



WORLDWIDE  
ASSET MANAGEMENT

## Sustainability at C WorldWide Asset Management



## OUR SUSTAINABLE INVESTMENT PHILOSOPHY

C WorldWide's commitment to sustainability is not new. Since 1986, investing in sustainable companies has been the essence of our active and long-term focused investment philosophy and process. Anchored in our long-term investment horizon, proactively focusing on good business practices has been core to our approach – not just to do less harm or to avoid risk, but to fully understand the long-term merits and viability of the investee company.

As active stock investors, we favour a pro-active engagement approach rather than an approach based on extensive exclusion lists. Our objective is to have an on-going dialogue with our investee companies.

Integrating environmental, social and governance (ESG) factors in our investment decisions is an essential part of our fundamental analysis process as we evaluate what is material to all stakeholders of the investee company over the long-term, and not just the next few quarters or even years. Addressing stewardship with investee companies results in a dialogue which will assist the investee companies' adaptability to changing markets. There is no doubt, after 30 plus years' experience, that shareholders are the first to benefit from a longer-term approach.

## OUR CORE ESG BELIEFS

1) ESG equals sustainability. Although the focus on the term ESG has increased significantly over the past years, ESG in our view has always equalled sustainability and been aligned with active, long-term portfolio management.

2) We believe that a strong ESG company profile starts with the G – i.e. governance. Good corporate governance is typically anchored with good company managements. A good corporate governance foundation is a key stepping stone to a good ESG profile. For companies to improve their social and environmental agenda they require, first and foremost, a robust governance framework.

3) ESG factors make a difference to long-term active portfolio management and we believe there is no conflict between stock returns and sustainability. We believe that investments in sustainable companies are drivers for higher, longer term risk-adjusted shareholder returns. This mitigation of risk is a key contributing factor when ESG considerations are taken into account.

4) Our active, high conviction equity portfolios reinforce our commitment to ESG. This is because our focus on concentrated stock-picking lifts company specific ESG awareness. Our experience is that sustainable companies often make a good stock resulting in higher returns at a lower risk and therefore outperforming over the longer term.



## OUR ESG JOURNEY

Although investing in sustainable companies has been a core belief since 1986, our ESG journey broadened in scope and formality in 2012 when we became PRI signatory. Our 15 year plus partnership with GES (Global Engagement Services), now part of Sustainalytics, and their significant expertise within engagement and norm-based screening was very supportive in making this transition to an accelerated ESG commitment a success. In 2016, our firm-wide strategy to further enhance our sustainable investment processes became even more rigorous following a new research partnership with Sustainalytics, and a new proxy voting partnership with Institutional Shareholder Services (ISS) in 2017. In 2018 we joined Dansif, Swesif, Finsif and Norsif which are the leading Nordic institutional forums for ESG knowledge sharing.

Our ESG journey is fully aligned with C WorldWide's management, employees and other key stakeholders such as the board of C WorldWide. A formal C WorldWide ESG Committee meets regularly to ensure full integration and implementation of best practice on a firm wide basis.

## OUR FIDUCIARY RESPONSIBILITY

Integrating ESG factors in our investment processes including research, portfolio construction, and risk management, is consistent with our fiduciary duty to consider all relevant information and material risks in investment analysis and the portfolio decision making process. Integrating stewardship in our investment processes including company engagement and proxy voting is also consistent with these fiduciary duties.

We implement our fiduciary responsibilities through a holistic approach – a holistic analysis where a longer-term investment horizon is the key dimension. Our approach is holistic because focusing on what is material to all stakeholders over the long-term matters. From a practical perspective this holistic approach means that ESG factors are carefully considered and monitored in conjunction with other factors such as company strategy, management and financial and non-financial performance. Since ESG issues can be very complex in nature, our fiduciary responsibility is to continuously and carefully balance the different factors in a nuanced manner, ultimately resulting in a rational analysis of risks and opportunities over the long term.

## OUR ESG COMMITMENT

### *ESG Norm-based Screening*

We are committed to systematically screening our investee companies. Sustainalytics Global Standards Screening® is the screening tool we use for avoiding investments in companies which are documented to conduct business in a manner contrary to well established international norms. Sustainalytics



Global Standards Screening® is a norm-based screening of international companies regarding their compliance with international conventions and guidelines on environment, human rights and business ethics.

#### *ESG Research*

We are committed to integrating ESG factors in our investment management processes. Core to this is ESG integration in the portfolio management process by the portfolio managers directly. This means that our ESG research process is fully integrated in our overall investment process. ESG factors are anchored directly with the portfolio manager teams and not outsourced to outside teams or individuals, whether they be internal or external. An integrated process whereby ESG research is considered directly by portfolio managers in line with other relevant financial and non-financial items. ESG research is generated internally and supplemented by specialist and in-depth external research sourced from Sustainalytics.

Because of our direct portfolio manager commitment, ESG integration does not begin or end with the purchase of a company's stock. Our ESG commitment is therefore continuous, supported by ongoing screening and monitoring. Also, since ESG considerations are made by the portfolio managers themselves, there is full ownership, direct responsibility and most importantly, accountability.

#### *ESG Engagement*

We are committed to encouraging sustainable business behaviour in the companies we invest in. Our ESG engagement approach has an enhanced dual approach where we combine our own direct engagement with collaborative engagement through partnership with third party specialists.

Engagement is not only incident based – engagement is an on-going process of interaction with our holdings through, for example, specific ESG meetings held with relevant senior representatives. This is an excellent tool to broaden and deepen our work with our holdings on specific ESG questions with management. This is a very important part of the engagement process due to the awareness it creates in the companies and because its proactive, rather than solely reactive.

In addition to this, we use the leverage through our network of other investors via Sustainalytics' engagement services. This approach gives us access to a proven process and to highly qualified specialists with a strong knowledge and network that can be leveraged in monitoring and follow-up with the investee companies on key ESG issues, such as human rights, labour rights and environmental issues. As we are minority shareholders, Sustainalytics' ability to pool our engagement and assets with other likeminded investors and shareholders amplifies our influence and our ability to encourage change. We are convinced that these collaborative efforts serve our interest best.



In September 2015, 193 member States of the United Nations adopted 17 new Sustainable Development Goals (SDGs) to make our world more prosperous, inclusive, sustainable and resilient. These SDGs represent an unprecedented opportunity for companies to align their own sustainability goals with broader societal goals. Through our engagement with investee companies, we encourage them to pursue corporate opportunities which create value not only for shareholders but for the surrounding society as well.

A third pillar in our active ownership with investee companies is voting. We utilise proxy voting to emphasise the topics discussed with the investee companies in our ongoing engagement with them and vote on key issues important to the governance of the investee companies. To support us in research and management of proxy voting, we utilise the services of one of the world's largest proxy voting service providers, ISS.

#### *ESG Reporting*

On a quarterly basis, we distribute client (mandates and funds) specific ESG reports where we highlight outstanding ESG issues as well as our progress in integrating our ESG considerations. Our quarterly ESG report also includes an overview of proxy voting activity and an explanation of the most significant and relevant votes for the quarter. In addition, we are also open to addressing individual client requests concerning investee company specific controversies.

On an annual basis we disclose our work within engagement and voting on our website.

In addition, we are committed to the PRI Reporting Framework and disclose a detailed, annual Responsible Investment (RI) Report. The PRI strongly supports active, engaged ownership of companies over the long-term. Our RI reporting discloses how we align our efforts with the PRI's six principles. We are also committed to the EU Shareholder Rights Directive which places a positive duty on us to consider and publicly disclose long-term stewardship factors. Furthermore, we are committed to the Danish Stewardship Code.

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