption to operations is key. To date, there has been no evidence of this occurring, and there is keen focus on maintaining consistent operations.

## **Direct Engagements**

We met with a number of the investee companies during the first half of the year. Below are highlighted select key sustainability aspects of the meetings.



0% Controversial Weapons  
5% Small Arms

## **Titan**

During a broader corporate engagement trip in India, we met with Titan's CEO to, among other matters, understand how the company integrates sustainability into its business strategy.

Titan's people-first approach is core to its long-term strategy. By redefining HR as the "People's Function," Titan promotes equity, inclusion, and respect across all roles strengthening social capital and employee retention. Leadership engagement across the value chain fosters trust and alignment with stakeholders, including multi-generational vendors and artisan communities.

During COVID-19, Titan protected jobs, supported healthcare and education, and maintained supplier payments. Actions that not only safeguarded livelihoods but also contributed to a swift post-pandemic recovery. These measures enhance Titan's resilience and reinforce its social license to operate.

Regular initiatives like the "Karigar Meets" and the company's values-driven governance (e.g., naming its campus "Integrity") reflect its sustained commitment to community well-being and ethical practices. Titan has also received multiple awards for corporate governance, underscoring the strength of its leadership and oversight frameworks.

Titan's "Tech + Touch" strategy further integrates digital innovation with customer-centricity, supporting sustainable growth through efficient, personalized services.

Overall, Titan's strong social performance and stakeholder engagement significantly enhance its sustainability profile and long-term value creation.

## **International Container Terminal**

We met with International Container Terminal (ICT) for a business update and discussion on geopolitical risks.

On the sustainability front, ICT is taking active steps to reduce its environmental impact and improve operational resilience. The company has converted 35 of its 300 trucks to hybrid models, a move aimed at lowering emissions while enhancing fleet efficiency. This transition contributes to reduced fuel consumption and supports decarbonisation efforts within port logistics.

ICT is also leveraging data to drive improvements in energy use and logistics flow. Key performance indicators around energy efficiency and truck turnaround times are directly influencing capital expenditure decisions and operational strategies. This data-led approach not only supports emissions reductions but also improves throughput and resource efficiency, which are key elements of sustainable infrastructure.

Looking ahead, ICT's long-term strategy includes expanding infrastructure in the Philippines with a continued focus on raising both environmental and operational standards. These efforts collectively strengthen the company's sustainability profile by aligning economic growth with lower environmental impact and enhanced supply chain resilience.





## **Proxy Voting**

### **Embraer S.A.**

We opposed the management proposal to approve the Remuneration Policy at Embraer S.A.'s AGM 2025, contrary to Glass Lewis recommendation. Our opposition was based on the grants under the long-term incentive plan not being sufficiently performance-based and the absence of clawback provisions in the Short-term Incentive Plan.

### **BYD**

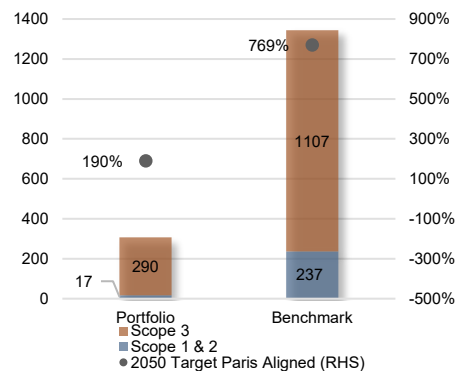
We opposed the management proposal to issue H shares without pre-emptive rights at BYD Co's AGM, which aligns with our policy and our proxy voting advisors' recommendation. Pursuant to Hong Kong law, a listed company may request approval to issue up to 20% of its issued capital without pre-emptive rights, issue repurchased shares of up to 10%, potentially at discounts of up to 20%. However, the proposed issuance limit of 20% exceeds the recommended threshold, and the company has not disclosed the maximum discount to the issue price, hindering shareholders' ability to assess the true dilution risk. For these reasons, we do not believe that it is in the best interests of shareholders to support this proposal.

