WORLDWIDE
ASSET MANAGEMENT

ESG Report
Global Equities Ethical

Q3 2021

ESG RISK RATING

The table below includes ESG Risk scores on the current holdings in the portfolio. The ESG Risk scores is 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	19	52	37
		Exposure	
Management	Low	Medium	High
Strong	34%	31%	3%
Average	10%	21%	0%
Weak	0%	0%	0%

Source: ISS, 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. Likewise, more focus on physical climate risk will affect insurance companies (AIA, Ping An). Additionally, lifestyle changes and (over)consumption negatively impact consumer goods (Nestlé, Unilever) 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

We participated in several engagement calls during the quarter. These include meetings with Keyence, Sony, and Ecolab.

Sony
We participated in Sony's annual ESG briefing. A key focus for Sony is recycling, both for packaging and products. Sony wants to reduce the use of plastic and has thus developed a new composite material called Original Blended Material, a durable paper material that can be recycled and used for new packaging. Additionally, Sony is currently testing recycled plastics, *Sorplas*, to be used for its Bravia TVs. *Sorplas* consists of 99% recycled materials, where standard plastics used for electronics has around 30%. An area, however, were we see room for improvement is in supply chain management. Despite being one of the best in class, Sony could do more in markets such as in China and Malaysia. The collaborative partnership *Know The Chain* highlights in its latest benchmark report that Sony does not disclose engagement with affected stakeholders nor remedy outcomes for workers. An area that we will address further with Sony in coming meetings.

Ecolab
In our call about a year ago we discussed Ecolab's commitment to the Science-Based Targets Initiative (SBTi) and how they addressed the commitment towards suppliers, i.e., Scope 3 contributors. Since last year, Ecolab has become a Lead Participant of the UN Global Compact (UNGC), together with only 36 other corporates across the world, stipulating the thorough work the company has done throughout the years to comply with the 10 principles of the UNGC. As for SBTi, Ecolab has engaged with its top 100 suppliers to have them to set SBT by 2024. So far 10% are currently aligned with Ecolab's own SBTi targets. Despite the challenges in having suppliers committing to the targets, Ecolab is positive that the part of suppliers aligned will increase the coming years. We also discussed ESG-linked compensation, where Ecolab is still to link ESG KPI's to management remuneration. Currently not being the norm within its peers, Ecolab mentioned that responsible unit managers' compensation is linked. We will monitor the development going forward.

COLLECTIVE ENGAGEMENT

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

Amazon.com
Labour Rights – Workplace Accidents
Over the past year, the company has repeatedly been involved in controversies related to workers health and safety. The United States Department of Labor Occupational Safety and Health Administration (OSHA) has investigated and fined the company for repeatedly failing to maintain and enforce OSHA safety requirements in its operations. During Sustainalytics' initial conference call

with the company in June 2020, Amazon acknowledged the worker protests it faces regarding Covid-19 and workplace safety in general, but stated that it had implemented safeguards and, according to its metrics, was not seeing wide outbreaks of infection among its workers. The company also acknowledged that its social disclosures did not match its environmental ones and that this was a challenge within the company. Sustainalytics continues to attempt to make contact and book a meeting with the company, where focus would be on the company's overall lack of disclosure and management of health and safety.

Anti-Union Practices
In April 2021, the US Retail, Wholesale and Department Store Union filed a complaint with the US National Labor Relations Board alleging that Amazon interfered with the conditions necessary to conduct a fair union election at a distribution centre in Bessemer, Alabama. Allegedly, Amazon used several anti-union strategies such as issuing a series of threats, reassigning pro-union employees to roles where they are isolated from colleagues, and pressuring workers to cast votes in a mailbox in front of surveillance cameras. Sustainalytics is contacting Amazon to establish dialogue and learn more about the company’s response to the allegations.

Nestlé
Child labour in Cocoa Industry
For more than ten years, the cocoa industry has been criticised for its association with child labour in its supply chain. As of May 2020, the company collaborates with the research institute KIT, which looks at farmer databases with the aim at segmenting farmers based on income levels and other factors and subsequently to understand what measures are needed to support farmers on different levels to a living income. In June 2021, the company elaborated on early but promising progress in the implementation of living income related premiums being paid to farmers adhering to practices. Next step is to lead and design an investor session at the World Cocoa Foundation’s annual partnership meeting in November 2021, with a call for additional action to cocoa and chocolate industry.

Samsung Electronics
Business Ethics – Corrupt Practices
In 2017, the vice chairman of Samsung was arrested in a corruption scheme involving the impeached president of South Korea. In 2020, Samsung presented an external Compliance Committee to provide recommendations to the Board. Samsung updated its internal anti-corruption policy and provides tailor-made compliance training to employees and executives covering awareness and compliance risks. Since the company recently published the 2021 Sustainability Report, Sustainalytics will assess any updates on the compliance program, recommendations from the external Compliance Committee, and any measures to strengthen the corporate governance. Sustainalytics will also assess any initiatives to promote a culture of integrity across all business units and top management.

