



SUSTAINABILITY REPORT

COELI GLOBAL AB

Coeli Global

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IMPORTANT INFORMATION

Historical returns are no guarantee for future returns. The money invested in funds can both increase and decrease in value, and it is not certain that investors will get back all the invested capital. We recommend that investors read the fund's fact sheet and full information brochure before buying units in the fund.



Background

We only have this one planet with its limited resources, even though we humans are using the earth's assets as if they were inexhaustible. According to a study by the World Wildlife Fund (WWF), the human population lives today as if we had 1.6 planets to provide all our resources and absorb our emissions. This is clearly unsustainable in the long term. The consequences are becoming ever more apparent and affect us all. The switch to a more sustainable future is something that should be in everyone's interests, but it is, most of all, the responsibility of us all.

The way our society conducts business has changed. Sustainability is no longer just an alternative but a competitive necessity. It is a key driving force in operational efficiency and innovation. The fact is, companies that drive their business in a more sustainable fashion have also proven more profitable and resilient, have a stronger brand, and find it easier to attract capital, labour, and skills since they are also more responsive to their customers, employees, and to society.

WHAT DOES SUSTAINABLE DEVELOPMENT MEAN TO COELI GLOBAL AB?

To consider sustainability and promote a sustainable development that satisfies today's needs, without compromising on the future generations' ability to satisfy their needs, is a matter of course for us at Coeli Global AB.

Those of us who work with asset management have an important task: to support and allocate capital to companies that influence and drive development in the right way and that also have profitable businesses in the long term.

We take sustainability very seriously. This is not something new or forced upon us. It is part of our DNA and one of the most essential components in our analysis process, helping to ensure we have a more accurate picture of a company's future possibilities and risks. We integrate sustainability work fully into our investment process.

This begins with an ESG screening of every investment prospect to ascertain that the companies fulfil our minimum requirements. After that, our investment team—two managers and three analysts—conducts a more in-depth analysis of each company. It is the team that maintains and drives the entire sustainability work throughout the investment process, and it also takes discussions directly with the companies on this subject and its future development.

To be aware of and understand the impact a company has on its environment, the climate, and society is naturally important, but it is equally important to monitor and understand the ways and the extent to which these three factors can affect a company and its future. A company's operations being affected by climate risks (flooding, storms, rising temperatures) can have a considerable impact on its revenues and profitability.

Sustainability and sustainability development are therefore a natural and essential part of our business, forming the basis for our carefully selected investments, which we continuously evaluate through criteria such as the environment, human rights, equality, and other key sustainability measures.

By investing sustainably, we aim to achieve higher returns, avoid unnecessary risks, and do our part in making the world a better place.

RESPONSIBLE OWNERSHIP

We consider and include sustainability at all stages and apply strict processes, so we can also meet our unit-holders' high demands for both returns and sustainable development in the portfolio companies.

At Coeli Global AB, we are convinced that we can contribute to increased awareness, allowing us to together work towards a better world and more sustainable societies. We must set a good example ourselves and live as we learn, sharing our unique skills and experience. To consistently be a conscious owner that closely follows, analyzes, supports, and influences the sustainability work in the companies we own is thus central to our analysis and investment processes.

We are convinced that when those with differing skills and areas of responsibility meet and communicate, the resulting exchange of competences can often lead to increased understanding, contributing to stronger sustainability development, where our combined efforts and actions will make a difference.

To illustrate how we consider sustainability in our asset management and to substantiate how this affects us in our choice of investments, we have put together this report. We believe this will offer a glimpse into our work with sustainable investments and demonstrate the importance that we attach to ESG analysis.

Coeli Global AB—our sustainability work

Since launching the Coeli Global Select fund in 2014, we have worked actively with sustainability analysis. ESG (Environment, Social and Governance) has always been an integral part of our asset management and is essential in identifying what we call our “Champions”—the world’s finest companies.

As active asset managers, Coeli Global’s *raison d’être* and goal is to deliver a good, sustainable risk-adjusted return. A well thought-out investment philosophy offers not just the opportunity to deliver a competitive return, but it also limits the risk, also from a sustainability perspective.

The asset managers seek attractively valued companies that act long-term enough that they consider ESG mega-trends such as population growth, urbanization, and new technologies that streamline and improve business models. The fund’s investments thus contribute to reducing the negative effects on society in terms of both people and the environment.

INNOVATIONS, TRENDS, AND NEW TECHNOLOGY IN ACTIVE SUSTAINABLE MANAGEMENT

Sustainability factors are crucial to any decision by the investment team to invest in a company. Our analysis is based on understanding a company, its industry, and how external circumstances and trends affect them, while also reviewing how a company’s own operations and actions can have a long-term impact on the outside world.

