







## 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 ex. Tobacco Equities

## Quarterly Comments

### Ultra-Processed Food

As 2024 concludes, we review the year behind us and consider the main sustainability topics we came across and maybe to some extent topics that surprised us.

Despite some shake-up in commitment to international recognised initiatives, predominantly from some US institutions, the longer-term climate change and energy transition agendas, to varying degrees, are here to stay, now also accompanied by its emerging sibling biodiversity. Furthermore, social topics both within human capital and supply chain resilience remain material mainstays for most companies. One topic of continued focus remains the development of ultra-processed foods (UPF).

The definition of UPF is not entirely uniform, but the market tends to adhere to the academic definition that comes from the NOVA food classification system, which was developed by researchers at the University of São Paulo, Brazil and supported by the British Heart Association: UPFs typically have more than one ingredient that you never or rarely find in a kitchen. They also tend to include many additives and ingredients that are not typically used in home cooking, such as preservatives, emulsifiers, sweeteners, and artificial colours and flavours. These foods generally have a long shelf life.

During the last 18 months, there has been an increased coverage of UPF in media, especially since the European Society of Cardiology in August 2023 presented two studies highlighting meaningful increased risk of heart attack and strokes from diets high in sugar, salt, and fat, i.e. what you typically see in UPF. This also seems to have led to an increase in consumer awareness, highlighted by a doubling of UPF as a Google search term over the same period.

Attention to the health risks associated with UPF has also been increasing in the financial press as well as there has been increased mentioning of UPF in transcripts from corporates' earnings call.

This may be affected by the younger consumer generations such as Millennials and especially Generation Z having focus on a healthier lifestyle, tend to cook from scratch, and to some extent prefer natural foods, non-processed, or plant based as a Bernstein study from July 2024 shows.

In some regions, the rise of alternative protein supports certain dietary beliefs as it causes less harm to animals and the environment. The question remains on how it affects overall health when the additives required to obtain the desired look, taste and texture of meat include flavourings, colourings, emulsifiers, texture modifiers, gelling agents and binding agents?



## 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, assault weapons
- 5% Small Arms, small arms or key components to small arms
- 5% Tobacco Products

In our annual commitment to engage with Master students at Copenhagen Business School (CBS) in Denmark, we provided this specific case to a group of students studying the minor Critical Cases in Sustainable Investments and for them to explore how our main investment strategies are exposed to the risks and opportunities within UPF.

The case work showed that key exposure is found in our portfolio companies within the consumer staples sector such as food and ingredients companies as well as retail and convenience stores. Furthermore, healthcare companies and to some extent insurance companies can be linked to the opportunities that lie within an increasing overweight population and resulting lifestyle diseases.

We believe that this is a relevant topic to engage on with the companies directly exposed to UPF. Our ambition is to better understand how these companies navigate in the space where shareholder returns are key but where stakeholder concerns on socially responsible actions also play a part in many investment decision making processes.

## Portfolio Changes

There were no changes to the portfolio during the quarter.

## Direct Engagements

### Atlas Copco

We met with the VP of Sustainability to get an update on Atlas Copco's sustainability strategy.

Atlas Copco's sustainability strategy is firmly integrated into its business model, with recently updated sustainability targets emphasizing circularity, climate transition, and gender balance in leadership.

The company's focus on energy efficiency across its product lines, particularly compressors, highlights its commitment to reducing environmental impacts and enhancing customer value. Efforts to integrate circularity principles into product design and lifecycle management further support sustainable growth opportunities. While Atlas Copco has made progress in reducing Scope 1 and 2 emissions, challenges remain in tackling Scope 3 emissions, which depend heavily on decarbonizing global energy grids.

Regulatory compliance, including alignment with the EU taxonomy and CSRD, presents ongoing complexities that require adaptive strategies. The company is also investing in human capital management, with decentralized approaches tailored to regional needs, and linking ESG metrics to executive compensation to reinforce accountability.

These efforts, coupled with market expansion into areas like hydrogen compression and battery technology, should position Atlas Copco to address both current sustainability responsibilities and emerging opportunities in a competitive landscape.





## **LVMH**

We met with LVMH to discuss the recent issues with labour rights in its Dior business facilities in Milan, Italy. This was a dedicated supply chain call initiated by LVMH due to significant push from a few investors including ourselves.

