



# Sustainability Report

Stable Equities

Q2 2024



## 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

Sustainability factors have played an increasing role in shaping investment portfolios for several years now, influencing to varying degrees how investors assess risks and opportunities. At the same time, the prioritisation of sustainability factors varies across different frameworks, regions, countries and investor segments. This materiality divergence prompts reflections on whether it is even reasonable to adopt a streamlined global sustainability approach or whether a more bespoke approach serves as a better framework for informed assessments and risk analysis.

Globally, there is no universal approach to assessing sustainability factors. Different regions, countries and investor segments prioritise these factors based on their own socio-economic contexts, regulatory environments, and cultural values. Many European investors focus on environmental considerations due to strict EU climate regulations and heightened public awareness of climate change. Conversely, in emerging markets, social issues such as labour practices and community impact might take precedence due to their immediate local relevance.

The fundamental question remains whether sustainability should be pursued as a standardised, one size fits all approach, or rather as a more nuanced framework for decision-making. While a streamlined approach simplifies comparisons and reporting, it risks overlooking regional nuances and the unique qualities of individual companies. In contrast, a more dynamic and adaptable approach allows tailored assessments, capturing the complexities and multifaceted nature of sustainability risks and opportunities.

At C WorldWide, integrating all material risks, including sustainability-related risks, is fundamental to our investment philosophy and process. We prioritise companies with robust corporate governance, durable, tried and tested business models, backed by experienced management teams. Our 30+ year experience shows such companies are better equipped to manage environmental and social challenges, providing a solid foundation for long-term growth.

By prioritising governance, we ensure our investments are both resilient and adaptable to diverse risks and poised to seize opportunities, regardless of geographical focus. This underscores the critical role of effective leadership and management in navigating sustainability challenges.

The varying emphasis on sustainability factors across regions and frameworks should not hinder progress but be seen as a reflection of the diverse nature of sustainability itself. This diversity enriches our ability to conduct informed assessments and rigorous risk analysis. We advocate for a nuanced, comprehensive approach to sustainability integration that is both anchored with more local priorities but also aligns with global goals and supports adaptive investment strategies capable of thriving in a dynamic world.



## 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% Small Arms

Anticipating the future, embracing the complexities of sustainability integration is key for the finance industry to drive meaningful change and sustainable growth. At C WorldWide, we are committed to evolving our strategies and approach to meet the shifting demands of our stakeholders and the world we operate in.

## Portfolio Changes

### Accenture

As a leading IT consultant, Accenture contributes to a growing and changing technology landscape. Accenture advises and implements solutions for specific and general IT-related problems and opportunities for enterprise customers. Accenture integrates software for over 75% of the largest 500 companies globally, capturing attractive economics on the lay of a secular growing land. Accenture's right to win is largely cemented in its strong reputation and leading expertise, both emphasized by governance systems underpinning employee retention, social awareness, and orderly business practices. Accenture has multiple processes, including its Information security and quality management system, certified by ISO. Accenture targets net zero by 2050 and expects to decrease GHG emissions by 43% by 2030. We view Accenture's sustainability risk as relatively low.

### Arthur J Gallagher

Arthur J. Gallagher is among the leading insurance brokerages in North America. As an insurance broker, Gallagher is the intermediary between insurance companies and end-customers, providing distribution for insurance companies and bundling and negotiation power to insurance customers. In its almost 100 years of operation, it has carved out strong rights to win through data, scale, systems, and reputation, while participating in the consolidation of the fragmented insurance-brokerage industry. According to Pat Gallagher, Chairman and CEO, when Arthur Gallagher was founded, "the letters E, S, and G didn't stand for anything special. But we did." Material environmental, social, and governance concerns have always been strong cornerstones of the Gallagher operating manual - "The Gallagher Way". Gallagher is working to achieve net zero emissions in direct operations by 2050, supported by interim targets of reducing Scope 1 and 2 carbon emissions per employee. We view Gallagher's overall sustainability risk as low.

### Automatic Data Processing

Automatic Data Processing (ADP) is the leading provider of payroll and human capital solutions. Companies use ADP's products to handle payroll transactions to employees and to outsource certain functions previously operated within the company to ADP. ADP's right to win is underpinned by high switching costs cemented through deep embedment, data breadth, scale efficiency. Data privacy is highly material for ADP. ADP has a good record of few breaches and good guidelines for prevention, supporting its brand name, a key pillar to its right to win. ADP is one of the few companies' regulators allow to implement and process internal client data. ADP has pledged to achieve net zero greenhouse gas emissions by 2050. We view ADP's sustainability risk as relatively low.



