C WORLDWIDE
ASSET MANAGEMENT

ANNUAL SUSTAINABILITY AND TCFD REPORT 2021/2022

SUSTAINABLE INVESTING AND STEWARDSHIP

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A proud participant of: Climate Action 100+

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Signatory of: PRI Principles for Responsible Investment

RACE TO ZERO

WE SUPPORT UN Global Compact

Sustainability at CWW

Since we are committed to investing responsibly, it is essential that we continuously focus on our process and act responsibly across environmental, social, and governance themes for our internal work.

Our corporate responsibility strategy is called "The Responsible Company" because it expresses our commitment to how we act in society and hold ourselves in general. Our strategy is anchored in the principles of the UN Global Compact and inspired by the UN SDG framework as a guide to actions and initiatives.

We have chosen to focus on (1) employees' good health, well-being, and safety, (2) labour rights, (3) responsible suppliers and consumption, (4) diversity and inclusion, (5) knowledge sharing, (6) charitable work, and (7) carbon accounting. Our strategy consists of three areas of action:

People – A meaningful work life. As a knowledge-based company, our employees are our most important asset. Therefore, maintaining and optimising a unique workplace culture and environment is key.

Society – Civic responsibility. We wish to achieve a more significant impact and influence society, especially locally, in a more responsible direction. Our efforts focus on various initiatives and actions to reduce social inequalities.

Planet – Environmental responsibility. We want to contribute to the green transition and meet our environmental responsibilities through various initiatives and actions.

Please read our full Corporate Social Responsibility report here.

Annual Highlights

The latter half of 2021 focused on climate action led by initiatives up to COP 26 in Glasgow. One of these was the Glasgow Financial Alliance for Net Zero (GFANZ) initiative collecting actors within the financial industry, such as asset owners, asset managers, banks, and insurance companies in the race to zero, i.e., a joint initiative for the financial industry to work for net zero emissions by 2050 in line with the Paris Agreement. C WorldWide Asset Management (CWW AM) is part of GFANZ through the Net Zero Asset Managers Initiative, which is outlined in more detail in the Climate Action section later in this report.

Before the long-awaited climate summit, the International Energy Agency (IEA) said that 40% of the world's existing 8,500 coal-fired power plants must be closed by 2030, and no new ones must be built to stay within the 1.5 degrees limit from the Paris climate agreement. The conference made progress on cutting GHG emissions. However, at the last minute of the summit, the final deal agreed upon dropped the wording calling for 'phase out' of coal-fired power to rather 'phase down', predominately due to pressure from fossil fuel-dependent countries such as China and India. Nevertheless, at least the deal included wording on cutting fossil fuels, which despite being an obvious target of the climate future, had not until then been included in previous COP agreements.

From February 2022, however, the climate action focus changed somewhat. With Russia's invasion of Ukraine, responsible investors suddenly started to focus on defence and national security, leaving somewhat behind the immense climate focus. Discussions developed on the acceptance of potential investments in the weapons industry, anchored in the framework of security, peace, and justice. Although controversial weapons will always remain un-investable to us, perhaps other weapons-related companies will become more investable again from an ESG perspective.

The last quarter of 2022 saw no halting in ESG initiatives, regulations, and frameworks worldwide. Throughout 2022, ESG specialists have indeed experienced that a great part of their job is not only to analyse ESG data and engage with companies on ESG matters but also to include a significant amount of regulatory analysis to understand and apply the cascade of new regulations emerging globally. Indeed, differences between markets prevail, but many jurisdictions worldwide now have regulations or taxonomies emerging to regulate sustainable finance.

The social aspects of ESG that saw increased focus during Covid-19 regained some attention. Changes in social aspects are happening now. They are driven by movements in society rather than led by political agendas. Most prevalent is the focus on diversity and inclusion and how to develop corporations with diverse workforces that can contribute to heightened synergies for the organisations. This includes financial returns, as numerous surveys have concluded in recent years. Indeed, human capital management, including labour rights, is top of the list when trying to quantify the social matters in ESG.

Sustainable Investment Approach

We have focused on further developing our responsible efforts in the past 18 months.

In particular, we believe that our active ownership approach is key to making a difference. Therefore, we favour a proactive approach rather than relying solely on extensive exclusion lists. Our active ownership entails three pillars: direct engagement, collective engagement, and proxy voting. These three pillars can help us understand and influence change towards a more environmentally and socially conscious world.

Our direct engagements are the critical pillar to active ownership and, thereby, the pillar we believe can have the most significant impact. Our fundamental research positively impacts the entire investment team's knowledge and, thereby, their ability to engage productively with the management of the companies we invest in to ensure that the company's process is aligned with our sustainability standpoints.

We comply with article 3g of the EU Shareholder Rights Directive as regards the encouragement of long-term shareholder engagement reflected in our Engagement and Proxy Voting Policy. In this report, we disclose how the policy has been implemented and how we work with sustainability in general.

Integration

Integration of ESG factors is a part of the investment process. All investments are analysed and reviewed from both financial and non-financial factors as well as material ESG risk factors. As long-term active and responsible investors, integrating material ESG factors into our investment and decision-making process is fundamental to our approach.

Investment Team

ESG research, integration and engagement are not outsourced to a separate ESG team but are assessed and implemented by the entire investment team, including portfolio managers and ESG specialists. This includes actively monitoring our screening efforts, researching, voting, and engaging with companies where there are material issues that could affect the long-term fundamental investment case of the company. ESG-specific research and assignments are generated internally by in-house ESG specialists Mette Bergenstoff Sletbjerg (Senior ESG Researcher and investment team member) and Cilia Nyegaard Faber (ESG Specialist).

Sustainability Steering Committee

CWW AM's Sustainability Steering Committee (SSC) is responsible for implementing our responsible investing policies, anchored in more specific procedures applied to portfolio managers.

The SSC meets at a minimum every sixth week and when required and sets the direction of the in-house ESG initiatives and principles. This committee represents senior executive management team members, ESG specialists, portfolio managers, and the Head of Legal.

The primary purpose of the committee is as follows:

- To establish the framework for responsible investing at CWW AM and to coordinate and prioritise all relevant initiatives
- To ensure continuing development and implementation of PRI in all products, portfolio management and workflows.
- To assert implementation of and alignment with applicable regulations.
- To evaluate services provided by external ESG service providers.
- To follow up and take a position on developments or lack thereof in current engagements and to do so in collaboration and dialogue with the relevant portfolio managers.

Management

Management is responsible for identifying and monitoring sustainability risks and opportunities and reporting them to the board. Management's role is to ensure adequate resources and expertise, including staff, training, and budget, are available to assess, implement and monitor risk and opportunity measures. Adequate resources are allocated continuously to enable us to be well-trained and have the systems and resources available to monitor and implement such risks and opportunities. For example, we conduct a quarterly climate risk assessment, providing us with decisive data and actionable intelligence on climate change risk and its impact on portfolio investments.

Board

The board exercises oversight over sustainability risks and opportunities by establishing internal processes to inform the board about subjects such as climate-related risks and opportunities. Accountability and oversight responsibilities are anchored in Group Policies, which are applied across the organisation, client mandates, and mutual funds.


nance is Key
Social

Conficts of Interest

Conflicts of interest may potentially occur in relation to our investments in investee companies owned or managed by our stakeholders (shareholders, members of management etc.). In order to manage such potential conflicts, there is no involvement of such stakeholders in our investment processes, and we do not invest in IPOs initiated by our shareholders.

As for proxy voting, if investors in two or more strategies have different interests in a proposal in an investee company, each portfolio management team votes in the best interest of the investors of the strategy managed by a portfolio management team.

We disclose conflicts of interest that cannot be avoided and entail a risk to a client or investor and the steps taken to mitigate those risks.

ESG Risks

ESG risks are part of every investee company analysis and are included in research analysis already from the pre-investment stage. As long-term, responsible investors, integrating ESG-related risks is essential to our investment mindset, philosophy, investment, and financial analysis process.

An initial key element of this process is our focus on investing in companies with a strong corporate governance structure typically anchored with strong, experienced management. In our experience, companies with a strong corporate governance structure will generally be less exposed to several risks, such as climate-related risks, and are better suited also to consider environmental and social aspects of running the company.

