ESG Report

Global Equities

Q2 2022

C WorldWide Global 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 second quarter of 2022 may not have been as eventful as the first, but nonetheless, the ESG agenda never stands still. We continue to see countries around the world establishing and implementing ESG regulations, from climate reporting in the US to general ESG disclosure requirements in China.

More locally, we participated in the annual Nordic Sustainable Investment Forum (SIF) conference that this year was held in person in Iceland. Following two years of virtual meetings and conferences this was a welcomed change. The key topic for the sustainability conference was “The Ocean”. The obvious choice from a fishing nation like Iceland that depends on the ocean surrounding the country to survive. Nonetheless, the conference addressed everything ESG-related to the ocean, such as biodiversity, climate change, healthy living, and future food and the challenges and opportunities within these areas.

Projected increasing ocean temperatures will likely result in changes in the distribution of marine species and can significantly influence the reproductive cycles of fish. Pressures on coastal and marine biodiversity continue to increase. As per the UN, an estimated 40% of the world's population lives within 100 km of the coast, putting an unsustainable strain on coastal resources. The human population is projected to increase to close to 10 billion people by 2050, bringing increasing pressure to marine and coastal resources. Interestingly, oceans have absorbed as much as half of all human-caused carbon emissions over the past two centuries. "Blue carbon" ecosystems such as mangroves, seagrass beds, tidal marshes and other marine and coastal vegetated ecosystems are among the most intense carbon sinks on the planet.

However, although the ocean is 70% of the planet Earth, little focus is on this from an investment opportunities angle. When discussing biodiversity, many instantly think of deforestation and the loss of fertile lands. We have previously discussed biodiversity impact and frameworks available to monitor and assess data and found that coverage was still quite limited. Today, we still see only a minor part of portfolio companies disclosing water-related reporting figures. This is according to the CDP, which collects corporate data and rates corporates within three environmental areas: climate change, forests, and water security. Respectively, 18 of the 29 companies in the global equity portfolio report to and are scored by CDP on water, but only 5 have an A-rating. This highlights the continued challenge of sufficient and reliable data to properly assess from an investment perspective. But despite this, we see some interesting long-term trends within the ocean as a topic that could prove relevant for investment themes in the future.

During the quarter, we updated our climate approach and commitments to more initiatives. We officially support and are a member of the TCFD and Climate Action 100+; to add to these initiatives, we joined the Net Zero Asset Managers (NZAM) in June of this year. NZAM is an international group of asset managers committed to supporting the goal of net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5C degrees. The key focus of the initiative is not to exclude investee companies but rather to engage with investee companies to take part in the transition needed. This is fully aligned with our current approach. Within the next 12 months, we will set specific targets aligned with the NZAM initiative based on recognised frameworks such as the Science-based Targets Initiative (SBTi).

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

Besides joining a new initiative, we also adjusted a current partnership. We changed the focus company for engagement through Climate Action 100+ as we sold our position in Unilever, the initial focus company we engaged with. Through a motivational application, we changed our focus company to NextEra Energy. A company that we already have a long history with and know well. We were therefore very pleased to see the announcement of NextEra Energy's commitment to net-zero by 2045 released in mid-June.

Portfolio Changes

During the quarter, we initiated a position in the world's largest gas company Linde. The firm's main products are atmospheric gases (including oxygen, nitrogen, and argon), process gases (including hydrogen, carbon dioxide, and helium), and equipment used in industrial gas production. Linde operates in over 100 countries and serves various end markets, including chemicals, manufacturing, healthcare, and steelmaking. Linde's ESG risk score is assessed as negligible and has strong management of ESG issues. The company is committed to the Science-based Targets Initiative (SBTi) and will set specific targets during 2022 but already has a strong proven track record in reducing CO_2 intensity.

Additionally, Linde has joined the SBTi Chemicals Stakeholder Advisory Group, which is a working group developing guidance for the chemicals sector. A management committee is responsible for overseeing the company's ESG issues. Furthermore, executive compensation is tied to ESG performance targets, and the company has established a very strong environmental policy and whistle-blower programme.

Direct Engagements

During the second quarter of 2022, we engaged with several companies, including Amazon.com, Linde, Hoya, and Atlas Copco.

