WORLDWIDE
ASSET MANAGEMENT

ESG Report
C WorldWide Nordic

Q3 2021

ESG RISK RATING

The table below includes ESG Risk scores on the current holdings in the portfolio. The ESG Risk scores are the ESG rank assigned by Sustainalytics on a 1-to-100 scale (1 being the highest score and 100 being the lowest score).

Risk Management and Risk Exposure are the two main components of the overall score, assessing the ESG risk of the individual company and how well the company addresses and manages these risks. The table illustrates the aggregated portfolio scores, as well as the distribution of the holdings scored by Risk Exposure and Risk Management as a percentage of the total portfolio.

	ESG Risk Rating	Risk Management	Risk Exposure
Average Score	21	52	42
		Exposure	
Management	Low	Medium	High
Strong	3%	55%	7%
Average	14%	21%	0%
Weak	0%	0%	0%

Source: Sustainalytics, September 2021

QUARTERLY HIGHLIGHTS

In the mist of the European summer holidays, IPCC, the UN Intergovernmental Panel on Climate Change released the first part of its Sixth Assessment Report (AR6) on the state of global climate. The full AR6 is expected to be released in September 2022. The current report addresses the urgent and necessary actions needed to be taken prior to the Paris Agreement deadline in 2050. According to the report, current evidence, and physical science modelling shows that already in 2040, the world will see warming of 1.5 degrees above pre-industrial levels. Therefore, crucial actions and emission-reduction target setting will need to already take place this decade if we are to meet net-zero by 2050. The newly released report finds an *unequivocal* link between human activity and global warming, and flags the increased risk of massive heat waves, floods, wildfires, and other acute physical risks that potentially have damaging effects to millions of people.

The changes are not only happening in a distant future or in a distant world (ice sheets melting in Arctics, rising sea levels in far-away archipelagos), but have directly affected (from a natural disaster point of view) the somewhat calm lands of Europe this summer with wildfires across southern Europe and severe mudslides and floods in Germany.

In order to minimise the risks of these catastrophic outcomes, some crucial actions are necessary as per scientists behind the AR6 as well as suggested by the IEA (International Energy Agency), e.g.:

- Coal and gas power plants must be closed within 10 years, and no new oil and gas developments should take place.

- Significant lifestyle changes regarding eating meat, driving SUVs and flying are required with rich countries overwhelmingly responsible and needing to change.

- Cutting methane would have a major positive impact

These findings will undoubtedly influence corporates and thus our investments. E.g., a premium on immediate carbon reduction will impact utilities, such as renewable energy companies (Ørsted). Likewise, more focus on physical climate risk will affect insurance companies (Tryg). Additionally, lifestyle changes and (over)consumption negatively impact consumer goods as well as consumer spending across all sectors and geographies.

The above are also reasons why we take climate-related risk into consideration when reviewing potential and current investments and will likely also be topics on the agenda for the COP26 in Glasgow this November. Governments and policymakers are expected to take action. While a lot is still to be done, some initiatives are already adopted or are about to be:

- The EU has its ambitious Green Deal in place with the overarching target to be the first net-zero continent. Currently, the much covered ‘Fit for 55’ programme for corporates to reduce GHG emission by 55% by 2030, is getting the attention.

- Earlier this year, the Biden Administration presented its suggestion to a huge USD 3.5 trillion budget bill for new investments in climate-related solutions. A bill, that together with a bipartisan infrastructure bill, should help the US meet its target to reduce GHG emissions by 50% by 2030.

- In Asia, focus is also on the energy transition and limiting GHG emissions. Recently China announced that it will not build new coal-fired power plants abroad and will increase support for other countries to develop low-carbon energy. This pledge follows similar announcements from South Korea and Japan earlier this year, who together account for more than 95% of all overseas financing for coal plants. Additionally, we recently witnessed that Chinese companies were instructed to swich off power and thus production due to energy shortages, but then only for the government to fire up the coal kettles again to meet power demand.

The path to net-zero is by far not linear.

DIRECT ENGAGEMENT

Today our investment strategy is primary focused on companies, which we believe will turn out positively in the coming EU taxonomy. We believe that

companies with features and characteristics that make them aligned with what EU defines as green, will have a prosperous future, and therefor fit well into a portfolio that has a long-term view.

During the quarter, we dug deeper into the EU taxonomy alignment across current holdings and sectors, as well as potential future candidates for the portfolio that fit into the above-mentioned strategy, we thus attended a number of meetings with this in focus.

One of the sectors we looked into was the Utilities sector, where several of the companies are in a process of becoming greener via less dependence on fossil fuels and more on wind, solar and biomass.

