



WORLDWIDE

ASSET MANAGEMENT

ESG Report
C WorldWide Nordic

Q1 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	22	52	42
	Exposure		
Management	Low	Medium	High
Strong	7%	47%	7%
Average	17%	20%	0%
Weak	0%	3%	0%

Source: Sustainalytics, March 2021

QUARTERLY HIGHLIGHTS

During the first quarter of 2021, we became signatory to Climate Action 100+. We see this as a natural next step in our own ESG efforts. It adds a third leg to our existing engagement efforts and dialogue with the companies we are invested in, complementing our direct engagement with the companies and the collective engagement we do through Sustainalytics. What Climate Action 100+ has proven over the past couple of years is that collective engagement can be very successful in accelerating the sustainability agenda at companies.

During the first quarter of 2021, Climate Action 100+ released its first Net-Zero Company Benchmark. While we have clearly seen growing momentum in terms of companies setting climate targets and commitments the assessment also highlights that companies still have a long way to go delivering on those promises.

The benchmark focuses on nine key indicators which includes net-zero emissions by 2050 (or sooner) ambition, long-term (2036-2050) emission reduction target(s), medium-term (2026-2035) emission reduction target(s), short-term (up to 2025) emission reduction target(s), decarbonisation strategy, capital allocation alignment, climate policy engagement, climate governance, and TCFD disclosure.



The overall conclusion is that no company assessed performed at a high-level across all indicators and furthermore, that no company has fully disclosed how it will achieve its goals to reach net zero by 2050 or sooner.

Forest500, which is another initiative we find useful when assessing companies on ESG related issues, and as a reference point in engaging with companies, also published its most recent results during the first quarter.

Forest500 identifies and ranks the most influential companies on commitments and actions on deforestation. Deforestation, and more broadly biodiversity, gets significantly more attention today than just a year ago. The launch of the Taskforce for Nature Related Financial Disclosures (TNFD) last year demonstrates this and more recently The Economics of Biodiversity: The Dasgupta Review and the call for natural capital to become a central pillar of global economic decision making is seen as important as the Stern report from 2006 was on climate change.

DIRECT ENGAGEMENT

During the quarter, we met with several companies, where climate was a key topic we discussed.

Coloplast

Coloplast long term focus on ESG has been lagging but are now showing ambition in their CSR policy. Their 2025-strategy is focused on ESG and they have hired consultants to assess the company which has led to increased focus making suppliers commit to the company's Code of Conduct and targets on emissions, waste, and recycling. The Board and Management is becoming more integrated in the work with ESG which demonstrates how ESG is becoming strategically important to Coloplast. As part of this increased focus, Coloplast will commit to the Science-Based Targets and has recently committed to the TCFD reporting standards.

DSV

DSV has made huge progress in their work with ESG in the last two years. DSV has set Science-Based Targets committed to SDGs and initiated ESG related dialogues with customers and suppliers. DSV 2030 targets include both Scope 1 and 2, but also Scope 3 which is very important as an asset light company. DSV aims to optimise capacity via better route planning, sustainable packing material and they look for alternative fuels, such as green hydrogen, in cooperation with Ørsted among others. They strive to create a greener logistic product to give clients a greener transport opportunity.

Chr. Hansen

Chr. Hansen is progressing with their ESG work and has made it a part of the company's core business. During an informal conversation, Chr. Hansen presented their ESG journey from 10 years ago which accelerated with the focus on the UN SDGs, mainly goal no. 2, 3 and 12 focusing on health, healthy



foods and less use of pesticides and antibiotics. The next step is for Chr. Hansen to commit to Science-Based Targets and make use of the TCFD framework which is expected to be implemented during 2021/2022.

Nordnet

Nordnet addresses several SDGs in their work and compensate its CO₂ emissions more than 100%. Nordnet leaves the impression that ESG is in their DNA. They take a special focus on issues of addictiveness, money laundering, corruption, and IT security. They have compliance officers who detect irregular investment patterns and make sure that nothing unforeseen and illegal happens among Nordnet's clients. Nordnet also hired IT experts to test if the system can be hacked.

A.P. Møller Maersk

During the last couple of years, Maersk has made great effort in their journey towards Net-Zero emission targets in 2050. Maersk sustainability approach now involves many employees and top management. The new sustainability report is more comprehensive based on SASB standards and based on a wider data collection. Decarbonising the big fleet of container ships is an enormous task for Maersk, however the company has ordered the first carbon neutral ship to be delivered in 2023, that will run on methanol based on hydrogen.

COLLECTIVE ENGAGEMENT

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

Danske Bank

GS – Business Ethics

In September 2018, the Danish Financial Supervisory Authority announced its investigation into Danske Bank's money laundering issues after more than EUR 200 billion of payments from suspicious sources had flowed through the Estonian branch. Danske Bank has been responsive and shows progress in key areas relating to the firm's risk mitigation regarding financial crime. Sustainalytics is assessing a report published by the Norwegian FSA that highlights shortcomings in the Norwegian bank's money laundering infrastructure. Sustainalytics and Danske Bank agreed to a roundtable discussion with other banks on the topic of corporate culture. Sustainalytics sent a detailed proposal and is awaiting a response.