### **Compass Group**

Compass is the largest operator of outsourced canteens globally. Outsourcing canteen operations enable enterprises to focus on core operations, reduce costs, and improve employee satisfaction. Compass benefits from scale in a highly fragmented market, supported by long-term secular growth drivers underpinning higher rates of outsourcing. Compass' Sustainalytics risk score is 20. Compass significantly reduces food waste, has consistently reduced food safety incidents, and significantly outperforms peers in worker and product safety. According to CWW research, the consistently higher client retention rate of Compass Group is partly attributable to fewer food safety incidents. This may be underpinned by a decentralized operating structure, including safety measures in employee remuneration, and technology. Compass targets climate net zero by 2050, operates under a strong governance structure. Food incidents rates and other sustainability measures are included in the remuneration structure of executives and middle managers.

### **Hitachi**

Hitachi is a Japanese conglomerate operating multiple businesses exposed to attractive end markets. Hitachi operates in six large divisions. Similar to Siemens, Hitachi has garnered a large installed base of physical equipment within various industries—primarily power and renewable energy, healthcare, Elevators and Escalators, and railway systems. This installed base has enabled Hitachi to emerge as a leading provider within the Digital Industry space. Although listed in Japan, Hitachi generates 61% of its revenue outside Japan and 39% outside of Asia. Hitachi is committed to SBTi and net zero and is a CDP Climate A-list company. It has been a UNGC signatory since 2009 and has policies aligned with the UNGC and OECD. We view Hitachi's overall sustainability risk as medium.

### **Walmart de Mexico**

Walmex is the publicly listed division of Walmart's South American business. Originally formed as a JV between Walmart and the Arango family, today, Walmex operates independently with Walmart as a controlling shareholder. Walmex operates 3,900 stores and is continuously expanding its store count MSD. Walmex targets to be net zero by 2040 and we view the company's overall sustainability risk as relatively low.

## **Direct Engagements**

### **Nestlé**

*Main topics: Sustainability implementation & recyclable plastics*

Nestlé remains a leader in sustainable practices in the food and beverage industry, setting realistic goals and methodically planning for future milestones. Unlike Unilever, Nestlé highlighted that it has maintained its 2025 sustainability targets and is strategically planning for 2025-2030, ensuring that these goals are operationally viable.



Progress in recyclable plastics is on track, though adjustments have been made to accommodate industry challenges. In response to EU regulatory changes, Nestlé's historically conservative target-setting has minimized the financial impact, allowing smoother integration of new regulations. Addressing controversies, Nestlé has strengthened its supply chain code of conduct, focusing on human rights, and implementing initiatives like Income Accelerators to enforce compliance among suppliers.

Nestlé's growth strategy emphasizes expanding in strong segments such as pet food and Nespresso, while exploring new markets with products like cold coffee, particularly in Asia. In conclusion, Nestlé's approach combines prudent planning and proactive adaptation to ensure sustainability and business growth in a challenging global environment.

### **Procter & Gamble**

*Main topics: deforestation, palm oil policies, & biodiversity*

Sustainability is integrated into its operations through three main areas: its own operations, helping consumers improve their footprint, and helping the industry reduce its footprint through innovation. One example of this is its PureCycle project, which collects trash to reuse plastic and produces virgin propylene.

During the meeting, it was mentioned that balancing the needs of multiple stakeholders can be challenging, but companies that can do this successfully will be in a good position. P&G is working to overcome specific challenges, such as the use of heat in production, and is complying with regulations such as the RSPI for palm oil.

In terms of environmental efforts, P&G has implemented a comprehensive forest policy on palm oil and pulp, and has a process for zero tolerance, including training and educating suppliers, using satellite monitoring, and conducting field and desk audits. It is also engaged in the TNFD and supports developments in the biodiversity area where projects and processes have been initiated.

On the topic of governance, it was mentioned that sustainability factors were implemented in compensation two years ago, with goals correlated to KPIs. However, the specific goals and KPIs are not stated.

P&G is making efforts to integrate sustainability into its business operations and work with suppliers, regulators, and other stakeholders to improve its environmental and social impact.



