



Sustainability Report

Centuria Global Equities

Q3 2024



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

C WorldWide Centuria Global Equities

Quarterly Comments

Navigating Varied Outcomes From 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 EU in 2021 and for a quarter of global emissions. Over the next 15 years, emission limits and free allowances will decrease to zero. CBAM, started 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.

Investment considerations

Looking specifically at our equity portfolio exposures 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



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, assault weapons
- 5% Small Arms, small arms or key components to small arms
- 5% Adult Entertainment
- 5% Gambling
- 5% Tobacco Products
- 5% Oil & Gas, oil and gas exploration, production, refining, transportation, or storage
- 25% Oil & Gas, generation of electricity from oil or gas
- 5% Thermal Coal, thermal coal extraction
- 10% Thermal Coal, generation of electricity from thermal coal
- 5% Oil Sands
- 5% Shale Energy

overall business, and the chemical sector sees the biggest impact from lower free carbon allowance, as the CBAM 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

Asian Paints

Main topic: Environmental Impact of Products

Asian Paints publish annually a sustainability report on their progress. Asian Paint set certain sustainability targets using 2014 as a baseline. Since then, they have reduced scope 1 and 2 GHG emissions by 74% off the baseline. 62% of electricity now comes from renewables and 5,200 tonnes of recycled plastic is being used in packaging, which accounts for 7,8% of total plastic packaging.

As a paint producer, focus is on safe and eco-friendly products that are best-in-class through the green-certified low Volatile Organic Compounds (VOC) product range, which is high-durability products with higher renewable content. Asian Paints have formulated Nilaya Naturals, a first-of-its-kind paint with over 90% natural ingredients. The development within this product range is key to their sustainability strategy. One of the latest projects involves backward integration to manufacture environment-friendly low VOC Vinyl Acetate Ethylene Emulsion (VAE), which represents a significant step toward strengthening their position in this area.

Kotak Mahindra Bank

Main topic: Business Ethics

In our meeting with Kotak Mahindra Bank (KMB) in India, we discussed the recent reprimand from the Reserve Bank of India RBI, their key response was that this is something that will happen to all the banks. The basic tenet was that the RBI did a technology audit on KMB and found them lacking in their ability to deal with the huge increase in the number of transactions that have been caused by the growth of the UPI system, a pay-per-bank system that allows tiny



transactions to be digitised. This was compounded by KMB's strategy of opening new accounts digitally. Their response is that this has been an issue with the banking system per se and they believe that they have received a disproportionate amount of attention. We met with other banks while in India, who confirmed this. Our impression is that there has been some tension between KMB and the regulator around succession and the founders are generally reluctant to relinquish control. The RBI sets specific time limits for CEOs for risk prudent reasons. This has now been resolved by KMB who have hired a tech savvy new CEO. We are hopeful this will resolve the issue but will monitor the development.

Synopsis

Main topic: Energy Usage, Merger

We met with the CEO of Synopsis to discuss the impact of the AI expansion, the effects on energy use, and the regulatory process for Synopsis' acquisition of Ansys that is still ongoing.

AI requires immense amount of energy. Synopsis are looking into developing further its offering of low-power computing by offering energy-efficient but powerful chips. Further, the company is increasing the use of renewables in its facilities and have made power purchase agreements for renewable energy in both Texas and India. Synopsis has had validated SBTi approved GHG emissions reduction targets since 2023.

Due to the size of the acquisition regulators are reviewing in detail, and among key areas of focus are if customers support the transaction and that the level of overlap between the two companies. The dialogue with regulator is progressing well and expected closure it set to H1 2025.

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.

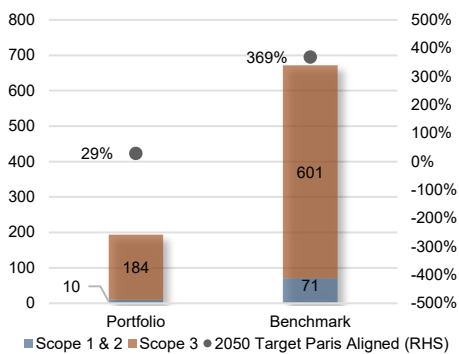
Electronic Arts, Inc.

Various proposals were addressed. A vote was cast against the election of Andrew Wilson, op-posing both Glass Lewis and management recommendations, due to concerns about his dual role as Chairman and CEO.