Our ESG process is extremely hands on. We have no separate ESG function; all ESG analysis is done by the analysts themselves and it is integrated into our daily work, working hand in hand with our investment process at Coeli Global.

We can cite several examples of companies where our investment team’s knowledge, commitment, and its collective experience allowed the early identification of high risks that could also affect the future valuation of the company. This may include corruption but also other ESG-related risks that could, in turn, mean not only avoiding investing in these companies but also, in some cases, engaging in discussions with them to raise their awareness of the issues and risks.

Through strict and thorough analysis, the asset managers have also been able to identify many positive ESG opportunities among the companies they have invested in, such as products that help the environment through reduced CO₂ emissions and other positive trends, including the growing trend towards e-commerce and specific consumer goods owing to people being at home more during the pandemic.

Sustainable investments are very much about new technologies springing from trends and environmental analysis, with a particular focus on minimizing negative climate risks and promoting environmental-related improvements.

Thus, sustainable investments also function as a catalyst that can drive innovation in a company to adapt and transform their business towards a healthier, more efficient, and more sustainable development.

In the end, sustainability (all aspects of ESG) is about whether we should live, consume, eat, work, travel, and live harmoniously without destroying the future for coming generations and using the resources that they will rely on.

At the EU level, the finance industry has been singled out as a particularly important actor in the actual implementation of change and the reallocation of society’s capital to companies that promote a sustainable development.

It is within actively managed funds that asset managers have the possibility to integrate and take into account different sustainability factors in their investment decisions, so that unitholders and investors have the greatest opportunity to receive significantly more than just financial returns on their capital.

HOW IS THE FUND AFFECTED BY EU TAXONOMY?

To help investors easily identify and compare environmentally sustainable investments and to offer clarity and impose higher requirements on companies' sustainability work and reporting, the EU has announced its new taxonomy.¹ It is a common classification system or framework that also has the purpose of facilitating and helping investors to easily identify and compare sustainable investments.

Coeli Global classifies itself as a so-called "light green product", according to article 8 of the new EU directive, and the fund's asset managers have, as part of their existing analysis process, committed first to conducting a comprehensive sustainability analysis of several stages.

What the Coeli Global funds may not invest in has been decided in their guidelines.² A light green fund is, according to the EU taxonomy, one that has committed to carry out a thorough sustainability analysis in addition to its usual financial analysis and to integrate sustainability risks and environmental impact into all investment decisions.

According to the EU directive³, during 2021, the fund must be able to show how its corporate investments are associated or not associated with the first two objectives of the EU taxonomy, as designated by the EU: "climate change mitigation" and "climate change adaptation."

More about Coeli Global Select's classification according to the EU's regulation⁴

HOW WE WORK WITH ESG

- Eligibility for investment: The starting point for our ESG analysis and a key part of our bottom-up stock-picking approach. See WE EXCLUDE, page 6.
- ESG disclosure: We consider it our duty to work actively to encourage our companies in this crucial area. See WE ANALYZE, page 7.
- UN Global Compact: Something we believe every company should sign and work with. Our ESG impact letters to our companies encourage them to sign the compact. See WE ANALYZE, page 7.
- Environment: We question our Champions as to their ESG work and their CO₂ emissions targets and reductions, as well as science-based targets and taxonomy-eligible activities, highlighting UN Sustainable Development Goal #13 (*Take urgent action to combat climate change and its impacts*).
- Social: We focus on employee wellbeing and engagement, employee turnover, the gender balance of executive management and the board of directors, and whether this has improved over the past three years, with particular reference to goal #5 (*Achieve gender equality and empower all women and girls*).
- Governance: We look at code of conduct, internal audit functions, and the separation of the CEO and chair of the board roles.
- ESG risks and opportunities: We seek to identify all the ESG risks we can for each company, using ISS ESG to assess whether we have identified all possible risks an investment in a company might bring exposure to.

1. <http://www.regeringen.se/regeringens-politik/finansmarknad/taxonomi-ska-gora-det-enklare-att-identifiera-och-jamfora-miljomassigt-hallbara-investeringar/>

2. [Hallbarhetsrelaterade-upplysningar_Coeli-Global-Select.pdf](#)

3. <https://www.fi.se/sv/publicerat/nyheter/2020/nya-regler-om-hallbarhetsrapportering/>

4. <https://coeli.se/wp-content/uploads/2021/03/Hallbarhetsinformation-Coeli-Global-Select.pdf>

How the asset managers at Coeli Global work with sustainability in an integrated manner in their asset management

- A proprietary ESG scoring model results in a premium or discount in the asset managers' valuation model
- On-site meetings at companies' premises over time provide deeper fundamental insights
- Communication with portfolio companies—an ESG letter outlining our expectations sent to all companies we classify as Champions
- A concentrated portfolio allows the asset managers to have deeper ESG conversations with each holding
- ISS ESG is used to support the company analysis—with overall analysis from Coeli's sustainability team
- Company analysis comprises an evaluation of the business model and products, accounts, management, sustainability, and environmental impact, etc. We take a holistic view of the analysis and include all these aspects.

