



ESG Report Emerging Markets Equities

Q4 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 and 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	25	36	38
		Exposure	
Management	Low	Medium	High
Strong	0%	11%	0%
Average	28%	44%	2%
Weak	7%	4%	0%

Source: Sustainalytics, December 2021

QUARTERLY HIGHLIGHTS

In October 2021, we released our first Annual Sustainability and TCFD report. Since committing to TCFD (Taskforce on Climate-related Financial Disclosures) as an official supporter about a year before releasing our initial report, we have worked with the framework to apply on firm-level as well as integrate into investments practices. Besides addressing climate-related financial implications, the annual sustainability report also includes insights on our stewardship activities. The report is available on our website <https://cworldwide.com/downloads/sustainable-investing/>

A significant ESG event during the last quarter of 2021 was the COP26 in Glasgow. Before the long-awaited climate summit, there was hope that governments and policymakers would agree on new sharpened and ambitious though feasible climate targets. Before COP26, the International Energy Agency (IEA) said that 40% of the world's existing 8,500 coal-fired power plants must be closed by 2030, and no new ones built, to stay within the 1.5 degrees limit from the Paris climate agreement.

The conference made progress on cutting GHG emissions. However, at the last minute of the summit, the final deal agreed upon dropped the wording calling for 'phase out' of coal-fired power to rather 'phase down', predominately due to pressure from fossil fuel-dependent countries such as China and India. But at least the deal included wording on cutting fossil fuels,



which despite being an obvious target of the climate future, has not until now been included in previous COP agreements.

Back from the COP26, the EU continues its work on the EU Taxonomy. Discussions are currently taking place on how to categorise energy sources, and in particular heavy discussions and lobbying about nuclear power – is it green and part of the solution for the energy transition or is it a classical brown fossil fuel? In a draft proposal issued on New Year's Eve, gas and nuclear energy projects could be included in the EU Taxonomy under environmentally sustainable economic activities, allowing companies within these industries to receive funding to help the EU meet its goal of net-zero emissions by 2050. This is just one way to manage the global net-zero commitment. Corporates and asset managers continue to have to navigate in more or less developed regulation across the globe, where also the US, Hong Kong, Taiwan, Singapore, South Korea, China, and Australia, to name a few, are all working with different sustainable investment frameworks and codes.

The outcomes from COP26 and governmental regulations and frameworks will continue to affect companies and the global markets we invest in. For us specifically, climate and emission abatement plans are part of the ongoing engagements with our investee companies. As 2021 has seen an increased commitment from companies to commit to GHG emission reduction plans and targets, for 2022, we foresee that a lot more focus will be on how to actually reduce GHG emissions and on how climate focus will broaden to an environmental focus, in particular with a focus on biodiversity.

A few initiatives that we know from the recent years' strong focus on climate have been launched as nature initiatives. These include Nature Action 100 (as Climate Action 100+) and the Taskforce on Nature-related Financial Disclosures (TNFD) (as TCFD). We are still in the infancy stages, but we believe the initiatives will gain traction once the final framework has been published during 2022 and the beginning of 2023, respectively.



DIRECT ENGAGEMENT

We participated in a few engagement calls during the quarter, namely with TCS Group and Ivanhoe Mines.

TCS Group

Having issued its first sustainability report in 2020, TCS has advanced quickly in terms of its ESG journey, vigorously addressing the issues of materiality.

As a fintech, data security is paramount, and the company highlighted that it has always been acutely focused on this aspect. It has zero-tolerance regarding breaches. Furthermore, it has more than 100 people working with cybersecurity, it conducts periodical hackathons and has special security days.

Also, as a technology company, employee satisfaction and retention are very important. TCS is acutely focused on providing a tech-oriented culture, which contrasts with working environments at other banks in Russia. The company focuses on providing an innovative work environment with a "test-and-learn" culture, where employees can work in smaller groups and try out new initiatives that can potentially be scaled. TCS is recognised as a top-3 technology brand in Russia, despite it being in banking/finance.

The company highlighted that it is a signatory to the UN Principles for Responsible Banking. TCS is also very much focused on financial inclusion, underlining that the initial 20% credit bureau hit ratio amongst clients has risen to 95% today; in essence, TCS has brought many individuals into the official banking system in Russia. The company highlighted the focus on responsible banking. They provide low limits to new clients and have worked to create a financial culture in Russia, with the publication of inter alia personal finance journals.

Ivanhoe Mines

The call aimed to gather insights into Ivanhoe Mines' ESG journey and enquire about certain controversies and how these potentially have been resolved.