Although integrating material ESG risks matters now more than ever, not all ESG factors matter all the time equally. Therefore, the two most relevant factors are the materiality of the ESG issues and how they can be quantified over a longer-term investment horizon. ESG risks and opportunities are considered and documented in a written investment thesis; we also use the SASB materiality map to identify risks and opportunities within different industries and sectors. Using sustainability risk analysis tools, including climate risk, we can identify specific sectors and assets at risk of being stranded and exposed to indirect psychical climate risks. The risks and opportunities include physical climate risks and exposures linked to changing temperatures and how this may affect the supply of critical raw materials in the supply chain, especially agricultural commodities.

Monitoring

The process of analysing and monitoring ESG risks, including climate-related risks, is anchored with and implemented by the respective portfolio management teams. The portfolio management teams base their risk assessments, financial analysis, and investment decisions on internal and external research.

All our strategies promote environmental or social characteristics by avoiding investment in companies exceeding a certain level of involvement: 0% controversial weapons, 5% weapons-related military contracting, and 5% small arms. Furthermore, in the opinion of the portfolio manager at the time of the initial investment, we do not invest in companies that are non-compliant with the 10 principles of the UN Global Compact. A company will be considered non-compliant if it is determined to be causing or contributing to severe or systematic violations of the UN Global Compact principles and related international norms.

Our strategy

We prioritize social and environmental responsibility by avoiding companies that exceed certain levels of involvement in these areas:

0%
Controversial weapons

5%
Weapons-related military contracting

0%
Non-compliant with the 10 principles of the UN Global Compact

5%
Small arms

We systematically screen and monitor companies before the initial investment and continuously during the holding period to ensure they follow good governance practices. Before an initial investment is made, the company is screened via Morningstar Sustainalytics. The investment will only be effectuated if the screening proves satisfactory that the investment will not cause a breach of the investment restrictions. During the holding period, all companies are screened monthly via Morningstar Sustainalytics. If screening reveals a breach of the investment restrictions, the shares in the relevant company will be sold within a reasonable period.

Moreover, the portfolio management team will continuously monitor and reassess sustainability-related risks, including climate-related risks. The investment monitoring by the portfolio management team is supported by external research. Systems have been established to ensure that the portfolio management team automatically receives notification if certain material new ESG- and climate-related risks arise or material changes occur to such risks that have already been identified and assessed.

Metrics

For screening companies and other ESG metrics, we utilise data sourced from Morningstar Sustainalytics. The quality of the research provided by Morningstar Sustainalytics is evaluated continuously to ensure high data quality. External data is continually assessed internally and supplemented by internal research and research provided by various other external research providers.

Therefore, we consider ESG holistically in our investment approach. From a practical perspective, ESG factors are carefully considered and monitored in conjunction with other factors such as company strategy, management, and financial and non-financial performance. Since ESG issues can be very complex, our fiduciary responsibility is to balance the different factors continuously and carefully in a subtle manner, ultimately resulting in a rational analysis of risks and opportunities over the long term.

Active Ownership

As active, responsible, long-term investors, active ownership is integral to our investment process. It is anchored directly with our portfolio management teams and is fully integrated into our investment processes, including research, stock selection, portfolio construction, and risk management. This is consistent with our fiduciary duty to consider all relevant information and material risks in investment analysis and decision-making.

Our active ownership practices include the following:

- Direct engagement with investee companies
- Collective engagements through an external service provider
- Proxy voting

The decision to engage an investee company in relation to a specific matter and the method of engagement is made based on a proportionality consideration of several factors, including but not limited to:

- size of the shareholding in the investee company
- the materiality of the matter
- reliability of data
- possibility of affecting the behaviour of the investee company
- resources required to conduct the engagement.

We engage with the management, other executive staff, heads of divisions and board members of investee companies either directly through meetings, calls, or written communication.

Collective engagements are typically initiated based on incidents, meaning the investee company has breached or has solid indications of breaching international norms or conventions. In particular cases, we will also communicate or cooperate directly with other stakeholders in the investee companies to engage collectively.

Both direct and collective engagements with investee companies are documented to ensure that we comply fully with applicable laws, rules, and regulations.

We exercise voting rights in accordance with pre-determined parameters. In general, and in a manner to discharge our fiduciary duties and avoid or address properly conflicts of interest, we will vote in favour of proposals which we believe will benefit long-term sustainable returns to shareholders.

Direct Engagement

We have direct, regular engagements with the investee companies, as we believe that through direct engagements, we can encourage change, increase transparency, i.e., better information, and create long-term value by promoting sustainable business practices.

In the past 18 months until December 2022, we had 235 direct ESG engagements across our equity strategies. These were distributed across all three E, S and G factors with an overweight to governance matters, as shown in the figure below. The second most discussed topic was environmental matters, particularly climate factors.

In collaboration with Morningstar Sustainalytics, we had 8 collective incident-based engagements, which are typically longer-term and ongoing in nature. Most of these are within social aspects, such as human and labour rights.

As active shareholders, in our engagement efforts with investee companies, we see encouraging signs that integrating sustainability and ESG is increasingly shaping longer-term strategic planning. For example, as highlighted in one of our engagement calls, it has moved from a checking the boxes 'exercise' to being part of management discussions and strategy over the past couple of years.

While increased disclosure and transparency are generally positive, it is worth emphasising that the disclosure of ESG data is a means to an end; instead, they should be incorporated into and measured against longer-term strategic targets and objectives. This will ultimately contribute to strengthening the underlying business model and ensure it is sustainable over the longer term. Although externally sourced ESG specialist research is useful, the strategic dimension is where we typically see most mainstream ESG ratings and research fall short and where "boots on the ground" regarding a meeting and engaging with companies come as an advantage.

Direct Engagement Overview 2021/22

In 2022, we focused on three key areas: Climate Change (Decarbonisation and Alignment with SBTi and TCFD), Business Ethics (Bribery & Corruption, UNGC signatory), and Environmental Impact (Biodiversity and Water Management). Our aim is to promote sustainable practices, ensure compliance with legal requirements, and reduce the negative environmental impact of our operations. These focus areas are interconnected, and we will work towards achieving a sustainable business environment for all stakeholders.

Total of direct engageents: 235

Top 3 Subject within E, S & G

Environmental

73
Climate Change

46
Circular Economy

44
Water Management

Social

52
Product Quality & Safety

47
Labour Practices

41
Diversity & Inclusion

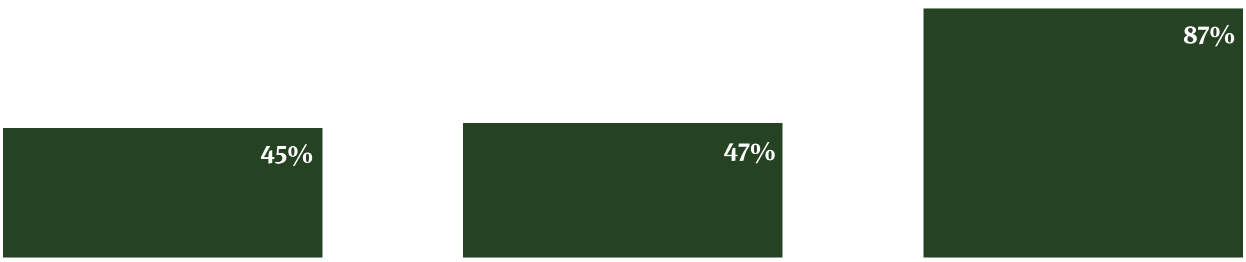
Governance

157
Strategy

80
Competitive Behaviour

77
Quality of Management

Share of E, S, and G Engagements



Environmental issues

Social issues

Governance issues

Direct Engagement Cases

Key topics discussed:
E - Deforestation.
G - shareholder support to increase efforts.

Outcome:
Good initiatives introduced, ESG KPI metrics in remunerations programs.

Next steps:
Continue to see progress within efforts to limit deforestation and source resource responsibly.