Amazon.com

Our key engagement focus for the call with Amazon’s Head of ESG was to address the recent unionisation events and follow up on our meeting last year on workforce health & safety. Amazon believes it is the employees' choice to join unions but does not encourage participation. Instead, the firm offers opportunities for the individual and enables managers to support the development of the individual employee. They are aware that there are differences between the US and Europe, where in the latter collective bargaining agreements are in place to some extent, and unionisation tends to be the norm. Only 6% of the US are unionised. We clarified that our position is freedom of association no matter where employees work. Finally, we discussed Amazon's tax position as debates have been taking place specifically in Europa on whether the company is paying taxes appropriately. Amazon argues people opposing the company's tax practices ultimately would like the company to pay more. However, upcoming EU legislation will have Amazon disclose more detailed tax payments, which to some extent should ease the debate.

Linde

We met with the Vice President of Sustainability for our new addition to the portfolio, Linde, to discuss its sustainability strategy, including climate change and ethics focus. Despite being a relatively high GHG emitter, Linde has ambitious targets to reduce emissions and align with net-zero by 2050 through its work in SBTs working group for the chemicals sector. Nevertheless, one of the current critical challenges in reaching the goal is some stalling in the industry and a lack of political push for more renewables. We also discussed why Linde is not a signatory to UN Global Compact, and as we have seen with other US companies, there is some reluctance to join such an initiative. For Linde, the key issue is that they do not want it to be a 'check-the-box' exercise but rather find

the sustainability goals that are materially impacting the company and work with targets within such scope instead. For ethics specifically, it needs to be more than just a policy. Linde has implemented annual internal training, including specialised training for specific employee groups such as Finance and Human Resources, integrity checks, and customer training.

Hoya

With the new CEO, Ikeda, former CTO of the company, the focus on sustainability continues to increase for Hoya. We met with the newly appointed Chief Sustainability Officer and head of Hoya's ESG Promotion Office. Although Hoya has been working with their understanding of sustainability and integration over the past years, the key focus for them is to implement a new ESG policy. The policy is to be implemented across the group, define material key topics within each of Hoya's four sustainability areas, and set targets for each division. This is currently taking place by interviewing division leads, which should lead to KPIs being implemented for the short-term (5 years), including climate reporting aligned with TCFD and the long-term target for 2040. Just in time to celebrate Hoya's 100th anniversary. We also discussed Hoya's focus on human capital and how to attract and retain more women to the company. Hoya is now utilising employee engagements to better understand how to retain a qualified workforce. This led to an increase in female managers from 5% five years ago to 12% today. The target is to have 25-30% women in management.

Atlas Copco

In the meeting with Atlas Copco’s Vice President Sustainability, we discussed its process by outlining its decarbonisation strategy and setting climate targets since committing to SBT. Waste management, recycling and upcycling programmes are also a crucial part of Atlas Copco's sustainability framework. Key KPI is 100% recycling. A key topic for the meeting was the discussion regarding Atlas Copco's business ethics practices, a field where they have strong policies and very detailed disclosures. Nevertheless, allegedly Atlas Copco has had practices where equipment was sold to or used by the Russian military. A practice that should not be possible shows signs that procedures have not been followed. A detailed investigation is taking place internally to address the incident thoroughly and prevent anything similar from happening again. As we did with Hoya, we also discussed attracting and retaining women to the workforce. Atlas Copco has a target of 30% women by 2030, but due to a somewhat decentralised organisation, it is challenging to have the same increase across different divisions. Atlas Copco tries to combat this by D&I programs fitted to different divisions and markets, where local legislation can play in. Additionally, they offer more flexible working hours, female focus in engineering in the local community, e.g., Mexico, and having Atlas Copco Group meetings to share initiatives to develop and attract across divisions.

Proxy Voting

As always, Q2 is the peak proxy voting period. Most of our holdings held AGMs throughout the quarter, and again a decent amount of shareholder proposals were suggested across markets and industries. Amazon tops the list with 15 shareholder proposals this year. Highlights from the season are detailed below.

Atlas Copco

Contrary to ISS recommendations, we voted for the election of directors to the board following a discussion on independence and potential overboarding with representatives from the nomination committee. As for chairman Bohman, he is regarded as an independent board member according to regulations and why we voted for the re-election; however, Bohman is 73, and by the time for his replacement, we would encourage the nomination committee to replace him with a candidate with an even more apparent independence. We also voted for the election of the other directors to the board.

Last year, ISS recommended voting against the proposed director fees as these can be considered excessive concerning comparable domestic peers. Our view, however, is that the proposed remunerations are fair in an international perspective. ISS compares the chairman's and regular board members' remuneration to the leading Swedish stock index average, but in our view, Atlas Copco is a high-quality global company thanks to long-term excellent strategic direction. Therefore, we view the remunerations as fair and voted for the proposal.

