



Sustainable Philosophy

Core Beliefs

Our active approach to the stewardship of investments ensures sustainability commitments

We emphasize active ownership to influence positive change and progress

The integration of sustainability factors is key to our long-term investment research process

Prioritising pro-active engagement rather than excluding and divesting

Investing responsibly is aligned with superior risk-adjusted long-term returns

Our actions

Engaging directly with and voting on investee companies

Researching sustainability factors is fully integrated into our overall investment approach

Materiality ensures that we prioritise what matters most

Extensive screening to ensure norm-based alignment

C WorldWide Global Equities Ethical

Quarterly Comments

Navigating Varied Outcomes From Shared Challenges

The European Commission has implemented two measures to tackle climate change and achieve net zero emissions by 2050: the EU Emission Trading System (ETS) and the Carbon Border Adjustment Mechanism (CBAM). These measures will make companies reduce emissions and ensure similar carbon pricing for both local and imported products.

The EU ETS aims to make companies accountable for their greenhouse gas (GHG) emissions, particularly in the heavy industry sector (e.g. steel, aluminium, cement, hydrogen, and fertilisers), which accounted for 22% of GHG emissions in the EU in 2021 and for a quarter of global emissions. Over the next 15 years, emission limits and free allowances will decrease to zero. CBAM, started in 2023, prevents companies from relocating outside the EU to avoid emission costs when free carbon allocations end in 2026. Unlike the US's Inflation Reduction Act (IRA), which provides tax credits and subsidies, CBAM incentivises decarbonisation through charging importers of key sectors for the embodied emissions of their products.

European industries stand in front of a critical decision. Companies can spend money now to cut emissions, even though it will hurt profits in the short to mid-term, or wait and buy carbon credits later. Both options hold the risk of lower earnings and valuations.

Estimates indicate that nearly 9,000 industrial sites, including those in building materials, chemicals, mining, and steel sectors, need to adapt by: (1) electrifying their processes, (2) developing greener products, (3) investing in carbon offsets, or (4) buying carbon credits.

At time of writing, the carbon price (EUR 66 per metric ton of CO_{2e}) does not strongly encourage decarbonisation. In April 2024, BloombergNEF estimated the price of carbon will reach EUR 146 by 2030 and EUR 186 by 2034. Utilities are already paying for their emissions, but sectors like cement, aluminium, fertilizer, hydrogen, iron, and steel are not yet charged.

Investment considerations

Looking specifically at our equity portfolio exposures to these matters, the obvious area of focus would be the exposure to industrial gases and their sensitivity to different carbon pricing scenarios.

Considering a high-level uncertainty surrounding politically driven impacts, the current analysis indicates a well contained effect on our holdings in the industrial gas sector, predominantly because chemicals are a small part of their



Investment Screenings

Sanctions Screenings

All investments are screened against Refinitiv World-Check sanctions-screening covering all known sanction bodies

Norms-Based Global Standards Screenings

Convention Breach screenings, compliance with UN Global Compact Principles, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

Investment Exclusions

None of the companies within the portfolio exceeds a certain level of involvement in the activities specified

- 0% Controversial Weapons
- 5% Military Contracting, manufacturing military weapon systems or integral, tailor-made components of these weapons
- 5% Military Contracting, providing tailor-made products or services that support military weapons
- 0% Small Arms, assault weapons
- 0% Small Arms, small arms or key components to small arms
- 5% Adult Entertainment
- 5% Alcoholic Beverages
- 5% Gambling
- 5% Tobacco Products
- 5% Oil & Gas, oil and gas exploration, production, refining, transportation, or storage

overall business, and the chemical sector sees the biggest impact from lower free carbon allowance, as the CBAM takes effect.

BofA Global Research has conducted scenario analysis with carbon credit costs from EUR 100-200 to show how much higher carbon credit costs (%/EBITDA) the Industrial gases companies would incur, ranging from 0.3% to 3.6% (depending on company exposure and carbon credit cost).

On the other hand, selected companies in the diversified chemical area could see cost impact in the range of 36-73% (%/EBITDA), based on same analysis.

We remain committed to closely monitoring these developments to ensure we are informed and prepared to navigate these complex challenges.

Portfolio Changes

There were no changes to the portfolio during the quarter.

Direct Engagements

Visa

Main topic: Price Structure, Financial Inclusion

We met with Visa for an update on sustainability matters, in particular the ongoing cases on transactions and merchant fee structures. The response from Visa is that they are pursuing settlement again, and in the same instance they referred to the recent exchange offer as a structural change that would effectively enable the Class B shareholders (primarily financial institution customers that are members of Visa U.S) to exchange and sell portions of their unlisted Class B common stocks. Basically, enabling financial institutions to release shares that have otherwise been locked since the IPO in 2008. The B shares were created at the time to insulate shareholders from a 2005 lawsuit alleging that Visa—and banks that issued Visa-affiliated credit cards—had conspired to increase the cost of transactions by making the holders, as well as the company, responsible for damages. According to original bylaws, the shares could not be sold until all claims from the lawsuit were settled. At the time, Visa also issued unlisted C shares for financial institution customers that are associated with certain of Visa's international subsidiaries. Worth highlighting here is that our call with Visa was held prior to the US DOJ formally suing Visa for antitrust violations. We are following the case closely to assess the impact of our position.

