2023
Responsible Investing Report

MAWER
Be Boring. Make Money.™

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A Message to Our Clients

At Mawer, we often remind ourselves to "not fix a ship in a hurricane," meaning that when markets get uneasy, investors tend to want to do something—they want to take some sort of action in order to keep their capital safe. This is understandable but usually imprudent, after all, the best time to fortify a ship is long before it sets sail from the harbour.

Our research team at Mawer has been continually strengthening our ship by embedding ESG considerations within our investment decision-making process. Our approach has always deemed ESG factors as a key input that supports sustainable business practices which, in turn, contributes to identifying investment opportunities and better risk management over longer time horizons. Moreover, our investment philosophy of investing in wealth-creating businesses, with excellent management teams, and purchasing them at reasonable prices, helps put the odds of success in our clients' favour from the start. When we invest in businesses with endurance, the ship is fortified long before it sets sail.

The ESG industry is witnessing continuous transformation with a multitude of regulations and standards emerging. As such, one of our ESG committee's strategic priorities is to ensure preparedness. We commit to continually expanding our knowledge as ESG issues evolve and to improving our processes. In this ever-changing environment, we understand the importance of adaptability, and our team is dedicated to staying at the forefront of responsible investing practices.

And, in an evolving landscape where the term ESG is under increased scrutiny, we remain steadfast in our commitment to responsible investing, recognizing that it goes beyond a mere label. We firmly believe that those who prioritize short-term gains at the expense of responsible practices are likely to face consequences in the long run.

We are grateful to our clients who have engaged in dialogue with us to help us improve our processes. Continual learning and improvement are key parts of our culture. We are pleased to have made notable progress over the last year in a number of areas such as ESG governance with accountability at the board level, more frequent ESG reporting, updating policies to clarify our approach to engagement, and leading by example (our fifth principle of responsible investment) by implementing several Diversity, Equity, and Inclusion (DEI) initiatives, and taking the necessary steps to measure our own carbon footprint.

The world will continue to evolve in unpredictable ways; however, our investment approach provides us with a solid foundation to steer our ship through uncertain waters.

Your partnership, support and collaboration have been integral to our success, and we look forward to continuing this journey together.

Vijay Viswanathan, Director of Research

Responsible Investing Principles

Our approach to responsible investing is to incorporate material environmental, social, and governance (ESG) factors into our investment decisions to better manage risk and generate sustainable, long-term returns.

Mawer's responsible investing decisions are guided by 5 key principles:

1. Our primary objective is to maximize long-term, risk-adjusted returns for our clients
2. ESG factors can impact the sustainable competitive advantage and the risk/return profile of our investments
3. Integrating ESG factors into our investment process increases the odds of investment success
4. Engaged ownership is an important responsibility we fulfil on behalf of our clients
5. Lead by example. As a corporate citizen, we strive to improve our own ESG practices

2023 at a Glance

Firm at a Glance

1974
Founded in Calgary

$88B
Assets under management

100%
Independently owned by 71 owners

98%
Client retention†

Investment Approach

1
Investment philosophy

1
Integrated ESG approach

+1,200
Management interviews

99%
Meetings in which we voted

All figures as of December 31, 2023 †Annualized rate over the past 10 years as of December 31, 2023; Institutional clients only

Proxy Voting

	Meetings Voted		Against ISS*		Against Management	
	#	%	#	%	#	%
Mawer International Equity	65	100.0	66	7.0	60	6.4
Mawer U.S. Equity	55	100.0	93	11.7	87	10.9
Mawer U.S. Mid Cap	40	100.0	45	11.0	35	8.5
Mawer Global Equity	56	100.0	106	11.2	60	6.4
Mawer Global Small Cap	55	100.0	94	11.3	42	5.1
Mawer Emerging Markets Equity	80	95.2	34	5.1	73	10.9
Mawer EAFE Large Cap	63	100.0	68	5.7	55	4.6
Mawer Canadian Equity	39	100.0	53	9.4	59	10.4
Mawer Canadian Small Cap	40	100.0	58	14.5	44	11.0

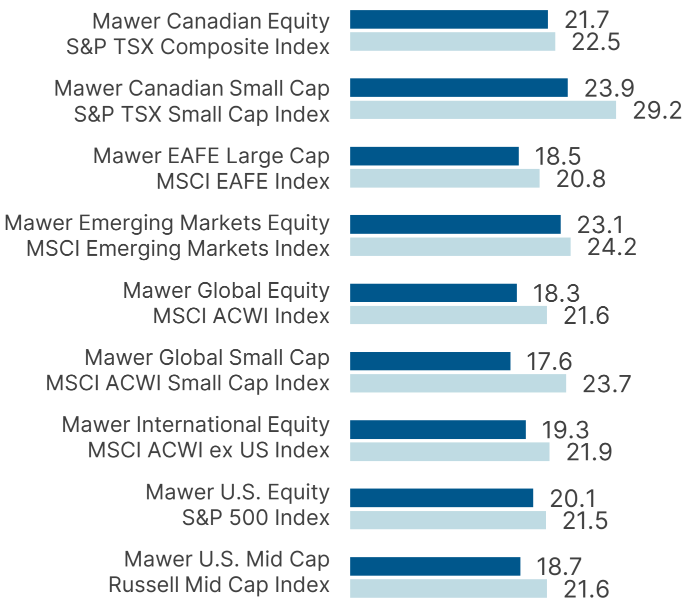
For the period of January 1, 2023 to December 31, 2023. Proxy voting records are based on Mawer Canadian mutual funds and are presented for illustrative purposes only. Please see appendix for full disclaimers.