Ericsson

Corruption

In December 2019, The US Justice Department and Securities and Exchange Commission concluded in December 2019 that the company violated the FCPA by paying bribes and manipulating records to win contracts across the Middle East, Africa and Asia between 2000 and 2016. In September 2019, Ericsson set aside approx. USD 1.2 billion to cover penalties and took disciplinary action against individuals involved. In July 2020, Ericsson



highlighted work to improve its corporate governance and compliance culture. The company's anti-bribery and corruption compliance program requires improvement and reinforcement, but the company is moving in the right direction. Sustainalytics will continue to focus on Ericsson's anti-bribery and corruption risk management preparedness and expects to hold the next conference call during Q2 2021.

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. Sustainalytics will follow up to encourage Volvo to continue improving its human rights due diligence on business partners. In August 2020, Sustainalytics followed up to discuss observations with respect to the alignment of Volvo's public disclosure with respect to the UN Guiding Principles on Business and Human Rights. In September, investor representatives held a call for this purpose. Sustainalytics seeks to arrange a call in Q1 2021 to discuss Volvo's approach to human rights risks in specific countries. Human Capital, Product Governance and Business Ethics are potential ESG risks as Aker Horizon majority is owned by Aker ASA.

NEW POSITIONS DURING Q1 2021

NKT

During this quarter we bought NKT which provides cables for power infrastructure, including onshore and offshore power transmission system. Its solutions bring power to interconnections, hydro-electric, and nuclear power plants, including onshore and offshore wind farms, oil and gas platforms, and solar energy. Geographically, the company operates and derives its majority revenue from mainland Europe, but it is also expanding its business to the US, China, and the UK. NKT has a medium ESG risk rating, and issues to consider include human capital, supply chain and product sustainability.

Wärtsilä

Wärtsilä provides advanced technologies and lifecycle solutions to the marine and energy markets. The power business primary products are gas and diesel engines. Energy solutions supply flexible power plants operating on primarily gas and liquid fuels. Marine solutions help shipyards and ship owners conduct business and manage moving parts. In addition, Wärtsilä supports customers with services and maintenance throughout the lifecycle of installations. Wärtsilä is engaged in the Power to X development with engines to run on ammonia. The ESG risk is rated medium by Sustainalytics. Human capital, product governance, and business ethics are notable material ESG issues.



DSV Panalpina

DSV Panalpina which is a transport and logistics company, offering transport services worldwide by road, air, sea, and train. The bulk of DSV's activities comes from its European trucking network and air- and sea freight forwarding businesses. Since its founding in 1976, the company has grown rapidly, mainly via acquisitions. DSV has low ESG risk, but notable material ESG issues could include occupational health and safety, carbon emissions from own operations, and human capital.

NEL

NEL is a hydrogen company delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. It serves industries, energy, and gas companies with hydrogen technology. The company's hydrogen solutions cover the entire value chain from hydrogen production technologies to the manufacturing of hydrogen fuelling stations, providing all fuel cell electric vehicles with the same fast fuelling and long range as conventional vehicles. Its products include hydrogen electrolyser among others. NEL has a high ESG risk rating, and issues to consider are human capital, product governance, and business ethics.

Aker Horizon

Finally, we bought Aker Horizon which is a spinoff from Aker BP and is basically a conglomerate with exposure to hydrogen, carbon capture, wind, solar and other clean energy technologies.

Aker Horizon is not rated by Sustalytics from an ESG risk perspective, but material ESG issues would be human capital, product governance, business ethics, and governance in general, as Aker Horizon is majority owned by Aker ASA.

QUARTERLY VOTING STATUS

The first quarter of the year kicks off the proxy season in the Nordic region. Most topics where we voted against management are on governance issues such as board and management compositions, and remuneration levels. But also, the option to continue to have virtual meetings. Below are highlights of the votes we cast.

Kone

We voted against approval of the remuneration reports as it lacks disclosure regarding the short- and long-term incentive plans. In addition, the proposed director fees are increased excessively without rationale and deviate significantly from comparable domestic peers.

Wärtsilä

We also voted against the remuneration report here as it is not clear which criteria has to be fulfilled for the short-term incentive scheme, and a quite significant bonus is proposed for the CEO despite the company had a difficult year.

**Essity**

We voted against the re-election of Pär Boman as chairman as he is heavily overboarded.

NKT

For NKT there was a proposal to continue virtual meetings, however there was no commitment to when a physical meeting would be held again. It is likely not the intention from NKT to have virtual meetings in perpetuity, but as this was not part of the proposal, we voted against the item.

Additionally, we voted against the repurchase share program as this was set to run for up to five years, which is quite excessive.

Volvo

We voted against approval of the remuneration report as the board made changes to the company's variable pay plans during 2020 and there is no disclosure on maximum and minimum targets in order to determine how the stringency of the plan changed. In addition, the company applied for Covid-19 compensation of SEK 2.7 billion.

Furthermore, we voted against approval of the remuneration policy as the performance period of the long-term incentive plan can be as short as one year.