A key focus of growth for Visa is to support financial inclusion, by providing digital payment offerings in small communities and rural areas where banks might not be established. In such areas, e.g. certain areas in Africa, Visa relies on the local mobile network to provide digital payment services.



- 10% Oil & Gas, generation of electricity from oil or gas
- 0% Thermal Coal, thermal coal extraction
- 5% Thermal Coal, generation of electricity from thermal coal
- 0% Oil Sands
- 0% Shale Energy

HDFC Bank

Main topic: Cybersecurity, Human Capital

Following the HDFC Bank merger with HDFC we met with them in India. Key topics for the discussion were cybersecurity and human capital considerations. In the past, the bank has had issues with cybersecurity and has since 2019 invested heavily in IT solutions. HDFC moved to the cloud much earlier than HDFC Bank that is now reaping the fruits of the technology investments, but it has been costly to run parallel systems.

For HDFC, being the largest card company in India, cybersecurity is key. 40% of India's card transactions go through HDFC. However, sophisticated cyberattacks are not hitting India to a larger extent, yet. Volumes are high but values are still much lower than in many developed countries.

We also discussed corporate culture, as a result of merging two entities. To manage the merger in the best possible way, HDFC's focus has been to slow down the pace of loan growth and at the same time maintaining and retaining customer relationships. For this not to be demotivating HDFC changed the incentives schemes from loan growth to other key ratios, supporting ambitions to lower loan deposit ratios.

Nestlé

Main topic: Management Structure

It came as somewhat a surprise when the CEO of Nestlé Mark Schneider was announced to leave the company in August, and in the same instance the CEO of Nestlé Latin America, Laurent Freixe, was appointed the new CEO. Just a few days after, we met with the also somewhat newly appointed CFO Anna Manz. Discussions centred around the new management, its plans for the future, and that stakeholders are key in any corporate change. Following the discussion our final input to management was to address the recent communication from peers, and how they saw certain sustainability ambitions as too bold. If Nestlé encounters similar experiences, it is better to tackle them straightaway.

Microsoft

Main topic: Cybersecurity and Litigation Risk, Energy Management

We met with Microsoft in our office in Copenhagen. We were curious on an update to the recent cybersecurity vulnerabilities that Microsoft has faced with the SolarWinds attack, how this has impacted the focus on cyber security internally and if it has impacted the culture in any way. Recent claims have centred around that developing new products and features was often prioritised over fixing security bugs in existing offerings. While Microsoft's response lacked specific details, they emphasized that security is their top priority and assured that development and security are fully integrated in all their processes. Following our meeting and further scrutiny from the US Department of Homeland Security, Microsoft announced that they now have 34,000 full-time engineers working on securing its products and that all employees will be evaluated on prioritising cybersecurity as part of their performance reviews going forward.



On the recent acceleration in the use of AI, we discussed how Microsoft is managing energy in its own data centres and whether they have enough energy to expand data centres. The need for elevated levels of energy and in a dense, stable form has led Microsoft to purchase an otherwise closed nuclear powerplant to ensure energy for its data centre expansion.

Proxy Voting

While the number of AGMs held in the third quarter of 2024 was significantly lower than in the previous two quarters, proxy voting remained active.

HDFC Bank Ltd.

A vote was cast against the Approval of the Employees Stock Option Master Scheme – 2024, opposing both management and Glass Lewis recommendations. The minimum vesting period for the awards under the plan is considered too short; a period of at least three years is preferable. Additionally, incentive plans should be linked to clear performance targets.

Linde Plc.

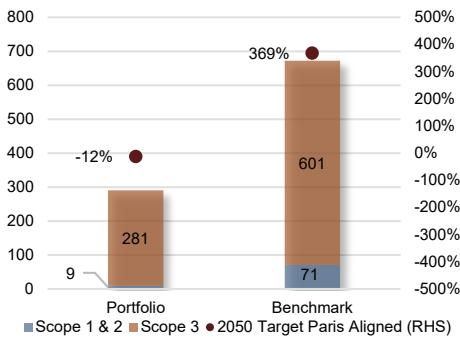
Multiple election proposals were voted on. In the case of Victoria E. Ossadnik's election, a vote was cast against the nominee, aligning with Glass Lewis but against management. The nominee serves on too many boards.

Furthermore, the Advisory Vote on Executive Compensation proposal was opposed, which conflicted with both management and Glass Lewis recommendations. The long-term incentive plan lacks sufficient performance-based metrics, and the vesting period for awards is too short.

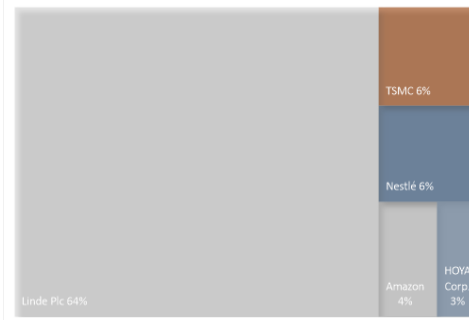
A full list of all meetings voted is available upon request or can be retrieved directly from the C WorldWide website.