Proxies can be accessed at www.mawer.com/documents.

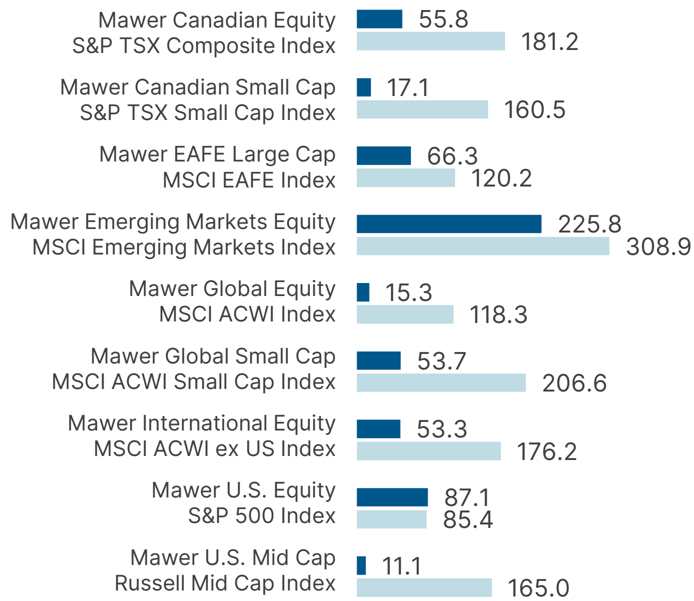
*We subscribe to Institutional Shareholder Services (ISS) to provide us with additional research and context, but ultimately, we use our own judgment in deciding how to vote.

Mawer Portfolio vs. Benchmark

ESG Risk Rating



Carbon Intensity



Source: Sustainalytics as of December 31, 2023. Portfolio information is based on the strategy's representative account. Please see appendix for full disclaimers.

The strategy's primary objective is to maximize long-term risk-adjusted returns for clients. Sustainalytics provides us with ESG scoring, metrics on carbon footprint as well as research reports to assist us with understanding our exposures and evaluating the impact of ESG factors on our portfolios and their respective benchmarks. While Sustainalytics is a resource, independent research, judgment, and decision-making related to incorporating material ESG factors is at our discretion.

ESG Risk Rating: measures the degree to which a company's economic value is at risk driven by ESG factors, as assessed through Sustainalytics' calculation of the company's unmanaged ESG risks.

Carbon Intensity: is a relative metric used to compare company emissions across industries. Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide per million USD of total revenue.

Our Approach

Integration

As bottom-up, long term investors, our investment philosophy is centered on looking for wealth-creating companies run by excellent management teams that trade at a discount to their intrinsic value. All investment decisions—along with an evaluation of associated material risks and opportunities including ESG factors—are made through this lens. Mawer views responsible investing as a key framework that supports sustainable business practices and, as a result, contributes to successful long-term investing.

Our approach to responsible investing is one of integration, whereby our long-term focus requires us to integrate how, and to what extent, varying factors impact the businesses we own. ESG factors are considered as an input in assessing the quality of investments to enable sound decision-making when constructing portfolios. Where relevant, ESG factors may impact the valuation of securities, through revenue estimates, cost projections, and/or discount rates.

Active Stewardship

Engagement

We define engagements in the following three ways:

1. Fact finding and gathering information: This helps Mawer assess the magnitude and probability of potential risks and opportunities.

2. Acting in an advisory capacity and providing input: In keeping with Mawer's decision-making model whereby a leader decides with input, Mawer's experience suggests providing direct input to decision-making authorities (e.g., management teams), through engagements and indirectly with voting and our ownership, produces the best long-term outcomes.

3. Influencing change: Applicable in scenarios where there is a reasonable chance Mawer could impact the desired outcome (e.g., being a large shareholder).

We find that half of our engagements fall under the advisory category where management teams reach out to us to seek our input. Acting in an advisory capacity is where we provide the most value and have the most success. This isn't surprising given our long-term relationship with management teams helps build mutual trust enabling them the opportunity to seek our input on a wide variety of areas including ESG considerations.

Excellent management teams tend to strengthen a company's competitive advantages allocate capital toward wealth-creating endeavours, treat stakeholders fairly, and manage risks and opportunities in their businesses effectively. Through this lens, excellent management teams often manage ESG matters effectively and support a sustainable perspective, and we've come to find that the need to engage and demand change is often limited.