Sustainability analysis— step by step

Sustainability factors are crucial to us when investing in a company. The fund's managers are responsible for ESG analysis with support from other areas of the Coeli organization.

ESG not only forms the first stage of our analysis process, but also feeds into all aspects of our investment process. This is because we see an unequivocal correlation between shareholder returns and being a good corporate citizen.

We use independent data provider ISS ESG as a working partner to complement our own analysis in this field. ISS ESG has around 200 ESG analysts globally and generates research on more than 20,000 companies across the globe. ESG is integrated throughout the process of analysis and decision-making on what investments are made. In practical terms, our ESG analysis involves the following steps.

WE EXCLUDE

Eligibility for investment is the starting point for our ESG analysis and is a key part of our bottom-up stock-picking approach. It begins with the application of our exclusion criteria.

Before we make an investment, we always conduct ESG exclusion screening and analysis, allowing us to exclude companies with more than 5% of their revenues from the production of fossil fuels, tobacco, alcohol, pornography, weapons, or gambling. Note: gambling (betting) rather than gaming (computer gaming). We exclude any Russian companies. We also exclude companies that fail to respect the international agreements and norms on human rights, working conditions, environmental issues, and anti-corruption. We use the analysis tools from independent provider ISS ESG at this stage.

Why the 5% cut-off? This cut-off is often used when fund management firms talk about which investments they will exclude, and it is also in accordance with the Swedish Investment Fund Association's "Guidelines for marketing and information by fund management companies."

Situations could occur such as a global industrial corporation with a small proportion of its business in some countries that sell military defence equipment, for example, or with a by-product from its industrial process that can be

considered a fossil fuel. Our intention is to not invest in companies involved in the areas stated above, but it can also be challenging to anticipate exactly which of these scenarios could occur, and so we have also decided to use the 5% cut-off.

As companies might fall into a gray area when considering these exclusion areas, we choose to take a broad approach to this. If we consider that a company might fall into the gray zone, we err on the side of caution and exclude it. This means our exclusion list is wide-ranging at more than 2,000 companies around the globe. This helps protect us from any negative ESG consequences when deciding upon which companies to invest in.

In addition to using ISS's ESG database for exclusion criteria, Coeli Global AB has also signed the UN Global Compact and complies with the ten principles of the initiative. We also take responsibility for our investments and follow the six principles and guidelines of the UN PRI investment initiative. Coeli is also a member of Swesif – Sweden's Sustainable Investment Forum. All of this is to ensure the companies we invest in meet the highest sustainability requirements and that we actively work to take our own sustainability responsibilities as asset owners.

WE INCLUDE

All else being equal, we prefer to invest in companies that take ESG seriously and whose businesses have a positive environmental and social impact. In our experience, such companies are often not just well run but also prove to be investments that offer high returns to our unitholders.

Our own analysis "out in the field" forms part of our work to find these companies. This field work can be anything from company visits and participation at capital markets days and trade fairs to gathering insights from the asset managers' personal networks and monitoring watch lists, such as Barron's Top 100 and Sustainability Corporate Knights Global 100 (the world's 100 most sustainable corporations).

Excludes:	Includes:	Impacts:	Quantifies:
- Fossil fuel producers (>5% of revenues) - Alcohol manufacturers/distributors (>5% of revenues) - Weapons manufacturers (>5% of revenues) - Tobacco producers and retailers (>5% of revenues) - Gambling (>5% of revenues) - Companies that breach international norms on human rights, working conditions, the environment, and anti-corruption - Russian companies	- Own analysis—brakes for electric vehicles (Brembo), environmentally friendly gas (Beijer Ref, Carel), energy (Vestas) - Idea generation from Barron's Top 100 Sustainability (Thermo Fisher, American Water Works, Ecolab) - Idea generation from Corporate Knights 100 most sustainable corporations (Neste)	- ESG impact letter to the companies we define as Champions, outlining our expectations as a shareholder - Discussion with portfolio companies regarding ESG – for example, with Carel on the importance of signing the UN Global Compact and with Beijer Ref on the internal audit function. - Voting at AGM	Own developed model that quantifies ESG risks and opportunities.

Another part is desk-bound work, where we sit and look through company after company highlighted as good ESG performers by other institutions, so as to establish contact with them and then undertake our own analysis.

