



# SUSTAINAMENTALS® Insight

January 2023  
Peak into our Holdings

UNIVERSAL  
INVESTMENT

CHOM CAPITAL  
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## ESSITY – RESILIENT BUSINESS MODEL FOR SUSTAINABLE CONSUMPTION

### Highlights

- Essity offers a resilient business model as a personal care development company, which has strong margin expansion potential in the current environment
- The company is pioneering the sustainability transformation of its set-up in the industry and transparently underpins this with ambitious targets

Every month, our portfolio management team reports to our institutional investors on current market events and the performance of our funds. As a bottom-up stock picker, particular attention is paid here to the business models of our investments. An in-depth sustainability potential analysis is also an important part of this assessment. This month, we turn the spotlight on Swedish company Essity, which provided an in-depth look at its three business units with three mini capital market days in December.

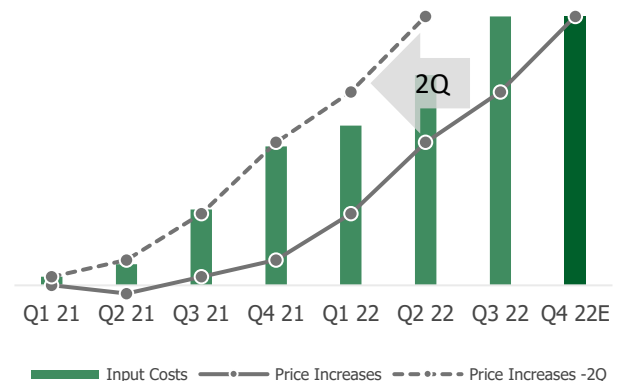
All divisions are related to health or hygiene, including brands such as Tempo, Zewa or in the incontinence segment Tena. The business model shows a high degree of stability even in times of crisis. Strong cost increases for pulp in particular, but also for plastics, have recently weighed on margins. At the Capital Markets Day, Essity reported for the first time a quarter-on-quarter standstill in cost increases in Q4. Successful price increases for its own products should now, with a slight time lag, lead to Essity being able to expand its margins noticeably again.

Swedish Essity is also exciting from a sustainability perspective. As a company active in the development, manufacturing, and marketing of personal care products, the most important things to look at in analyzing its business model are its product carbon footprint, raw material sourcing along the value chain, packaging materials and waste, and chemical safety. On all these levels, the Stockholm-based company is a leading - in its resilient and demographically driven market segments, this hence

allows the company to generate high impact for a more sustainable consumption and better hygiene solutions. In a traditionally energy-intensive industry, Essity has set a goal, approved by the prestigious Science-Based Targets initiative, to be carbon neutral and drastically reduce its energy consumption by 2050. It also aims to reduce its Scope 3 emissions along the value chain by 18% by 2030 - the company has already achieved half of this target and has reduced its direct emissions by 15% since 2016. Likewise, by 2030, all production waste is to be recycled or recovered for energy. Already today, almost 80% of the packaging materials used come from recycled or renewable material. Essity is also a pioneer in responsible raw material sourcing - already 98% of fiber sourced comes from certified forests.

Overall, we see a resilient business model with fundamental, as well as sustainable, drivers, many of which are structural.

### ESSITY - STRONG MARGIN EXPANSION POTENTIAL



Source: Essity Business Area Presentation

The fund range publishes in accordance with Article 8 of the Disclosure Regulation

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