Having said that, while we are not activist investors, we are active investors who will engage with companies where relevant as part of managing our clients' capital. We believe that engaging with management teams can help facilitate positive change in public entities. The investment analysis of entities may create insights that relate to ESG risk or opportunities. When such issues may have a material impact on the company, Mawer encourages research team members to engage with the management team and express their ideas and opinions.

Proxy Voting

Casting votes in a manner that is consistent with the long-term interests of a company's shareholders is one of Mawer's fiduciary responsibilities. Furthermore, shareholder voting is one of the most effective methods for promoting proper governance practices. Corporate governance includes taking into account environmental and social considerations which are key frameworks that support sustainable business practices and, as a result, contribute to long-term responsible investing.

Proxy Voting cont'd

Our policy on proxy voting is to vote all proxies in the best interests of shareholders, our clients. As part of our integrated approach, we perform our own research to inform our proxy voting decisions. We subscribe to Institutional Shareholder Services (ISS) to provide us with additional research and context, but ultimately, we use our own judgment in deciding how to vote.

As a rule, Mawer does not avoid investment in entities where the portfolio managers or analysts may not support a company's board or management actions. In our view, voting "against" can be consistent with the general investment support of the company, reflecting engaged ownership. We support investment team members' engagement with a particular management team or board, at the appropriate time, and subject to all relevant securities laws, to communicate the firm's rationale for voting against a particular motion, to explain the principle or guideline applicable, and to suggest more suitable alternatives. Having said that, given our philosophy of investing in wealth creating businesses with excellent management teams, our experience has been that more often than not we have voted in line with management's recommendation.

Collaborative Partnerships

We participate in partnerships that align with our firm's philosophy and approach to advance sustainability efforts collectively.

We are proud members of:

nicsa | Diversity Project NORTH AMERICA

Member since 2021. Participate in their Benchmarking committee and their CEO Advisory Council.

PMAC

Member since 2006. Participate in various committees such as compliance, industry regulation, and DEI, and co-chair the DEI networking group.

NATOA

Member since 2019.

PRI | Principles for Responsible Investment

Signatory since 2019.

CFA Institute

Signatory of the CFA Institute Diversity, Equity, and Inclusion Code since 2022.


RESPONSIBLE INVESTING IN ACTION

Navigating the Energy Transition

Readers of our *Responsible Investing Report* over the past few years may have noticed a common pattern across Mawer's equity portfolios: their carbon intensity, as measured by aggregating companies' absolute emissions of carbon dioxide per dollar of revenue, tends to be lower than that of their respective benchmarks, often significantly so.

This is, in part, due to a general underweight in one of the highest-emitting sectors—energy. Companies engaged in fossil fuel extraction and related services account for less than 3% of investments across the Mawer investment platform. A general lack of pricing power tied to the commoditized nature of their output and a host of risks, including significantly lower long-term demand and regulatory/remediation costs, can make the long-term investment theses of such companies difficult to justify and subject to heightened uncertainty. And even among our existing investments in the energy sector, understanding the way companies are addressing or helping with decarbonization is an important part of our investment approach.

Consider our position in Norway's Equinor. The company operates low-cost oil and gas assets that are also low-carbon. The company estimates that its upstream CO_2 emissions are 6.9kg per barrel of oil equivalent (BOE), which compares favourably to the industry's average of 16kg. Furthermore, Equinor continues to allocate capital to push this even lower. For instance, its latest, state-of-the-art Johan Sverdup oil field in the North Sea is estimated to have 80-90% lower CO_2 emissions per BOE than the global average, in part because it is powered by wind. Equinor is increasingly electrifying its process plants and offshore installations as part of an overall business strategy to both satisfy Europe's energy needs throughout the energy transition while also investing in high-value renewables.

Last year, we engaged with another portfolio holding, Prio, to better understand management's strategy and its approach to carbon emissions. Prio's business model is a bit unique, resembling more of a private equity approach to upstream oil and gas in Brazil. Management aims to purchase neglected assets from major producers cheaply and, with added focus, seeks to operate them more profitably. Our engagement helped us to understand that, beyond greater profitability, there are additional benefits of Prio's approach. With Prio's increased focus, these assets are also operated more safely, more efficiently, and with lower emissions than under their previous owners. Management's track record in this regard suggests genuine competence, and we have encouraged even greater measurement and disclosure of emissions data to ensure we can continue monitoring the Prio's progress.

Navigating the Energy Transition cont'd

Finally, we own investments in companies principally engaged in alternative energy production. Spanish utility Iberdrola is the largest operator of wind farms globally. Iberdrola was early to focus on transitioning to renewable generation and it uses its global network of minority partners to help fund renewable projects. Like Equinor, the numbers support the narrative, with CO_2/KWh declining from 301 in 2007 to 96 today. And Kazatomprom, the world's largest uranium company, may benefit from the long-term trend of decarbonization given that nuclear power is the only clean baseload power for electrical grids. Furthermore, Kazatomprom has a significant cost advantage relative to its peers, in part due to its scale, but more importantly due to the favourable geology in Kazakhstan where greater mineral concentration and sandstone lining mean the uranium can be mined more easily, and in a more environmentally friendly way, than anywhere else in the world.

