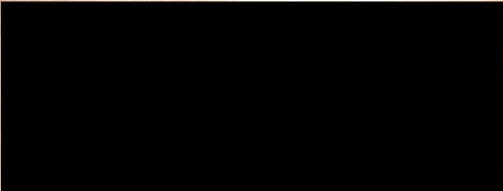


Sustainable Investments





Sustainable Investments

By C WorldWide Asset Management Fondsmæglerselskab A/S

C WorldWide was founded as an active, long-term investor in 1986. All through the years, we have targeted our investments in companies with sustainable business models, strong management teams and sound and responsible business ethics. This creates the optimum basis for generating attractive long-term returns.

Before making the decision to invest in a company, we analyse the environmental, social and governance (ESG) factors affecting it.

We focus on understanding the demands and expectations faced by the company and how this affects its long-term ability to maintain a sustainable business in relation to all stakeholders for our benefit as investors – not just over the next quarter or two, but several years ahead. To that end, we monitor and analyse ESG factors in the same way as we consider other relevant factors such as company strategy, competitive environment and financial performance.

To us, shareholder engagement in the form of maintaining a dialogue with the companies we invest in and

voting at their general meetings is today an inherent part of being an active, long-term investor.

Our ESG journey

Witnessing the world around us evolve and the companies we are invested in being met with new demands and expectations, we have gradually intensified our focus on ESG integration. See figure 1 overleaf:

In **2002**, we launched an ethical counterpart to our global equity strategy that automatically screens out tobacco, alcohol and gambling businesses.

In **2004**, we established a partnership with GES Investment Services, a leading provider of engagement services that provides company screening for violations of international conventions and norms. Through this partnership, we engage with the companies we invest in. In 2019, GES became a part of Sustainalytics (a world leader in ESG data, analysis and ratings/recommendations).



In **2012**, we became a signatory to Principles for Responsible Investment (PRI). See the list to the right on page 5.

In **2016**, by forming a partnership with Sustainalytics, we gained access to ESG analysis and data (research) on the companies we invest in.

In **2017**, we established a partnership with Institutional Shareholder Services (ISS) that includes a systematic approach to voting at investees' general meetings.

In **2018**, we joined Dansif, Swesif, Finsif and Norsif, the leading professional ESG knowledge sharing networks in the Nordic region.

In **2019**, C WorldWide was rated A+, the highest rating for incorporating ESG factors into investment research and decision-making processes, by PRI.

Figure 1:



Source: C WorldWide, Q1 2020

Our ESG analysis

We incorporate ESG factors as an integral part of our investment process and of researching the companies we invest in. This responsibility, like the responsibility for other relevant financial and non-financial matters, is handled directly by the portfolio managers in charge. This process does not begin or end with the investment in a company, but is an ongoing process that is supported by dialogue and monitoring of the company in question.

We focus on understanding and considering all circumstances that may involve a significant risk or opportunity for a company, making allowance for specific sectors and regional conditions. At the same time, we systematically monitor our investments with a view to avoiding companies that carry on business in defiance of well-established international norms and conventions and guidelines for the environment, human rights and business ethics. We aim to balance the factors that are relevant to the company in question, which ultimately enables us to perform a qualified analysis and assessment of a company's long-term risks and opportunities.



Good ESG begins with the G

A solid ESG profile begins with corporate governance and a long-term horizon. If a company has a responsible management team whose decisions are aimed at creating long-term value, it will also, other things being equal, have a more proactive approach to meeting the demands and expectations of its various stakeholders. This helps underpin the company's business model, which ultimately benefits us as investors.

Dialogue rather than exclusion

We consider dialogue with our investees as an important consideration and part of our responsibility as active investors. Being in close contact with our portfolio companies helps us to understand the company, its long-term strategy and its competitive and market position. It also provides a platform for inducing portfolio companies to make ESG-related change.