## **Proxy Voting**

### **Nestlé**

We voted against the Shareholder Proposal regarding sales of healthier and less healthy foods. Our assessment is that this proposal could potentially lead to a dramatic change in the company's product mix and may not align with shareholder interests.

### **Coca-Cola Co**

We voted on a social issue concerning the Report on Hiring Practices for people with arrest records. We aligned our vote with management and Glass Lewis. Our decision was based on Adobe's demonstrated non-discriminatory practices towards individuals with arrest records, their proactive responsiveness to related issues, and their established safeguards.

### **Elevance Health Inc**

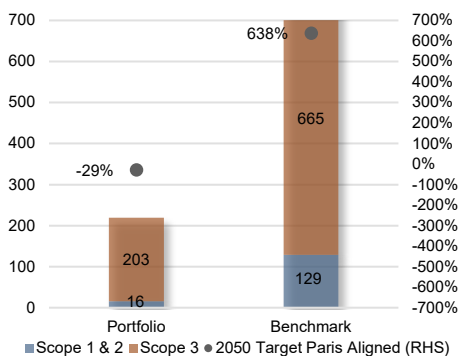
We voted against management and Glass Lewis but following our policy on the Advisory Vote on Executive Compensation. Our decision was based on a poor alignment between pay and performance. The grants under the long-term incentive plan are not sufficiently performance-based, the minimum vesting period for awards is too short, and one-off payments have been granted.

### **Keurig Dr Pepper Inc**

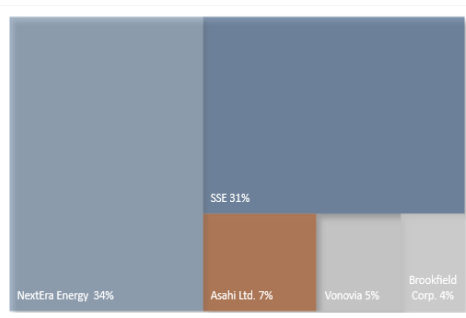
We voted for the Shareholder Proposal Regarding the Report on Plastic Packaging, which was against management and Glass Lewis but aligned with our policy. Our ESG Policy supports financially material proposals, especially those addressing key industry topics determined by SASB or recommended by Glass Lewis.

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

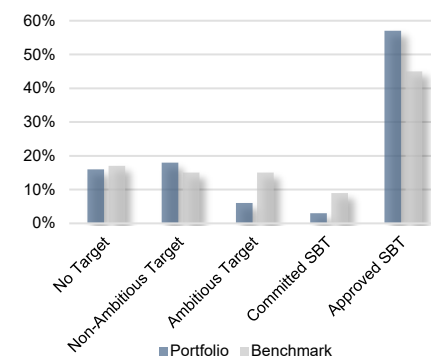
## Emissions Exposure & SDS (tCO<sub>2</sub>e)



## 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)

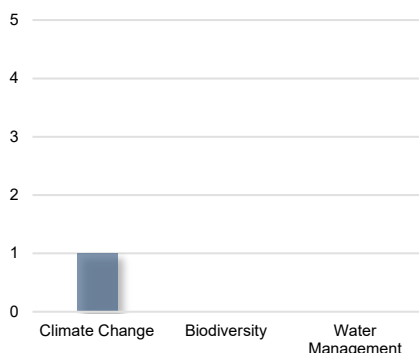


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

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

## Direct Engagement Topics

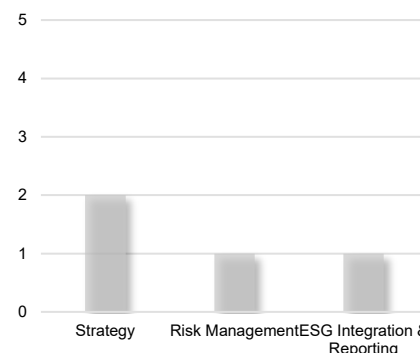
### Environment



### Social



### Governance



**Total direct company engagements for the portfolio: 2**

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.

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

## Proxy Voting

Meetings Voted	100%	23
Proposals Voted	100%	331
Proposal Voted Against Management	19%	
Proposal Categories (Top 3)	67%	Board Related
	12%	Compensation
	11%	Audit/Financials

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: Glass Lewis Proxy Voting. Portfolio as of 30th of June 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.com](http://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](http://cworldwide.com) · [info@cworldwide.com](mailto:info@cworldwide.com)

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