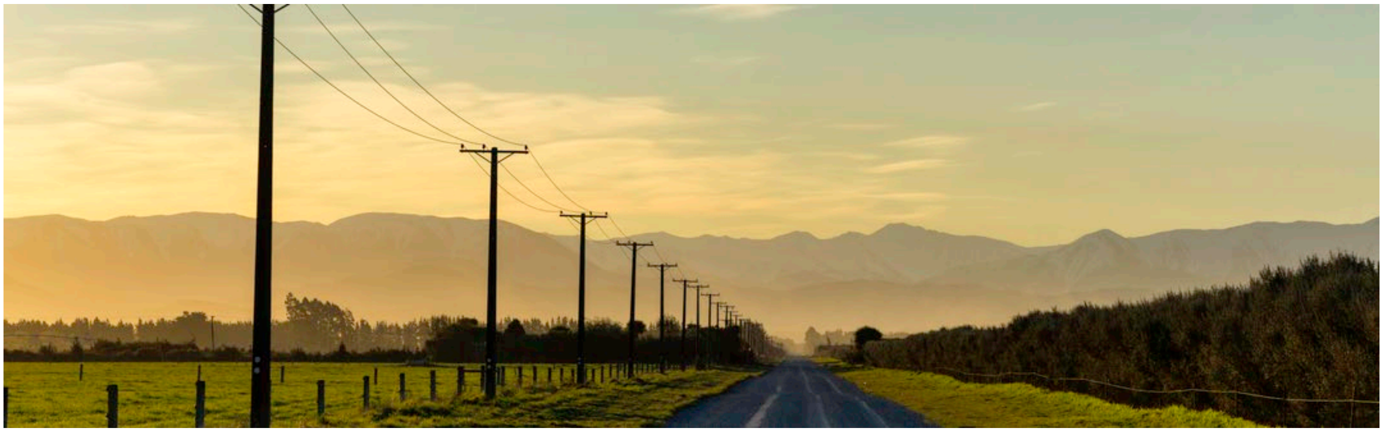
Blazing Trails

A recent UN-backed report suggests climate change and land-use change are projected to make wildfires more frequent and intense, resulting in a global increase of extreme fires of up to 14% by 2030, 30% by the end of 2050 and 50% by the end of the century. Amidst the concerning trend of escalating large-scale wildfires, our team reviewed their investment in Stella-Jones, one of North America's leading producers of pressure-treated wood products such as utility poles, railway ties, industrial products, and residential lumber.

Utility poles specifically are an interesting example of a competitive threat emerging from climate change but also an opportunity to address important problems through innovation. On one hand, utility poles are typically made of wood, a biodegradable option that takes less energy to produce than other options like steel, concrete, and carbon fiber. On the other hand, as a flammable material, poles made from wood can exacerbate wildfire risk.

Stella-Jones has developed fireproofing material to wrap around their utility poles, greatly reducing the chance the poles catch fire. Not only does this generate a better environmental outcome, but the company enjoys a higher margin on this product line and lessens the displacement risk posed by alternative materials.

The team also engaged with Fortis, a Canadian regulated utility, to understand the risk wildfires pose to the business following a year of unprecedented impact. Utility poles, along with transmission and distribution lines, are core components of Fortis' infrastructure which moves electricity across the grid. Although wildfires pose a serious risk to this infrastructure, Fortis' management highlighted several key mitigants: (1) increases in the rate base are allowed by regulation in the event of infrastructure damage, (2) property and casualty insurance is in place, and (3) structural protections are built into the holding company corporate structure whereby each utility under the broader Fortis parent company is its own separate subsidiary which limits liability at the parent (shareholder) level. Overall, the biggest threat to the business from wildfires is corporate negligence, which we think is well-addressed by their competent and engaged management team.



Real Estate – The Silent Emitter

The UN estimates that real estate is responsible for 37% of global emissions. Three-quarters of those relate to “operational” emissions, i.e., carbon emitted from activities primarily associated with lighting, heating, and cooling. There is a tremendous opportunity to reduce this footprint, and indeed, the UN anticipates that operational emissions will decrease by a third over the next decade. Businesses that provide technologies and innovative products aimed at improving energy efficiency, resource conservation, and emissions reductions stand to benefit from this trend given a long runway.

Many of our industrial holdings offer “solution-as-a-service,” providing real engineering expertise to solve their clients’ problems and have been reporting double-digit revenue growth. An example is Kingspan, the world’s leader in high-performance insulation products that reduce the heating and cooling needs of buildings, along with the associated energy consumption and costs. Kingspan estimates that the products it delivers in a single year save ~172 million tonnes of CO_2 over the life of the buildings insulated. Kingspan has also fully embraced sustainability internally too, having reduced the energy intensity in its own processes by 90% over the past decade, while recycling 400 million plastic bottles within its insulation material over the past year.

