



WORLDWIDE
ASSET MANAGEMENT



ESG Report

Centuria Global Equities

Q2 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

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Quarterly Comments

The second quarter of 2022 may not have been as eventful as the first, but nonetheless, the ESG agenda never stands still. We continue to see countries around the world establishing and implementing ESG regulations, from climate reporting in the US to general ESG disclosure requirements in China.

More locally, we participated in the annual Nordic Sustainable Investment Forum (SIF) conference that this year was held in person in Iceland. Following two years of virtual meetings and conferences, this was a welcomed change. The key topic for the sustainability conference was “The Ocean”. The obvious choice from a fishing nation like Iceland that depends on the ocean surrounding the country to survive. Nonetheless, the conference addressed everything ESG-related to the ocean, such as biodiversity, climate change, healthy living, and future food and the challenges and opportunities within these areas.

Projected increasing ocean temperatures will likely result in changes in the distribution of marine species and can significantly influence the reproductive cycles of fish. Pressures on coastal and marine biodiversity continue to increase. As per the UN, an estimated 40% of the world’s population lives within 100 km of the coast, putting an unsustainable strain on coastal resources. The human population is projected to increase to close to 10 billion people by 2050, bringing increasing pressure to marine and coastal resources. Interestingly, oceans have absorbed as much as half of all human-caused carbon emissions over the past two centuries. “Blue carbon” ecosystems such as mangroves, seagrass beds, tidal marshes and other marine and coastal vegetated ecosystems are among the most intense carbon sinks on the planet.

However, although the ocean is 70% of the planet Earth, little focus is on this from an investment opportunities angle. When discussing biodiversity, many instantly think of deforestation and the loss of fertile lands. We have previously discussed biodiversity impact and frameworks available to monitor and assess data and found that coverage was still quite limited. Today, we still see only a minor part of portfolio companies disclosing water-related reporting figures. This is according to the CDP, which collects corporate data and rates corporates within three environmental areas: climate change, forests, and water security. Respectively, 8 of the 30 companies in the Centuria Global Equity portfolio report to and are scored by CDP on water, but only 1 has an A-rating. This highlights the continued challenge of sufficient and reliable data to properly assess from an investment perspective. But despite this, we see some interesting long-term trends within the ocean as a topic that could prove relevant for investment themes in the future.

During the quarter, we updated our climate approach and commitments to more initiatives. We officially support and are a member of the TCFD and Climate Action 100+; to add to these initiatives, we joined the Net Zero Asset Managers (NZAM) in June of this year. NZAM is an international group of asset managers committed to supporting the goal of net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5C degrees. The key focus of the initiative is not to exclude investee companies but rather to engage with investee companies to take part in the transition needed. This is fully aligned with our current approach. Within the next 12 months, we will set specific targets aligned with the NZAM initiative based on recognised frameworks such as the Science-based Targets Initiative (SBTi).



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

There were no changes to the portfolio during the quarter.

Direct Engagements

During the second quarter of 2022, we engaged with several companies, including Hoya, Kingspan and Bank Rakyat Indonesia.

Hoya

With the new CEO, Ikeda, former CTO of the company, the focus on sustainability continues to increase for Hoya. We met with the newly appointed Chief Sustainability Officer and head of Hoya's ESG Promotion Office. Although Hoya has been working with their understanding of sustainability and integration over the past years, the key focus for them is to implement a new ESG policy. The policy is to be implemented across the group, define material key topics within each of Hoya's four sustainability areas, and set targets for each division. This is currently taking place by interviewing division leads, which should lead to KPIs being implemented for the short-term (5 years), including climate reporting aligned with TCFD and the long-term target for 2040. Just in time to celebrate Hoya's 100th anniversary. We also discussed Hoya's focus on human capital and how to attract and retain more women to the company. Hoya is now utilising employee engagements to better understand how to retain a qualified workforce. This led to an increase in female managers from 5% five years ago to 12% today. The target is to have 25-30% women in management.

