



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.

ESG Report

Emerging Markets Equities

Q4 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

C WorldWide Emerging Markets Equities

Quarterly Comments

The last quarter of 2022 saw no halting in ESG initiatives, regulations, and frameworks worldwide. Throughout 2022, ESG specialists have indeed experienced that a great part of their job is not only to analyse ESG data and engage with companies on ESG matters but also to include a significant amount of regulatory analysis to understand and apply the cascade of new regulations emerging globally.

This was also clear from the annual "PRI in Person" conference, the largest conference for responsible investments globally, that we recently attended in Barcelona. Appropriately, the conference was themed "The coming of age of responsible investments" and focused on the growing expectations on investors for ESG integration and actions, as well as the unprecedented responsibility of investors to support real economy policy change.

The first part of the conference focused on the environmental aspects of ESG investing, particularly climate. The financial industry is somewhat developed regarding climate matters, target setting, measurements, and reduction plans. Indeed, differences between markets prevail, but many jurisdictions worldwide now have regulations or taxonomies emerging to regulate sustainable finance, specifically regarding climate-related policies. These include Australia, New Zealand, Japan, Hong Kong, China, India, South Africa, Brazil, Mexico, Canada, United States, United Kingdom, and of course, the to-date most developed market for sustainable finance, the European Union.

Another clear message from the conference was that the S in ESG still requires a lot of additional effort and focus. Many market participants struggle to find the best ways to measure and influence the social matters affecting investments. Nonetheless, as would be visible to anyone following societal developments and the world around us, changes in social aspects are happening now. They are driven by movements in society rather than led by political agendas. Most prevalent is the focus on diversity and inclusion and how to develop corporations with diverse workforces that can contribute to heightened synergies for the organisations. This includes financial returns, as numerous surveys have concluded in recent years. Indeed, human capital management, including labour rights, is top of the list when trying to quantify the social matters in ESG.

EU has previously proposed a social taxonomy that would regulate this space to some extent, but it has been put on hold until further notice. During the latter part of 2022, Japan's Ministry of Economy, Trade, and Industry (METI) published Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains, while Australia and the UK have had their Modern Slavery Acts in force for several years. These, however, focus more on supply chain risks and mitigation than the human capital aspect impacting organisations.

Nonetheless, societal change is increasingly being prioritised, and many corporates address diversity and inclusion by setting individual targets for more equal workforces. This is also happening globally, as was seen recently when Bahrain Kuwait Insurance Company announced the appointment of three women employees to executive positions. In this region, only 3% of company CEOs are women, and the global average is 7% per recent studies published by Heidrick & Struggles.



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

Portfolio Changes

During the quarter we initiated positions in Corporación Inmobiliaria Vesta.

Corporación Inmobiliaria Vesta

Corporación Inmobiliaria Vesta is a company dedicated to the development and acquisition of industrial parks and buildings in Mexico. Vesta is aware of the environmental impact that the company's operations have, and the company has several initiatives in place to focus on this. In the construction phase, they company stresses three focus areas: sufficiency, efficiency and ecological consistency – combined, they work to reduce the environmental footprint through optimized use of materials, installation of energy-efficient systems, renewable energy and promoting water reusability strategies. 100% of Vesta's future developments will be LEED certified.

Further, Vesta uses Vortex, which is an energy management software that allows tenants to have real-time monitoring of their electricity usage in order to optimize and reduce this.

From a social perspective, company management continuously stresses that they do things by the book in terms of land acquisition and construction, i.e. not offering illicit payments to local government officials as well as suppliers in order to "grease the wheels".

Direct Engagements

During the fourth quarter of 2022, we met with several companies in the portfolio, including Tencent and MercadoLibre.

Tencent

On the 25th of November, we had a dedicated ESG call with Tencent's investor relations. the company went through its data protection policies. Tencent is one of the world's largest platform companies, and they are aware of its responsibilities. From a market perspective, China implemented personal protection law in November 2021 in accordance with international law to protect user data. This law could be compared to the European GDPR. In connection with this, the data Tencent collects is accepted by the users, who are asked how much of their data can be registered. Tencent does not share the data with third parties. If information was to be released to the government, Tencent must verify that it is connected to a criminal act and that a court order has been made – this process is in line with international laws. Moreover, they acknowledged that they could be more open and report on human rights-related matters. They are hoping to report such disclosure in the first half of 2023. This provides us with some comfort in that Tencent is considering concerns raised by investors.

Sustainalytics had a call with Tencent end of October and are currently reviewing the outcome of that meeting and the impact on its current assessment.

After our call, our opinion remains to differ from Sustainalytics'. We believe that Tencent is protecting the end user's information and acting according to the personal protection law implemented in November 2021 and with their acknowledgment of the need for more disclosure, we believe that they will improve in the right direction. Though, in order for Sustainalytics to change its assessment of Tencent, Tencent should demonstrate efforts to establish human rights due diligence practices, define policies relevant to digital rights, and report on external data requests and content moderation requirements.

As of now, we have made the analysis and categorise Tencent as compliant with UNGC. We will keep a closer eye on the company and monitor their progress, especially regarding its disclosure on human rights-related matters



MercadoLibre

During the quarter, we attended a meeting with the CFOs and investor relations of MercadoLibre. MercadoLibre is an Argentine company that operates online marketplaces in Latin America, including MercadoLibre.com and MercadoPago. It is a publicly-traded company, and as such, it is required to disclose certain information about its environmental, social, and governance (ESG) practices.