WE ANALYZE

When we have found an interesting company, we begin our own analysis. Before investing, we undertake the exclusion process outlined above. After that, we scrutinize the company's ESG profile, investigating its ESG reporting, climate initiatives, social impact, and corporate governance, focusing on its internal accounting and shareholder program. Through this analysis, we make an assessment of how large the company's environmental impact is versus the size of its business. We also evaluate the company's ESG risks and opportunities.

A key factor we look for (beyond signing of the UN Global Compact) is whether a company produces an ESG report, how often, whether it has a dedicated ESG person or team within its organization, and if it has set any ESG targets.

The asset managers quantify the company's ESG profile and include this in their valuation of the company. For companies that we judge as taking ESG seriously, that conduct measurable climate initiatives, and that are well run, we assign a valuation premium to comparable companies that fall short on these attributes.

We anticipate higher upside in equities with such a premium and so we are more likely not only to invest in them, but also to keep them in the portfolio for a long time.

ESG also forms part of our evaluation of a company's business model and our ongoing risk analysis.

WE INFLUENCE

We influence the companies that we define as Champions through an ESG letter, in which we outline our expectations as a shareholder. For example, we urge them to sign the UN Global Compact—the UN's international principles regarding human rights, working conditions, environmental issues, and anti-corruption directed at companies. In our discussions with companies, we promote #5 of the UN's Sustainable Development Goals (Gender Equality) and #13 (Climate Action) by encouraging the companies to work actively with these vital issues.

In addition to this letter, ESG issues form a recurrent theme in our meetings with company representatives, regardless of whether we own shares in the company or not. In addition, we aim to vote at any AGMs where we have a holding in the company. In the future, our activity in this field will accelerate rapidly and our intention is to take part in as many as possible.



Company visits and active advocacy work

To provide an accurate picture of the companies we invest in—and the sustainability work they do—we find it particularly important to have physical meetings with the companies and their representatives. We consider these meetings an essential part of our active advocacy work to convince the companies to improve their sustainability work further.

Since the fund's establishment, the managers of Coeli Global Select have carried out more than 930 direct company interactions, 179 of which were in 2022. Most of these have been physical company visits. In a typical year, we conduct over 100 interactions with different companies around the globe. During the pandemic, we replaced physical visits with digital meetings.

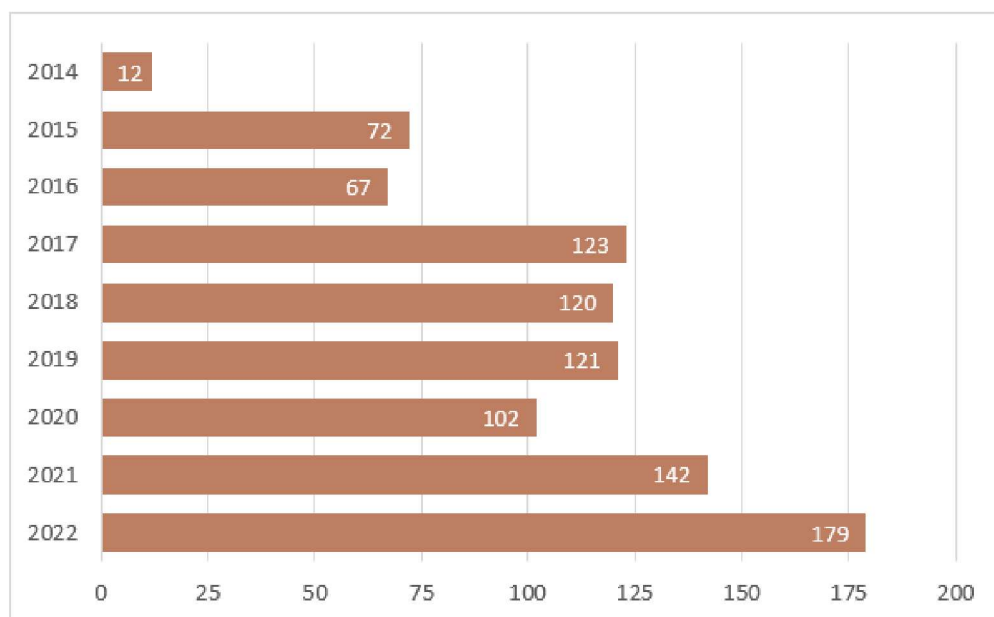
We view physical meetings as extremely important in providing a fair picture of a company. By meeting with company representatives, we have the opportunity to ask questions related to sustainability. This is especially valuable when we have identified deficiencies in this work and communicated these by letter to the company.

ANALYSIS TRIPS

The fund's asset managers undertake regular major analysis trips as an opportunity to form an opinion of companies' work on-site. These trips provide an opportunity to verify that companies we consider interesting from our company analysis actually show this same positive picture in reality at physical meetings.

