



# Sustainability Report

Stable Equities

Q4 2023





## 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 Stable Equities

## Quarterly Comments

### Balancing Corporate Profits with Social Responsibility

Many investors are increasingly seeing the need to navigate the complex intersection between financial objectives, investment returns and societal impact.

There are multiple global initiatives addressing these trends. One example is the Just Transition's fundamental framework which believes that the move towards a lower-carbon economy should be characterised by inclusivity and fairness. Their belief is that energy transition should not only be guided by economic and environmental factors but also by social justice, job creation, and the development of community resilience. Although we agree with their ambitions, the transition will look and be applied differently depending on respective country or regional starting point.

Asset managers such as us are also confronted with the challenge of navigating policy and regulatory uncertainties in the rapidly evolving landscape of environmental policies. This is embedded in our on-going thematic work categorized under "Big Government". This demands ongoing awareness and monitoring of governmental initiatives, a precondition to making well-informed and long-term investment decisions. The reason is that the regulatory environment significantly shapes the feasibility and success of investments in environmentally conscious sectors. How governments shift from policy support to policy headwind, depending on opinion polls, thereby adding another layer of complexity.

Our investment approach is to strike the right balance between financial returns and social responsibility demands, a holistic approach. Our investment objectives remain unchanged, and we continue to prioritize financially driven return outcomes.

During the final quarter of 2023, we focused on finalising the integration of our stewardship risk tool, LISA (Long-term Investments in Sustainable Assets), which includes, but is not limited to, the analysis of the mandatory principal adverse impact indicators (PAI). These are also factors that are part of other frameworks, like Just Transition, that include social equity, economic stability, and environmental sustainability. For example:

- An evaluation of the potential impact on employment where companies can be assessed on their implications on job markets, especially within industries undergoing significant transformations.
- An evaluation of skill development and training programs. Companies can be assessed on how they facilitate the transition of workers from declining industries to emerging, sustainable sectors, promoting re-training and upskilling for a more inclusive and equitable transition.



## 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
- 5% Small Arms

- An evaluation of any potential environmental impact. The ecological consequences of investments must be thoroughly examined, focusing on reducing carbon emissions, promoting sustainable resource use, and aligning with broader environmental conservation objectives.

## Portfolio Changes

### Autozone

AutoZone is an American retailer of aftermarket automotive parts and accessories. The Company is committed to reducing its environmental impact and has set ambitious targets to reduce its carbon footprint. AutoZone aims to decrease its U.S. Scope 1 and 2 energy-related emissions by 15% by 2025 from a 2019 baseline and to decrease Scope 1 and 2 GHG emissions across the entire enterprise by 50% by 2030, measured against a 2019 baseline. The Company aspires to achieve Net Zero GHG emissions across Scope 1 and 2 by 2050. AutoZone has received a low 11.1 ESG risk rating from Sustainalytics and has implemented a digital ESG management system to monitor, manage, and report on ESG topics.

### Microsoft

Microsoft is a multinational technology company that develops, licenses, and sells computer software, consumer electronics, and personal computers. As a data company, both data security and energy usage in, for example, data centers are material topics to the operations, where the Company has initiated projects and programs to reduce its impact. The Company has a strong commitment to sustainability and has set ambitious goals to reduce its carbon footprint. Microsoft aims to be carbon-negative by 2030 and to remove all the carbon it has emitted since its founding in 1975 by 2050. The Company has also pledged to conserve more water than it consumes by 2030 and to protect more land than it uses by 2025. Microsoft has invested in renewable energy and has committed to using 100% renewable energy by 2025, while also launching a program to help customers and suppliers reduce their carbon footprint. Microsoft is committed to SBTi, has received a low 15.2 ESG risk rating from Sustainalytics, and has been recognized for its sustainability efforts through the Dow Jones Sustainability Index, where Microsoft has been included for 22 consecutive years.

### Nomura Research Int.

Nomura Research is a Japanese research- and consulting firm that provides research and analysis on various industries. The Company is committed to advancing the United Nations Sustainable Development Goals (SDGs) and has set ambitious targets to reduce its carbon footprint. Nomura Research aims to reduce its carbon emissions by 50% by 2030 and to achieve net-zero emissions by 2050. The Company has also pledged to source 100% renewable electricity by 2025 and to reduce its water consumption by 30% by 2025. Nomura Research is committed to SBTi, has received a low 15.4 ESG risk rating from Sustainalytics, and has been recognized for its sustainability efforts by being included in the Dow Jones Sustainability Index.

### S&P Global

S&P Global provides financial information and analytics, while being committed to reducing its environmental impact and has set ambitious targets to reduce its carbon footprint. As a data company, both data security and energy usage in, for example, datacenters are material topics to the operations, where





the Company has initiated projects and programs to reduce its impact. S&P Global aims to reduce its carbon emissions by 50% by 2030 and to achieve net-zero emissions by 2050. The Company has also pledged to source 100% renewable electricity by 2025 and to reduce its water consumption by 30% by 2025. S&P Global is committed to SBTi and has received a low 13.0 ESG risk rating from Sustainalytics.