MercadoLibre is a play on financial inclusion. Currently, over 50% of the population is unbanked and therefore does not have access to the formal financial system. Through MercadoPago, MercadoLibre is addressing this opportunity.

On the environmental side, MercadoLibre has implemented several measures to reduce its carbon footprint, including the use of renewable energy and the optimisation of its logistics network to reduce transportation emissions. The company also has a recycling program in place to reduce waste.

Moreover, MercadoLibre has also committed to promoting diversity and inclusion in the workplace and has implemented various programs to support this goal. The company also has a philanthropy program that supports education and training initiatives in underserved communities.

Lastly, we believe that MercadoLibre has a strong corporate governance structure in place, with a commitment to transparency and ethical business practices. The company has a code of conduct that outlines its expectations for ethical behaviour, and it has established an independent ethics committee to review and investigate any potential violations of the code.

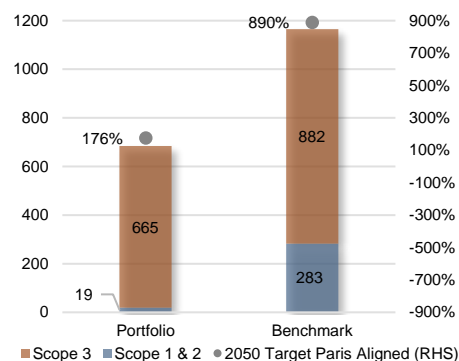
Proxy Voting

There was a relatively limited proxy voting activity in Q4. We voted against management in one instance.

Jiangsu Hengli Hydraulic Co., Ltd.

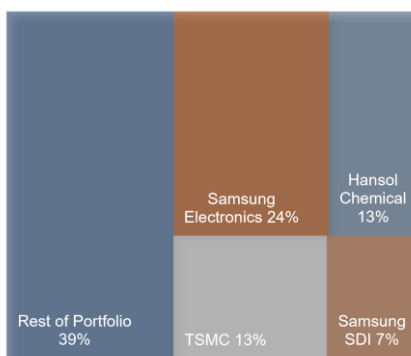
We voted against management on the proposal of Extension of the Valid Period of the Resolution on the Non-Public A-Share Offering as we follow the Glass Lewis ESG policy on this matter meaning that we have an unfavorable opinion of the 2021 Non-Public Offering, we do not believe it is in the best interests of shareholders to support this proposal.

Emissions Exposure & SDS (tCO₂e)



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 against the allocated carbon budget until 2050.

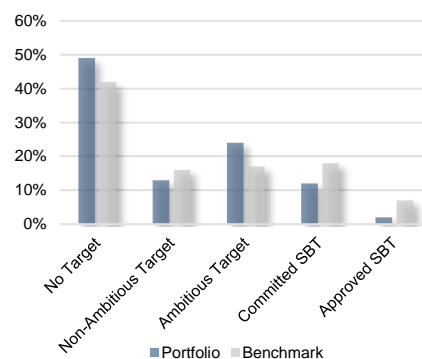
Top 4 Contributors to Portfolio Emissions



Carbon Intensity (tCO₂e/mill. USD revenue)



Climate Target Assessment

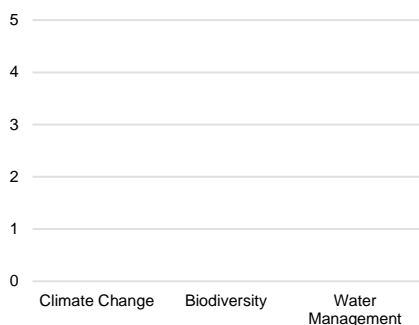


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 31st of December 2022

Direct Engagement Topics

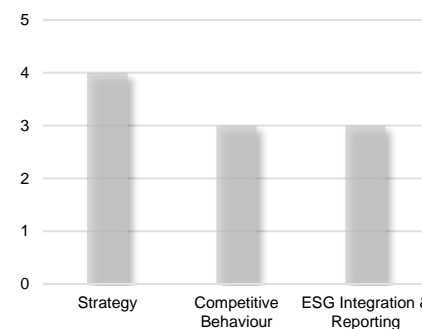
Environment



Social



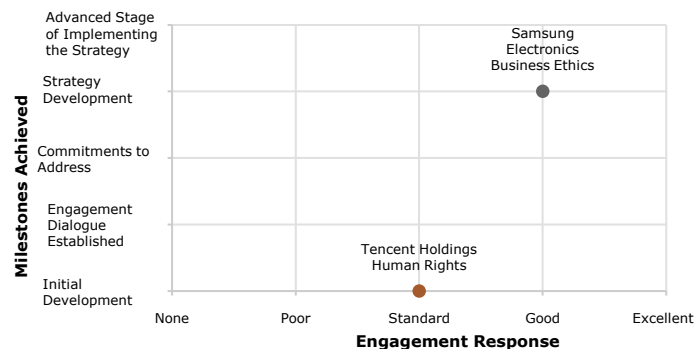
Governance



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	100%	9
Proposals Voted	98%	56
Proposals Voted Against Management	4%	
Proposal Categories (Top 3)	40%	Capital Management
	23%	Changes to Company Status
	18%	Other

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 2022

Source: Glass Lewis Proxy Voting. Portfolio as of 31st of December 2022

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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 ESG Reports on cworldwide.com

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