Kingspan

We met with Kingspan to get an update on the Grenfell Tower accident and following investigations, as well as its sustainability program Planet Passionate. The Grenfell Tower accident has impacted Kingspan in multiple ways. The K15 isolation plates used for the building were not properly fire tested due to manual/personnel errors and procedures were not followed. This has led to changes in the organisation, but also updates to the Code of Conduct as well as training in the code and establishment of a whistle blower programme. Kingspan's Group Compliance programme is today ISO-certified and applied to 12 sites, which is expected to grow further in the coming years. Current findings suggest that the isolation plates did not contribute to the Grenfell Tower, but we are following the development of the investigations for any impact to the company. Kingspan Planet Passionate is based on four pillars, Energy, Carbon, Circularity, and Water, where the overall mission is to bring a real sustainable, lower carbon solution to customers. For its decarbonisation strategy, supply chain interaction is key. Kingspan has significantly increased its engagement with suppliers to reduce scope 3 GHG emissions and have invested in the Swedish H2 Green Steel that will lead to 95% reduced emissions from steel production by 2025. Furthermore, Kingspan has introduced a take-back scheme for used products to promote circularity, but the real push is not expected until regulation is in place to fully circulate materials for value.

Bank Rakyat Indonesia

During this quarter, we met with Bank Rakyat Indonesia's managing director of finance, where we discussed social and governance issues. Bank Rakyat is one of Indonesia's leading commercial banks, focusing on microfinance and corporate loans. We discussed the development of its cost-effective solutions leveraging its vast physical presence and digital capabilities to deliver banking products to the under-banked sections of society, thereby enabling financial inclusion in Indonesia. We have also seen this development in India in recent years and foresee further development in Indonesia in the coming years.



Proxy Voting

As always, Q2 is the peak proxy voting period. Most of our holdings held AGMs throughout the quarter, and again a decent amount of shareholder proposals were suggested across markets and industries.

Kingspan Group Plc

We voted for the re-election of Jost Massenber as Chairman of the board, thereby against ISS's recommendation. We believe this is a critical strategic role following the resignation of Murtagh senior, and not one which warrants using our vote to make a statement. Furthermore, on the most recent board appointments, the gender diversity has been 50/50. We prefer to focus on forward-looking behaviour on this matter rather than look backward-looking.

We voted for the re-election of the CEO. Since the last vote, we have seen a significant increase in disclosures and company actions which have given us comfort that this issue has been dealt with by the company in an appropriate manner. In our thinking, a vote on the CEO at this point is binary: you back the CEO or exit the position. We will continue to appraise the matter as further information and disclosure become available.

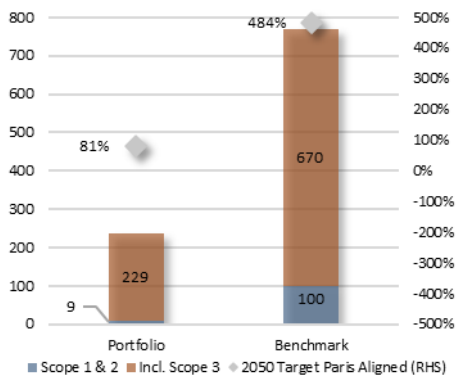
Edwards Lifesciences Corporation

We voted against this shareholder proposal as we believe that a vote on reducing ownership threshold for shareholders to call special meeting in accordance with the Board recommendation i.e. against ISS recommendation makes sense. Edwards lowered the threshold for calling a special meeting to 15% in 2016 and have a few large shareholders, i.e. Blackrock and Vanguard which together hold more than 15% of the votes. Thus already today it would be easy to call for special meeting if the largest shareholders deem this necessary. Lowering the threshold to 10% at this point of time does not make sense.