Another example is Sika, which manufactures specialty chemicals for the construction industry with a long history of developing effective products that align with the shift toward greater sustainability. Management estimates 70% of its revenues are generated from products that have a positive sustainability impact. Recent innovations include a process to produce high-quality concrete from 100% recycled aggregates (think: demolition waste), and reflective thermoplastics that reduce sunlight heat absorption on roofs.

Both Kingspan and Sika produce products that are backed by competitive advantages, that lead industry standards, and that boast management teams who continue to invest in developing even better solutions. For example, Kingspan seeks to incorporate a billion recycled plastic bottles into its insulation products by 2028.

Prepare, Don't Predict

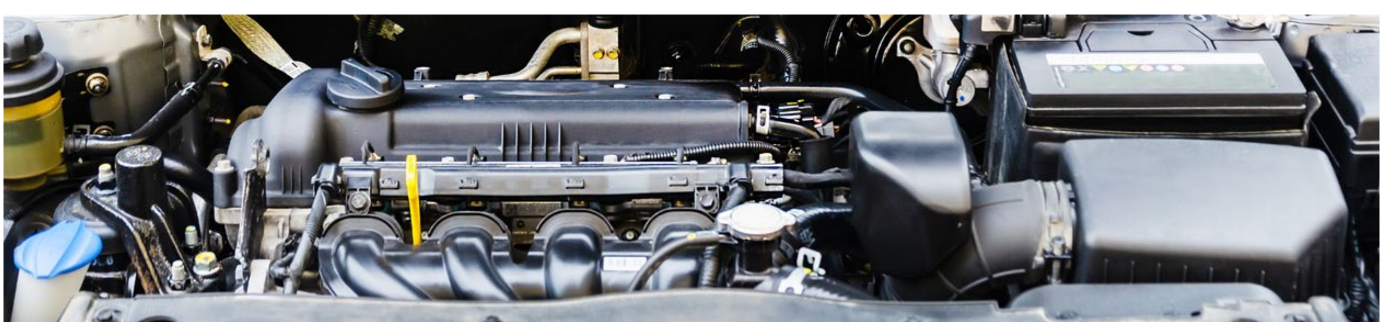
What's a Mawer report without one of our most oft-repeated catchphrases, *"Prepare, Don't Predict"*?

You've commonly heard us use this expression when describing our approach to portfolio construction, dealing with geopolitical or macroeconomic events, or in adopting a non-predictive approach to decision-making. It also plays a role in our evaluation of specific companies and their management teams.

Last year, our U.S. equity strategy invested in BorgWarner, an auto parts manufacturer historically focused on combustion engine and transmission components (think stuff that spins fast or gets hot). The market appears skeptical of the company's prospects given further penetration of electric vehicles. However, over the past decade, BorgWarner designed a portfolio of electric vehicle (EV) components such as high-voltage power converters and electric motors. These designs are now 18% of sales as automakers globally increase their electric vehicle production.

While the pace and limits of EV sales adoption are uncertain, we believe BorgWarner should be a profitable investment across many scenarios. If EV adoption is slower than anticipated, BorgWarner's legacy business should perform well given its strong brand and high switching costs; we'd further note that these internal combustion engine components contribute toward a vehicle's fuel-efficiency. However, if the shift to EVs accelerates, BorgWarner has a tremendous opportunity—its addressable dollar content is higher per EV than per combustion vehicle as EV automakers tend to outsource a higher proportion of the parts BorgWarner produces, i.e., inverters, thermo-control units, etc., and the company has been named the chosen supplier for many new EV platforms. Management has also diversified the client mix across American, European, Korean, and Chinese brands to reduce the impact of specific customer models on the overall business.

On balance, BorgWarner is neither obsolete nor speculative. Net earnings are similar between electric and combustion applications, with the potential to improve electric profitability through production scale. By preparing for the numerous ways in which the world may evolve, as opposed to betting big on one, management at BorgWarner should be able to responsibly steward the company regardless of EV adoption rates and brand competition.



Prepare, Don't Predict – Part Deux

Convenience store operator Alimentation Couche-Tard is another example of the importance of our *"Prepare, Don't Predict"* approach. Our basic investment thesis is Alimentation Couche-Tard should create wealth over many years given its leading market shares in an extremely fragmented convenience market. This provides brand recognition and advantages tied to economies of scale in procurement. Management has been excellent operators and allocators of capital, reinforcing those competitive advantages.

ESG considerations figure very prominently into our assessment in several ways:

- The composition of Alimentation Couche-Tard's revenue streams, some of which carry higher risk of indirect, climate-related disruption, e.g., roughly half of gross profit comes from fuel sales, which may be at risk with greater electrical vehicle adoption
- Various merchandise categories with adverse effects on human health, e.g. tobacco, sugary foods, etc.

We explicitly account for these ESG-related risks both on the qualitative and quantitative axes of our matrix, including:

- We model lower-than-historical levels of in-store revenue growth over time given the risk of fewer visits to stores as vehicles become more efficient, and probabilistically account for scenarios in which tobacco sales evaporate completely due to an outright ban.
- We model declining fuel volumes over time to account for increased EV penetration.
- We use a terminal growth rate of 0% (compared to most other companies we own where we more commonly assume GDP-like terminal growth.)

