



Sustainability Report

Asia Equities

Q4 2023



Sustainable Philosophy

Core Beliefs

Our active approach to the stewardship of investments ensures sustainability commitments

We emphasize active ownership to influence positive change and progress

The integration of sustainability factors is key to our long-term investment research process

Prioritising pro-active engagement rather than excluding and divesting

Investing responsibly is aligned with superior risk-adjusted long-term returns

Our actions

Engaging directly with and voting on investee companies

Researching sustainability factors is fully integrated into our overall investment approach

Materiality ensures that we prioritise what matters most

Extensive screening to ensure norm-based alignment

C WorldWide Asia Equities

Quarterly Comments

Balancing Corporate Profits with Social Responsibility

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

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

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

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

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

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



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

on reducing carbon emissions, promoting sustainable resource use, and aligning with broader environmental conservation objectives.

Portfolio Changes

Alchip Technologies Ltd.

Alchip Technologies Ltd is a fabless semiconductor company involved in researching, developing, and designing application-specific integrated circuits (ASIC) and system-on-a-chip (SoC), along with providing related services.

The semiconductor supply chain is notably lengthy, and complex compared to other electronic production matrices. Various foundries and IDMS involve numerous chemicals that contribute to global warming, posing potential occupational health and safety issues if waste disposal is not adequately managed. Fabless players, including Alchip, also bear responsibilities in managing their supply chain and are exposed to risks of a different nature. However, the company acknowledges its commitment to social and environmental responsibility through adequate health and safety initiatives, such as health examinations and firefighting drills.

The company conducts supplier assessments to evaluate their impact on environmental protection, occupational safety and health, and labour rights. In case of identified issues, warnings are issued, and suppliers are required to make improvements within a specified period. Those in serious circumstances may face termination of cooperation. From an ESG perspective, the company demonstrates a strong initiative on ESG, with no evidence of controversies.

SM Investment

SM Investment Corporation's core business encompasses retailing, banking, and the development of properties into integrated lifestyle cities, aiming to enhance the lives of millions of Filipinos nationwide. Serving as a catalyst for responsible development across all its entities, SM plays a significant role in the Philippines, boasting extensive assets, and a widespread footprint, and impacting the lives of numerous individuals daily.

The group has been instrumental in creating over 157,000 jobs in 2023, fostering opportunities for entrepreneurs through its supply chain, and catering to millions of customers. As the company continues its growth trajectory, management intends to extend the delivery of goods and services to new parts of the country, construct modern lifestyle city developments, and facilitate inclusive access to financial markets. Collectively, these efforts aim to address the unmet needs of millions of Filipinos and their communities, contributing to national development and creating value.

Furthermore, SM Investment Corporation is committed to building businesses founded on good corporate governance practices, adhering to global standards, and advancing compliance with the ASEAN Corporate Governance Scorecard initiative. The company boasts a low ESG risk, emphasizing its dedication to sustainable and responsible business practices.



Direct Engagements

During the last quarter of 2023, we met with several companies in the portfolio, including Alibaba, Chroma ATE, LG Chem, and Trip.com.

Alibaba

Regarding the ownership structure of Aliexpress Russia Holding, it is undisclosed. The company mentioned it's a joint venture between Alibaba Holding and AliExpress Russia with no consolidated revenue reported to the parent company. EU sanctions on Russia Holding pose minimal risk to Alibaba Holding. Regarding business ethics, the company mentioned that data security and privacy are top priorities, with a comprehensive structure and reporting lines established post-reorganization. In FY2023, Alibaba's risk management structure consisted of the Alibaba Group Risk Management Committee (referred to as the "Risk Management Committee"), the management office of the Alibaba Group Risk Management Committee, related departments of Group Risk Management, and Business Unit Risk Management teams.

Under the direct leadership of Alibaba Group's CEO, the Risk Management Committee serves as the highest supervisory and decision-making body of Alibaba's risk management system. The Risk Management Committee is chaired by the Group Chief Risk Officer (CRO), with the Group Chief Legal Officer serving as the vice chairman. The main responsibilities of the Risk Management Committee are to formulate the group's risk management strategy, improve the risk management system, and identify the major risks of Alibaba Group.

