



WORLDWIDE
ASSET MANAGEMENT



ESG Report

Centuria Global Equities

Q3 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

C WorldWide Centuria Global Equities

Quarterly Comments

The summer of 2022 proved no different than that of 2021 when it came to extreme heat, heavy rains, and droughts—changing weather conditions continue to impact nature and people.

Travelling through Europe this summer proved the fact: dried-out lands and wildfires in Italy impacted the crucial harvest of tomatoes, rice, olives, and wine. Diminishing snow on the highest point of the Alps led to a lack of water for crops and rivers. Water levels of the German river Rhine, a crucial transportation route in Europe, at such low levels due to heat that vessels cannot sail through, and lack of precipitation in Norway led politicians to consider whether the level of exported hydropower to its neighbouring European countries should be shrunk.

Extreme weather events impact global food production, transportation, and energy sectors worldwide. Besides Europe, India was hit by heat waves affecting wheat production; heavy summer rains hit China and destroyed rice fields, while later heat waves made crucial waterways dry out and hurt the production of corn and soy, for example, affecting China's most important crops that are used to feed pigs which is China's essential source of meat. All these factors lead to higher prices and, eventually, inflation. This summer, it got a new name: Heatflation.

Following global record temperatures in 2021, the European Central Bank analysed how extreme temperatures might affect inflation. Results indicated that extreme temperatures have differing impacts depending on when they occur within the year. By far, the most significant and longest-lasting impact derives from hot summers, and the short-term supply disruption in, e.g., agriculture can result in longer-lasting downward pressure on demand. ECB concludes that temperature is non-negligible in driving medium-term price developments, which is key for the central bank's monetary policy.

Climate change impacts people and the planet, but it also matters for price stability and is thus another argument as to why the focus must be on solutions supporting sustainable economic growth. Technological developments to support new forms of agriculture, e.g., crops that grow with less water or more weatherproof coffee beans, as well as products supporting the climate transition, are some of the areas we try to support through investments in, e.g., Kerry Group, Novozymes, and Kingspan.



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

Portfolio Changes

During the quarter, we initiated a position in Ferguson. Ferguson is the largest industrial and construction distributor in North America. Its product range is exposed to the Centuria generational trends, Sociodemographic (housing aspiration), and Circular Society (increased water efficiency). The company is a leading wholesale distributor of plumbing, HVAC and MRO products, serving >1,000,000 customers, and primary contractors, in the US and Canada. The board oversees the company's ESG-related issues, suggesting that these are integrated into the core business strategy. Additionally, the company's environmental policy and whistleblower programme are viewed as strong. Product governance, carbon from own operations, and human capital are significant material ESG issues. Overall, we assess Ferguson as having low ESG risks and no material controversies.

Direct Engagements

During the third quarter of 2022, we met with several companies in the portfolio, including A.O. Smith and SIG Combibloc.

A.O. Smith

As a 148-year-old company developing technical solutions for water optimization, sustainability is core to their operations. We discussed the changing mindset of customers to more sustainable solutions and the impact on the business. In terms of residential, the end consumer is less interested in energy efficiency. However, tax incentives for optimised energy solutions are the main drivers of demand within the commercial space, energy efficiency offers an economic payback. For example, a condensing heater with a seven-year life pays back its premium value in three years on energy efficiency. A.O. Smith is in the early stages of ESG integration from a company perspective and has recently created a new Director of ESG role. Given the company's energy efficiency purpose and water purification products, it should be well positioned for climate and energy conservation. As for climate change initiatives, A.O. Smith is still evaluating which framework to adopt and set targets for scopes 1, 2, and 3. So far, the company has adopted a 10% emissions reduction target by 2025. Still, at this point, it makes sense to focus on shorter term initiatives until they have evaluated which framework to adopt. Once ESG targets have been set, they will be part of the CEO remuneration scheme.

SIG Combibloc

SIG is a leading producer of liquid sustainable food-aseptic packaging and has a long history of implementing sustainability in its business model. We discussed climate efforts, waste management, and recycling on the call with them. Current efforts are to remove aluminum from packaging, reducing Co2 emissions by 50%. The aluminum stent bonds the packaging and gives it integrity, which is being replaced with a polymer. Additionally, its more flexible filler systems remove the need for retrofits to facilitate new packaging, which also matches customers' demand to remove single-use packaging. On average, 50% of aseptic is recycled. Where SIG's packaging goes into landfill, they use materials with minimal impact. Often the level of recycling will depend on local collection policies. Compared to aluminum packaging, collecting and returning is not the same value proposition as you don't have to deposit a carton today. However, from a life cycle perspective, cartons use less energy due to low energy intensity in the manufacturing process. We also discussed the current compensation structure where ESG is part of the short-term incentive payments for management, whilst TSR and EPS drive long-term incentives.