Proctor & Gamble

The main discussion topics with P&G were palm oil activities and the management's commitment to sustainability issues, mainly deforestation and biodiversity. Within environmental issues, P&G has four key focus areas Climate, Forestry, Water and Plastic Packaging. P&G is working to sustainably develop the palm oil industry, including certified sustainable palm oil. However, certification is insufficient for the industry to identify issues within the palm oil supply. P&G has published its findings in a report recognised by NGOs to take action and drive change. In Malaysia, P&G cooperates with one of its larger palm oil suppliers, FGV. Although FGV is accused of controversial practices, P&G continues to stay engaged to effect change and be more transparent in its development, including working with fair labour associations to continue positive development.

Besides the social challenges of the palm oil industry, P&G uses Earthqualizer satellite mapping to proactively monitor any potential deforestation in the palm oil supply chain beyond the mills to the plantation level. We also discussed executive management's commitment to sustainable developments in the company. In particular, since 2020's shareholder majority vote to increase efforts to mitigate deforestation and associated human impact. An ESG factor has been applied to the P&G STAR award compensation program for senior executives from 2021 onwards. The factor will range from 80-120% based on an assessment of progress towards specific long-term sustainability goals. P&G has introduced some good initiatives within its ESG programme that will likely develop positively, even though work still needs to be done.

Novo Nordisk

In this dedicated ESG meeting with Novo Nordisk, we received further details on the company's ESG developments, which they are also keen to highlight on quarterly briefings and investor days. Novo Nordisk is one of the more advanced companies integrating ESG throughout its business areas. In all Danish modesty, they started the meeting by saying they were in a good place but still had room for improvement. Novo Nordisk's focus is to increase transparency and reporting of ESG matters and address that solid growth also brings increased use of plastic and water, which are used to produce insulin and obesity drugs. Additionally, we discussed the recent use of its obesity drug, Wegovy, which has been seen used by influencers and models to prep for public events and promote the incorrect and unapproved use of the products on social media like TikTok. Novo Nordisk can only control its products and suppliers but is trying to combat the off-label use of products by taking back the dialogue stating that drugs are for chronic diseases and not a slimming agent to look fit. Important to note is, despite the media coverage of off-label use of products, most patients are still severely obese. Finally, we discussed Novo Nordisk's focus on recycling and educating consumers/patients to sort waste properly. Specifically, insulin pens can be recycled, and materials such as plastic can be reused. Ongoing work across the industry is currently taking place to find optimal solutions for producing and recycling product components.

Key topics discussed:
E – recycling of insulin pens and decrease of water usage in production.
S – inappropriate use of Wegovy by non-obese.

Outcome:
Strong initiatives in place and resourced committed to continued development and improvements.

Next steps:
Monitor use of Wegovy and other products in same category.

Tencent

On the 25th of November, we had a dedicated ESG call with Tencent's investor relations team. This meeting was held as Morningstar Sustainalytics alerted that there had been an incident regarding Tencent and its data leakages. In this meeting, the company went through its data protection policies. Tencent is one of the world's largest platform companies and is aware of its responsibilities. From a market perspective, China implemented personal protection law in November 2021 in accordance with international law to protect user data. This law can be compared to the European GDPR. In connection with this, the data Tencent collects is accepted by the users, who are asked how much of their data can be registered. Tencent does not share the data with third parties. If information was to be released to the government, Tencent must verify that it is connected to a criminal act and that a court order has been made – this process is in line with international laws.

Moreover, they acknowledged that they could be more open and report on human rights-related matters. They are hoping to report such disclosure in the first half of 2023. This provides us with some comfort in that Tencent is considering concerns raised by investors. Morningstar Sustainalytics had a call with Tencent at the end of October 2022 and are currently reviewing the outcome of that meeting and its impact on its current assessment. After our call, our opinion is not fully aligned with Morningstar Sustainalytics'. We believe that Tencent is protecting the end users' information and acting according to the personal protection law implemented in November 2021, and with their acknowledgement of the need for more disclosure, we believe that they will improve in the right direction. For Morningstar Sustainalytics to change its assessment of Tencent, Tencent must demonstrate efforts to establish human rights due diligence practices, define policies relevant to digital rights, and report on external data requests and content moderation requirements. As of now, we have made the analysis and categorise Tencent as compliant with UNGC. We will continue to monitor their progress, especially regarding its disclosure on human rights-related matters.

Key topics discussed:
S – surveillance of users, personal data collection potentially shared with Chinese government.

Outcome:
Data not shared unless court order has been issued. Tencent verifies that any sharing of data requested by government must be related to criminal act for Tencent to share any content.

Next steps:
Monitor development within personal protection rules as well as further human rights policy disclosure.

Key topics discussed:
ESG – general implementation across the company and focus areas for the coming years.

Outcome:
Human capital initiatives introduced for more decent work environment. Energy use and GHG emissions focus for coming years.

Next steps:
Monitor broad ESG developments.

Keyence

Keyence is known for being relatively non-transparent and is a company that does not engage on a larger scale. Nonetheless, we set up an engagement call to discuss what some would call classical Japanese matters, such as human capital management, work-life balance and attraction and retaining programs. Despite having a reputation as a high-performing culture where people work too hard and too much, the company has focused on adjusting work hours in recent years. Therefore, work-life balance challenges are managed better today. Keyence's overseas working places are now up to international standards. Keyence now focuses more on employee work efficiency and increasingly renumerates employees on performance. We also discussed Keyence's climate change strategy. Japan as a country has a net-zero 2050 strategy. Keyence is currently working on its climate strategy, including reduction targets, and has set those for scope 1 and scope 2 to reduce emissions by 43% by 2030. Scope 3 is currently not in scope, but the Office of Management Planning, responsible for ESG targets, is considering setting targets for scope 3. However, these involve many assumptions, modelling, data and information that is not readily available.

Addtech

We discussed several sustainability issues with Addtech during the third quarter of 2022. These included, among other things, the connection between sustainability goals and long-term incentive programs for decision-makers, fuel consumption in connection with shipping, goal setting in terms of reduced carbon dioxide intensity, codes of conduct at subcontractors and water and waste management at the subsidiaries. We also discussed finding the right balance in centralising sustainability issues relative to an otherwise very decentralised business model. Climate risks, the share of non-renewables in the energy mix, the share of women in leading positions and plans to increase it were also discussed as the company's preparations for joining the Science Based Targets Initiative.

Key topics discussed:
E – energy use and GHG reduction target setting.
S – increased share of women in workforce.
G – ESG-linked KPIs.

Outcome:
Prepares to join SBTi. Finding the balance in centralising ESG efforts with decentralised business model.

Next steps:
Monitor ongoing ESG developments including more ambitious reporting and transparency.

Proxy Voting

Proxy Voting is the third pillar of our active ownership practices. It is an integral part of our approach as it is closely aligned with the two engagement pillars and, thereby, a way to further our investment aims and responsibilities. We monitor all general meetings of the investee companies and exercise voting rights. We believe in voting for proposals that benefit and do not reduce long-term sustainable returns to shareholders.

Our proxy voting practices are closely interwoven with our engagement aims; this ensures that topics we have discussed with the investee companies in our ongoing engagements are emphasised through our votes.

We receive research and recommendations on all meetings for the investee companies. Recommendations are based on the proxy voting service provider Glass Lewis' ESG Policy. This policy will generally promote support for shareholder resolutions advocating sustainable business practices on environmental and social aspects. That said, the portfolio managers directly assess every recommendation against management to decide the final voting decision. In addition to input from our proxy voting provider, our voting decisions incorporate our company analysis and research, external sell-side research, and analytical input from our external engagement research service provider.