## **Direct Engagements**

### **T-Mobile**

T-Mobile is a leading wireless network operator in the US, serving over 100 million customers with voice, messaging, and data services. The Company is committed to using its network as a force for good and has set a net-zero emission target by 2050. T-Mobile also aims to provide the best network and the best value to its customers, leveraging its 5G coverage that can reach remote areas.

During a recent meeting, we discussed various topics related to sustainability and general business, operations, and strategy with T-Mobile. Some of the main points were:

- T-Mobile has faced criticism regarding network quality and data security and has taken measures to address these issues. The company has invested heavily in security infrastructure, leadership changes, key hires, and partnerships with industry experts. The company has also created a cyber transformation office, reporting directly to the CEO, to ensure oversight and accountability. The company has also worked to optimize its energy use and protect its data centres, while also transitioning to renewable energy sources.
- T-Mobile has not had any recent controversies regarding overcharging and poor billing practices and claims to be transparent and fair in its pricing. The company also believes that it is right in the two outstanding union cases and that they are not material to its operations. The company is working on incorporating sustainability-related KPIs in executive compensation and is benchmarking against its peers.
- T-Mobile is focused on being a solution provider and is exploring new opportunities with its 5G network. The company has partnered with Formula 1 to showcase its network performance and innovation. The company also utilizes AI to understand customer performance issues and to be efficient with its working capital. The company expects to outpace its competitors in the next year and beyond.
- T-Mobile has a successful governance model and has a good relationship with its German owners. The company is independent in its decision-making and has had the same governance structure for a long time.

### **Carlsberg**

We recently had a meeting with the IR at Carlsberg, a global brewer that produces and sells beer and other beverages. The Company is committed to sus-



tainability and has launched several initiatives to reduce its impact, such as Together Towards Zero, SAIL 2022, and SAIL 2027. Some of the takeaways from the meeting are as follows:

- **Sustainability integration:** Carlsberg explained how sustainability is integrated into its strategy and operations, covering 11 focus areas, and linking executive pay to sustainability KPIs.
- **Water usage:** Carlsberg highlighted the measures it has taken to reduce its water usage, such as investing in the most water-efficient brewery and aiming to become the industry leader by 2030.
- **Packaging and waste:** Carlsberg discussed the challenges and opportunities related to packaging and waste, such as the importance of closed-loop systems, deposit schemes, and consumer preferences. The Company is working to increase the share of refillable glass bottles and to lobby for consistent regulations.
- **Supply chain education:** Carlsberg elaborated on how it is working with its suppliers to improve their sustainability performance, such as getting them to commit to the Science Based Targets initiative and setting higher requirements.
- **Russia termination:** Carlsberg updated you on the termination of its operations in Russia. The Company expressed its concern for the safety of its colleagues and its disappointment with the loss of its business and mentioned the possibility of legal disputes and market competition.
- **CEO appointment:** The IR has a positive impression of the new CEO, Jacob Aarup-Andersen, who joined the company in 2022 and assured us that the strategy and the sustainability vision remain unchanged.
- **Operations in China:** Carlsberg gave an update on operations in China, where it has a decent market share and a focus on premiumization. The Company explained the challenges and opportunities in the Chinese beer market, such as the decline in volume, consumer preferences, and the importance of local ownership. The Company also shared its big city strategy and its asset-light operations, which contribute to its profitability.
- **New opportunities in non-alcoholic:** Carlsberg discussed the evolution of the non-alcoholic category, which is mainly a European phenomenon. The Company admitted that it is still learning about this category and that the brewing process is more expensive.
- **Germany and UK:** Carlsberg informed about the situation in Germany and the UK, two of its challenging markets, and explained the difficulties of expanding and competing in Germany, where there are many local breweries and anti-trust issues. The company also discussed the UK market, where it has a lower margin and where it is the sponsor of Liverpool, which gives unexpected synergies in Asia.





## **McKesson**

McKesson is a multinational healthcare company that operates in the pharmaceutical distribution and healthcare IT sectors, with the purpose of advancing health outcomes for all.

Sustainability is a top priority for McKesson, and the Company has set ambitious goals to reduce its carbon footprint. For example, McKesson Europe aims to be carbon neutral by 2030, while McKesson Corporation set science-based targets to keep temperature increases aligned with the Paris climate agreement.

In terms of governance, McKesson has been put on the Global Standards Screening Watchlist by Sustainalytics, at risk of violating Principle 1 - Human Rights of the UN Global Compact. This is the result of the allegations that McKesson contributed to widespread opioid addiction in the US by failing to report on excessive opioid orders. McKesson has settled or reached agreements with all 50 states, which removed a significant share of uncertainty in operations. However, there are still several smaller cases in progress. McKesson is continuously discussing the situation with a new analyst from Sustainalytics and is happy to have the situations in the past.

Regarding the Company's ESG initiatives, McKesson has aligned its impact efforts and initiatives around its company purpose: Advancing Health Outcomes for All. McKesson has set ambitious goals to reduce its carbon footprint, and the Company is committed to maintaining continuous programs to detect opioid misconduct. Additionally, the Company has made good investments in the programs, where McKesson leverages its expertise and relations with pharmacies and experts to contribute to and enhance the Controlled Substance Monitoring Program (CSMP).