The meeting was headed by Sergio Marini, LVMH's Group Director of Vigilance Plan, and the main responsible at LVMH for constructing and implementing enhanced supply chain due diligence and audits, especially following the issues reported during the summer in Italy. Marini noted that the shock inside the Group was greater than the shock caused with investors, and that the code of conduct in place was reviewed immediately and adjusted to specifically enhance efforts in training in the code at suppliers.

Since the beginning of 2024, LVMH had +3000 audits carried out of which 60% were in Italy. Italy is and has always been the top country for audits for LVMH. Additionally, following the incident, a review of all auditors used across the Group was initiated to have the most optimal supplier audits. Previously, the Chief of Operations chose the auditor and the supplier to audit, now the auditor will be chosen by a committee, i.e. a new governance that will ensure no conflict of interest in the audit of suppliers. The new governance is also set to assure rotation of the auditor position.

Marini assured us that the Group will continue to review and assess how risk can be mitigated across supply chains. In every maison a committee consisting of professionals within compliance, environmental matters, and human resources will be implemented by the end of 2024. The pressure LVMH has put on all maisons are quite big; all CEOs of the maisons are to present action plans within supply chain management integrating the updated code of conduct at LVMH HQ to Mr. Arnault by November 2024, i.e. the maisons have had about four months to act since the incident in June.

Following the call, we are confident that LVMH is taking this case very seriously and are taking the necessary steps to mitigate further risk and incidents in the future.

## **Epiroc**

We met with the VP of Sustainability at Epiroc to get an update on its sustainability strategy.

As with Atlas Copco, Epiroc's sustainability strategy is also deeply embedded within its core business model, focusing on sustainable innovation to meet the evolving needs of the mining and infrastructure sectors. Its investments in automation, electrification, and digitalization aim to enhance operational efficiency, safety, and environmental performance. The company's emphasis on circular economy practices, including retrofitting and re-using older machines, showcases its commitment to resource optimization.

Despite achieving significant progress in reducing Scope 1 and 2 emissions, the challenge of mitigating Scope 3 emissions from product use remains a focal area. Regulatory complexities, such as those posed by the EU taxonomy and



upcoming CSRD, underscore the need for adaptive reporting and operational strategies.

Epiroc's proactive collaboration with suppliers and customers enhances innovation and supply chain sustainability, addressing risks related to emissions, human rights, and transparency. Additionally, its focus on gender diversity and worker safety reflects efforts to build a more inclusive and responsible workforce. By aligning sustainability initiatives with business goals, Epiroc is well-positioned to capture growth opportunities, particularly in electrification and sustainable mining, while addressing global material sustainability demands.

## **Proxy Voting**

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

### **Microsoft**

We supported a shareholder proposal regarding a report on AI misinformation and disinformation, aligned with Glass Lewis but opposing management recommendations. While the company has taken steps, including publishing its inaugural Responsible AI Transparency Report and adhering to the European and Australian Codes of Practice for Disinformation and Misinformation, we identified areas for improvement. Specifically, the company's disclosures lack sufficient detail on the effectiveness of its efforts to mitigate misinformation and disinformation. We believe the company should expand its reporting to address how it mitigates risks to its operations and finances stemming from AI-generated misinformation and disinformation.

### **Parker-Hannifin Corp.**

We supported an advisory vote on executive compensation, aligning with both management and Glass Lewis recommendations.

The decision was based on the context provided regarding pay and performance alignment. While CEO pay appears to exceed the median, the company's relative size—1.24x and 1.48x the median of Glass Lewis and self-disclosed peers in terms of revenue and market capitalization—justifies the higher compensation level. CEO pay, at 1.12x the median of Glass Lewis peers, reflects the company's above-median size. Additionally, the company's shareholder returns outperform peers over one-, three-, and five-year periods, demonstrating effective alignment with shareholder interests. Furthermore, the absence of egregious pay practices and a structured compensation program supported our vote.





**Procter & Gamble Co.**

We opposed a shareholder proposal regarding a median gender and racial pay equity report, aligning with both management and Glass Lewis recommendations.

As per the Glass Lewis analysis, P&G has provided comprehensive disclosures regarding pay equity, including the results of its 2023 global and U.S. workforce pay equity analysis. The company confirmed equitable pay for comparable roles and performance, regardless of gender or ethnicity, based on audits conducted across multiple countries. Additionally, P&G has committed to continuing its annual public disclosure of its adjusted gender pay gap globally and race/ethnicity pay gap in the U.S., which addresses the proposal's key concerns.