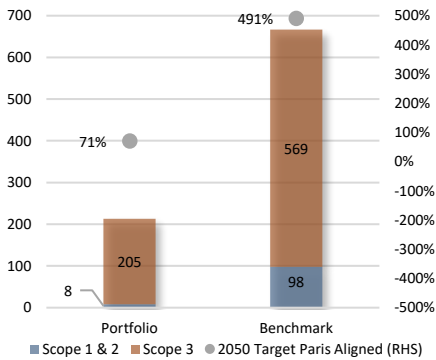
Proxy Voting

There was a relatively limited proxy voting activity in Q3, and only one company in the portfolio held its AGM this quarter.

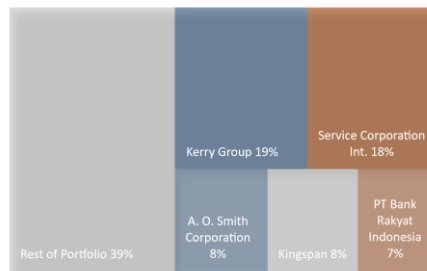
Electronic Arts

We supported the shareholder proposal to submit a severance agreement to shareholder vote given that the request applies only to future severance arrangements. The current agreements will not be affected, and the request offers flexibility as to when the board may seek shareholder approval of a new or renewed severance arrangement, such as at the next annual meeting. It is favourable for shareholders to have the ability to vote on severance amounts that exceed market norms.

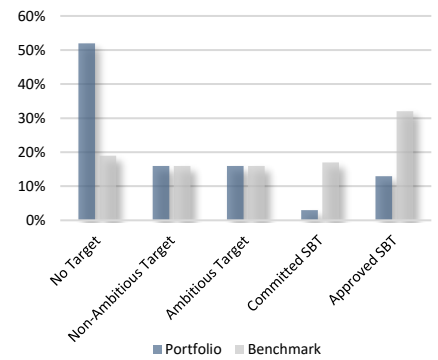
Emissions Exposure & SDS (tCO₂e)



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)

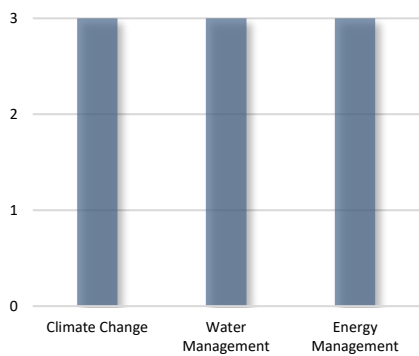


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

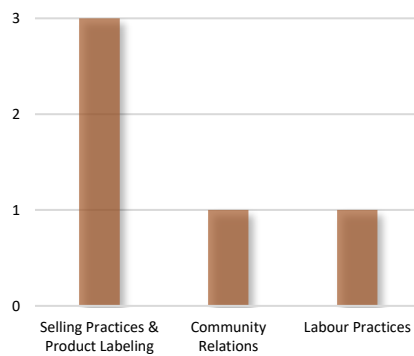
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 30th September 2022

Direct Engagement Topics

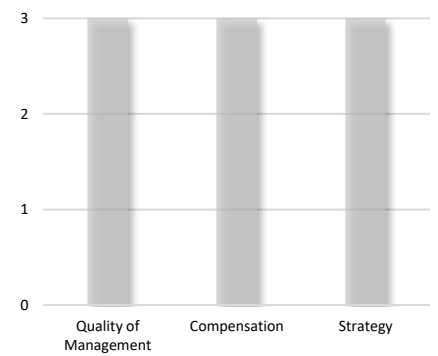
Environment



Social



Governance



Total direct company engagements for the portfolio: 3

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	100%	2
Proposals Voted	100%	26
Meetings with at Least One Vote Against Management	50%	
	42%	Director Election
Proposal Categories (Top 3)	15%	Audit Related
	15%	Compensation

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 September 2022

Source: ISS Proxy Voting. Portfolio as of 30th September 2022

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Active Investments

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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.

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