Besides the above-mentioned movement in a green direction, we discussed topics such as commitment to the SDGs and what that means for the strategy and also the customers perception of the company. Furthermore, we touched upon the rising energy prices and EU quotas and what potential short- and long-term disruption that will cause to the business models.

More company specific, we had discussions on diversity as the Utilities sector lacks women in management layers, as it is difficult to get enough female applicants, but management has a strong focus on the subject.

Finally, we discussed incentive schemes for management and encouraged that ESG related KPIs should become part of management's remuneration in the future.

COLLECTIVE ENGAGEMENT

Through our cooperation with Sustainalytics, we are currently actively engaging with the following companies in the Nordic portfolio.

Volvo
Operations in territories with human rights risk
Volvo's construction equipment and armoured trucks have been involved in incidents regarding alleged violations of human rights in Palestine and Egypt, respectively. After an initial conference call in 2019, Volvo declined a follow-up call and referred to its latest sustainability report. The company said it remains available to respond to follow-up questions in writing. Volvo's change objection is to use its leverage with importers and distributors in high-risk locations to reduce the risk of its products getting implicated in human rights violations. In a call in May 2021, Sustainalytics maintained a focus on the company's work with business partners to assess and manage human rights risks and was encouraged to hear that the company was developing a standalone human rights policy to be published in July 2021. Sustainalytics is seeking to understand how the new policy might facilitate human rights due diligence in collaboration with importers or distributors. Next step is to follow up with Volvo in December 2021 for an update.

NEW POSITIONS DURING Q3 2021

During the third quarter, we bought Lindab International to the portfolio.

Lindab International AB provides products and system solutions that are used to simplify the construction of properties and improve the indoor climate. The company operates through three segments, namely ventilation systems, profile systems, and building systems. Through these operating segments, it develops, manufactures, markets, and distributes building products that cover systems for roofs, walls, and floors; building solutions for residential and commercial properties; ventilation products; indoor climate solutions which include air diffusers and acoustics; and pre-engineered steel building systems to provide complete building systems.

We find Lindab well positioned to benefit from the expected accelerating investments into building renovation and energy optimisation. Furthermore, Lindab has a high degree of alignment to the EU taxonomy, estimated by the company itself to be around 65%.

CLIMATE IMPACT

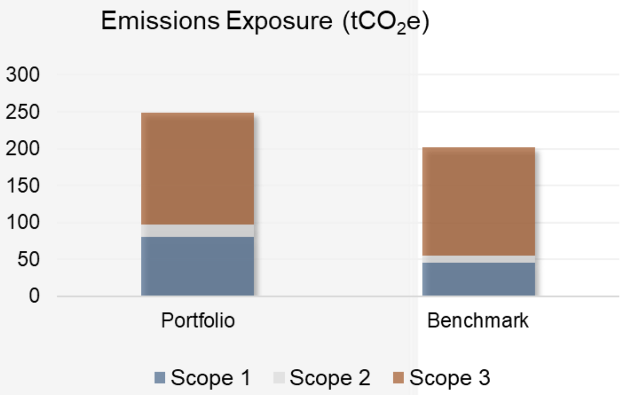
Our approach to a more sustainable future matters now more than ever. We use data from Science Based Targets Initiative (SBT) and the Transition Pathway Initiative (TPI) to assess the impact of climate risk in our portfolio.

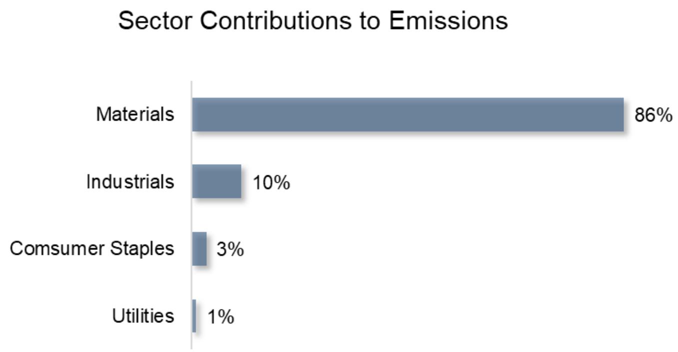
To accelerate our contribution to change, we recently joined the Climate Action 100+ (CA100+). CA100+ is an active ownership network, led by shareholders, to improve the world's largest emitters' effort in addressing climate change. Our membership is aligned with our support of the Taskforce on Climate-related Financial Disclosure (TCFD), of which we became official supporter in June 2020.