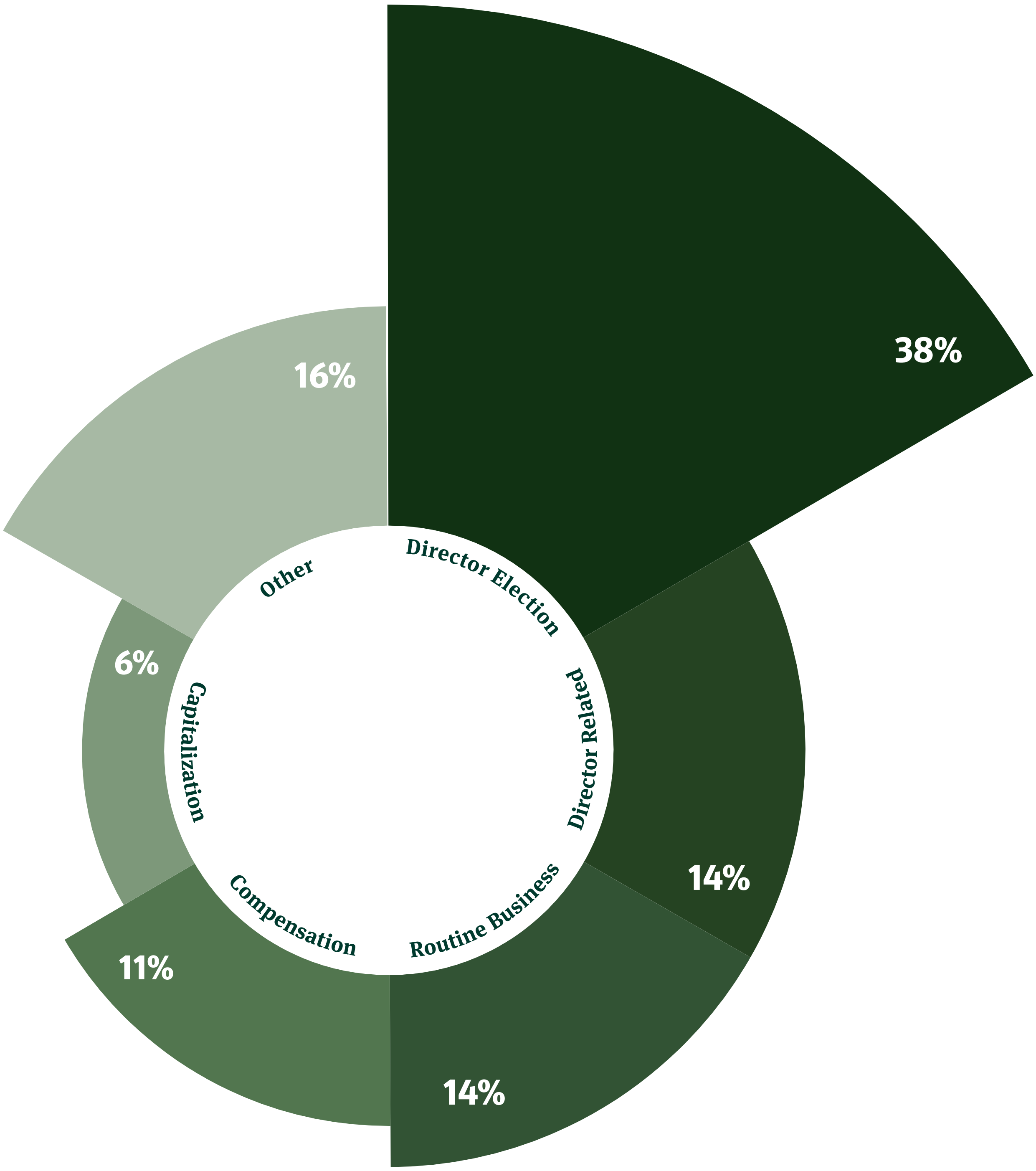
Our key focus areas for voting include but are not limited to:

- minority shareholder items
- remuneration structures
- increased disclosure and transparency
- sustainability-related topics

In the past 18 months until the end of December 2022, we voted on 506 meetings, equivalent to 100% of all meetings available across all our investee companies. 30% of these 506 meetings had at least one vote against management.

The top proposal categories we voted on in the period are shown in the circle chart above. The following pages highlights some proxy voting outcomes from the past 18 months until December 2022.

Top 3 Proposal Categories



Proxy Voting Cases

Amazon.com

Amazon topped the list with 15 shareholder proposals this year. We supported nine of these shareholder proposals and voted against one management proposal.

The management proposal we voted against was the say-on-pay proposal. Similar to the last couple of years, we believe that the relatively large incentives should be based on objective performance criteria, which is not clear from the information available from the company.

Many of the shareholder proposals focus on greater transparency and disclosure, which we support. Specifically, the proposals to report on assessing the company's human rights due diligence process, report on efforts to reduce plastic use, report on protecting the rights of freedom of association and collective bargaining, report on lobbying payments and policy, report on median gender/racial pay gap, and report on risks associated with the use of recognition.

Furthermore, similar to the previous year, we supported the proposal to adopt a policy to Include nonmanagement employees as prospective director candidates, as this could help address increased scrutiny on worker safety and worker conditions. Additionally, we supported the proposal to commission a third-party audit on working conditions, given recent events with criticised working conditions. A third-party review makes sense, and reputational and regulatory risks associated with the company's ongoing warehouse labour controversy make this information material to shareholders.

We did not support the shareholder proposals that suggested reporting on retirement plan options aligned with company climate goals. This seems to be too much micromanagement, and the company's risk of not reporting on alignment with climate goals in retirement options is unclear.

UltraTech Cement Ltd.

We voted for, thus against ISS, on the proposal regarding the re-election of Krishna Kishore Maheshwari as Director. ISS believes a vote against this proposal is warranted as the board independence norms are unmet, and Krishna Kishore Maheshwari is a non-independent director nominee. We favour this proposal as we believe that Maheshwari created significant value and growth for UltraTech Cement in his previous role as Managing Director for the firm.

Atlas Copco

Contrary to ISS recommendations, we voted for the election of directors to the board following a discussion on independence and potential overboarding with representatives from the nomination committee. As for board member Bohman, he is regarded as an independent board member according to regulations and why we voted for the re-election; however, Bohman is 73, and by the time for his replacement, we would encourage the nomination committee to replace him with a candidate with even more apparent independence. We also voted for the election of the other directors to the board.

A complete list of all votes is available on our website under **Proxy Voting Statistics**.

Collective Engagement

In addition to our direct engagements, we engage collectively with other investors through Morningstar Sustainalytics' engagement services with global coverage. This approach gives us access to highly qualified specialists with strong knowledge and a network that can be leveraged in the ongoing engagement with the investee companies on key issues, such as human rights, labour rights, environmental issues, and business ethics. Collective engagements are typically initiated based on incidents, meaning the investee company has breached or has a good indication of being about to breach international norms or conventions. In special cases, we will communicate or cooperate directly with other stakeholders in the investee companies to engage collectively.

Both direct and collective engagements with investee companies are documented to ensure that we comply fully with applicable laws, rules, and regulations.

Collective Engagement Cases

Bribery and Corruption

Samsung Electronics

This engagement began in March 2017 due to several allegations of corruption in 2016 and 2017. Both instances have involved high executives such as the company president (at the time). Since the incident, Samsung Electronics has improved its corporate governance and compliance management system. In December 2017, Morningstar Sustainalytics had its first meeting in person with Samsung Electronics and discussed the issues related to the case. In May 2019, Morningstar Sustainalytics held a conference call with Samsung Electronics, where the company clarified the changes in its corporate governance and improvements in its ethics and compliance framework. This included an increase of independent directors, compliance training, and a global anti-corruption and anti-bribery policy. Any donations or sponsorships now require approval from the board. In April 2020, Morningstar Sustainalytics held a conference call with the company. Samsung Electronics explained that it had carried out several measures to improve its ethics and compliance work. This included the Board of Directors appointing an independent director as the new Chairman, a fully independent Compliance Committee, and tailored compliance training programs. In 2020 they established an external and independent Compliance Committee. In July 2021, Samsung Electronics published the 2021 Sustainability report. Overall, Samsung has been less willing to hold a call, preferring to speak in writing, which they have succeeded in during the past years. In late 2022, Morningstar Sustainalytics has been working on setting up a call with Samsung during Q1 2023 to discuss matters regarding strengthening their accountancy practices, audit committee, and ethical management and anti-corruption training.