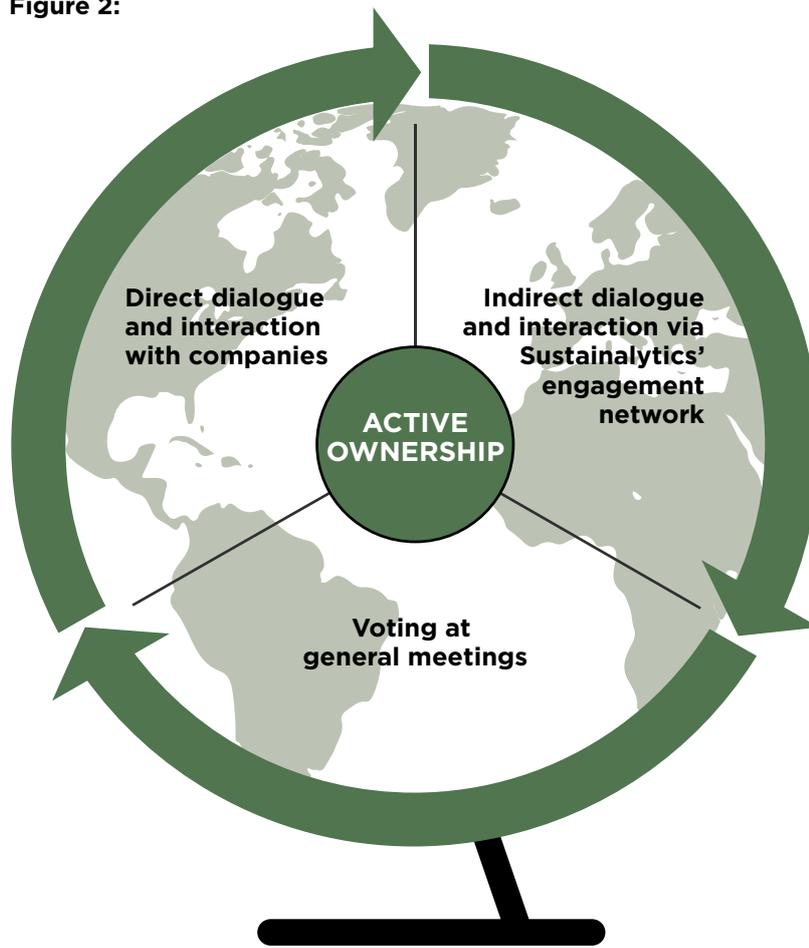


**Good ESG begins with the G.
A solid ESG profile begins with
corporate governance and a
long-term horizon.**

As a first step, we exert our influence by engaging with a company rather than excluding it from our portfolios. This is a process conducted at, for example, dedicated ESG meetings with company representatives. We consider this an important part of our shareholder involvement as it helps raise awareness of any inappropriate conduct on the part of the company and thus helps incorporate ESG into the company's management and strategy. In some cases, a company may refuse for an extended period of time to engage with us or fail to show willingness to improve on relevant ESG issues. This may ultimately cause us to divest the share.

Besides attending meetings and engaging directly with portfolio companies, we work with other investors via the Sustainalytics engagement network, through which Sustainalytics interacts with companies on behalf of us and other investors. Through this partnership, we have access to thoroughly tested processes and highly qualified specialists who monitor and follow up on companies regarding issues such as human rights, labour rights and environmental matters. The partnership provides us and other investors with more clout in relation to the companies and a chance to discuss specific and new ESG matters which gives us a greater say as minority shareholders. This fosters a dialogue that is both holistic and strategic. Our overall shareholder engagement process is shown in figure 2 on the next page.

Figure 2:



Source: C WorldWide, Q1 2020

Investing in a more responsible world

In September 2015, 193 UN member states adopted 17 Sustainable Development Goals (SDGs) aimed at making the world more prosperous, more inclusive, more sustainable and more resilient. See figure 3 overleaf. The commitment to work towards a more sustainable world puts pressure on companies to act more responsibly and assume greater social responsibility. At the same time, policy-makers, consumers and legislators are increasingly encouraging companies to develop more sustainable products and services. When meeting with the companies we invest in, we use the SDGs as a tool to promote a constructive dialogue on priorities, opportunities and risks in relation to the development of sustainable and lasting business models. We believe that investing in sustainable companies is instrumental in driving higher, long-term risk-adjusted returns.

Over the past several years, we have gradually intensified our efforts and focus on incorporating ESG issues and on responsible investment. We will continue this work in the years ahead. Our investment decisions are based

Principles for Responsible Investment (PRI)

As a signatory to PRI, we are under an obligation to report on our responsible investment work. The report describes how we align our efforts with the PRI's six principles:

- 1.**
We incorporate ESG factors into our investment research and decision-making process.
- 2.**
We are active investors and incorporate ESG factors into our investment policy.
- 3.**
We identify ESG issues in the companies we invest in.
- 4.**
We promote acceptance and implementation of the principles in the financial sector.
- 5.**
We collaborate wherever possible to enhance our efficiency in implementing the principles.
- 6.**
We report on our activities and progress in implementing the principles.