Most of the trips are to the US and Europe, where a majority of the fund's holdings are based. But the asset managers have also carried out more extensive trips to Brazil and India. We then make detailed trip summaries to collate our impressions of the companies and their markets so as to follow up on them.

Chart 1. The number of direct company interactions per year since Coeli Global Select was established





Photos from company visits. Top left: Atlas Copco's CFO Hans Ola Meyer. Top right: Tata Communications (India) —owner of the world's largest fibre network. Bottom left: Retail chain Magazine Luiza's CFO (Brazil). Bottom right: IR at Sika AG (Switzerland)—a leading specialty chemicals company

ADVOCACY WORK

Coeli Global is a relatively small fund manager in a global context, but we believe the companies we invest in take our ESG feedback seriously. We are often given access to those at the top echelons of an organization and can have ongoing discussions with the companies about how they are strengthening their work in this area.

One example of impactful dialogue was when the fund took a discussion with US financial services firm Fiserv in June 2020.

The asset managers set out a requirement in their ESG letters for the company to introduce science-based targets in its climate change work to show more clearly the results of its sustainability work and to link them to the Paris Agreement climate goals.

In addition, we urged the company to introduce "inclusion policies" in its recruitment process. In terms of corporate governance, we suggested that the roles of CEO and chair of the board should be separated and an internal accounting function be established, reporting directly to the board of directors. This is because the company had many geographically dispersed reporting units.

Other examples of active advocacy are our discussions with Beijer Ref, Martin Marietta, NVIDIA, Sterling Infrastructure, Sika, and Vonovia.

We have, for example, urged some of these companies to appoint a person responsible for ESG and to support and comply with the UN Global Compact's principles/guidelines, take scientifically proven initiatives to fight global climate warming, respect and not interfere in employees' union affiliations, to have an internal accounting function that reports directly to the board of directors, and to improve the gender balance in their management.

The fund's managers have also had ongoing discussions with previous and current portfolio companies, including as Sika, Vonovia, and WDP, to discuss their opinion that more equality is needed in these companies' management groups.

ESG scoring model—the wheat from the chaff

Coeli Global’s in-house-developed ESG scoring model is a unique tool for distinguishing which companies might finally end up in the portfolio. It considers both qualitative and quantitative factors and directly incorporates ESG opportunities and risks into company valuations.

Coeli Global has developed its own ESG scoring model to objectively and quantitatively evaluate a company’s ESG work. The purpose of the model is also to allow an objective comparison of companies, regardless of which country they are based in, and to directly include ESG opportunities and risks in a company’s valuation.

The model considers factors such as:

- Has the company signed the UN Global Compact?
- Does the company provide detailed ESG accounting?
- How is the gender balance on the board and in general among management in the company?
- Do the company’s products support the climate change initiatives needed in the world?

SUPPORTING THE ASSET MANAGEMENT PROCESS AND QUANTIFYING THE ESG PROFILES

The model provides the asset managers with a structured method to evaluate a company’s ESG profile and create briefing material that can be used in discussions with a company’s management and other representatives.

The model’s quantitative results are applied directly to the valuation and have a significant effect on the asset managers’ investment decisions since the model can generate a valuation premium of around 15%, rising to 20–30% in exceptional circumstances.

This work goes hand in hand with the view that those companies taking ESG seriously are better run than others, and this creates both higher return possibilities for unitholders and minimizes investment risks. The ESG model allows these views to be integrated, becoming one and the same.

As active investors, it is our job to find incorrectly priced companies. Experience tells us that the stock market is often relatively skilled at setting the price of a company, and many shares trade within 20% of the value that one can objectively estimate the company should be valued at under normal circumstances.

A company judged by the ESG model to be doing particularly good work can receive a valuation premium of 30% or more—a level that is considerably higher than the 20% upside potential that typically makes an investment in a share look attractive.