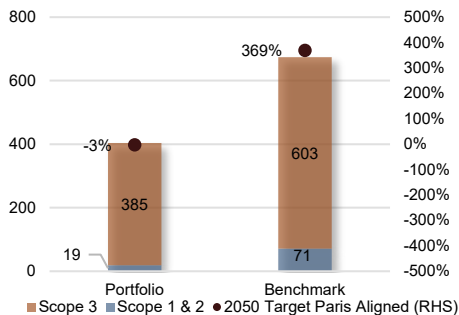
A full list of all meetings voted is available upon request or can be retrieved directly from the C WorldWide website.

# C WORLDWIDE GLOBAL EX. TOBACCO EQUITIES

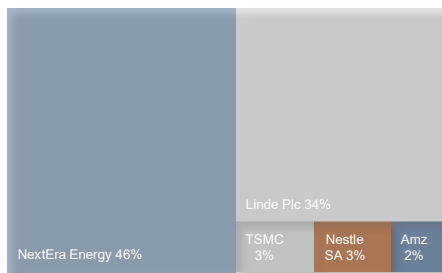
**Sustainalytics Portfolio Risk Rating: Low**

Benchmark: MSCI All Country World Index

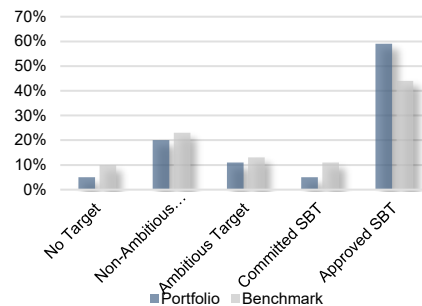
## Emissions Exposure & SDS (tCO<sub>2</sub>e)



## Top 4 Contributors to Portfolio Emissions

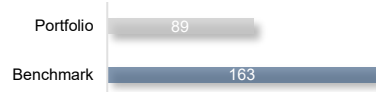


## Climate Target Assessment



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.

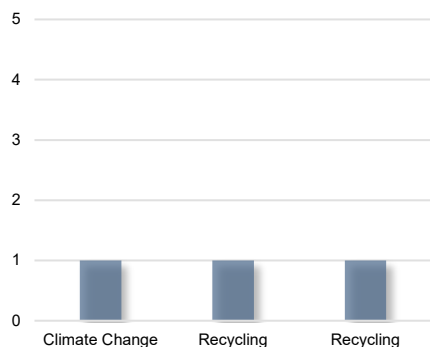
## Carbon Intensity (tCO<sub>2</sub>e/mill. USD revenue)



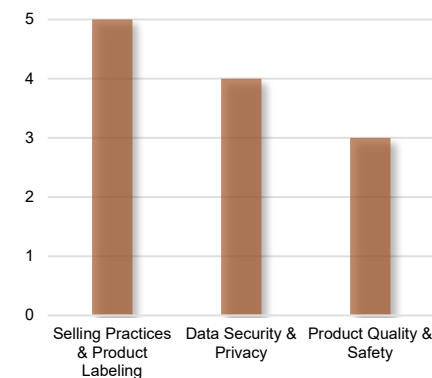
The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 31<sup>st</sup> of December 2024

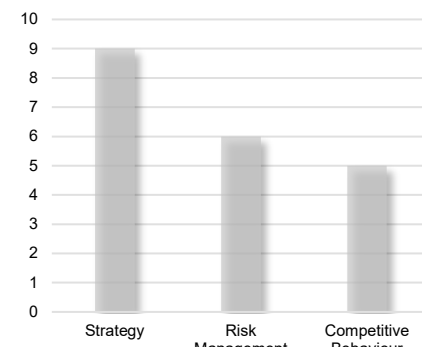
## Direct Engagement Topics Environment



## Social



## Governance



**Total direct company engagements for the portfolio: 9**

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%	3
Proposals Voted	100%	49
Proposal Voted Against Management	8%	4
Proposal Categories (Top 3)	73%	Board Related
	8%	SHAP: Social
	6%	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: Sustainalytics. Portfolio as of 31<sup>st</sup> of December 2024

Source: Glass Lewis Proxy Voting. Portfolio as of 31<sup>st</sup> of December 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)

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