

UN GLOBAL COMPACT

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# Communication on Progress 2019

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*Climate change, diminishing resources, migration and rapid technological transformation. The world is changing and companies have to keep up. Those that look to the long term when it comes to sustainability have proven to be more profitable and generate better returns.*

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## *1. Statement by our CEO*

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Asset management has been our business at Carnegie Fonder since 1988 and we have been active managers ever since. We take pride in doing our own research, taking independent decisions and paying no attention to how companies are weighted in an index or how other investors behave.

We have refined our philosophy over the years. Starting with active management, we have carved out what we call focused value management – the very essence of what we stand for. Focused refers to investing in no more companies than we can keep track of, and only in those we most fervently believe in. Value management means that we are highly selective. We buy only companies that are financially stable, have good dividend potential and a sustainable business model.

Value companies, as we call our holdings, know that compliance with international conventions on human rights, the environment, labour laws and corporate governance is the only option. Therefore, we support the Global Compact and are committed to the initiative and its principles.

*Hans Hedström,  
CEO Carnegie Fonder July 2019*

## 2. *Continuous dialogue*

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Our fund managers meet with hundreds of companies every year. As active managers, Carnegie Fonder is a long-term investor that keeps an ongoing dialogue with all our portfolio companies. Naturally, we participate in stakeholder dialogues, a proactive exchange of knowledge and expectations, with our companies. We also conduct meetings with our holdings that are dedicated to discussions about sustainability issues.

Sometimes we raise issues on our own in discussions with the management and the board of the holding, and sometimes our dialogues are in collaboration with other shareholders for joint ownership dialogue. In our engagement dialogues, we also have the possibility to join forces with GES International, CDP (formerly the Carbon Disclosure Project) and the UNPRI.

Our long-term value investment strategy also implies that a lot of our holdings have been part of our portfolios for a long time and will continue to be so, in the future. Consequently, many of our holdings are already leading companies with an integrated sustainability perspective in their practices and operations.

Carnegie Fonder's requirements in connection with the funds' investments are that the portfolio companies the funds invest in shall apply state of the art ethics in their operations. The ethical framework is primarily the laws, rules and business practices that apply where the company operates, as well as the acceptance of these practices with the company's customers. Since each company has a commercial interest in the company's goods and services meeting the customers' requirements in all aspects, there is normally a connection between the requirement for good returns for the funds and excellent ethics in the companies, especially in the long term.

Our investment philosophy of active management means that the fund manager invests according to his or her own assessments, without being guided by how different indices are composed. Active management therefore does not mean that investment decisions are made with high frequency or that the investment process changes, rather, it means that it is constantly refined. Good companies have a tendency to remain good companies, so once we have found a company that we like, we will gladly keep it in our fund.

### 2.1. *Nominating committees*

Our fund managers must act exclusively in the common interests of our unit holders. For this reason, we never sit on the board of directors of a holding company, as that would jeopardize our objectivity. Normally, a nomination committee consists of representatives from the three or four largest owners, and since our funds are focused on a smaller number of companies, our holdings can be quite large.

Carnegie Fonder is represented in several Swedish listed companies' nomination committees, and strives for a competent and appropriate board, with members who dare to question, discuss and voice their views. Through our position as members of the nominating boards we can use another channel for our stakeholder dialogue. These positions also facilitate our work with governance, the G in ESG, that we believe is a prerequisite for further improvement of the E and the S.

### ***3. Integration of the principles***

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As active managers, we do our best to identify and avoid companies that behave improperly. In addition to maintaining close and regular dialogue with our holdings, we engage an external consultant – Sustainalytics – to review our portfolio in terms of sustainability, even before we invest (“pre-screening”). Special consideration is taken to the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

Carnegie Fonder is an active manager that takes a stand on corporate governance issues, including sustainability. We therefore have a special Council for Responsible Investment, comprising the CEO, the Compliance Officer, the Head of Corporate Communications and the Head of Sales. The Council regularly discusses sustainability issues, quality assures that the fund managers take into account sustainability issues when making investments and ensures that Carnegie Fonder’s personnel receive training in these matters.

As mentioned, it is essential for us as a responsible investor that all our holdings comply with the UN Global Compact. This is something that we have worked with since 2004, together with Sustainalytics (and before them Ethix and GES International).

Since 2017, when we signed the UN Global Compact ourselves, we have also been encouraging our holdings to do the same. In Sweden, for example, all our larger holdings have already signed the UN Global Compact, while smaller companies still need some encouragement.

In Russia, by contrast, most of the corporates had never heard of the UN Global Compact until we highlighted it. We have presented it as an internationally agreed upon corporate code of conduct with regards to the E and S in ESG. In Russia, where such codes of conduct are generally lacking, the response from most companies have been very appreciative, and we note that over five Russian companies have signed the UN Global Compact in the past year, and a further two have communicated with us that they are in the process of doing so. One of them is the Russian steel producer MMK: we wrote to its IR to explain our position on UN Global Compact; who has signed; where they can find more information etc. and we know this email has landed with the board, and they are working on this.

## **4. *The Sustainable Development Goals***

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### **4.1. *SDG 1, 4 and 5***

Carnegie Fonder is a dedicated supporter of the organization Social Initiative, a best in class organization that uses forward-thinking approaches to solve pressing social challenges. Social Initiative is an independent and non-profit advisor helping companies and individuals with the ambition to make a difference in the world. Their goal is to help exposed people to help themselves.

Since its establishment in 2002, Social Initiative has developed successful sponsorship projects for more than 30 companies and individuals, who together have invested more than SEK 90 million in 28 projects around the world. All Social Initiative's projects are thoroughly evaluated, and 26 out of 28 of their projects have reached or surpassed their goals. During 2015 alone, Social Initiative and its sponsors contributed to better circumstances for 32 000 individuals in India, Kenya, Uganda, Tanzania and Sweden.

As a company, Carnegie Fonder works with Sustainable Development Goal number 1 (No Poverty), number 4 (Quality Education) and number 5 (Gender Equality) by supporting Social Initiative's projects that provide education for girls in Uganda and children in Mumbai's slum.

### **4.2. *SDG 13***

CDP (formerly the Carbon Disclosure Project) is an international non-profit organization that supports and drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Carnegie Fonder has been an active supporter of the CDP since 2017.

We also report the carbon footprints of our equity funds, in accordance with the measurement created by the Swedish Investment Fund Association (Fondbolagens Förening). This gives our unit holders the possibility to compare the results among our own funds, as well as to the results of other fund management companies. Our fund managers also use the measurement as a tool in ongoing discussions with the holdings.