Chart 2. The impact of Coeli Global’s ESG model on valuation

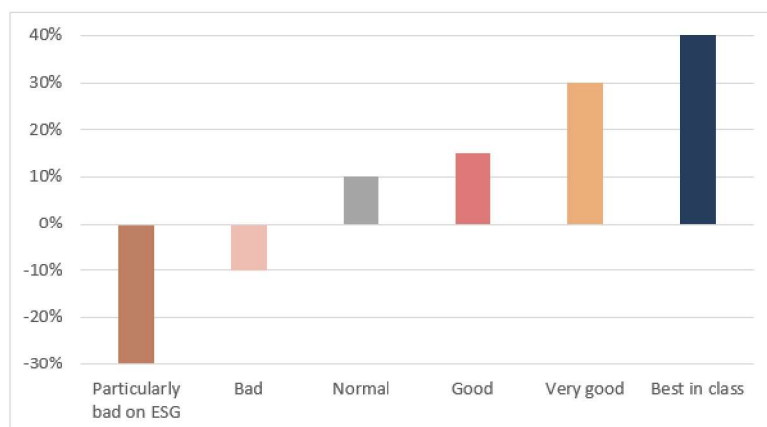
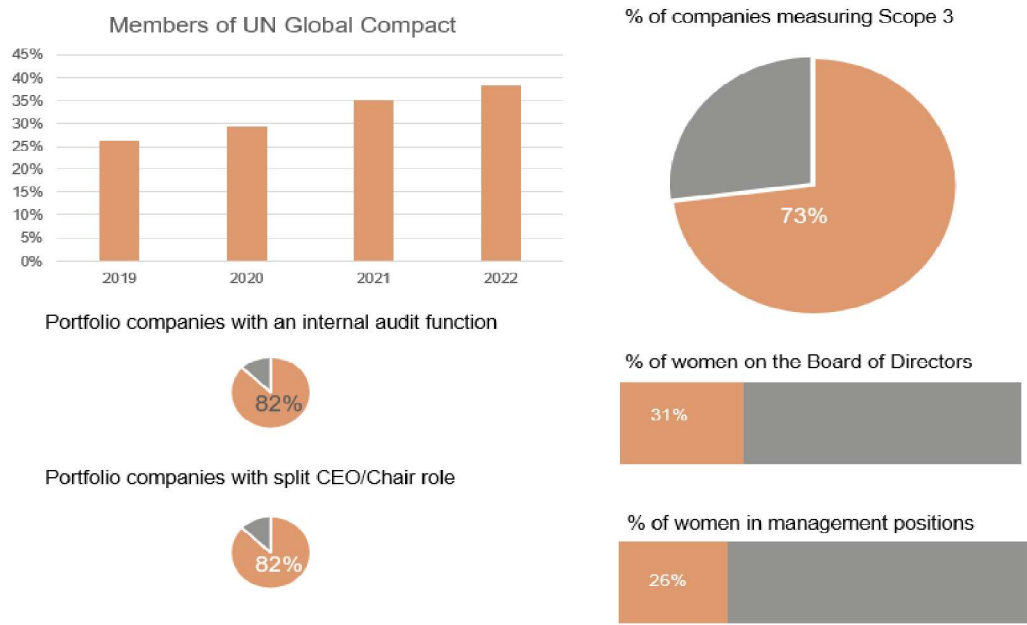


Chart 3. Coeli Global key ESG performance factors, as of September 30, 2022



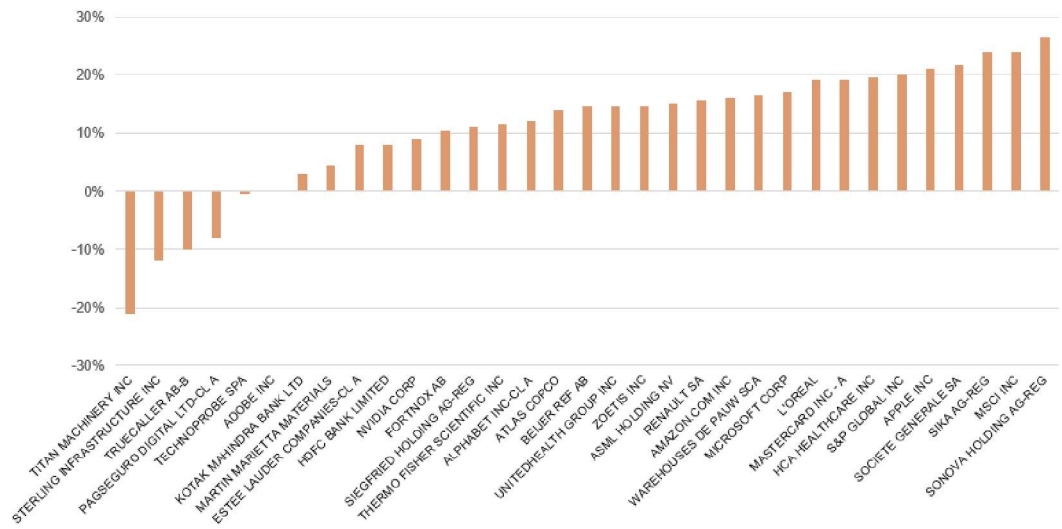
That ESG factors can have such an impact on valuation means that the asset managers are much more likely to invest in companies with a good ESG profile and also to hold such shares at a greater weight in the fund and for longer. On the other hand, the model can also assign an ESG discount of -30% or more, making it near impossible in practice to own a company with a low focus on the environment, gender equality, and/or corporate governance.