C WORLDWIDE CENTURIA GLOBAL EQUITIES

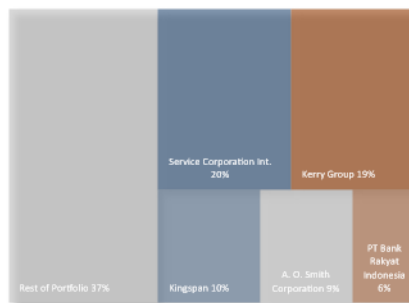
Sustainalytics Portfolio Risk Rating: 19.5

Emissions Exposure & SDS (tCO₂e)



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.

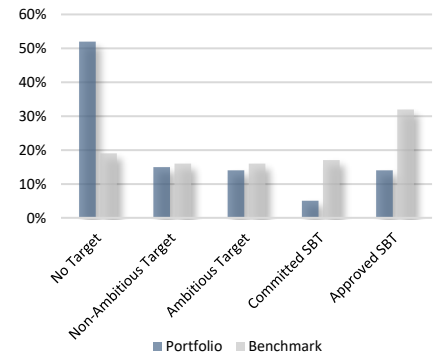
Top 5 Contributors to Portfolio Emissions



Carbon Intensity (tCO₂e/mill. USD revenue)



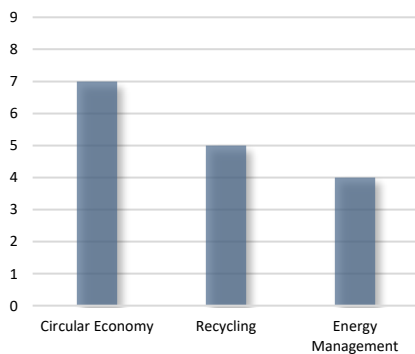
Climate Target Assessment



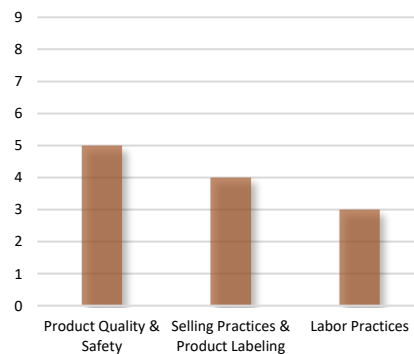
The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

Direct Engagement Topics

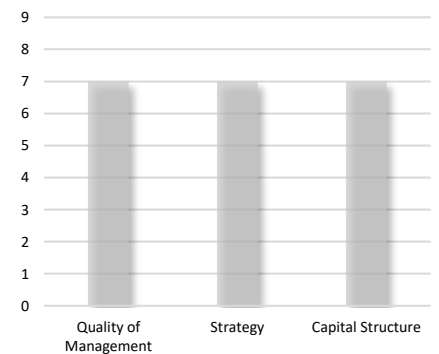
Environment



Social



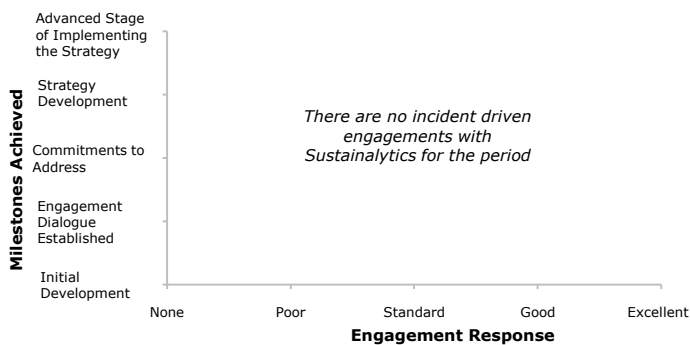
Governance



Total direct company engagements for the portfolio: 9

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%	24
Proposals Voted	100%	264
Meetings with at Least One Vote Against Management	38%	
Proposal Categories (Top 3)	63%	Directors Related
	14%	Routine/Business
	11%	Non-Salary 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.

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