



WORLDWIDE  
ASSET MANAGEMENT



# ESG Report

Centuria Equities

Q1 2022



## ESG Philosophy

### Core Beliefs

Our active approach to the stewardship of investments ensures ESG commitment

We emphasize active ownership to influence positive change and progress

The integration of ESG 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 ESG 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

We are pleased to welcome you to the new design and layout of our quarterly ESG reports. The idea behind the new look is for you as a reader to get an accessible overview of our stewardship practices in the latest quarter and continue to receive detailed insights on our engagements. We hope you value the new look. Enjoy reading.

The first quarter of 2022 was eventful from both an ESG and geopolitical perspective. The already significantly increasing energy prices rose even further, putting pressure on policymakers to act and investors to start focusing even more on energy opportunities. Additionally, there have been more discussions developing regarding the acceptance of potential investments in the weapons industry, anchored in the framework of security, peace, and justice. Although controversial weapons will always remain un-investable for us, perhaps other weapons-related companies will become more investable again from a SRI/Ethical perspective.

In our previous quarterly report, we emphasised the continued focus and progress in setting abatement plans and working with climate matters and specifically emission reduction targets. This quarter, however, the discussions accelerated exponentially with Russia's invasion of Ukraine, particularly in the EU, where significant energy demands depend on supply from precisely Russia. The original ambitious EU climate plan, Fit for 55, announced during the summer of 2021, was replaced by the even more ambitious REPowerEU plan. This plan emphasises scaling down gas, oil and coal (where 45%, 25%, and 45% of the consumption is imported from Russia, respectively) from external suppliers and focuses on developing measures for the EU to be self-sufficient, including further investments in renewable energy sources.

The Fit for 55 plan has already reduced annual fossil gas consumption by 30%, equivalent to 100 billion cubic metres (bcm), by 2030. With the measures in the REPowerEU plan, it is estimated that at least 155 bcm of fossil gas use could gradually be removed, which is equivalent to the volume imported from Russia in 2021. Nearly 2/3 of that reduction is suggested to be achieved within a year and thus ending the EU's overdependence on a single supplier. This has ignited the debate on investments in energy from an ESG perspective, including whether investments in gas and nuclear from more secure and affordable sources might be part of the solution in the transition to a decarbonised world.

Despite more events taking place this quarter than in decades, we continue to view investments from a long-term perspective and focus on companies with thematic tailwinds. Please also refer to our piece '[The Longer-term Investment Consequences of the War in Ukraine](#)' just published for further insights into how we view the implications of the ongoing invasion

## Portfolio Changes

We did not initiate any new positions during the quarter.



## 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% Military Contracting
- 5% Small Arms
- 5% Adult Entertainment
- 5% Alcoholic Beverages
- 5% Gambling
- 5% Tobacco Products
- 5% Oil Sands
- 5% Shale Energy
- 10% Thermal Coal
- 25% Oil & Gas Production

## Quarterly Direct Engagements

This year we have set out key focus areas for our engagement throughout 2022. We will focus on three areas with two underlying topics in each area. The key areas have been decided through a materiality assessment across all holdings in our strategies:

- 1) Climate change (Decarbonisation and Alignment with international standards such as SBTi and TCFD)
- 2) Environmental impact (Biodiversity and Water management)
- 3) Business Ethics (Bribery & corruption and Signatory to UN Global Compact)

The topics were discussed throughout the quarter, where we met with Hoya, ASML, Siemens, Nestlé, Novo Nordisk, Thermo Fisher Scientific, and Visa. Notable highlights from the meetings are detailed further below.

Besides meeting and engaging directly with companies, we also participated in an investor survey meeting with a representative from the Cabinet Office of the Japanese government. The Cabinet Office is looking to develop standards and indicators for disclosing intangible asset Investment, including intellectual property and ESG and learn from global investors how to identify the factors and trends that drive the value creation in integrating ESG. We are keen to see Japan taking proactive steps in this field as Japanese companies historically and still lag other markets when it comes to embracing the importance and materiality of ESG. Additionally, we are always happy to share our knowledge and engage with stakeholders and interested parties no matter if they are clients, investee companies, regulators, or governments.

### Hoya

Hoya is changing its CEO as of the 1<sup>st</sup> of March. It is now focusing even more on integrating sustainability into its operations and have established an ESG Office and appointed Ms Nakagawa as Chief Sustainability Officer. We are excited to see the developments within ESG happening at Hoya in the latest years and have scheduled a call in Q2 with their new CSO to discuss the ESG strategy in more detail.