## **Proxy Voting**

There were no AGMs held during this quarter.

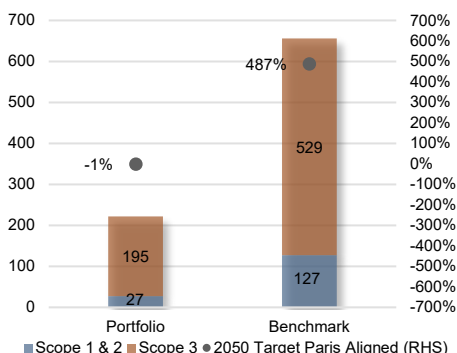
A full list of all meetings voted is available upon request or can be retrieved directly from the C WorldWide website.

# C WORLDWIDE STABLE EQUITIES

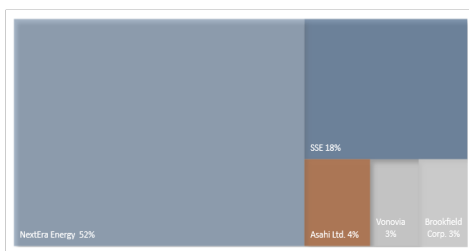
Sustainalytics Portfolio Risk Rating: Low

Benchmark: MSCI All Country World Minimum Volatility Index

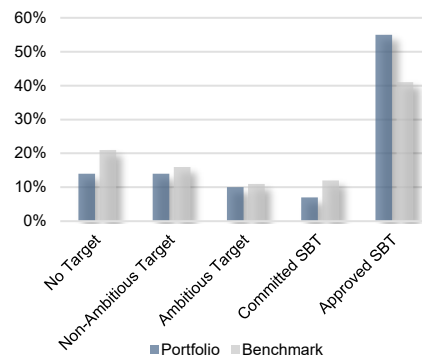
## Emissions Exposure & SDS (tCO<sub>2</sub>e)



## Top 4 Contributors to Portfolio Emissions

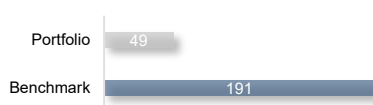


## Climate Target Assessment



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 (tCO<sub>2</sub>e/mill. USD revenue)

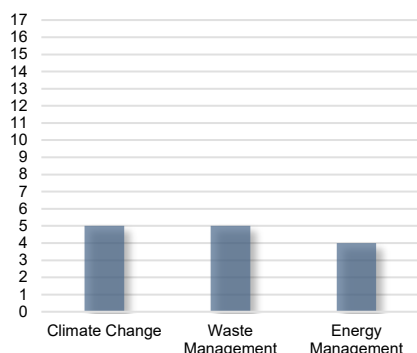


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

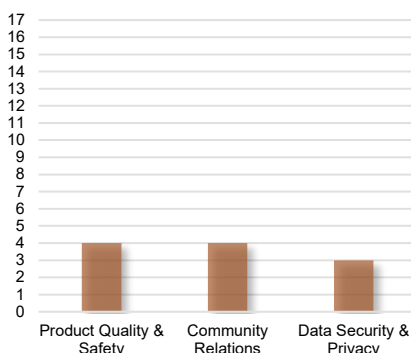
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 31st of December 2023

## Direct Engagement Topics

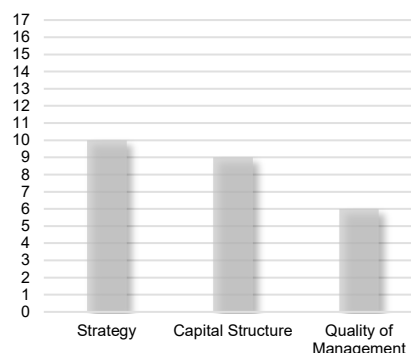
### Environment



### Social



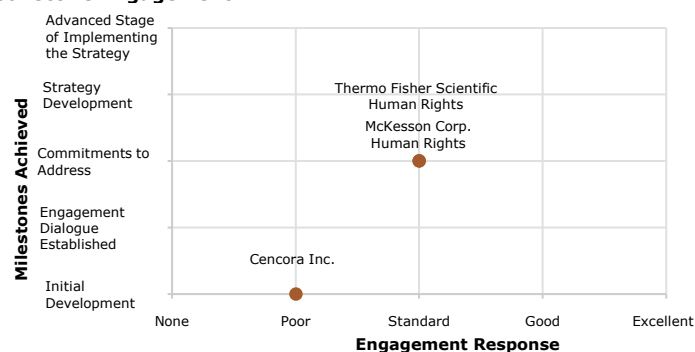
### Governance



Total direct company engagements for the portfolio: 13

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	0%
Proposals Voted	0%
Meetings with at least one vote against management	0%
Proposal Categories (Top 3)	0%

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 31st of December 2023

Source: Glass Lewis Proxy Voting. Portfolio as of 31st of December 2023

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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.com](http://cworldwide.com)

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