

A landscape photograph showing several wind turbines silhouetted against a warm, golden sunset sky. The turbines are situated on rolling hills with fields of golden wheat in the foreground and middle ground. The overall scene is peaceful and emphasizes renewable energy.

ESG Report

Nordic Equities

Q3 2022



C WorldWide Nordic Equities

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

The summer of 2022 proved no different than that of 2021 when it came to extreme heat, heavy rains, and droughts—changing weather conditions continue to impact nature and people.

Traveling through Europe this summer proved the fact: dried-out lands and wildfires in Italy impacted the crucial harvest of tomatoes, rice, olives, and wine. Diminishing snow on the highest point of the Alps led to a lack of water for crops and rivers. Water levels of the German river Rhine, a crucial transportation route in Europe, at such low levels due to heat that vessels cannot sail through, and lack of precipitation in Norway led politicians to consider whether the level of exported hydropower to its neighbouring European countries should be shrunk.

Extreme weather events impact global food production, transportation, and energy sectors worldwide. Besides Europe, India was hit by heat waves affecting wheat production; heavy summer rains hit China and destroyed rice fields, while later heat waves made crucial waterways dry out and hurt the production of corn and soy, for example, affecting China's most important crops that are used to feed pigs which is China's essential source of meat. All these factors lead to higher prices and, eventually, inflation. This summer, it got a new name: Heatflation.

Following global record temperatures in 2021, the European Central Bank analysed how extreme temperatures might affect inflation. Results indicated that extreme temperatures have differing impacts depending on when they occur within the year. By far, the most significant and longest-lasting impact derives from hot summers, and the short-term supply disruption in, e.g., agriculture can result in longer-lasting downward pressure on demand. ECB concludes that temperature is non-negligible in driving medium-term price developments, which is key for the central bank's monetary policy.

Climate change impacts people and the planet, but it also matters for price stability and is thus another argument as to why the focus must be on solutions supporting sustainable economic growth.

Portfolio Changes

During the quarter, we bought the Danish company's Demant A/S and Danske Bank.

Demant A/S

Demant A/S develops, manufactures and sells products and equipment designed to aid hearing. Demant is a top-three company by revenue among the big five hearing aid manufacturers and the only one to span three business areas in hearing care – Hearing Aids, Diagnostic Equipment and Hearing Implants. The company's leading hearing brand is Oticon. Demant has been buying up retailers in recent years and continues to do so.

ESG focus for Demant is mainly on the "S" and "G", as environmental issues are not as crucial for an innovation-driven organisation, whereas R&D, sales and product governance play a significant role.

Going forward, our ESG focus will continue on product governance, including unsafe features, insufficient transparency, misleading marketing, suppliers living up to Demant's code of conduct, and turnover among executives, especially in the R&D department.



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
- 5% Adult Entertainment
- 5% Alcoholic Beverages
- 5% Gambling
- 5% Tobacco Products
- 5% Oil Sands
- 10% Thermal Coal
- 10% Shale Energy
- 25% Oil & Gas

Furthermore, we will follow up on Demant's overall ESG-related disclosure, which does not follow GRI reporting standards and lags behind best practices.

Danske Bank

We also bought Danske Bank, which has been out of the portfolio since the money laundering cases that started back in 2018; where Danske bank was involved in one of the most prominent money laundering cases ever seen, which took place in a branch in Estonia.

Since then, Danske Bank has left the Baltic countries and entirely concentrates its business in the Nordic countries.

After this case, governance has been very much in focus in the bank, which has done considerable work to get its image in place and live up to all standards, which is expected for a large Nordic Bank. Furthermore, the central part of the old management has been replaced.

We still believe that Danske Bank will receive a penalty from the US authorities. Still, even if this penalty turns out to be in the top range of analysts' expectations, we find it highly unlikely that it will compromise the bank's future operations.

Direct Engagements

During the second quarter of 2022, we engaged with several companies, including Rockwool.

Rockwool

The purpose of the meeting was to get an update on the ESG status after the soaring energy prices, the war in Ukraine and the EU and US green packages.

Rockwool has set 6 goals on CO₂ intensity, recycling, water usage, waste, energy efficiency and safety, health and well-being, and has signed the Science Based Target initiative. In the short term, Rockwool might go in the wrong direction when it comes to CO₂ emissions, but in the long term, nothing will change, which corresponds with the SBTi as it is based on long-term targets.

Concerning water, Rockwool is working with more Close loop systems and collection of rainwater, so the goal of a 20% reduction in water intensity in 2030 will not be changed.

We also asked about the return in Rockwool's recycling business, where Rockwool now collects used stone wool in 17 countries. Rockwool is the only producer of insulation material which can be recycled, and it gives Rockwool an increased market share and more environmentally focused customers will find this product of interest - for example, the city of Berlin.

Finally, we discussed Rockwool's ongoing presence in Russia. First, Rockwool highlighted that no competition has withdrawn from Russia; Saint Gobain, Kingspan and others are still producing in Russia. Secondly, an oligarch will take over Rockwool's 4 factories in Russia if Rockwool withdraws. Rockwool receives a lot of offers from oligarchs that want to take over these factories for 1 ruble.

For now, Rockwool stays in Russia.



Proxy Voting

Q3 is relatively low in the proxy voting activity, and only three companies in the portfolio held their AGM this quarter.

ABB Ltd.

