

The background of the entire page is a photograph of a landscape at sunset. In the foreground, there is a field of golden wheat. In the middle ground, several wind turbines are silhouetted against the bright, orange and yellow sky. The turbines are scattered across rolling hills. The overall mood is serene and sustainable.

# ESG Report

Asia Equities

Q1 2022



## ESG Philosophy

### Core Beliefs

Our active approach to the stewardship of investments ensures ESG commitment

We emphasize active ownership to influence positive change and progress

The integration of ESG 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 ESG factors is fully integrated into our overall investment approach

Materiality ensures that we prioritise what matters most

Extensive screening to ensure norm-based alignment

## Quarterly Comments

We are pleased to welcome you to the new design and layout of our quarterly ESG reports. The idea behind the new look is for you as a reader to get an accessible overview of our stewardship practices in the latest quarter and continue to receive detailed insights on our engagements. We hope you value the new look. Enjoy reading.

The first quarter of 2022 was eventful from both an ESG and geopolitical perspective. The already significantly increasing energy prices rose even further, putting pressure on policymakers to act and investors to start focusing even more on energy opportunities. Additionally, there have been more discussions developing regarding 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 for us, perhaps other weapons-related companies will become more investable again from a SRI/Ethical perspective.

Our latest quarterly report emphasised the continued focus and progress in setting abatement plans and working with climate matters and emission reduction targets. This quarter, the discussions accelerated exponentially with Russia's invasion of Ukraine, particularly in the EU, where many energy sources depend on supply from precisely Russia. The original ambitious EU climate plan, Fit for 55, announced in the summer of 2021, was replaced by the even more ambitious REPowerEU plan that emphasises scaling down gas, oil and coal (45%, 25%, and 45% of the consumption are imported from Russia, respectively) from external suppliers and focus on developing measures for EU to be self-sufficient, including further investments in renewable energy sources. This has ignited the debate on investments in energy from an ESG perspective, including whether investments in gas and nuclear from more secure and affordable sources might be part of the solution in the transition to a decarbonised world. A shift that, to some extent, may also become beneficial for countries in Asia. As an example, China also plans to increase the share of renewables in its power generation mix to 40%. The needed green investments across, e.g. solar PV plants, wind farms and EV factories, drive an increase in demand for critical materials such as lithium, nickel, cobalt, and copper, to mention a few.

Despite more events taking place this quarter than in decades, we continue to view investments from a long-term perspective and focus on companies with thematic tailwinds. Please also refer to our piece '[The Longer-term Investment Consequences of the War in Ukraine](#)' just published for further insights into how we view the implications of the ongoing invasion

## Portfolio Changes

During the first quarter of 2022, we initiated new positions in Genfeng and Indian Hotels.

### Genfeng

Genfeng is an essential player in lithium, a key component in the upstream value chain of battery production. As the world transitions to EV and green alternatives, the company will be at the centre of the green transition. We expect this secular trend to underpin compounding earnings in the coming years with a certain amount of volatility through price fluctuations. The most material ESG issues include the environmental impact of its operations. There are no significant controversies to note, and the company has a medium-risk rating as per Sustainalytics.



## 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

### Indian Hotels

Indian Hotels, a TATA Group company, is one of India's best-managed hotel chains run under Taj Hotels Resorts and Palaces and recognised as one of the world's strongest hospitality brands. As India emerges from the pandemic, the balance sheets of the hospitality industry have been seriously damaged, which has rendered many small players financially broken or unviable. This, however, is likely to pave the way for rising pricing power for the strong incumbents. Indian Hotels has no significant controversies and is rated medium ESG risk. Most material ESG issues include product governance, carbon emissions from own operations, and resource use.

### Quarterly Direct Engagements

This year we have set out key focus areas for our engagement throughout 2022. We will focus on three areas with two underlying topics in each area. The key areas have been decided through a materiality assessment across all holdings in our strategies:

- 1) Climate change (Decarbonisation and Alignment with international standards such as SBTi and TCFD)
- 2) Environmental impact (Biodiversity and Water management)
- 3) Business Ethics (Bribery & corruption and Signatory to UN Global Compact)

Notable engagement highlights during the quarter were:

### Phoenix Mills

During a recent company tour in India, one of the beneficial meetings was with Phoenix Mills, a large real estate development company. In 2021, the company strengthened its ESG and sustainability strategy, now specifically focusing and reporting on climate change, water efficiency, and waste management. Phoenix Mills has recently signed up for renewable power for their facilities in Pune and Kurla. 100% of electricity for the Bangalore mall will be from renewable sources within ten years. In the Chennai facility, they recycle all the water, use it for gardening and flushing, and even sell its manure to farmer organisations. We were pleased to see this recent development, which has also resulted in increased ESG disclosure using the GRI standard.

### OZ Minerals

We participated in a call with OZ Minerals to learn more about its strategic decarbonisation roadmap. The company's key goal is to emit zero Scope 1 emissions and systematically reduce Scope 2 and 3 emissions across the value chain. Their targets include reducing Scope 1 emissions by 50% by 2027 and being net-zero for Scope 1 and 2 by 2030. To deliver on these targets, OZ Minerals invests in electric hoisting shafts, extend electric materials handling, and convert diesel to grid electricity at sites. We are keen to see this ambitious development for a mining company and will be following OZ Minerals' evolution with interest going forward, including how it impacts local communities.

### Proxy Voting

During the first quarter of 2022, we voted on a few companies' general meetings

### Longi Green Energy Technology

Longi Green Energy sought to have its financing and performance guarantees approved. However, the lack of disclosure regarding pertinent details made us vote against the proposals.