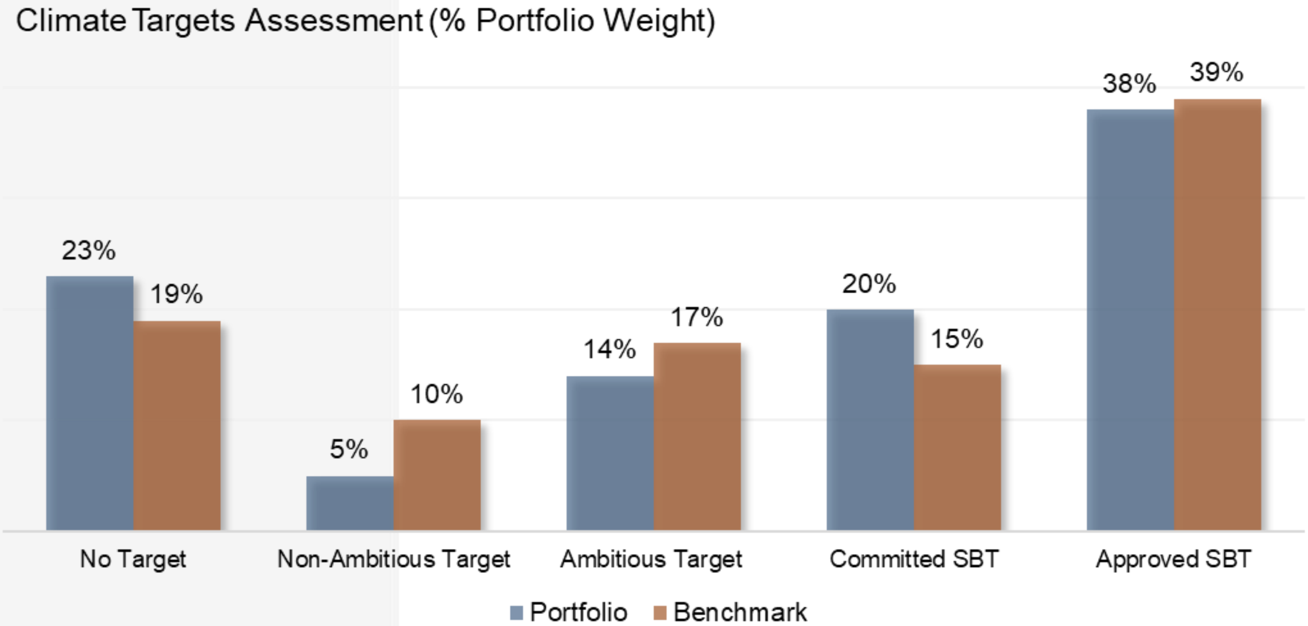
The tables on the next page summarise the current climate risk assessment of the portfolio. Firstly, we show the carbon footprint of the portfolio compared with the benchmark. Secondly, we show how the portfolio aligns with the 2050 target of the Paris Agreement of 1.5-degree net zero scenario. Finally, we show the sectors contributing the most to GHG emissions based on the current portfolio.

Besides the climate risk assessment, we also show how many of the companies in the portfolio have climate targets and how ambitious these are. Currently 72% of the portfolio's value is aligned with international climate goals. This includes ambitious targets set by the companies as well as committed and approved Science Based Targets (SBT).

	Emission Exposure tCO_2e		Relative Emission Exposure tCO_2e/mill. USD revenue	Sustainable Development Scenario*
	Scope 1 & 2	Incl. Scope 3	Carbon Intensity	2050 Target Paris Aligned
Portfolio	97	249	265.48	+37.59%
Benchmark	55	202	158.61	+164.91%
Net Performance	-75.9%	-23.4%	-67.4%	-







The Sustainable Development Scenario pathway is fully aligned with the Paris agreement. The table indicates whether the portfolio and benchmark are expected to over-/undershoot against the allocated carbon budget until 2050

Source: ISS, September 2021

QUARTERLY VOTING STATUS

The majority of AGMs in the portfolio take place in the second quarter of the year, and hence we only participated in one meeting during the third quarter, which was the EGM for DSV Panalpina.

DSV Panalpina
We voted with management and thus against ISS recommendation on approval of increasing the share capital. The proposed opportunity is greater than usual, but with DSV's historic track for good acquisitions and optimisation of its assets, we are confident about this authorisation.

A full list of all votes cast during the quarter is available upon request.

Company	Type	Type	Proponent	Proposal number	Votable proposal	Proposal text	Management recommendation	Voting policy recommendation	Vote instruction	Vote against management
DSV Panalpina A/S	Extraordinary Shareholders	08/09/2021	Management	Yes	2.1	Approve Creation of DKK 48 Million Pool of Capital with Preemptive Rights; Approve Creation of DKK 48 Million Pool of Capital without Preemptive Rights; Maximum Increase in Share Capital under Both Authorizations up to DKK 48 Million	For	Against	For	No

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