WORLDWIDE
ASSET MANAGEMENT

Sustainability Report

Norwegian Equities

Q3 2024

C WorldWide Norwegian Equities

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

Quarterly Comments

Navigating Varied Outcomes 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.

<u>Investment considerations</u>

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 (%/EBITDA) 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% (%/EBITDA), based on same analysis.

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

Portfolio Changes

There were no changes to the portfolio during the quarter.

Direct Engagements

Mowi

Main topic: Product Optimisation, Environmental Footprint of Operations

We last met with Mowi in November last year and this meeting was a continuation of this dialogue on current developments within sustainable matters at the company.
Borne by the current trend of healthy lifestyle and healthier eating, especially that to include proteins and healthy fats in your diet is to some extent driving Mowi's growth. Nonetheless, salmon is still only 1% of the world's protein source, where demand continues to be higher in Europe than in the US even though this market is increasing.
We discussed the salmon farming at sea vs. at land, the use of antibiotics, medications and chemicals and how this potentially impact the aquaculture. Mowi is increasingly using post smolt in its production which means that the fish will be planted at sea at a later life-stage and hence be more resistant against sickness as well as it reduces the time in seawater. A full lifecycle for salmon is ~3 years. With longer life on land infections and sickness are reduced and contamination and spreading of diseases in the open water are then also reduced. Mowi's feed for the fish are based on wheat and are good for both fish and the environment, nonetheless Mowi wish to continue the development of feed and use alternative feed materials to further reduce any negative impact to the sea. One of the key focus areas for Mowi is animal welfare, and the company operates with a global standard across sites, which also means that even if local codes are less stringent the Mowi standard will apply to its operations.

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
- 5% Adult Entertainment
- 5% Alcoholic Beverages
- 5% Gambling
- 5% Tobacco Products
- 5% Oil Sands
- 5% Thermal Coal
- 5% Shale Energy

Proxy Voting

While the number of AGMs held in the third quarter of 2024 was significantly lower than in the previous two quarters, proxy voting remained active.

Hafnia Ltd.

Various proposals were addressed. The election of Andreas Sohmen-Pao as Chair was opposed, aligning with Glass Lewis and against management, citing concerns over poor remuneration practices and insufficient gender diversity on the board.
Similarly, the election of Erik Bartnes was opposed due to his lack of independence and his role on the audit committee, aligning with Glass Lewis and against management recommendations.

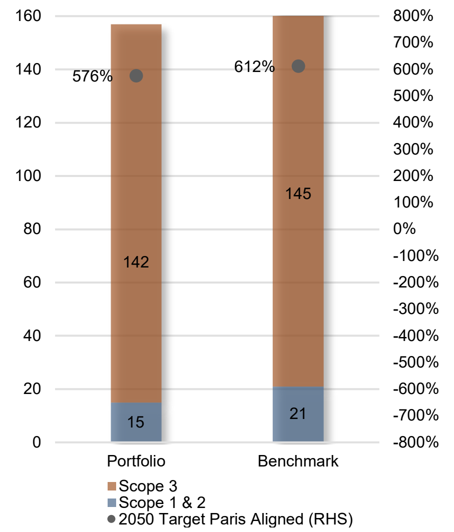
A full list of all meetings voted is available upon request or can be retrieved directly from the C WorldWide website.

C WORLDWIDE NORWEGIAN EQUITIES

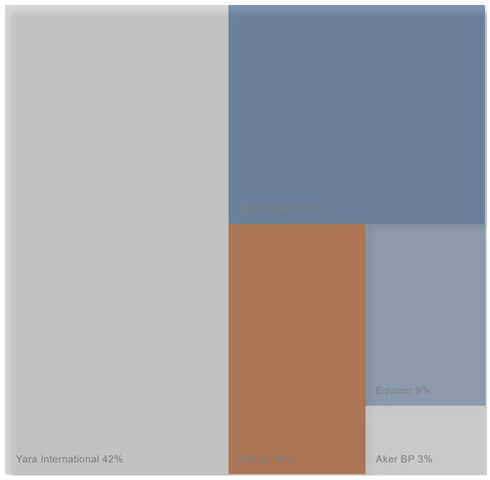
Sustainalytics Portfolio Risk Rating: Medium

Benchmark: Oslo Børs Fondsindeks NOK

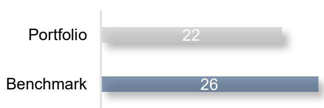
Emissions Exposure & SDS (tCO_2e)



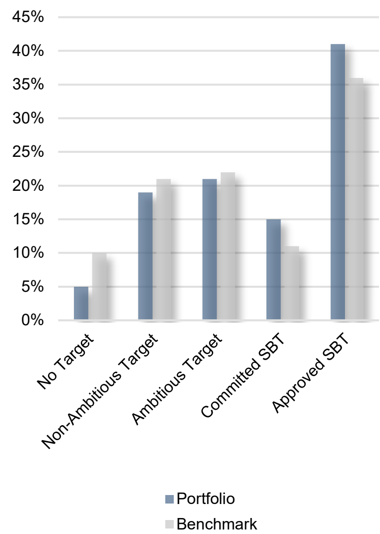
Top 4 Contributors to Portfolio Emissions



Carbon Intensity (tCO_2e/mill. USD revenue)



Climate Target Assessment

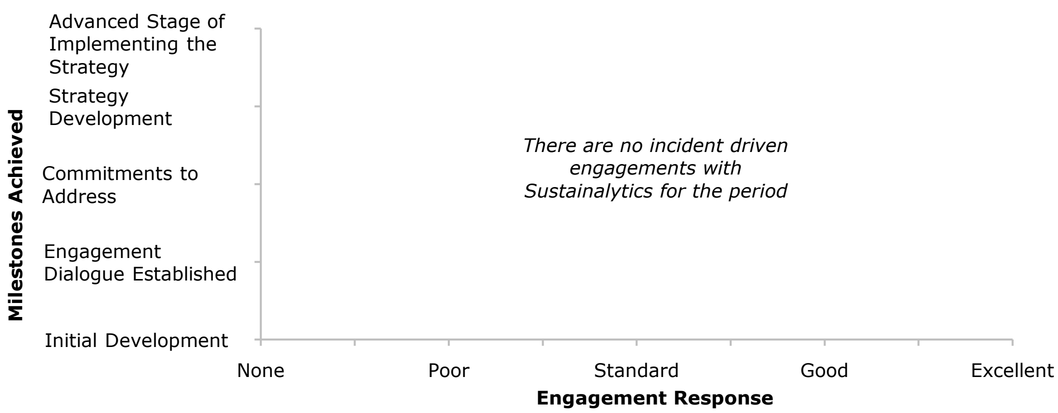


The above graph summarises the portfolio's carbon footprint compared with the benchmark. The Sustainability Development Scenario (SDS) pathway on the right-hand side of the graph is fully aligned with the Paris Agreement. The graph indicates whether the portfolio and benchmark are expected to over-/undershoot against the allocated carbon budget until 2050.

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 NOK. Portfolio as of 30th of September 2024

Collective Engagement



The graph to the left 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.

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

Active Investments

C WorldWide Asset Management Fondsmaeglerselskab 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.com

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