The chart below illustrates the results generated by our ESG scoring model for our portfolio as of September 30, 2022. A majority of our portfolio companies are awarded

valuation premiums thanks to their ESG work, and only a handful receive discounts from the model.

We can see from the chart above that, encouragingly, a growing proportion of our portfolio companies have now signed the UN Global Compact and that a majority of them are performing well with measuring Scope 3. On the governance side, a majority also operate an internal audit function and have split the CEO and chair of the board functions. However, female representation is still lacking on both boards and management teams—something we are encouraging them to improve.

Chart 4. Coeli Global ESG score, as of September 30, 2022



How our portfolio companies work with sustainability

Our portfolio companies work actively to maintain the highest possible sustainability standards. This is an important piece of the puzzle in creating and maintaining competitive advantages and attracting both capital and competence in the longer term, we argue. Below, we show a handful of our companies and their sustainability work—some excelling and others needing to improve.

SIKA AG

Leading specialist chemicals company SIKA maintains high ESG standards and signed the UN Global Compact in 2009. It has six focus areas: sustainable solutions, climate performance, community engagement, energy, waste/water, and occupational safety. It is proactive and innovative and produces a detailed annual sustainability report.

“More value – less impact” is SIKA’s motto when it comes to ESG. Cement production, which is essential for concrete, accounts for 6–8% of the world’s CO₂ emissions. SIKA aims to minimize the environmental effect, primarily through innovation and a focus on the circular economy. It wants to minimize its environmental impact in three areas: 1) by reducing CO₂ emissions, 2) by increasing the use of electricity from renewable energy resources, and 3) by recycling used materials. A few years ago, it switched to reusing more materials and focusing on sustainable raw material procurement.

It has lowered its CO₂ emissions thanks to modern compressors and has begun the recycling of concrete into its constituent parts via an innovative process it calls “reCO₂ver.” In April, SIKA launched a new product for concrete production with LC3 technology that will reduce CO₂ emissions further.



Innovation and continuous improvements are center-stage for SIKA. The company has a good independent internal auditor. The CEO and the chair of the board are separate roles. We have pointed out the high levels of compensation to the board, although these are on a par with other high-ranking Swiss companies. We have also called to attention its low proportion of women in management roles—less than 25%.

MICROSOFT

The electrification of everything requires a vast quantity of data power, generated by incredibly energy-intensive data centers. Microsoft is one of the world’s largest supplier of data power through its data centers. To meet the ever-increasing demand for more data power, Microsoft is significantly expanding this business area, meaning a consistent increase in energy consumption with every year.

Using the location-based method, which reflects the average emission intensity of grids where energy consumption occurs, Microsoft’s Scope 2 CO₂ emissions are increasing annually. Applying the market-based method, however, which includes any type of contract between two parties for the sale and purchase of energy, Microsoft has successfully managed to reduce its Scope 2 emissions through targeted procurement of renewable energy. The group aims to reduce its market-based emissions to near zero by the middle of this decade through energy efficiency work and by reaching 100% renewable energy by 2025.

L’ORÉAL

L’Oréal has a long history of driving positive sustainable development; its commitment to this is strong. Among other actions, L’Oréal has been confirmed over several years as a UN Global Compact LEAD company¹, thanks to its ongoing commitment to the ten principles of respon-



sible business and for placing the UN's goals for sustainable development (SDG) at the core of its growth strategy.

L'Oréal has developed from basing its business on science (founder Eugène Schueller was a chemist) to now green science that can drive a sustainable development. It has, for example, undertaken several successful projects and commitments to society and societal improvements, and these were among the reasons it chose to take its sustainability work a step further by integrating sustainability across the organization's various departments and processes.

In its sustainability work, L'Oréal considers the entire value chain, from the procurement of ingredients, manufacture, and packaging, to delivery, distribution, and sales. Today, its sustainability work, commitment, and active influence form a natural part of L'Oréal's entire business model.

As one of the largest players in its field, L'Oréal ensures it takes greater responsibility and as an influential player, it actually has greater opportunities to take part and influence and thus contribute to making a difference for both society and the environment.

The company has high sustainability goals; it considers this to be the right way to do profitable business in the future. To follow and measure this work, it established its first proper sustainability program in 2013 to kick-start its transition to sustainable development in earnest.

Through its sustainability program, its solid commitment to ethical issues, its promotion of diversity and inclusion, and its philanthropic activities (carried out with the support of Fondation L'Oréal and its brands), L'Oréal contributes to 16 of the 17 Sustainable Development Goals set by the UN in 2015.

MASTERCARD

Mastercard has been 100% renewable since 2017 and initially followed an approach of purchasing renewable energy credits in jurisdictions in which it operates. It joined RE100 in 2020 and has been bringing renewable energy onto the grid to supplement this renewable energy credit approach. This has provided Mastercard with incremental renewable energy to power its premises and technology rather than just a purchased credit for existing supply.