# C WORLDWIDE EMERGING MARKETS

Sustainalytics Portfolio Risk Rating: Low

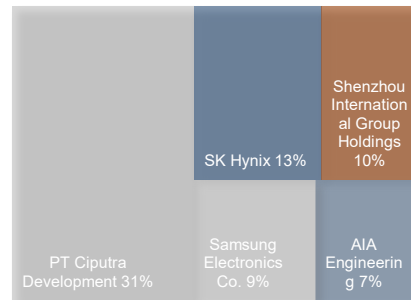
Benchmark: MSCI Emerging Markets

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

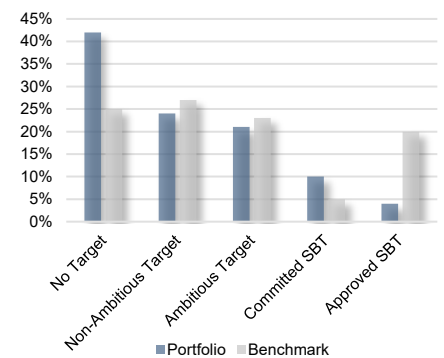


The above graph summarizes the portfolio's carbon footprint compared with the benchmark. The Sustainability Development Scenario (SDS) pathway on the right-hand side of the graph is fully aligned with the Paris Agreement. The graph indicates whether the portfolio and benchmark are expected to over-/undershoot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

## Top 5 Contributors to Portfolio Emissions



## Climate Target Assessment



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.

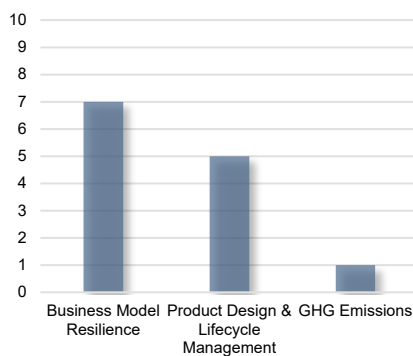
## Carbon Intensity (tCO<sub>2</sub>e/mill. USD revenue)



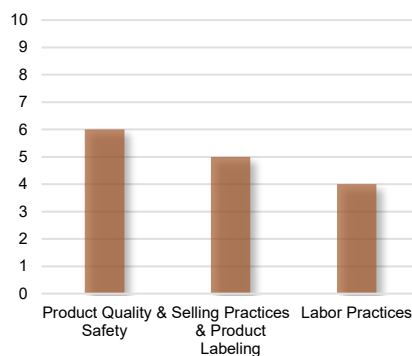
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 30th of June 2025

## Direct Engagement Topics

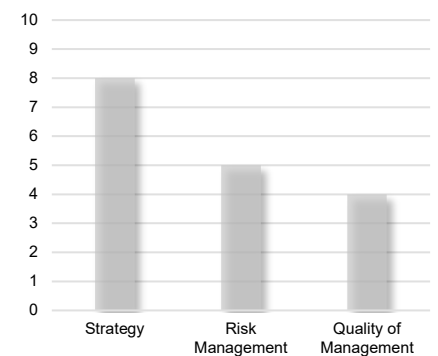
### Environment



### Social



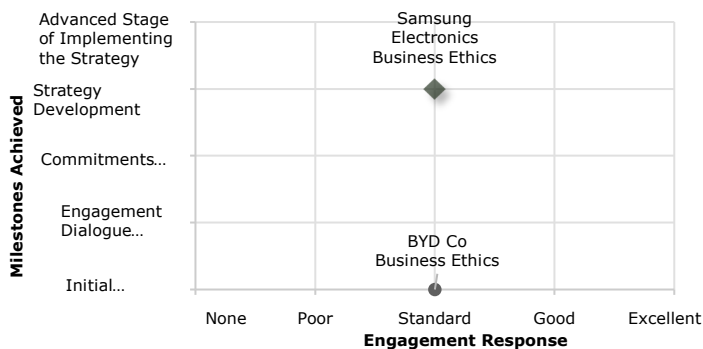
### Governance



Total direct company engagements for the portfolio: 10

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	100%	8
Proposals Voted	100%	36
Proposal Voted Against Management	44%	16
Proposal Categories (Top 3)	31%	Board Related
	22%	Compensation
	17%	Audit/Financials

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 30th of June 2025

Source: Glass Lewis Proxy Voting. Portfolio as of 30th of June 2025

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**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)