Child Labour in Cocoa

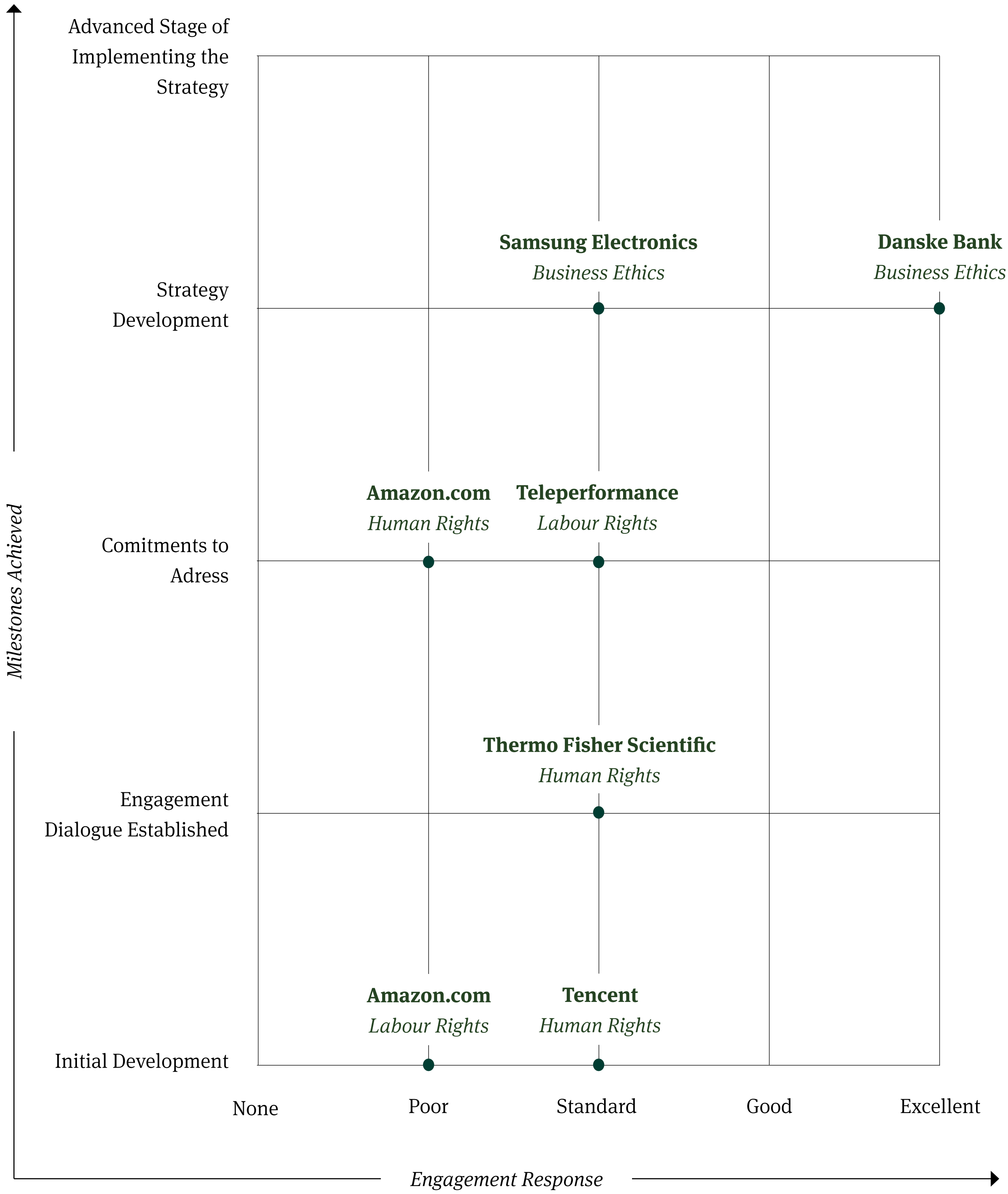
Nestlé

For over 15 years, the cocoa industry has been associated with child labour in its supply chain, especially in the Ivory Coast, Ghana, Nigeria, and Cameroon. The main objective of this engagement process which has been ongoing since 2006, was to ensure that Nestlé demonstrated substantial progress in the roll-out of child labour monitoring and remediation systems. Moreover, Nestlé had to demonstrate how they are or will contribute to an environment that fosters children's rights in cocoa-growing communities, thereby ensuring access to education. Lastly, they had to demonstrate progress towards a living income for cocoa-growing farmers in Ivory Coast and Ghana.

Since April 2021, the Nestlé Cocoa Plan (NCP) has established child labour monitoring and remediation systems (CLMRS) covering more than 127,000 children in cocoa-growing communities in Nestlé's supply chain, hoping that by 2025 CLMRS will be implemented in all communities supplying Nestlé. Since 2017 Nestlé has taken various actions to combat this problem. In October 2017, Nestlé published a specific report on how the company is tackling child labour in cocoa. A follow-up report was released in December 2019. They have built and refurbished 53 schools in cocoa communities in Ivory Coast, ensuring access to education. In January 2022, Nestlé announced a new plan to tackle child labour risks in cocoa production. The centrepiece is its' Income Accelerator Program. Also, in 2022 the NCP took on the challenge of improving the living income of cocoa-growing farmers through increased focus on farmer practices and social conditions.

Overall, Nestlé has taken steps in the right direction to change the objectives but still lacks the ability to measure and improve farmers' income. According to a study conducted by the NORC research institute at the University of Chicago, 1.56 million children were engaged in child labour in cocoa production in the Ivory Coast and Ghana in 2018/19. Due to the industry's interventions on child labour, hazardous child labour has decreased by 1/3 in communities where company programs are in place (according to NORC).

Collective Engagement Development



Climate Action

We support the Paris Agreement on limiting GHG emissions. Since 2020 we have been an official supporter of the Taskforce on Climate-related Financial Disclosures (TCFD), whereby we annually disclose our alignment with the TCFD framework and support transparency of standardised climate reporting.

Within climate, the organisation-wide targets are to invest in energy-efficient climate adaptation opportunities in investment strategies, where this makes sense.
We have identified the following environmental metrics for transition risk monitoring and management: total carbon emissions, relative carbon footprint, and weighted average carbon intensity.

Each investment strategy is assessed on the abovementioned metrics individually every quarter. This ensures that the respective portfolio managers are fully informed and can use the metrics in the fundamental analyses of the strategy and investee companies, respectively.

