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Sustainability Report

Healthcare Select

Q3 2024



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 prioritize what matters most

Extensive screening to ensure norm-based alignment

C WorldWide Healthcare Select

Quarterly Comments

Navigating Varied Outcomes from Shared Challenges

The European Commission has implemented two measures to tackle climate change and achieve net zero emissions by 2050: the EU Emission Trading System (ETS) and the Carbon Border Adjustment Mechanism (CBAM). These measures will make companies reduce emissions and ensure similar carbon pricing for both local and imported products.

The EU ETS aims to make companies accountable for their greenhouse gas (GHG) emissions, particularly in the heavy industry sector (e.g. steel, aluminium, cement, hydrogen, and fertilisers), which accounted for 22% of GHG emissions in the bloc in 2021 and for a quarter of global emissions. Over the next 15 years, emission limits and free allowances will decrease to zero. CBAM, starting in 2023, prevents companies from relocating outside the EU to avoid emission costs when free carbon allocations end in 2026. Unlike the US's Inflation Reduction Act (IRA), which provides tax credits and subsidies, CBAM incentivises decarbonisation through charging importers of key sectors for the embodied emissions of their products.

European industries stand in front of a critical decision, companies can spend money now to cut emissions, even though it will hurt profits in the short to mid-term or wait and buy carbon credits later. Both options hold the risk of lower earnings and valuations.

Estimates indicate that nearly 9,000 industrial sites, including those in building materials, chemicals, mining, and steel sectors, need to adapt by: (1) electrifying their processes, (2) developing greener products, (3) investing in carbon offsets, or (4) buying carbon credits.

At time of writing, the carbon price (EUR 66 per metric ton of CO_{2e}) does not strongly encourage decarbonisation. In April 2024, BloombergNEF estimated the price of carbon will reach EUR 146 by 2030 and EUR 186 by 2034. Utilities are already paying for their emissions, but sectors like cement, aluminium, fertilizer, hydrogen, iron, and steel are not yet charged.

Investment considerations

Looking specifically at CWW's portfolios' exposure to these matters, the obvious area of focus would be the exposure to industrial gases and their sensitivity to different carbon pricing scenarios.

Considering a high-level uncertainty surrounding politically driven impacts, the current analysis indicates a well contained effect on our holdings in the industrial gas sector, predominantly because chemicals are a small part of their overall business, and the chemical sector sees the biggest impact from lower free carbon allowance, as the CBA mechanism takes effect.

BofA Global Research has conducted scenario analysis with carbon credit costs from EUR 100-200 to show how much higher carbon credit costs (%/EBTIDA) the Industrial gases companies would incur, ranging from 0.3% to 3.6% (depending on company exposure and carbon credit cost).

On the other hand, selected companies in the diversified chemical area could see cost impact in the range of 36-73% (%/EBTIDA), based on same analysis.

We remain committed to closely monitoring these developments to ensure we are informed and prepared to navigate these complex challenges.



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% Small Arms
- 0% Adult Entertainment
- 5% Alcoholic Beverages
- 5% Gambling
- 0% Tobacco Products
- 0% Oil & Gas
- 25 % Oil & Gas
- 0 % Thermal Coal
- 5 % Thermal Coal
- 0% Oil Sands
- 0% Shale Energy

Portfolio Changes

No new holdings during Q3.

Direct Engagements

Zailab

We had the opportunity to meet with Joshua L Smiley, president and COO. We had a general discussion around the company's products, pipeline and guidance of becoming profitable soon. The company has an above average sustainability reporting compared to peers and have a head of sustainability which previously held the role at AstraZeneca. We had a lengthy discussion on the heightened geopolitical tensions between the western world and China. This has impacted the stock price negatively, but the fundamentals of the business remains strong and the company has not experienced any issues when it comes to the relations they have with their western partners.

Onward

We had the CEO, Dave Marver, in our offices in Stockholm. A lot of the discussion focused on the upcoming US approval of their first product on the US market, financial position and capital needs until becoming profitable. He recognized our commitment to questions regarding ESG which he mentioned is rarely asked by other investors.

Coherus

We had a lengthy discussion with top management of Coherus including CEO, Denny Lanfear around the announcement of a temporary supply chain disruption affecting its UDENYCA product line due to capacity constraints at its U.S.-based Contract Manufacturing Organization (CMO) responsible for final labeling and packaging. While the active pharmaceutical ingredient and other components remain unaffected, UDENYCA supply is expected to be interrupted until early November. The Company is working closely with its CMO, wholesalers, and prescribers to minimize the impact and has expedited shipping plans once production resumes. Additionally, the Company is accelerating efforts to diversify its packaging capabilities by engaging a new CMO, with commercial supply from this partner expected by Q1 2025.