Example: Voting

In 2019, we voted at the general meetings of 193 companies across our portfolios. In 91% of the cases, we voted in favour of the recommendations of the company’s management. This is consistent with our focus on selecting companies with strong management teams and sustainable business models. Due to this approach, we are likely to agree with management in most cases. When we vote against management’s recommendations, it is often on issues such as better rights for minority shareholders, greater transparency of and extended reporting on environmental issues or remuneration of management.

on an overall view of a company’s business model, finances, management, strategy, ESG issues and other company-specific factors. Put crudely, unaddressed ESG risks will sooner or later have financial implications for a company. As such, there is no real difference between ESG risks and other, more traditional business risks.

Our long-term, thematic approach has proven its worth over more than three decades. In a world that is behaving more and more myopically, developing long-term, lasting business models is more important than ever.

At the same time, we are looking to identify the drivers that will help future generations balance returns and social responsibility.

Find more information

Our shareholder engagement and investment policies are available on our website, cworldwide.com. These policies describe our approach to voting, conflicts of interest, incorporation of social responsibility into investment processes, etc. While the rules on shareholder engagement under the EU Shareholder Rights Directive only apply to equity investments in listed European companies, we, as global equity investors, aim to observe them across all of our strategies.

Figure 3:



Source: UN, The Global Goals For Sustainable Development, globalgoals.org, February, 2020



Example: Dialogue on building a more sustainable supply chain

We have followed the food company Nestlé closely since 1990. Nestlé has and remains exposed to several significant ESG factors and risks. At the same time, the company has taken the lead in a number of areas in terms of building a process that can address ESG challenges as they arise. In our research of the company and in meeting with its management, we have focused on understanding the company's efforts towards building a more sustainable supply chain, which includes ensuring that raw materials used do not contribute to deforestation or disintegration of essential ecosystems and biodiversity. For instance, many convenience goods include palm oil, and as this production often entails rain forest deforestation, we have engaged with Nestlé on its use of satellites in monitoring these plantations. We also discussed the company's efforts to combat child labour in the production of cocoa beans in Ghana and the Ivory Coast.

Example: Dialogue on management remuneration and environmental goals

Danish bioscience company, Chr. Hansen was named the world's most sustainable corporation by Corporate Knights in 2019. At a meeting with the company, we discussed remuneration, among other subjects. We believe that incorporating ESG factors into management remuneration is an obvious choice, but the company has still to implement this. We also discussed the company's targets for recycling, carbon emissions and the development of new products supporting the company's obligations under the UN Sustainable Development Goals – such as bacteria for reducing the sugar content in foods.



Put crudely, unaddressed ESG risks will sooner or later have financial implications for a company. As such, there is no real difference between ESG risks and other, more traditional business risks.

This publication has been prepared by C WorldWide Asset Management Fondsmæglerelskab A/S (CWW AM). CWW AM is a registered Danish investment firm located at Dampfaergevej 26, DK-2100 Copenhagen, Denmark. CWW AM's Danish company registration no is 78420510. CWW AM is registered with the SEC as an investment adviser with CRD no 173234. The publication may not be reproduced or distributed, in whole or in part, without the prior written consent of CWW AM.

Active Investments

C WorldWide Asset Management Fondsmæglerselskab A/S is a focused asset manager. Our objective is to deliver consistent, long term capital growth for clients through active investments in listed equities on global stock exchanges.

Our clients are primarily institutional investors and external distribution channels. The combination of a unique investment philosophy based on careful stock picking and long-term global trends coupled with a stable team of experienced portfolio managers, has since 1986 resulted in world-class investment performance.

Please find more of our White Papers on cworldwide.com

C WORLDWIDE ASSET MANAGEMENT FONDSMAEGLERSELSKAB A/S

Dampfaergevej 26 · DK-2100 Copenhagen

Tel: +45 35 46 35 00 · VAT 78 42 05 10 · cworldwide.com · info@cworldwide.com

Q2 2020