In the current environment, the company is focused on the safety of the employees regarding Covid-19. In particular, the company provides regular testing, and vaccination rates are at almost 90% of the total employee base. Also related to the safety of employees, there have been a couple of employee deaths at the company's operations in the past couple of years. The company highlighted that this, unfortunately, is the case in mining. However, the company mentioned that they have sought to make conditions safer as a direct response to these incidents by introducing new technology in the form of a mechanical canopy for workers in areas of falling rock.

On the social side, the nature of the relationship with the DRC government is very relevant. The company mentioned that the government is a direct stakeholder in the Kamoakakula mine, and therefore has interests that are aligned with Ivanhoe. Ivanhoe is aware that historically there has been a risk



that governments pocket mining-related royalties and income instead of providing for the country's citizens. Ivanhoe is in constant dialogue with the government to focus on general improvements of citizens' livelihoods. Ivanhoe is acutely focused on the local communities surrounding its operations. In particular, at its Platreef operations in South Africa, it provides 26% employee ownership through the Black Economic Empowerment program. The company also focuses on training and development, including mining simulation facilities. Finally, the company works to ensure that there is no malnourishment in its local communities.

In terms of the environment, the company reiterated its ambition for Kamoakakula to become the first net-zero mine globally. To achieve this, one piece of the puzzle is missing: the conversion of the underground fleet from diesel-powered to electricity or fuel-cell-based. Apart from this, the high grade of copper compared to other copper mines globally, as well as the abundance of hydroelectricity, result in Kamoakakula being well on track to become a net-zero mine.

COLLECTIVE ENGAGEMENT

Through our cooperation with Sustainalytics, we are currently actively engaging with the following companies in the Emerging Markets portfolio:

Samsung Electronics

Bribery and Corruption

Samsung has struggled with accusations regarding a corruption scheme with former high-level executives for several years. The reported practices could violate the UN Global Compact Principle 10 on corruption and the corresponding Guideline VII of the OECD Guidelines for Multinational Enterprises. Samsung has carried out various measures to strengthen its governance structure and compliance programme. In general, the company has been open and willing to discuss the issues related to the corruption scandal and its ethics and compliance work with Sustainalytics. The next step is to assess further Samsung based on their 2021 Sustainability Report, leading to potential recommendations and strengthening measures to ensure sustainable progress.

Tencent Holdings

Involvement with Entities Violating Human Rights

In recent years, Tencent has been linked to allegations of surveilling its users on behalf of the Chinese government and related to allegations of severe violations of freedom of expression in China and abroad. In its 2020 report, Freedom House flags China as the "worst abuser" of Internet freedoms globally. Through the engagement, Sustainalytics is engaging with the company to understand the steps Tencent is taking to protect the relevant human rights of its users, especially privacy and freedom of expression. As of December 2021, Tencent has been responsive to Sustainalytics and is willing



to engage. However, a conference call in December 2021 was postponed due to confusion concerning Tencent's openness to engage with Sustainalytics and its clients. Tencent's rationale for this position is not clear. Efforts to coordinate a new time are underway and will hopefully be held in January 2022.

NEW POSITIONS DURING Q4 2021

Kajaria Ceramics

Kajaria Ceramics is India's premier tile manufacturer. The product range includes ceramic wall and floor tiles, polished vitrified tiles, glazed vitrified tiles, sanitary ware and faucets, and tile adhesives and grout. The company operates primarily in India, with production and most sales-focused in India. The company has a medium ESG risk score where the most material ESG issues include the environmental impact of its operations and business ethics. The company is not involved in any ESG-related controversies.

Schaeffler India

Schaeffler India is a listed subsidiary of its global parent company Schaeffler AG and is a leading Indian manufacturer of ball bearings and other bearings. Bearings are an essential component within the automotive sector and other industries. The company has a medium ESG risk score and strong disclosure practices. The most material ESG issues include product governance, human capital, and business ethics. The company is not involved in any significant controversies.

KEC International

KEC International is a professionally managed Indian infrastructure engineering, procurement, and construction company with a dominant presence in high growth areas such as transmission towers, railway electrification and civil engineering. Roughly half of the company's business occurs in India, with the rest taking place in countries worldwide. The company has a high-risk score with Sustainalytics due to its industrial activities, subindustry exposure, and poor disclosing practices. The most material ESG issues include potential exposure to bribery and corruption, environmental and social impacts of its products and services, and human capital. However, as part of the well-respected RPG group, its corporate governance standards are visibly above the rest of the industry. Additionally, the company has not been involved in any ESG-related controversies.

East Money Information

East Money Information is a one-stop internet financial service platform. It has a strong position in the internet brokerage and mutual fund sales, with a moat driven by (i) regulation, given that it is the only internet company with an A-share trading license, and (ii) high switching costs, given the cumbersome process to switch from one platform to another. The company has a medium risk score, where the most material ESG issues include business ethics, data privacy and security and human capital. Disclosure could be more



robust in particular matters within business ethics, data privacy and security. The company is not involved in any ESG-related controversies.