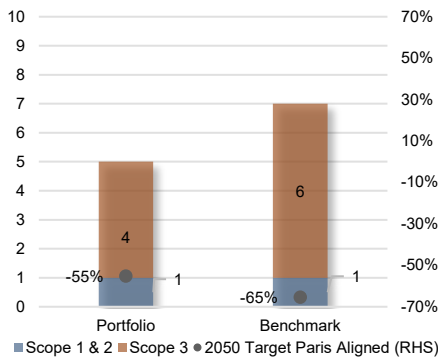
Outset Medical

The company's Q2 report was a disappointment and the company significantly reduced revenue expectations for the year. The selling process has become much more complex and lengthier due to targeting larger hospitals and the company is taking steps to improve its sales process, including restructuring its capital sales team and refining its enterprise sales strategy. We had a video call with top management including CEO Leslie Trigg and CFO Nabeel Ahmed to get a deeper understanding for the process of improving sales and the path to profitability. We came away more constructive on the prospects of improved execution going forward.

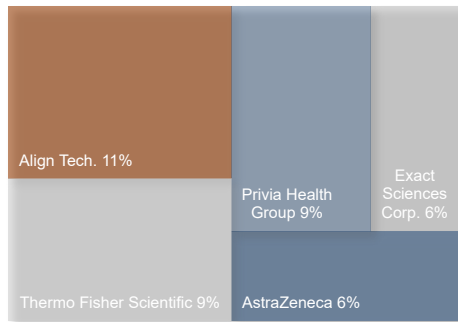
Proxy Voting

No proxy voting took place during the quarter.

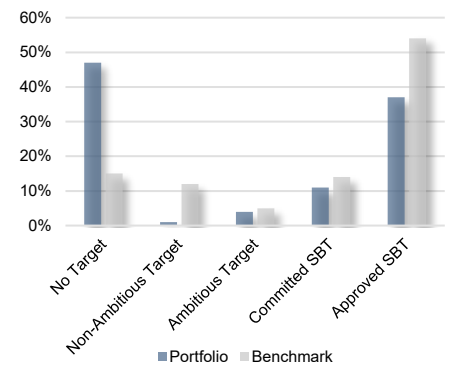
Emissions Exposure & SDS (tCO₂e)



Top 5 Contributors to Portfolio Emissions

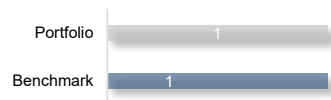


Climate Target Assessment



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)

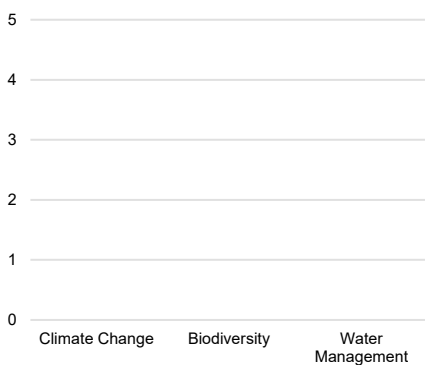


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

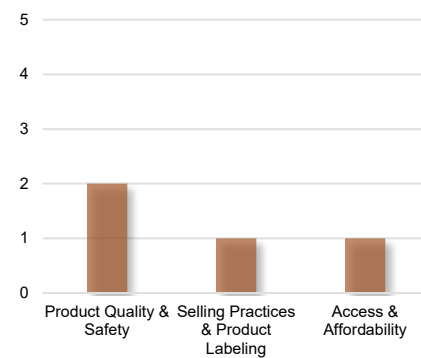
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 SEK. Portfolio as of 30th of September 2024.

Direct Engagement Topics

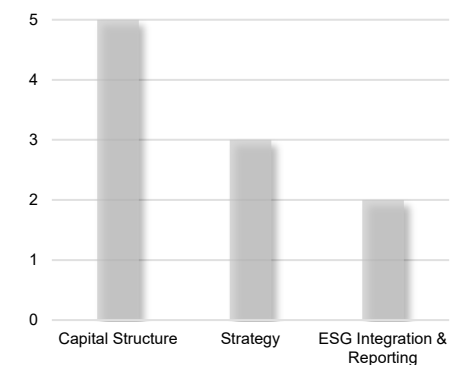
Environment



Social



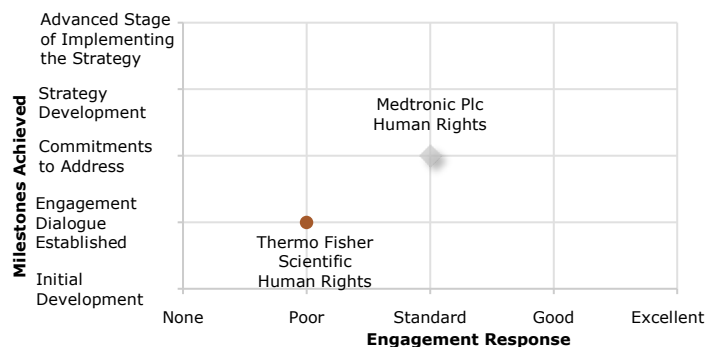
Governance



Total direct company engagements for the portfolio: 8

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	- %	0
Proposals Voted	- %	0
Meetings with at least one vote against management	-	
Proposal Categories (Top 3)	-	Board Related
	-	Audit/Financials
	-	Capital Management

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

Source: Sustainalytics. Portfolio as of 30th of September 2024.

Source: Glass Lewis. Portfolio as of 30th of September 2024.

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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.

Please find more of our Sustainability Reports on cworldwide.se.

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