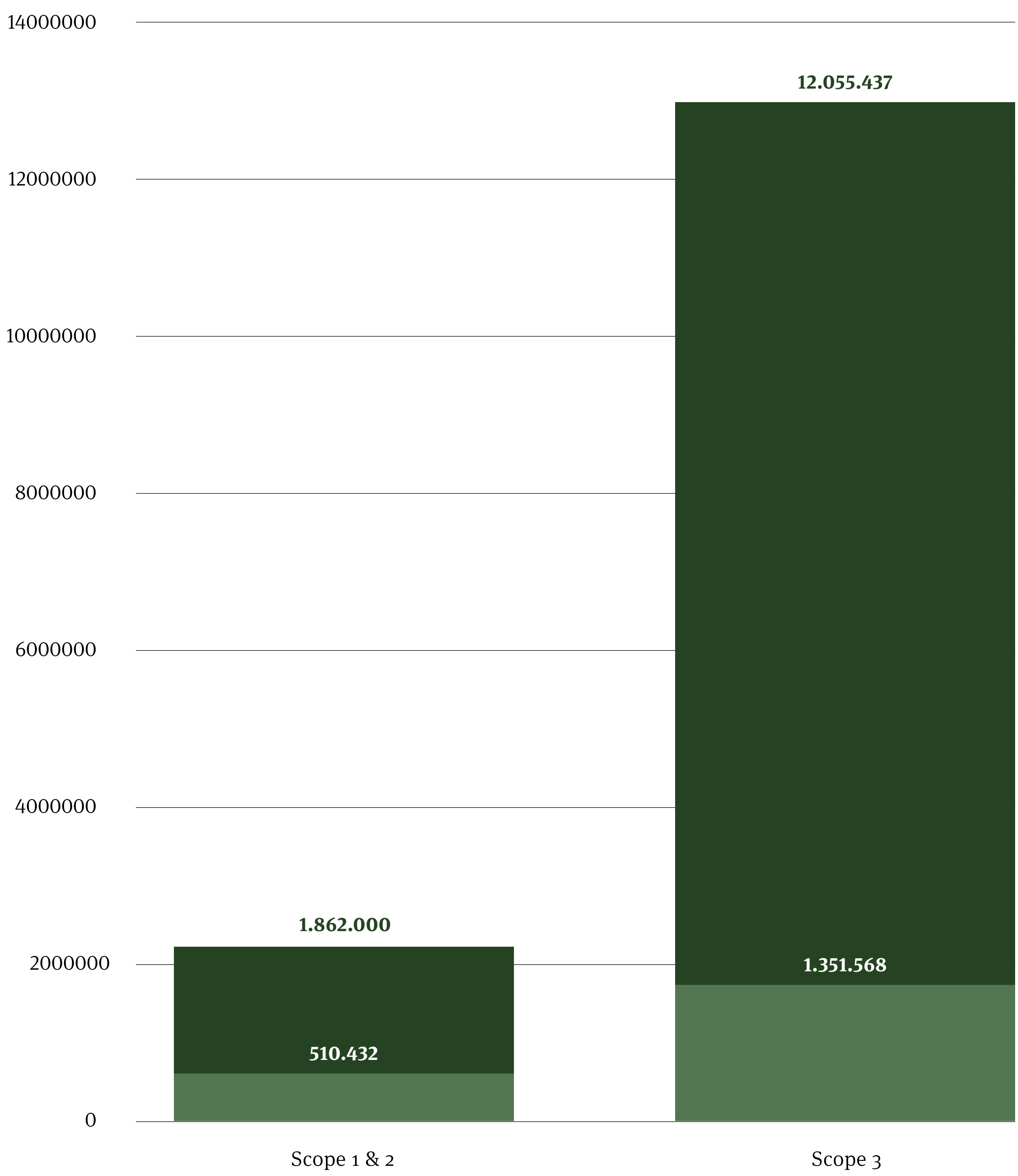
Below is the climate assessment across all strategies collectively. The carbon metrics below show the total fund universe across investment strategies. Figures are based on an AUM of USD 18.7 billion as of the 31 December 2022.

Carbon Metrics

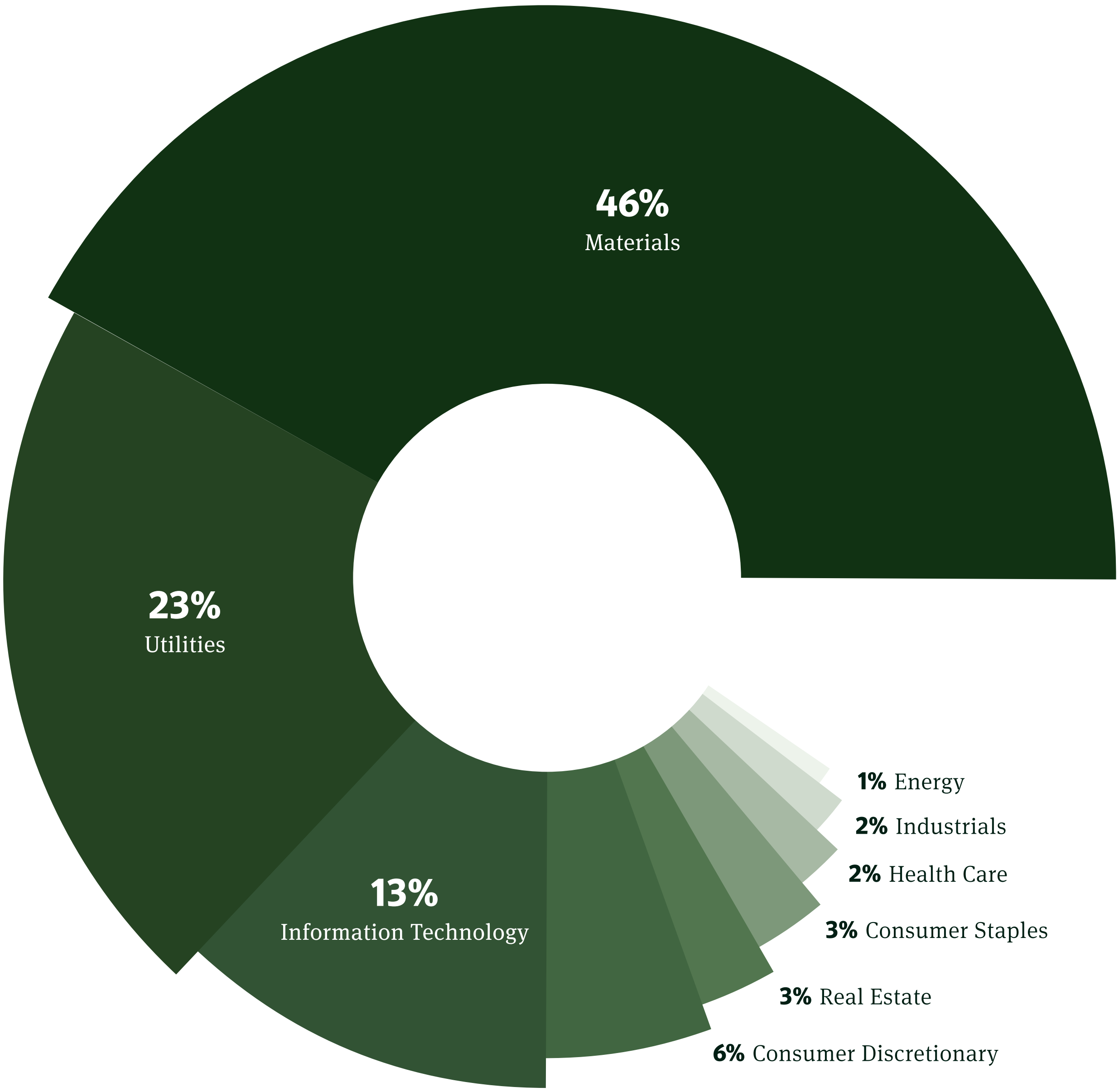
	Emissions Exposure tCO2e		***Relative Emission Exposure tCO2e/Revenue***	***Climate Alignment SDS* Budget***
	Scope 1 & 2	*Incl. Scope 3*	*Weighted Avg. Carbon Intensity*	*2050*
Portfolio	510,432	3,577,048	129.21	58.6%
Benchmark	1,862,000	13,917,437	152.68	350.1%
Net Performance	72.6%	74.3%	15.4%	

*Sustainable development scenario

Emission Exposure (tCO2e)



Sector Contirbution to Emissions



We can see an overall increase in the collective strategies' emissions compared to last year. This change is especially seen within scope 3. The reason behind this increase is primarily due to the rising proliferation of data. We can see that there has been a considerable increase within scope 3 across various holdings within the strategies. We believe this is not necessarily because the companies are emitting more but because the reported data has become more inclusive, thereby increasing carbon footprint. The data retrieved from our climate data provider, ISS, has supported our argument that data has become more accurate this year than last year. Also, ISS' methodology has improved; previously, ISS only utilised modelled emissions for all scope 3, whereas this year, the data is mixed between modelled and reported data for scope 3 emissions. Moreover, the modelled emissions were refined to approximate the upstream and downstream emissions more accurately.

Contributing to these numbers are the top 5 emitters across all strategies. The figure below shows how they are divided.

Top 5 Emitters Across All Strategies

Issuer Name	***Contribution to Strategy Emission Exposure (%)***	***Strategy Weight (%)***	***Emissions Reporting Quality***	***Carbon Risk Rating***
Linde	21.9%	2.5%	Strong	Outperformer
NextEra Energy	21.7%	2.4%	Strong	Outperformer
Ultratech Cement	14%	0.2%	Strong	Medium Performer
Samsung Electronics	5.5%	2.6%	Strong	Medium Performer
TSMC	3%	3.59%	Strong	Outperformer

Committed Initiatives

In our approach to climate action development and progress, we have committed to several initiatives that set out specific frameworks to act towards desired outcomes operationally.