Norway, a country where Alimentation Couche-Tard has a presence, is an interesting case study regarding the impact of more EVs. The penetration of EVs is reasonably high in Norway compared to North America, and, while it's still early days in terms of EV maturity, the initial signs are, while declining fuel volumes present risks, EV charger installations have led to a material increase in in-store visits and higher profitability on merchandise. In addition, there are opportunities to grow in-store offerings, e.g. fresh foods, etc. This may provide upside to our more conservative assumptions.

In addition, we believe it is the larger players in the industry that will be in the best position to reinvest in electrification, i.e., charging stations, providing opportunities for Alimentation Couche-Tard to gain market share. We're already seeing this play out in Norway.

Weighing these scenarios and the potential risks, we believe Alimentation Couche-Tard presents an attractive investment opportunity at the current price and possesses an excellent management team who should be able to adeptly navigate the long-term challenges facing the business.

Reduce, Reuse, Recycle

Our research team believes companies that make better use of resources, be it through a reduction of inputs used or repurposing of outputs already produced, can improve their competitive positions through saving on input costs and enhancing brand perception and customer loyalty.

For example, CCL Industries is the largest printer of high-quality labels for commercial use globally. Management has set aggressive environmental targets including a 90% reduction in waste going to landfills by 2025 and 100% of facilities in North America and Europe to be net zero by 2030. Some initiatives to support these targets include a customer recycling program organized by CCL, as well a dedicated R&D budget to produce innovative new sustainable and circular products. A key risk for the business is losing customers due to manufacturing processes falling behind on environmental efficiency; however, we don't see evidence of this, and current initiatives are material.

Two portfolio holdings doing their part to ensure goods are reused where possible are Sleep Country and Winmark. Sleep Country is the largest specialty mattress retailer in Canada with a dominant market position and tailwinds from high levels of immigration in Canada. They have a donation and recycling program in place that diverted more than 165,000 mattresses from landfills last year. Winmark's entire business is predicated on reusing as they franchise secondhand goods stores in the U.S. The business model is inherently environmentally and socially friendly, as it helps to reduce both the amount of clothing that ends up in landfills and the amount of new clothing produced for purchase.

Reduce, Reuse, Recycle cont'd

Packaging ending up at landfills is a growing concern globally. To address these concerns, Essity and Winpak are designing new packaging materials with reduced environmental footprints. Essity's personal care and hygiene products such as diapers, incontinence products, toilet paper, etc. are necessary and yet have substantial environmental impacts. While the risks are considerable given the nature of the business, we feel management is doing a good job in addressing them: 80% of packaging from renewable or recycled materials, with a goal of 85% by 2025. They are also testing the use of wheat straw (currently a waste product) as an alternative for pulp. Essity can cheaply collect and mix wheat straw with their traditional fibers, and it requires less water and energy to produce with some proprietary technology to process it. Customers and retailers appreciated these enhanced sustainability credentials, which improves Essity's pricing power.

Winpak is a leading flexible and rigid plastic packaging manufacturer selling mainly to the food and healthcare industries. Plastic packaging has become less socially accepted with 80% ending up in landfill or in the ocean (even if social benefits of its packaging include making food more accessible for consumers and the prevention of spoilage). With the arrival of CEO Olivier Muggli in 2017, the company began refocusing on innovating its product suite with the aim of one day boasting a fully recyclable portfolio of packaging. The efforts are beginning to pay off as they have made a breakthrough in recyclable flexible film, drawing inspiration from the shoe industry, using alternating hard and soft layers of materials to ensure both toughness of packaging, as well as recyclability. The packaging bears a lower carbon footprint than the legacy offering and is starting to be rolled out to customers.

Flowing Forward

Reducing water usage, introducing recycling initiatives, and ensuring water sources are not polluted are all important parts of reducing water stress globally. Several of our portfolio companies are making strides to reduce freshwater usage in their industrial processes and those of their customers.

This is exemplified by TerraVest, a manufacturer of steel tanks for fuel containment (heating oil, propane, ammonia fertilizers). Our research team met with the manager of one of their primary plants at the propane tank division and discovered the company installed a water recycling system for use in safety testing the tanks. Where previously two thousand gallons of water would have been used once per tank for pressure testing it prior to shipping, that water is now recycled and used in many tanks over the course of a year. The company's commitment to reducing costs and increasing efficiency resulted in increased throughput at the facility, as well as reduced financial and environmental costs for company.

Sartorius Stedim is another example. They supply equipment for manufacturing biologics which are drugs derived from living organisms and include various antibodies, vaccines, and genomic therapies. The production processes are highly complex with numerous customized steps to grow and then purify the product. Sartorius is a leader in single-use capital equipment products which entails customers replacing stainless steel capital equipment with essentially plastic products that reduce upfront capital requirements, improve speed to market, and offer more flexible usage of space. These products are incinerated post usage, but they are regarded as more environmentally friendly given the intensive cleaning required between batches with stainless steel.