Assa Abloy

ISS reasons that the independence of the board members falls below 50%. It boils down to different views on chairman Lars Renström, who we argue is regarded as independent. We checked this view with a representative in the nomination committee, who also maintains that Renström is to be considered independent, and thus we voted for the election of the board.

On the contrary, we voted against the suggested long-term incentive programme as the scope is below three years and forward-looking targets are not disclosed clearly.

Fiserv

Despite having made significant changes last year to its executive pay programme, we supported the proposal to have severance arrangements approved by shareholders as part of the compensation programme. This is because it provides shareholders with more significant opportunities for say-on-pay and increases transparency in the compensation structure. The proposal applied only to future severance agreements. It was sought to be approved when appropriate by the board, e.g., next annual meeting, hence not interfering unnecessarily with business.

NextEra Energy

We voted for all proposals, meaning against recommendations from ISS on four proposals, including the election of directors, disclosure on board diversity and qualifications and reporting on DEI's effectiveness.

We do not believe voting against the two directors (including the CEO) is warranted based on insufficient action by the board to align NextEra Energy's activities with limiting global warming to 1.5°C. The company is taking steps in the direction to meet the energy transition, and we have a good and open dialogue with the company on this matter.

As for disclosure of board diversity & qualifications, the board is already disclosing this information. In particular, after discussing the suggestion with the proponent, it increased further information in its proxy statement, including an infographic of diversity and qualifications. Additionally, NextEra Energy is already doing a lot within DEI. It is reporting annually in its ESG Report and on its dedicated website to D&I, where it provides a breakdown of workforce participation by ethnic minority groups. The company has posted its three most recent consolidated EEO-1 reports, a confidential report that stores employment data categorised by job category, race, and ethnicity. The report is divided into ten job categories and seven race and ethnicity categories. NextEra Energy also reviews metrics quarterly and uses them to develop annual plans, track progress, and implement strategies.

HomeDepot

Shareholders had proposed six suggestions for the Home Depot AGM. We voted for four of these.

Similar to last year, we voted for the proposal to reduce the ownership threshold for shareholders to call a special meeting as it will increase shareholder rights and for the proposal to report on the congruency of political spending as it will increase transparency.

We also supported the requirement for an independent board chair, as we generally support an independent chairman for this to be in the best interest of shareholders. Additionally, we voted for a report on efforts to eliminate deforestation in the supply chain. Home Depot is lagging behind its biggest competitor in this area and is not reporting to CDP Forestry. Focusing on deforestation increases the reputational risk to Home Depot, and further disclosure will provide shareholders with information on steps taken to avoid supply chain risks.

On the contrary, we voted against the suggestion to report on steps to improve gender and racial equity on the board. Home Depot has taken steps to increase the share of women and ethnicity over the last five years. Currently resulting in the board is comprised of four women and ten men, while four out of 14 board members identify as racial/ethnically diverse. As such, Home Depot is not lagging behind its peers in this respect. Furthermore, we voted against the proposal to oversee and report a racial equity audit, as this seems to be a more politically driven proposal than objectively enhancing shareholder value.

Amazon.com

As mentioned, Amazon topped the list with 15 shareholder proposals this year. We supported nine of the shareholder proposals and voted against one management proposal.

The management proposal we voted against was the say-on-pay proposal. Like the last couple of years, we believe that the relatively large incentives should be based on objective performance criteria, which is not clear from the information available from the company.

Many of the shareholder proposals focus on greater transparency and disclosure. We support this. Specifically, the proposals to report on assessing the company's human rights due diligence process, report on efforts to reduce plastic use, report on protecting the rights of freedom of association and collective bargaining, report on lobbying payments and policy, report on median gender/racial pay gap, and report on risks associated with the use of recognition.

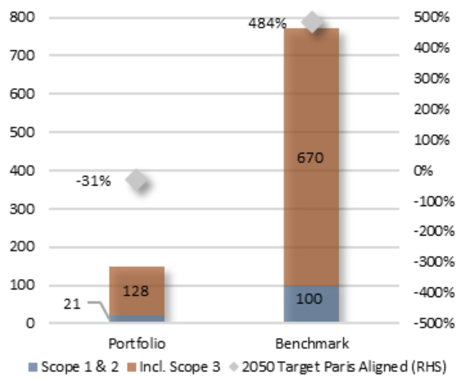
Furthermore, like last year, we supported the proposal to adopt a policy to Include non-management employees as prospective director candidates as this could help address increased scrutiny on worker safety and worker conditions. Additionally, we supported the proposal to commission a third-party audit on working conditions given recent events with criticised working conditions. A third-party review makes sense, and reputational and regulatory risks associated with the company's ongoing warehouse labour controversy make this information material to shareholders.