Climate Action 100+

During 2022, we changed the focus company for engagement through Climate Action 100+ as we sold our position in Unilever, the initial focus company we engaged with. Through a motivational application, we changed our focus company to NextEra Energy. A company that we already have a long history with and know well. We were, therefore, very pleased to see the announcement of NextEra Energy's commitment to net zero by 2045 released in mid-June. The engagement group is currently working to have the company increase its transparency regarding lobbying activities within climate matters. A few resolutions for the upcoming AGM have also been discussed.

Net Zero Asset Managers

Most recently, in 2022, we joined 272 like-minded asset managers in the Net Zero Asset Managers Initiative (NZAM). The key objective for this leading group of asset managers is their commitment to reach the goal of net zero greenhouse gas emissions by 2050 or sooner. This goal also aligns with global efforts to limit global warming to 1.5°C. This can be done through direct engagements, a key focus for CWW AM.

We, therefore, commit to the following:

a. Working in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all AuM.
b. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner.
c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AuM covered until 100% of assets are included.

In 2022 our AuM overshoots the International Energy Agencies (IEA) Sustainable Development Scenario (SDS) by 74%. We aim to reduce this overshoot over the years, lowering our overshoot to 30% by 2030 and 15% by 2040 to reach a 0% overshoot in 2050, with a baseline of 2019.

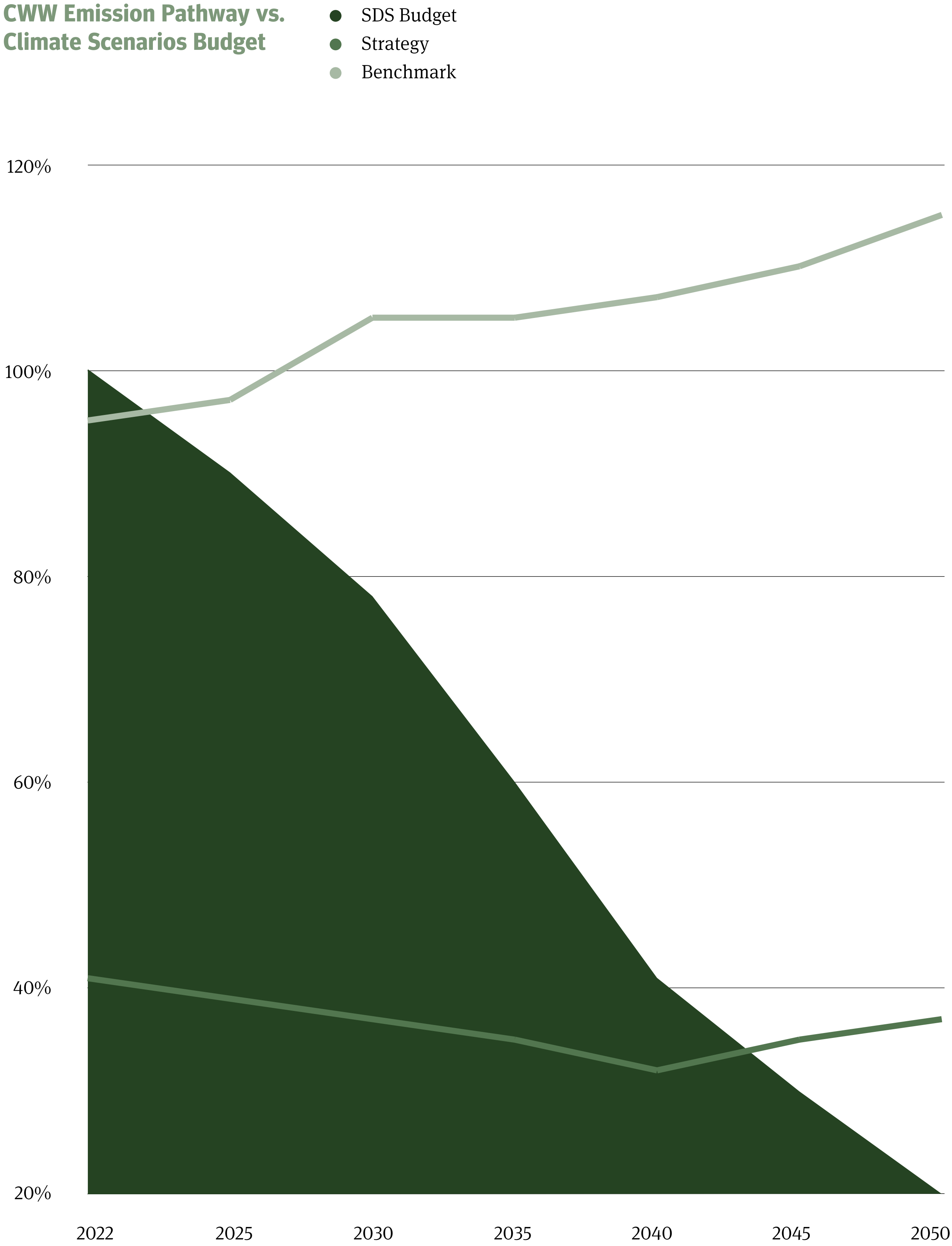
We monitor if the strategies are aligned with the Paris Agreement, i.e., the 1.5°C climate scenario. The graph on page 38 shows if our collective portfolios and the benchmark identify with the issuer's percentage of the assigned budget used based on the International Energy Agency's Sustainable Development Scenario (SDS). To align with the 1.5°C scenario, collective portfolios must remain within the SDS budget, i.e., the green area in the graph on the following pages.

We assess climate change, risk, and opportunities linked to the energy transition for all our holdings. That said, the degree of materiality depends on the individual company's industry, country, and idiosyncratic factors.

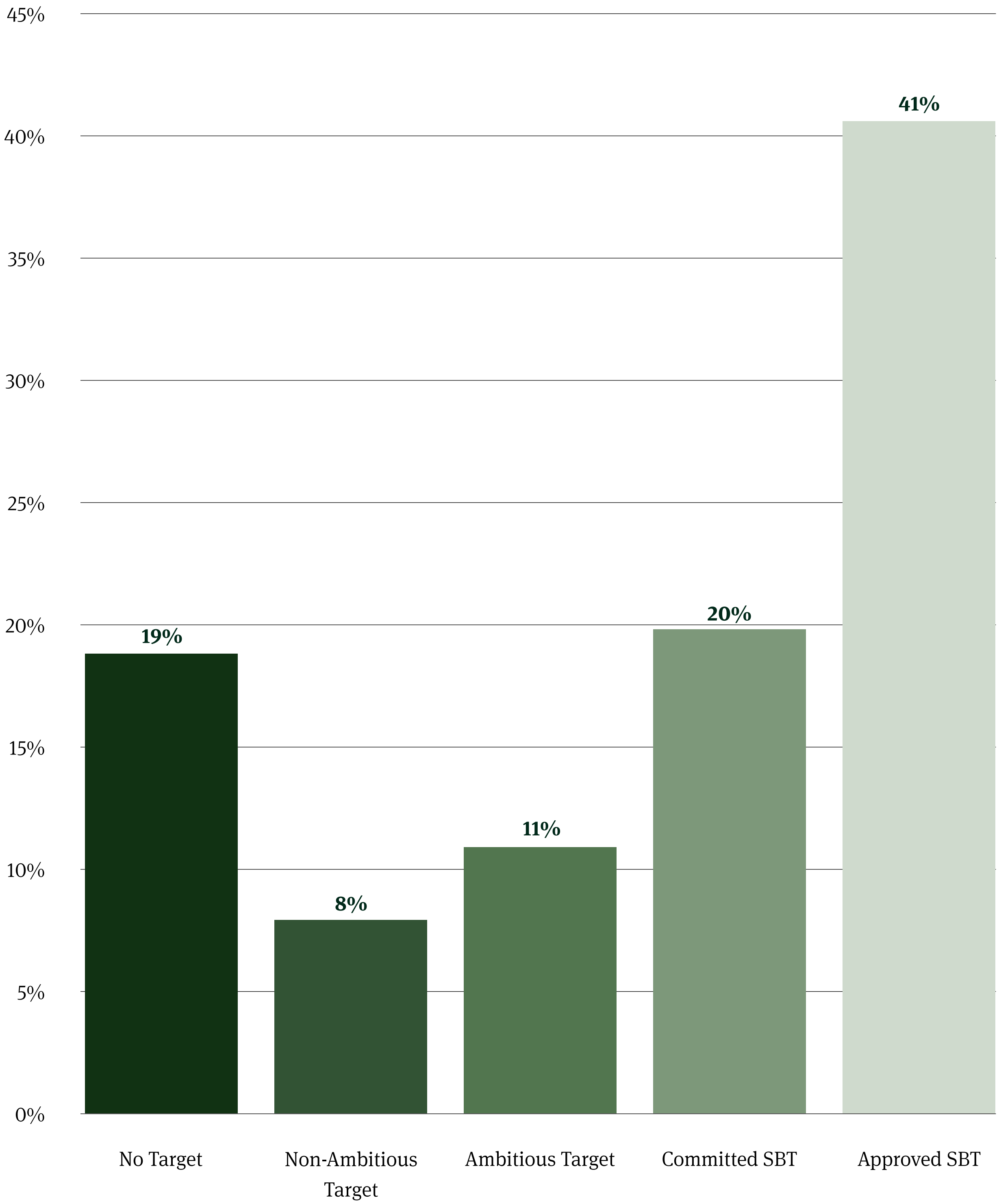
To transition, holdings must commit to aligning with international climate goals and demonstrate future progress. As shown on page 39, currently, 72% of the investment universe is committed to such a goal, a 12% increase from the last year. This includes ambitious targets set by the companies and committed and approved Science Based Targets (SBT).