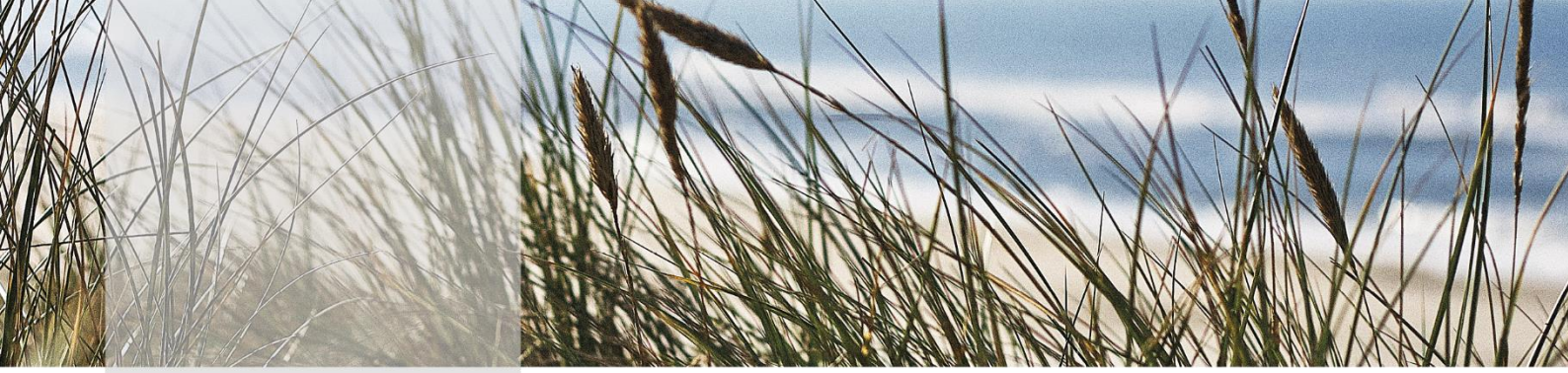
### Kerry Group

Kerry's key sustainability focus is healthy nutrition and waste management; specifically, two of Kerry's three platforms for growth are plant-based nutrition and Food waste. In the case of Plant-based, Kerry is helping its customers create new and innovative products such as meat and chicken substitutes, both of which indirectly reduce their client's carbon footprint. On Food waste, one-third of all food produced ends as waste reaching close to USD 1 trillion annually. Were food waste a country, it would have the third-highest CO2 emissions. More broadly, Kerry has explicit Science-based targets to reduce emissions by 55% by 2030 from a 2017 base year, sustainably source 100% of raw materials by 2030 and shift all plastic packaging to reusable, recyclable and/or compostable formats by 2025.

Regarding areas for improvement, management has admitted that there is more work to do around water and scope three emissions, both of which are under strategic review to improve. Finally, we had a long discussion about corporate governance, focusing on Kerry's financial disclosure around acquisitions and their post-purchase returns. We strongly believe that this is an area where Kerry needs to improve and communicate this to management meaningfully.

### Waters Corp.

As a first in years, we met physically with Waters Corp in the US. Besides the often deeper interaction you get when meeting in person, we had the chance to discuss the company's sustainability plans. Waters continues to evaluate suppliers' sustainability,



and more than 50% of direct procurement spend in 2020 was with suppliers who have set sustainability goals or environmental KPIs. Waters, which is yet to set specific targets for its environmental impact, is looking to reduce greenhouse gas emissions on an ongoing basis. Since 2016 emissions have been lowered by 10%, and several plants have been converted to source more energy from renewables, which will continue to expand in 2022. During the meeting, we made clear that integration of ESG aspects is essential to us as investors and that we will follow Waters's improvement in the coming years.

### **Proxy Voting**

The proxy season started slowly in Q1 when a few portfolio companies held their general meetings.

#### **Bank Rakyat Indonesia**

We voted against the share repurchase program and the changes in the board due to a lack of sufficient information to assess the potential impact on shareholder value.

#### **Novozymes**

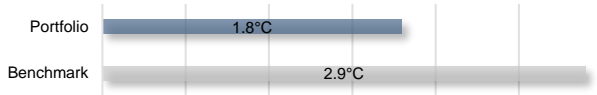
We voted to abstain from the re-election of some of the directors due to issues related to dual roles, lack of gender diversity, non-independent chairmanship status on the audit committee, and overboarding. We would like to see the board improve in these areas.