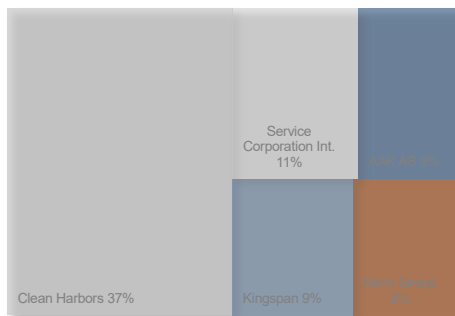
In contrast, the Advisory Vote on Executive Compensation proposal was supported, aligning with both management and Glass Lewis, as the long-term incentive program is based on operating profit, net booking development, and TSR over three one-year periods.

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

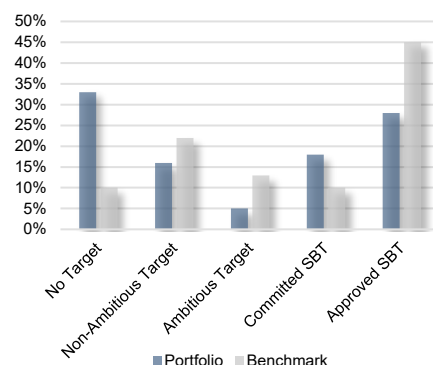
Emissions Exposure & SDS (tCO₂e)



Top 5 Contributors to Portfolio Emissions

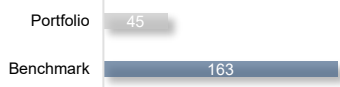


Climate Target Assessment



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)

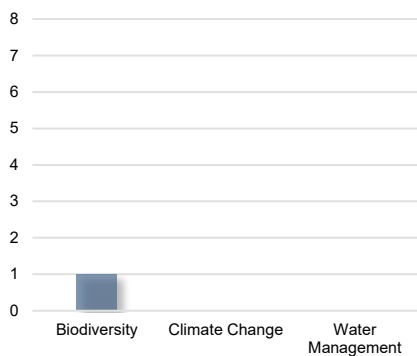


The above graph shows how many of the companies in the portfolio have set climate targets and how ambitious these are. Having ambitious targets, being committed to Science-Based Targets (SBT) or having approved SBT shows close alignment with the Paris Agreement.

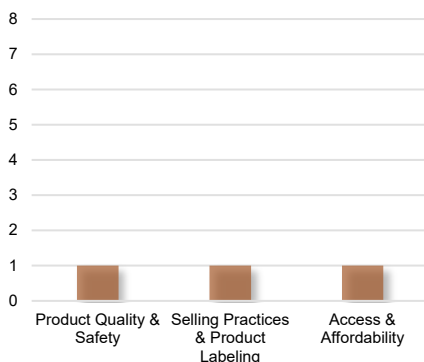
Source: ISS Data Desk (Climate Assessment). Based on a portfolio Value of 1,000,000 USD. Portfolio as of 30th of September 2024

Direct Engagement Topics

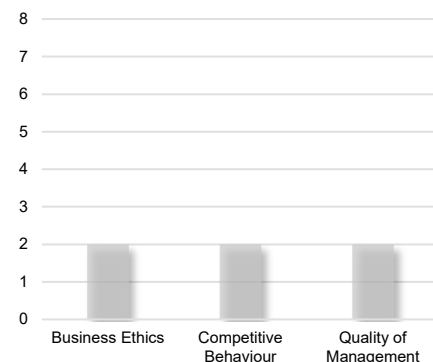
Environment



Social



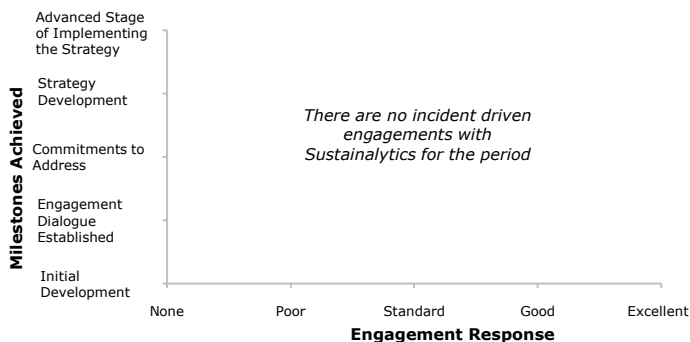
Governance



Total direct company engagements for the portfolio: 2

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%	21
Proposal Voted Against Management	10%	
Proposal Categories (Top 3)	48%	Audit/Financials
	33%	Board Related
	14%	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 of September 2024

Source: Glass Lewis Proxy Voting. Portfolio as of 30th of September 2024

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