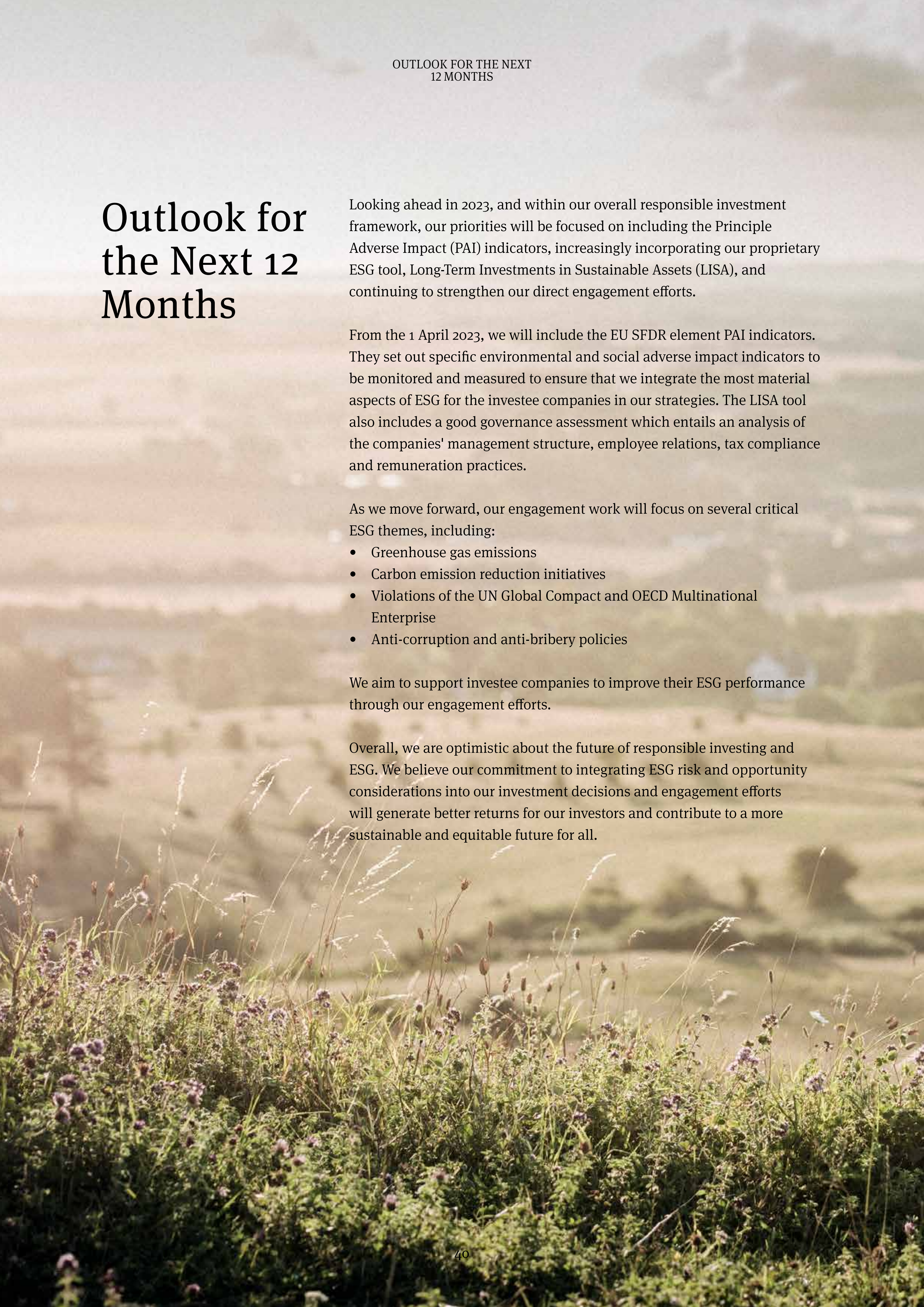
Our direct engagements with investee companies also discuss the agility and willingness to transition. One of the objectives of such engagements is to identify climate-related risk factors and actively seek to mitigate such risks to the extent possible.

CWW Emission Pathway vs. Climate Scenarios Budget



Climate Target Assessment (% Porfolio Weight)





Outlook for the Next 12 Months

Looking ahead in 2023, and within our overall responsible investment framework, our priorities will be focused on including the Principle Adverse Impact (PAI) indicators, increasingly incorporating our proprietary ESG tool, Long-Term Investments in Sustainable Assets (LISA), and continuing to strengthen our direct engagement efforts.

From the 1 April 2023, we will include the EU SFDR element PAI indicators. They set out specific environmental and social adverse impact indicators to be monitored and measured to ensure that we integrate the most material aspects of ESG for the investee companies in our strategies. The LISA tool also includes a good governance assessment which entails an analysis of the companies' management structure, employee relations, tax compliance and remuneration practices.

As we move forward, our engagement work will focus on several critical ESG themes, including:

- Greenhouse gas emissions
- Carbon emission reduction initiatives
- Violations of the UN Global Compact and OECD Multinational Enterprise
- Anti-corruption and anti-bribery policies

We aim to support investee companies to improve their ESG performance through our engagement efforts.

Overall, we are optimistic about the future of responsible investing and ESG. We believe our commitment to integrating ESG risk and opportunity considerations into our investment decisions and engagement efforts will generate better returns for our investors and contribute to a more sustainable and equitable future for all.

TCFD Indices

Governance	
Describe the board's oversight of climate-related risks and opportunities.	p. 8-9 (Sustainable Investment Approach)
Describe management's role in assessing and managing climate-related risks and opportunities.	p. 8-9 (Sustainable Investment Approach)

Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	p. 11 (ESG Risk), & p. 32-39 (Climate Action)
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	p. 11 (ESG Risk), & p. 32-39 (Climate Action)
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including 2 degrees or lower scenario.	p. 11 (ESG Risk), & p. 32-39 (Climate Action)

Risk Management	
Describe the organisation's processes for identifying and assessing climate-related risks.	p. 11 (ESG Risk), & p. 12 (Monitoring)
Describe the organisation's processes for managing climate-related risks.	p. 11 (ESG Risk), & p. 12 (Monitoring)
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	p. 11 (ESG Risk), & p. 12 (Monitoring)

Metrics and Targets	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management.	p. 13 (Metrics), & p. 32-39 (Climate Action)
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	p. 13 (Metrics), & p. 32-39 (Climate Action)
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	p. 13 (Metrics), & p. 32-39 (Climate Action)

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