Sustainalytics Portfolio Risk Rating: Low
Benchmark: MSCI All Country World Index

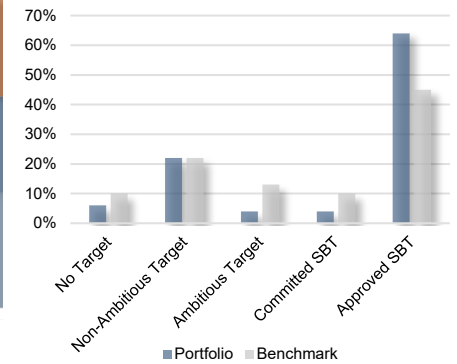
Emissions Exposure & SDS (tCO₂e)



Top 4 Contributors to Portfolio Emissions



Climate Target Assessment



The above graph summarises the portfolio's carbon footprint compared with the benchmark. The Sustainability Development Scenario (SDS) pathway on the right-hand side of the graph is fully aligned with the Paris Agreement. The graph indicates whether the portfolio and benchmark are expected to over-/undershoot against the allocated carbon budget until 2050.

Carbon Intensity (tCO₂e/mill. USD revenue)

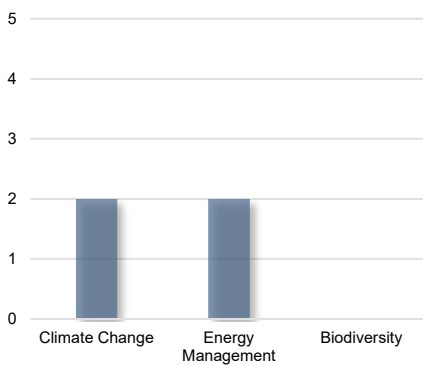


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

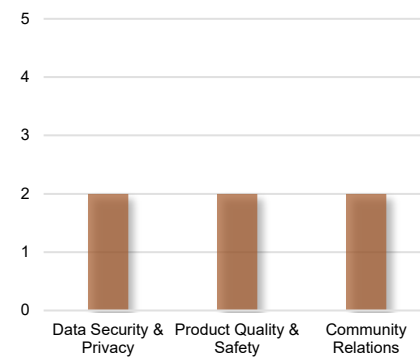
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 30th of September 2024

Direct Engagement Topics

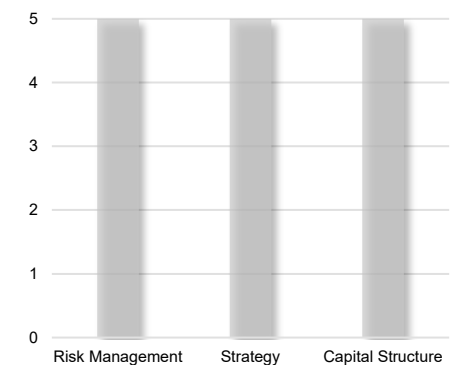
Environment



Social



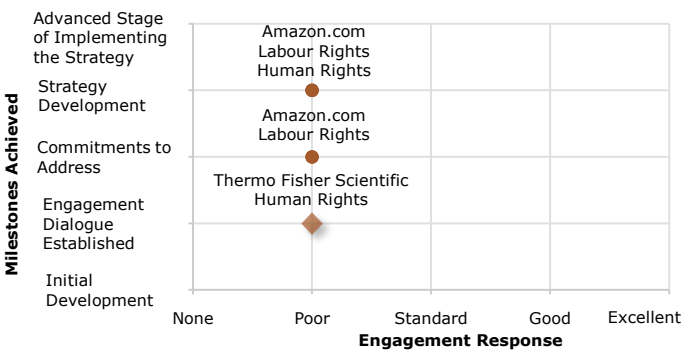
Governance



Total direct company engagements for the portfolio: 8

Throughout the quarter, we conducted several direct engagements with the portfolio companies. Our ESG engagements have most often incorporated an aspect of each subject E, S, and G. The above graphs show the top three engagement topics within environmental, social and governance aspects. There are several sub-topics within each category that can overlap within one engagement.

Collective Engagement



The above graph illustrates our collective engagements with Sustainalytics. The companies are shown within what milestone they have reached thus far and rated according to their communication in relation to the specific engagement topic.

Proxy Voting

Meetings Voted	100%	2
Proposals Voted	100%	22
Proposal Voted Against Management	14%	
Proposal Categories (Top 3)	55%	Board Related
	27%	Audit/Financials
	9%	Compensation

We utilise proxy voting to emphasise the topics discussed with the investee companies in our ongoing engagement with them and to vote on key issues important to the governance of the investee companies. The table above shows key topics and how votes have been cast during the quarter.

Source: Sustainalytics. Portfolio as of 30th of September 2024

Source: Glass Lewis Proxy Voting. Portfolio as of 30th of September 2024

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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. Our product range includes discretionary asset management services and commingled fund products.

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 Sustainability Reports on cworldwide.se.

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