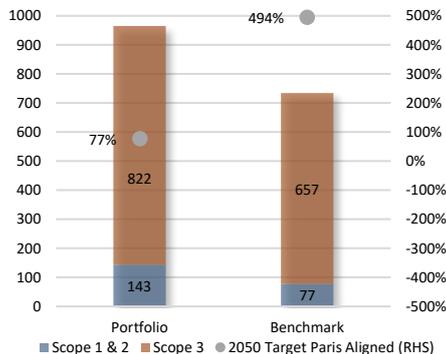
We voted against management and thereby also against the proposal to transact other business as this concerns additional instructions from the shareholder to the proxy in case new voting items or counterproposals are introduced at the meeting by shareholders or the board of directors. Moreover, the content of these new items or counterproposals is not known at this time. Therefore, it is in the shareholders' best interest to vote against this item on a precautionary basis.

C WORLDWIDE NORDIC EQUITIES

Sustainalytics Portfolio Risk Rating: 21.3

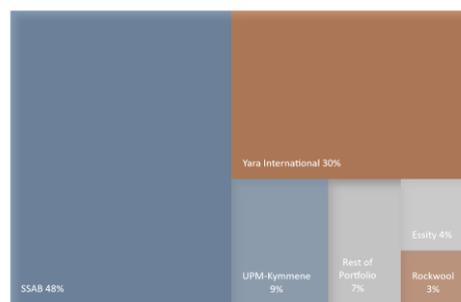
Benchmark: MSCI Nordic 10/40 Index

Emissions Exposure & SDS (tCO₂e)

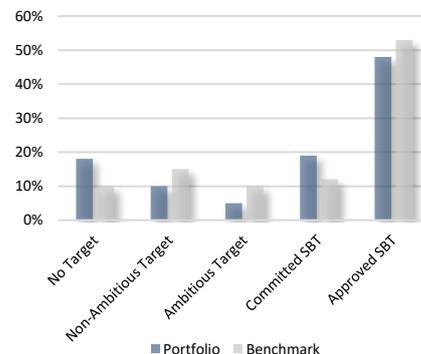


The above graph summarises the portfolio's carbon footprint compared with the benchmark. The Sustainability Development Scenario (SDS) pathway on the right-hand side of the graph is fully aligned with the Paris Agreement. The graph indicates whether the portfolio and benchmark are expected to over-/undershoot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

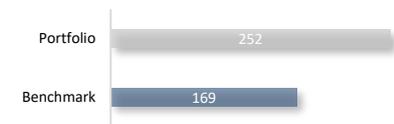
Top 5 Contributors to Portfolio Emissions



Climate Target Assessment



Carbon Intensity (tCO₂e/mill. USD revenue)

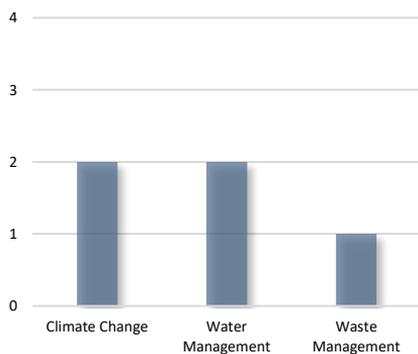


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

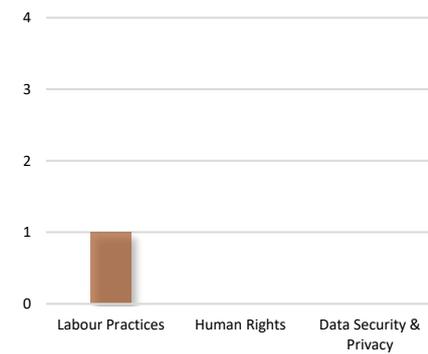
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 30th September 2022

Direct Engagement Topics

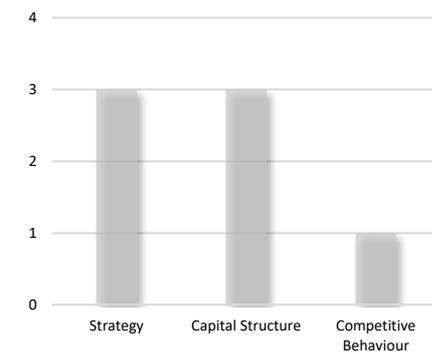
Environment



Social



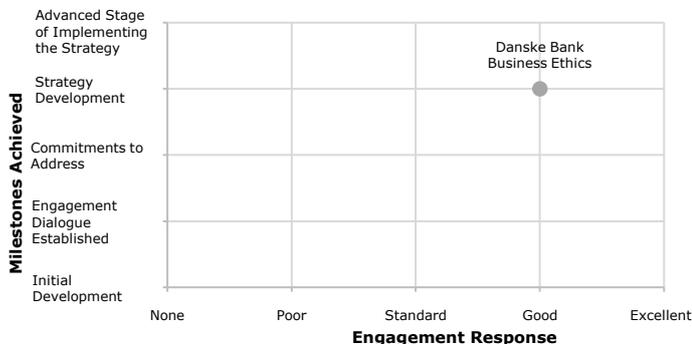
Governance



Total direct company engagements for the portfolio: 4

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%	3
Proposals Voted	100%	7
Meetings with at Least One Vote Against Management	33%	
Proposal Categories (Top 3)	75%	Routine Business
	25%	Social
	0%	Director Election

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 September 2022

Source: ISS Proxy Voting. Portfolio as of 30th September 2022

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Active Investments

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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.

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