Thermo Fisher Scientific
Human Rights
In 2019, after the New York Times (NYT) reported on allegations that Thermo Fisher has been providing biomedical and bioinformatics technology to the Chinese government for DNA collection and surveillance in Xinjiang, the company stated that it would stop selling its equipment in Xinjiang. However, the Australian Strategic Policy Institute (ASPI) reported in 2020 that Thermo Fisher is still involved extensively in China's national DNA database programme. Additionally, in June 2021, the NYT reported that Chinese procurement documents it had reviewed showed that Thermo Fisher's DNA kits have continued to flow to Xinjiang via Chinese firms that resell them to the police in Xinjiang. The large-scale DNA collection violates the privacy rights of Chinese citizens, who are not given the opportunity to provide informed consent. Sustainalytics has scheduled an initial engagement call on the matter in November 2021.

NEW POSITIONS DURING Q3 2021

There were no new positions to the portfolio during the third quarter.

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.

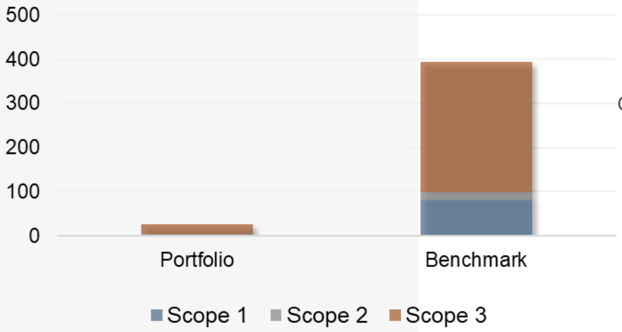
To accelerate our contribution to change, we recently joined the Climate Action 100+ (CA100+). CA100+ is an active ownership network, led by shareholders, to improve the world's largest emitters' effort in addressing climate change. Our membership is aligned with our support of the Taskforce on Climate-related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

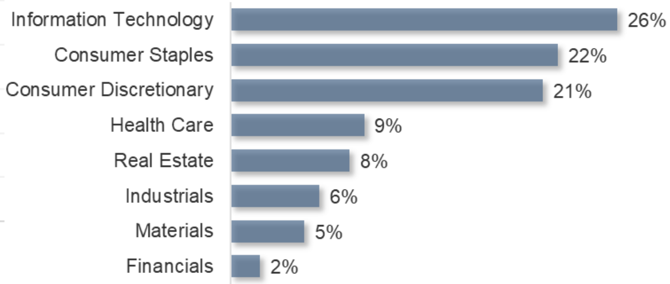
Besides the climate risk assessment, we also show how many of the companies in the portfolio have climate targets and how ambitious these are. Currently 67% of the portfolio's value is aligned with international climate goals. This includes ambitious targets set by the companies as well as committed 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	5	22	24.72	-54.52%
Benchmark	99	394	211.97	+195.87%
Net Performance	94.7%	94.3%	88.3%	-

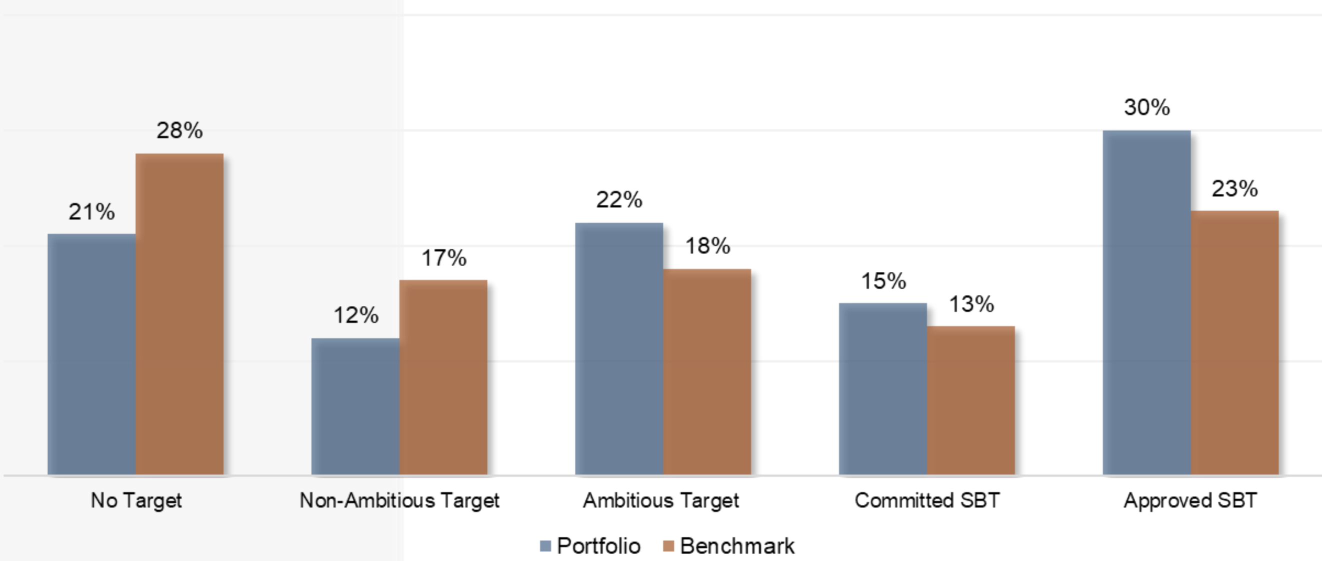
Emissions Exposure (tCO_2e)



Sector Contributions to Emissions



Climate Targets Assessment (% Portfolio Weight)



**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

We had no votes against management or ISS recommendations during the third quarter. A full list of all votes cast during the quarter is available upon request.

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