Furthermore, the committee develops corresponding risk management strategies, establishes evaluation and assessment mechanisms, and supervises the implementation of risk management measures. By fully utilizing privacy computing technology and security computing capabilities, the company has developed data security and personal information protection principles and established corresponding standards and management mechanisms covering the entire data lifecycle (Progress is aimed at improving in these areas, but the effectiveness of these efforts still questioning, as of July 2023, The PBOC claimed that the company violated multiple regulations and laws in areas such as corporate governance, payment and settlement business, anti-money laundering obligations, and financial consumer protection)

Regarding the disclosure of the remuneration policy and scheme and bonus-based targets, it is now tied to long-term performance and shareholder incentives. The full disclosure is to be published with the annual report upon the primary listing on the Hong Kong Stock Exchange, as it is a requirement from the HKEX. (As of now the company is secondary listed on HKEX).

Question on the relationship with investment funds - The Yunfeng Funds have historically entered into co-investment transactions with Alibaba and third parties. They have also invested in other businesses in which the Yunfeng Funds are shareholders. Jack Ma currently holds minority interests in the general partners of several Yunfeng investment funds, in which he is entitled to receive a portion of carried interest proceeds. They refer to these funds collectively as the Yunfeng Funds. He also holds minority interests in certain investment advisor entities of certain Yunfeng Funds. In addition, Jack Ma, his wife, certain trusts established for the benefit of his family, and certain entities controlled by Jack Ma and his wife have committed, or are expected to commit, funds to the general partners or as limited partners of certain Yunfeng Funds.



Chroma ATE

Environment:

In 2022, the company made its first transition from a CSR report to an ESG report. It's also the first year they set a Net-zero target for 2030 and measured GHG emission scope 3 (indirect emissions). Since it's the first year, it's difficult to determine the progress, but the company is trying to balance and achieve its goal. The company initiated the move towards net zero by conducting an inventory of production and office environments, improving production processes, designing green products, and enhancing logistics. Water intensity generally shows an up-and-down trend. The spike in 2021 was due to the company's headquarters relocation. They are still in the transition period now, and it will take 4-5 years to fully establish the new headquarters.

Social:

In their ESG report, they mention that their business operations align with UNGC standards; however, they are not yet a UNGC signatory. The company is working on joining the MSCI SRI index. The company manages its supply chain, given that more than 30% of its suppliers are from China. The company defines and manages environmentally controlled substances following the "Standards for Controlling Hazardous Chemicals in Materials and Products." New supplier evaluations are conducted following the "Regulations for Management of Suppliers," which includes corporate sustainability, environmental and occupational safety and health, CSR, and the management of hazardous substances.

Governance:

There is high transparency in the remuneration scheme compensation paid to the Board of Directors and executive management. Regarding the stock option compensation plan (which was initially my concern), it turns out that the company does not have a stock option compensation remuneration plan, but they do have stock option rewards. However, it's not a common practice for the company to provide stock option rewards. They did give stock option rewards to executive managers last year, but it was in a really limited amount (128,000 shares in total), and before that, it had been 4-5 years.

LG Chem

Environmental:

The company anticipates that GHG emissions will increase in line with business growth and the expansion of production, which is the nature to their business. The company aims to achieve a Carbon Neutral Growth goal by 2050, becoming the first in the Korean chemical industry to do so. To reach this goal, the company is increasing its investment in R&D for renewable plastics (currently, the plastics division accounts for 40% of consolidated revenue), degradable plastic, biomaterials, and recycled raw materials. They are also increasing the use of renewable energy while offsetting unavoidable emissions through carbon offset programs. The company consistently complies with both Korean and EU regulations that govern the chemical industry.

Social:

Regarding the customer incident involving defects in EV batteries, the company is actively investigating the case. However, they do not attribute the customer incident as the sole cause of the battery issues, and they are continuously working to improve product quality. The company is a signatory to the UNGC. According to Bloomberg Terminal (updated as of September 2023), the company complies with 70% of the UNGC principles. Although they are unaware of this



score, they emphasize that they adhere to all 10 UNGC principles and maintain active engagement with the UNGC.