### Bank Rakyat Indonesia

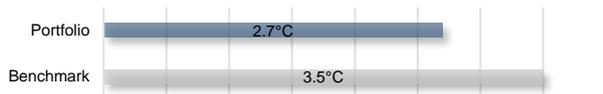
We voted against the share repurchase program and the changes in the board due to a lack of sufficient information to assess the potential impact on shareholder value.

# C WORLDWIDE ASIA EQUITIES COMPOSITE

Average Sustainability Risk Rating: 24.9

## Emissions Exposure

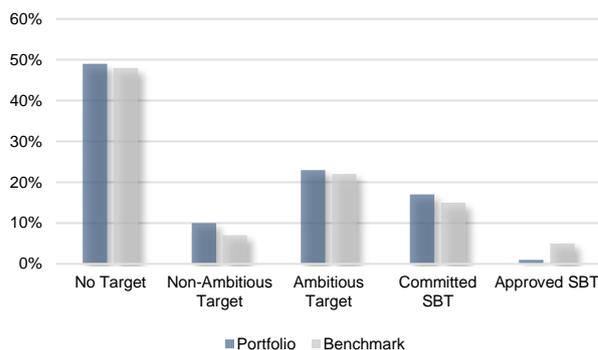
	Emission Exposure		Relative Emission Exposure	Sustainable Development Scenario
	Scope 1 & 2	Incl. Scope 3	tCO <sub>2</sub> e/mill. USD revenue	
Portfolio	40	213	123.93	2050 Target Paris Aligned
Benchmark	219	948	381.19	393.36%
Net Performance	81.6%	77.6%	67.5%	-



In the above table, the portfolio and benchmark are compared regarding their emission exposure and relative emission exposure, enabling us to see the difference between the two.

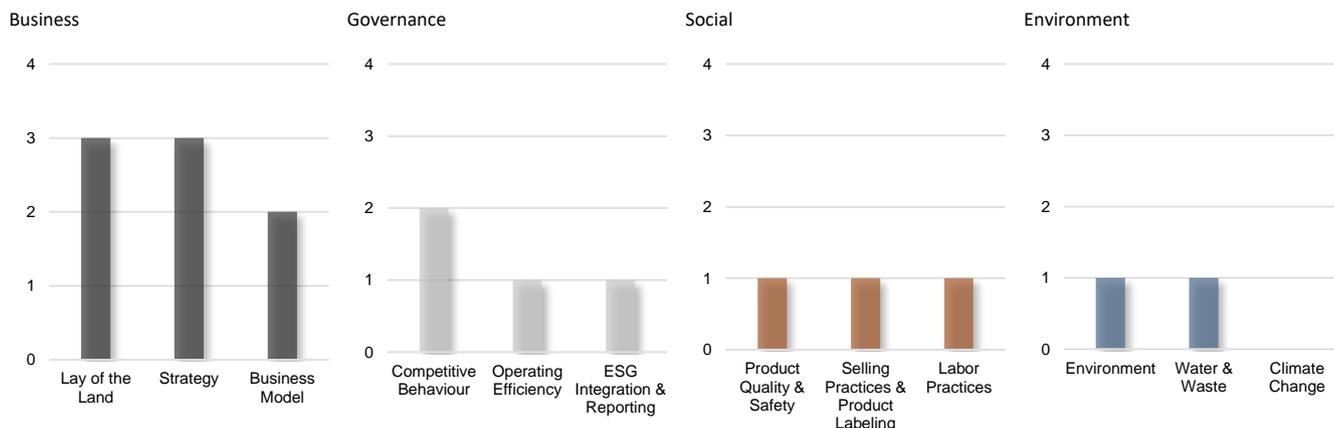
The bottom chart shows the alignment of the portfolio and the benchmark according to the Paris Agreement, thereby the 1.5°C scenario.

## Climate Target Assessment



The graph above 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.

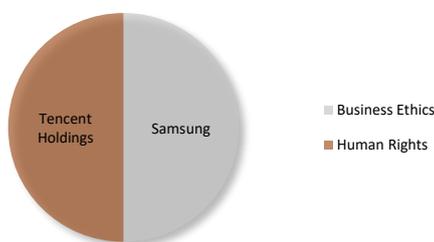
## Direct Engagement Topics



Total direct company engagements for the portfolio: 4

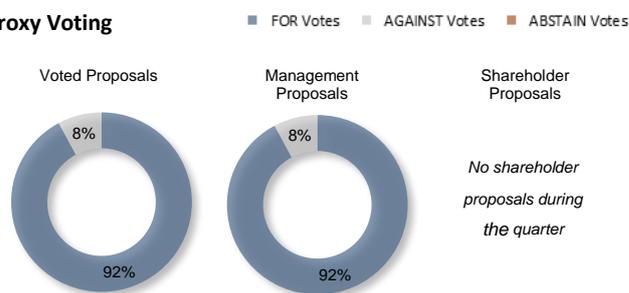
Throughout the quarter, we conducted several direct engagements with the portfolio companies. Our ESG engagements have most often incorporated an aspect of each subject E, S, and G. The above graphs show the top three engagements topics within business, governance, social and environmental aspects. There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

## Collective Engagement



The collective engagement approach gives us access to a proven process and highly qualified specialists with strong knowledge and network that can be leveraged in monitoring and follow-up with the investee companies on key ESG issues. As we are minority shareholders, Sustainalytics' ability to pool our engagement and assets with other like-minded investors and shareholders amplifies our influence and our ability to encourage change.

## Proxy Voting



Total votes for the portfolio: 51

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 chart above shows key topics and how votes have been cast during the quarter.

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