It has added solar panels to all own premises, which should be an incremental net positive for its Scope 1 directly controlled emissions. Moreover, Mastercard has pursued the new, top class "LEED Zero Energy" certification from the US Green Building Council for its new and renovated premises to reduce Scope 1 emissions. It also uses 100% renewable energy at its owned data centers and has ongoing energy-saving projects to reduce emissions from its existing real estate. Although Mastercard has, as of 2021, increased Scope 1 emissions by 15% since 2016, we see positive incremental moves from it adding renewable generation capacity, with the potential to make a positive impact.

Mastercard has reduced Scope 2 emissions by 48% since 2016, thanks to its work to ensure suppliers meet rigorous environmental certifications. Although its Scope 2 reductions stem primarily from long-term renewable energy credit purchase programs, we see promising signs of mandated on-site self-procured renewable energy generation. Around 11% of Mastercard's total energy usage is on-site or directly procured renewable energy (89% energy credits), and there is potential for this to significantly increase and to add grid capacity.

ASML—WITH ROOM FOR IMPROVEMENT

ASML is committed to reducing Scope 1 and 2 CO₂ emissions to net zero emissions across its operations by 2025. However, these emissions actually increased between 2019 and 2021 as the group broadened its environmental reporting locations from 20 to 57 and expanded its current facilities. It remains committed to reducing Scope 1 emissions by removing fossil fuels used at its premises through increased reuse of waste heat, cutting its Scope 2 emissions by reducing electricity consumption at its premises with increased share of renewable energy, and reducing Scope 3 by lowering the intensity rate through more energy-efficient products shipped to customers and by requesting CO₂ emission data directly from suppliers.

Although its Scope 1 and 2 emissions have increased, ASML is establishing comprehensive measures for Scopes 1–3. We will keep an eye on its internal renewable efforts for Scope 1 and 2 and, most importantly, monitor the energy efficiency of future products since 98% of emissions are generated from Scope 3.

Words to deeds

There is no Planet B, and we understand the need for all of us to act now and work toward a common goal of ensuring we leave a planet that future generations can live and thrive on. We could not in good conscience ask our portfolio companies to do work that we ourselves are not participating in, and so we also walk the talk.

We are immensely proud of the work we have undertaken during recent years to do as we encourage our portfolio companies to do. There is no Planet B and we understand it is imperative that all of us act now. These actions during 2022 included:

- Undertaking 24 advocacy discussions with both companies and partners during 2022
- Voting at four separate AGMs
- Taking part in the Target Gender Equality program—nine months' training as part of the UN Global Compact
- Signing the Women's Empowerment Principles
- Planting 36 trees in Borneo's rainforests (<https://savetheorangutan.se/hjalp/gavotrad/>)
- Implementing an expanded ESG policy at Coeli Global
- Broadening our analysis capacity with three additional full-time company/ESG analysts
- Upgrading our in-house corporate/ESG analysis
- Giving lectures at universities in co-operation with the Unga Aktiesparare association
- Holding an event with Unga Aktiesparare, catering to young women interested in the financial sector
- Expanding our ESG network at UN Global's Nordic meeting in October 2022

We are pleased with our work over the past year and have, of course, broadened our intentions for ourselves in 2023.

WALKING THE TALK

We must practice what we preach, and we strive to do this in our daily tasks at Coeli Global as part of our work to encourage our portfolio companies to do likewise.

As mentioned, we have signed the UN Global Compact and have a team member whose responsibility it is to ensure that everyone at Coeli Global adheres to ESG practices. Our partner company, Coeli, has an ESG Council, led by Ulrika Hasselgren (former Head of ESG at Danske Bank and founder of ETHIX), on which our fund manager Andreas Brock also sits.

Over the course of 2022, we undertook 24 ESG interactions with some of the companies in which we have invested, be that ESG Impact letters or meetings with management at which we outlined our ESG agenda.

We also vote at AGMs (for example, four companies in 2022 and four companies in 2021) as a way to influence our portfolio companies in their ESG work.



SUSTAINABLE DEVELOPMENT GOALS



We carbon offset our travel when undertaking our 120–150 company meetings a year and encourage the property managers of our offices to use carbon-free energy in their buildings. We have also pushed our two largest sub-suppliers, Coeli Asset Management and Kepler Cheuvreux, to do their part when it comes to improving their gender balance and reducing CO₂ emissions.

We attend to our own social responsibility, including: regularly giving talks at universities about investing and the finance industry; sponsoring a young analyst competition with Unga Aktiespararna, at which we select three winners who each receive SEK 10,000 and a lunch with us; and donating to various foundations, such as Barncancerfonden, Röda Korset, etc.





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