Governance:

The company maintains a relatively strong governance framework. To address potential conflicts of interest between independent directors and LG Chem, they regularly conduct checks to identify any such conflicts. As of the end of 2022, there are no independent directors who have served for more than six years (nine years when including affiliates).

Trip.com

The company has its own LLM called Wendao, which is currently used internally for media and accounting purposes. However, there are no plans yet to publish it, pending regulatory approval.

As the company doesn't develop the program itself but only builds the framework and connects the LLM model to its platform, they assure that there will not be a significant increase in water consumption related to LLM, unlike their peers.

Concerning renewable energy, the company still uses fossil fuel as the main source at its data center. Only solar renewable energy has been implemented at the office. The company acknowledges that a full shift to renewable energy would incur higher costs, but they are considering incorporating more renewable energy and solar into their headquarters office.

In terms of the ESG narrative, the company emphasizes its efforts to help the entire industry become more efficient. Last month (October 2023), Trip.com launched an algorithm platform in partnership with local governments, focusing on the hotel business. Over 1000 local hotel businesses in China have already signed up, measuring their ESG performance, such as carbon emissions.

Additionally, in the last couple of months, the company introduced a "greener type of product" option for searching for eco-friendly hotels or flights, along with an initiative for electric vehicles in the rental segment. There are plans to explore new business areas related to ESG.

Regarding data collection and security, the company explains that data storage has a retention period and will not stay in the system forever. Addressing the incident in 2021 where the MIIT reported a lack of customer data (name and phone number) from Trip.com and other tech companies, the company admits that the incident occurred during data transfer to third parties. They acknowledged the existence of loopholes in this area before the incident and stated that steps are being taken to close these loopholes. The company has implemented a "Reward and Punish scheme" to blacklist third parties, hotels, or airlines in the event of another incident.

Proxy Voting

As Q4 unfolded, proxy voting activity continued at a subdued pace, in line with the trend from the previous quarter. Limited to only a few companies conducting their AGMs within the portfolio, the conclusion of the quarter signified a period of modest engagement in proxy voting as the year drew to a close.



Sungrow Power Supply Co. Ltd

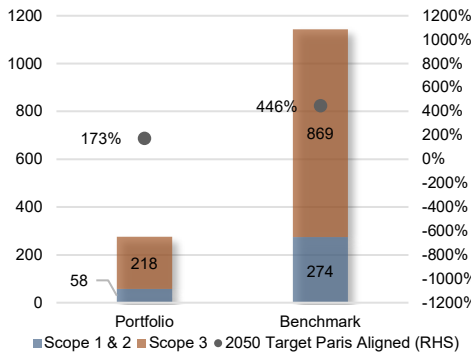
We voted against management on two proposals this quarter:

We opposed both management and the proposal for the 2023 restricted stock incentive plan (draft) and its summary. The rationale is that the minimum vesting period for awards granted under the plan is too short.

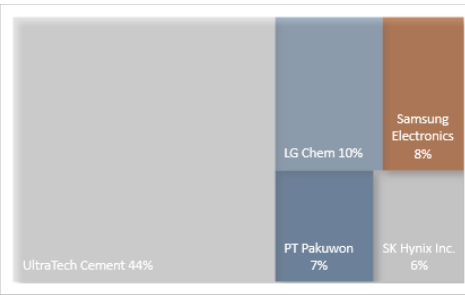
We objected to both the management and the proposal for the provision of a guarantee for controlled subsidiaries, as the guarantees exceed the net assets, raising concerns regarding their viability.