# C WORLDWIDE CENTURIA EQUITIES COMPOSITE

Average Sustainalytics Risk Rating: 19.8

## Emissions Exposure

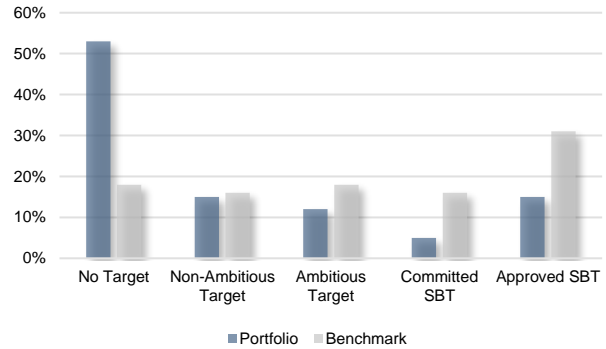
	Emission Exposure		Relative Emission Exposure	Sustainable Development Scenario
	tCO <sub>2</sub> e		tCO <sub>2</sub> e/mill. USD revenue	
	Scope 1 & 2	Incl. Scope 3	Carbon Intensity	
Portfolio	7	193	43.84	2050 Target Paris Aligned 83.10%
Benchmark	80	556	192.85	469.85%
Net Performance	90.9%	65.2%	77.3%	-



In the above table, the portfolio and benchmark are compared regarding their emission exposure and relative emission exposure, enabling us to see the difference between the two.

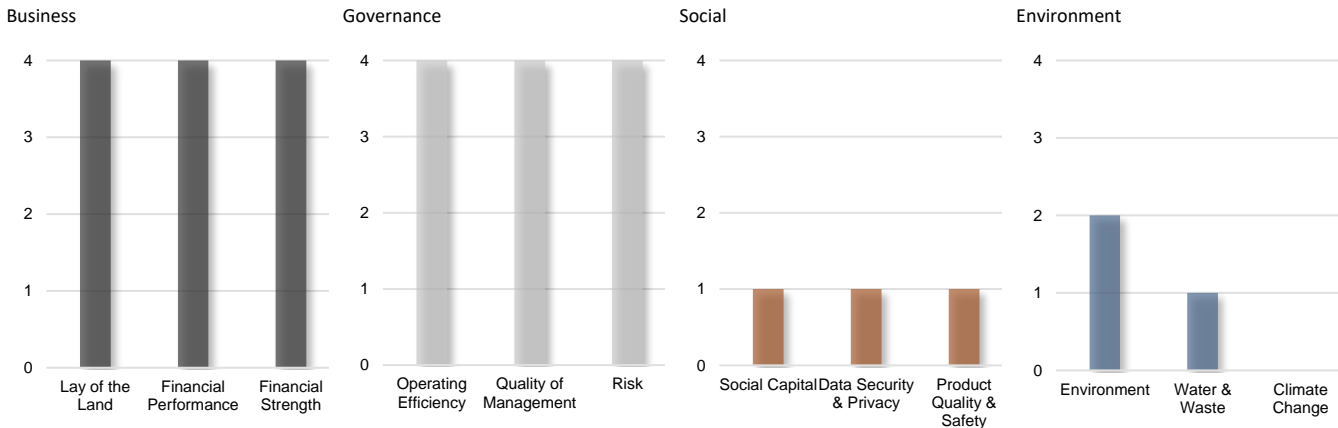
The bottom chart shows the alignment of the portfolio and the benchmark according to the Paris Agreement, thereby the 1.5°C scenario.

## Climate Target Assessment



The graph above 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.

## Direct Engagement Topics



Total direct company engagements for the portfolio: 4

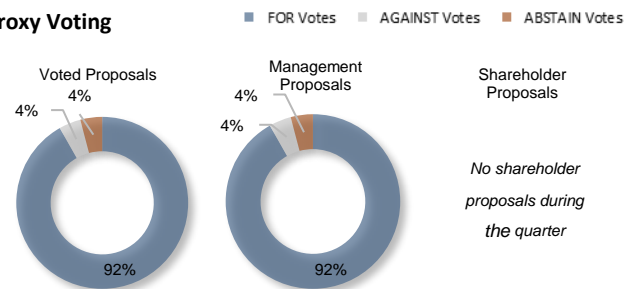
Throughout the quarter, we conducted several direct engagements with the portfolio companies. Our ESG engagements have most often incorporated an aspect of each subject E, S, and G. The above graphs show the top three engagements topics within business, governance, social and environmental aspects. There are several sub-topics within each category that can overlap within one engagement.

## Collective Engagement



The collective engagement approach gives us access to a proven process and highly qualified specialists with strong knowledge and network that can be leveraged in monitoring and follow-up with the investee companies on key ESG issues. As we are minority shareholders, Sustainalytics' ability to pool our engagement and assets with other like-minded investors and shareholders amplifies our influence and our ability to encourage change.

## Proxy Voting



Total votes for the portfolio: 73

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

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