We did not support the shareholder proposals that suggested reporting on retirement plan options aligned with company climate goals. This seems to be too much micromanagement, and the risk from the company not reporting on alignment with climate goals in retirement options is unclear.

C WORLDWIDE GLOBAL EQUITIES

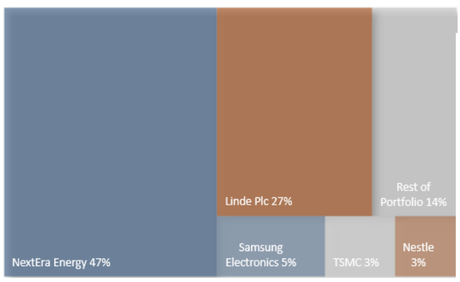
Sustainalytics Portfolio Risk Rating: 18.7

Emissions Exposure & SDS (tCO_2e)

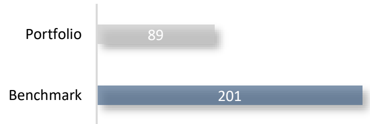


The above graph summarises the portfolio's carbon footprint compared with the benchmark. The Sustainability Development Scenario (SDS) pathway on the right-hand side of the graph is fully aligned with the Paris Agreement. The graph indicates whether the portfolio and benchmark are expected to over-/undershoot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

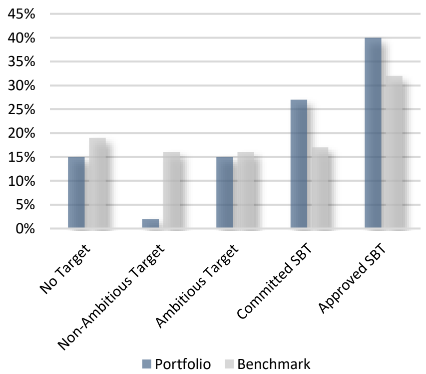
Top 5 Contributors to Portfolio Emissions



Carbon Intensity (tCO_2e/mill. USD revenue)



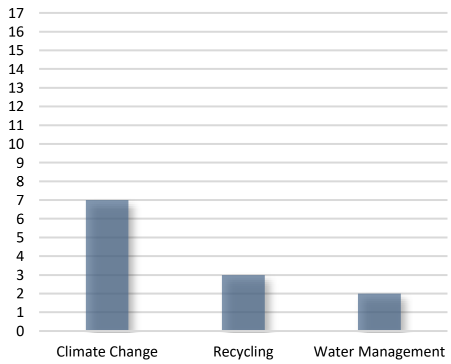
Climate Target Assessment



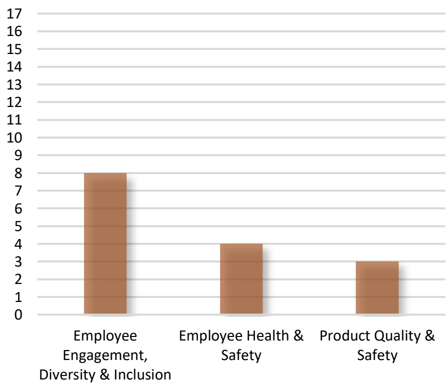
The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

Direct Engagement Topics

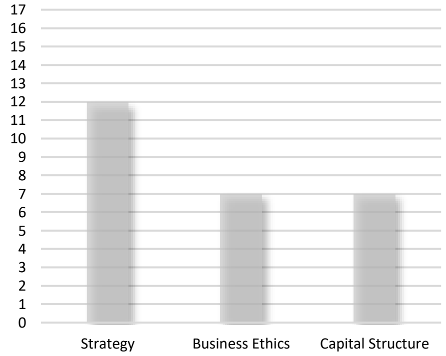
Environment



Social



Governance



Total direct company engagements for the portfolio: 17

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%	20
Proposals Voted	100%	340
Meetings with at Least One Vote Against Management	20%	
Proposal Categories (Top 3)	55%	Directors Related
	19%	Routine/Business
	9%	Non-Salary Compensation

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.