Safety Track Record

On May 22, 1915, a train carrying soldiers from the 7th Battalion of the Royal Scots collided with a stationary passenger train in the hamlet of Quintinshill, Scotland. A minute later, a third train joined the wreckage and ignited a fire which engulfed two additional freight trains parked on adjacent tracks. Initial investigations determined the blame lay with the negligence of two signalmen, though a more recent investigation into the tragedy suggests the cause was a broader culture of lackluster safety procedures within the Caledonian railway company at large. More than 200 people died in the wreck, and what has become known as the Quintinshill rail disaster remains the deadliest railway accident in British history.

We have investments in both Canadian National (CN) and Canadian Pacific Kansas City (CPKC) within our Canadian equity portfolio, and an absolutely critical part of our analysis is an evaluation of each company's approach to safety. A poor track record of safety invites litigation, the potential for onerous regulations should the companies fail to demonstrate that they can appropriately manage their own safety standards, and reputational damage—all material considerations for long-term investors.

We've been pleased with the progress both operators have made in terms of safety over the last 10 years, with the number of recordable injuries trending significantly lower than it was last decade. We track injuries as a KPI for both companies and it plays a role in CPKC's higher weight in the portfolio compared to CN. Furthermore, though railway incidents tend to attract greater attention, rails appear much more attractive in terms of accidents per mile or per employee when compared to other methods of transporting freight such as trucking. And all while funding their own infrastructure rather than consuming publicly funded highways.

Human Rights

Corporate practices which protect and foster human rights are also a table stakes requirement for any of our portfolio companies. In addition to being the right thing to do, businesses also benefit from comprehensive human rights protection across their supply chains to mitigate legal, regulatory, reputational, and operational risks.

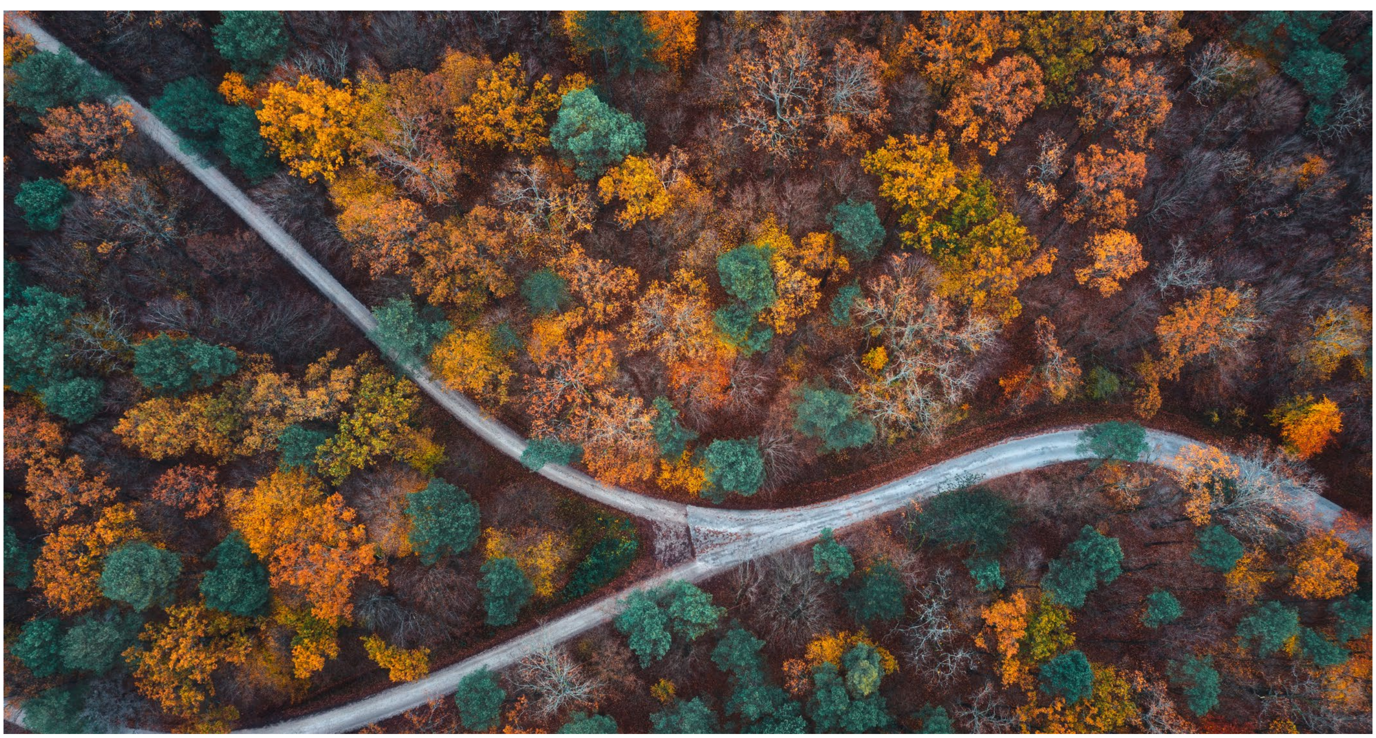
Coffee farming as an industry has a poor reputation for the use of exploitative labour practices. However, JDE Peet's, the second largest producer of coffee and tea globally, continued their mitigation measures by increasing the proportion of purchases with second- or third-party sustainability certifications across its business. The company has also expanded its Common Grounds initiative, which helps small-scale farmers improve the capacity at their farms. JDE Peet's is a leader in labour practices in the industry while also solidifying its brand amongst consumers that are increasingly willing to pay a premium for responsibly sourced coffee.