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

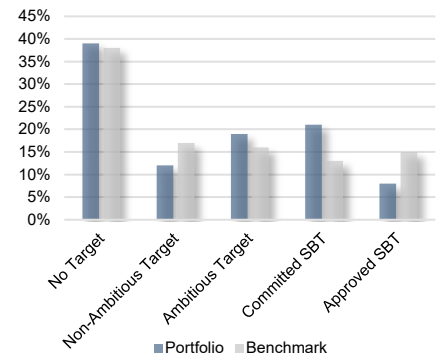
Emissions Exposure & SDS (tCO₂e)



Top 4 Contributors to Portfolio Emissions

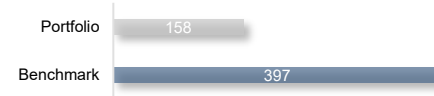


Climate Target Assessment



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 (tCO₂e/mill. USD revenue)

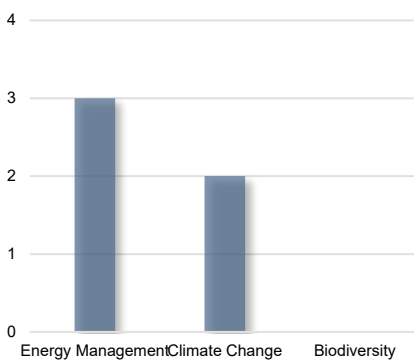


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

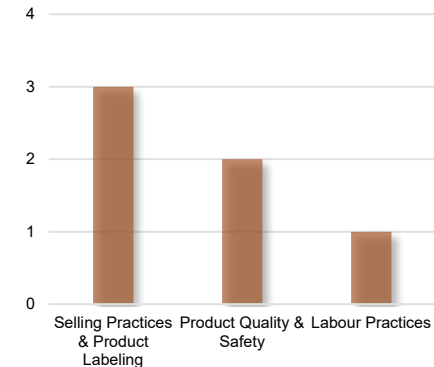
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 31st of December 2023

Direct Engagement Topics

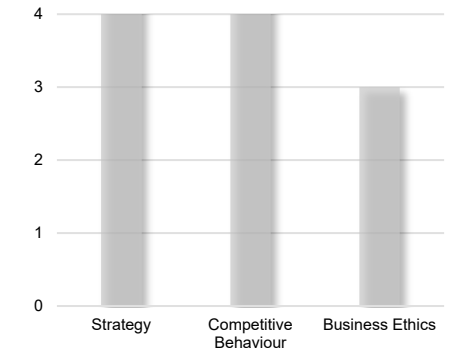
Environment



Social



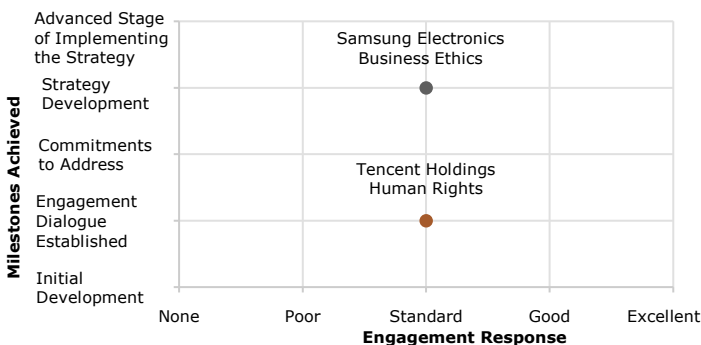
Governance



Total direct company engagements for the portfolio: 13

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

Collective Engagement



The above graph illustrates our collective engagements with Sustainalytics. The companies are shown within what milestone they have reached thus far and rated according to their communication in relation to the specific engagement topic.

Proxy Voting

Meetings Voted	100%	12
Proposals Voted	100%	38
Meetings with at least one vote against management	11%	
Proposal Categories (Top 3)	29%	Board Related
	29%	Changes to Company Status
	24%	Capital Management

We utilize proxy voting to emphasise the topics discussed with the investee companies in our ongoing engagement with them and to vote on key issues important to the governance of the investee companies. The table above shows key topics and how votes have been cast during the quarter.

Source: Sustainalytics. Portfolio as of 31st of December 2023

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

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Active Investments

C WorldWide Asset Management Fondsmæglerselskab A/S is a focused asset manager. Our objective is to deliver consistent, long term capital growth for clients through active investments in listed equities on global stock exchanges.

Our clients are primarily institutional investors and external distribution channels. Our product range includes discretionary asset management services and commingled fund products.

The combination of a unique investment philosophy based on careful stock picking and long-term global trends coupled with a stable team of experienced portfolio managers, has since 1986 resulted in world-class investment performance.

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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 · info@cworldwide.com

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