Airtac

Taiwanese Airtac International Group specialises in producing actuators, control components, air preparation products, and accessories, which are widely used in industrial automation, including automotive, machinery manufacturing, electronics, lighting and textile, medical equipment and food and packaging. The company currently has a high-risk score with Sustainalytics predominantly due to its weak product and service safety risks management. However, we see recent improvement with the company in commitment to sustainable development by management and reporting following the GRI standard. Product governance, human capital, and business ethics are material ESG issues. The company has not been involved in any ESG-related controversies.

HeadHunter Group (HHR)

HeadHunter Group (HHR) is Russia's dominant online recruitment platform with a 60% market share. It has a business model that enjoys strong network effects, as more applicants on the platform attract more employers and listings, which attracts more applicants. HHR is investing in adjacent business areas such as recruitment automation, employer branding, contingent labour, corporate education, and individual professional education to become a full-suite HR solutions platform. The company has a medium ESG risk score, and one of the main ESG issues is human capital, given the nature of the business. Internally, the company is focused on healthy remuneration and a strong work environment for its software employees. The company has no significant controversies.

QUARTERLY VOTING STATUS

Emerging Markets' voting activities during the fourth quarter of the year as outlined below.

TCS Group Holding Plc

We voted against the proposal to authorise the issuance of shares without pre-emptive rights. Generally, we do not support such proposals; it exceeds 10% of the share capital, and the proposal, in this case, is above this limit.

Jiangsu Hengli Hydraulic Co., Ltd.

Jiangsy Hengli Hydraulic sought approval for the amendment of its management and working system. However, the company did not specify the details and the provisions covered under the proposed amendments, which affects our ability as shareholders to make an informed voting decision.

Hua Hong Semiconductor

We voted against the proposals to amend and refresh the share option programme. The suggested amendment would allow 50% of the relevant



options to vest if either of the financial performance targets had been achieved, thereby easing the overall performance conditions for the 2018 Options and 2019 Options. Similarly, we voted against renewal of the limits in the option programme, as insufficient information was disclosed. The directors eligible to receive options under the scheme are involved in the administration of that same scheme.

Geely Automobile

We voted against the proposal to renew the Volvo Finance Cooperation Agreements as such agreements would expose Geely to unnecessary capital risks.

Sungrow Power Supply

We voted against the proposal to approve a capital injection in the controlled subsidiary, the implementation of an Equity Incentive Plan, and Related Party Transaction. The terms in the proposals were not considered in the best interest of shareholders, primarily because the company failed to include positive features, such as challenging performance criteria and meaningful vesting conditions to mitigate concerns over discount on the injection price for the participants in the equity incentive plan.

Company	Type	Date	Proponent	Proposal number	Proposal text	Voting policy recommendation	Vote instruction	Vote against management
TCS Group Holding Plc	Annual	19-nov-21	Management	13	Eliminate Pre-emptive Rights	Against	Against	Yes
Jiangsu Hengli Hydraulic Co., Ltd.	Special	22-nov-21	Management	1	Amend Management System of Raised Funds	Against	Against	Yes
Jiangsu Hengli Hydraulic Co., Ltd.	Special	22-nov-21	Management	2	Amend Management System for Providing External Investments	Against	Against	Yes
Jiangsu Hengli Hydraulic Co., Ltd.	Special	22-nov-21	Management	3	Amend Management System for Providing External Guarantees	Against	Against	Yes
Jiangsu Hengli Hydraulic Co., Ltd.	Special	22-nov-21	Management	4	Amend Working System for Independent Directors	Against	Against	Yes
Hua Hong Semiconductor Limited	Extraordinary Shareholders	26-nov-21	Management	1	Approve Amendments to the Terms of the 2018 Options and the 2019 Options Under the Share Option Scheme	Against	Against	Yes
Hua Hong Semiconductor Limited	Extraordinary Shareholders	26-nov-21	Management	2	Approve Refreshment of the Limit on the Grant of Options Under the Share Option Scheme	Against	Against	Yes
Geely Automobile Holdings Limited	Extraordinary Shareholders	06-dec-21	Management	3	Approve Renewal of Volvo Finance Cooperation Agreements, Volvo Annual Caps (Wholesale), Volvo Annual Caps (Retail) and Related Transactions	Against	Against	Yes
Sungrow Power Supply Co., Ltd.	Special	20-dec-21	Management	1	Approve Capital Injection in Controlled Subsidiary, Implementation of Equity Incentive Plan and Related Party Transaction	Against	Against	Yes

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

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