DSV Panalpina, Stora Enso, Svenska Handelsbanken

For the three abovementioned companies, ISS recommended to vote against the board composition. We did not agree as we found the current boards very competent and strong assets for the companies.

Please see highlighted voting below. A list of all votes cast is available upon request.



Company	Date	Type	Proponent*	Proposal number	Votable proposal	Proposal text	Management recommendation	Voting policy recommendation	Vote instruction	Vote against management
Kone Oyj	2/3/2021	Annual	Management	10	Yes	Approve Remuneration Report (Advisory Vote)	For	Against	Against	Yes
Kone Oyj	2/3/2021	Annual	Management	11	Yes	Approve Remuneration of Directors in the Amount of EUR 220,000 for Chairman, EUR 125,000 for Vice Chairman, and EUR 110,000 for Other Directors	For	Against	Against	Yes
Kone Oyj	2/3/2021	Annual	Management	13	Yes	Reelect Matti Alahuhta, Susan Duinhoven, Antti Herlin, Iiris Herlin, Jussi Herlin, Ravi Kant and Juhani Kaskeala as Directors; Elect Jennifer Xin-Zhe Li as New Director	For	Against	Against	Yes
Wartsila Oyj Abp	4/3/2021	Annual	Management	11	Yes	Approve Remuneration Report (Advisory Vote)	For	Against	Against	Yes
Wartsila Oyj Abp	4/3/2021	Annual	Management	14	Yes	Reelect Maarit Aarni-Sirvio, Karen Bomba, Karin Falk, Johan Forssell, Tom Johnstone (Chair), Risto Murto (Vice Chair) and Mats Rahmstrom as Directors; Elect Tiina Tuomela as New Director	For	Against	Against	Yes
Novozymes A/S	11/3/2021	Annual	Management	8a	Yes	Reelect Heine Dalsgaard as Director	For	Abstain	Abstain	Yes
Novozymes A/S	11/3/2021	Annual	Management	10d	Yes	Allow Shareholder Meetings to be Held by Electronic Means Only	For	Against	Against	Yes
ABB Ltd.	25/3/2021	Annual	Management	6	Yes	Approve Creation of CHF 24 Million Pool of Capital without Preemptive Rights	For	Against	Against	Yes
ABB Ltd.	25/3/2021	Annual	Management	12	Yes	Transact Other Business (Voting)	For	Against	Against	Yes
Essity AB	25/3/2021	Annual	Management	11.b	Yes	Reelect Par Boman as Director	For	Against	Against	Yes
Essity AB	25/3/2021	Annual	Management	12	Yes	Reelect Par Boman as Board Chairman	For	Against	Against	Yes
NKT A/S	25/3/2021	Annual	Management	10.1	Yes	Approve Creation of Pool of Capital without Preemptive Rights; Approve Creation of Pool of Capital with Preemptive Rights; Approve Issuance of Convertible Loans without Preemptive Rights	For	Against	Against	Yes
NKT A/S	25/3/2021	Annual	Management	10.2	Yes	Allow Shareholder Meetings to be Held by Electronic Means Only	For	Against	Against	Yes
NKT A/S	25/3/2021	Annual	Management	10.3	Yes	Authorize Share Repurchase Program	For	Against	Against	Yes
Novo Nordisk A/S	25/3/2021	Annual	Management	8.6a	Yes	Allow Shareholder Meetings to be Held Partially or Fully by Electronic Means	For	Against	Against	Yes
Volvo AB	31/3/2021	Annual	Management	15	Yes	Approve Remuneration Report	For	Against	Against	Yes
Volvo AB	31/3/2021	Annual	Management	16	Yes	Approve Remuneration Policy And Other Terms of Employment For Executive Management	For	Against	Against	Yes
DSV Panalpina A/S	15/3/2021	Annual	Management	6.2	Yes	Reelect Annette Sadolin as Director	For	Abstain	For	No
Stora Enso Oyj	19/3/2021	Annual	Management	13	Yes	Reelect Elisabeth Fleuriot, Hock Goh, Mikko Helander, Christiane Kuehne, Antti Mäkinen (Chair), Richard Nilsson and Hakan Buskheand (Vice Chair) as Directors; Elect Helena Hedblom and Hans Sohlstrom as New Directors	For	Against	For	No
Svenska Handelsbanken AB	24/3/2021	Annual	Management	19.1	Yes	Reelect Jon-Fredrik Baksaas as Director	For	Against	For	No
Svenska Handelsbanken AB	24/3/2021	Annual	Management	19.4	Yes	Reelect Par Boman as Director	For	Against	For	No
Svenska Handelsbanken AB	24/3/2021	Annual	Management	19.6	Yes	Reelect Fredrik Lundberg as Director	For	Against	For	No
Svenska Handelsbanken AB	24/3/2021	Annual	Management	19.7	Yes	Reelect Ulf Riese as Director	For	Against	For	No
Svenska Handelsbanken AB	24/3/2021	Annual	Management	20	Yes	Reelect Par Boman as Chairman	For	Against	For	No

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