Empowering Indigenous Partnerships

Strong Indigenous community relations is key for many of our portfolio companies particularly because they have operations that run through the territories of Indigenous groups. Additionally, when those businesses partner with Indigenous communities through shared ownership of key infrastructure and natural resource assets, greater economic empowerment and alignment of interests is fostered.

Hydro One, a large Canadian utility, is a company that's prioritizing Indigenous procurement. We met with management and board members to discuss Indigenous procurement as we view it as important for the company's social license to operate and maintain a healthy relationship with the government and regulators. The company noted significant internal procurement targets by 2026. When asked what is preventing them from doing more, management noted it's a lack of capacity to meet demand, not a spending issue so it will take some time. After these conversations we came away with greater comfort that management and the board is on top of this priority and doing the right thing in partnership with local communities over the long-term.

A good example of a company fostering a long-term partnership with local communities is Pembina Pipeline, a company whose debt we own. Pembina is at the forefront of Indigenous ownership participation in energy infrastructure assets. For example, the company has formed a 50/50 joint venture with the Haisla First Nation and has proposed developing the Cedar LNG Project. The facility is expected to be one of the cleanest liquid natural gas (LNG) facilities in the world as BC Hydro will be supplying the project with renewable power. It will also provide facility jobs for the local First Nation community.



Improving Disclosure

In assessing companies, we lean on management teams to provide us with an appropriate amount of information to better understand their business and form an opinion. Management isn't the only source we rely on—the scuttlebutt step in our investment process ensures we collect other points of view—but ultimately, we believe management teams are best positioned to provide intimate details with respect to their businesses. When we find relevant disclosures are lacking, and that they may be important to our assessment, we often engage.

One such engagement example comes from our Canadian small cap team, which sent a letter to the chair of the board of one of our portfolio holdings, in which we are a significant shareholder, detailing our concerns surrounding the company's management. We were then invited to meet with the chair and an independent board member to discuss our concerns. Topics discussed included management performance, subpar internal financial reporting and disclosures, and what high executive turnover implies with respect to the company's culture. The discussion was held in the spirit of openness and collaboration, and while there were limits to what the board could communicate, the meeting participants seemed very receptive to our feedback. Since then, we have met with the new CFO and believe the company is on the path toward better internal reporting structures and disclosures.

We also engaged with the management team of Fagron, a small batch pharmaceutical producer, regarding its ESG disclosures. We provided feedback that the company should include KPIs around its manufacturing facilities to help track compliance with industry standards and any incidents of hazardous waste violations. Finally, we asked for more disclosures around their processes for improving employee satisfaction, as well as health and safety.

Compensation Matters

When it comes to ESG-related engagements, we often find we have the greatest opportunities to provide feedback on matters of compensation. These engagements are supported through our proxy voting efforts where we can express our opinion through voting on the remuneration plans themselves, as well as the election of those board members who form the remuneration committee.

In 2023, we voted our proxies on 982 compensation-related proposals, and voted against management on 204, or 21%, of those items. Our obsession with compensation plans stems from our investment approach. As long-term business owners, the decisions management teams make have a material impact on our clients' experience as shareholders. As a result, given well-documented principal-agent issues, when assessing compensation plans, we ask ourselves two questions:

1. Is the overall level of compensation reasonable given the value created by the company and the difficulty of attracting talent needed to run that organization?
2. Are the incentives aligned properly?

Strong alignment occurs when elements of remuneration are tied to wealth creation, and ultimately, long-term share price appreciation. Many companies dodge these metrics by compensating executives on revenue growth, or adjusted net income growth, which do not appropriately include the capital involved in growing those figures. We recommend metrics such as return on invested capital (ROIC) be staples in compensation plans.

Genuine alignment often comes by having management and board members hold significant positions in the company themselves, thereby creating a clear incentive for decision-makers to think in terms of the long-term interests of the company. Our management assessment framework specifically includes a dedicated evaluation of alignment. Consider advertising agency Publicis, a recent addition to our Global equity strategy, where approximately 10% of the company's economic interest is held by a collection of engaged owners. Despite this strong alignment, we have engaged with the board to encourage the adoption of ROIC into the compensation plan.

Though the engagement with Publicis remains ongoing, we were pleased to see consumables distributor Bunzl increase the importance of capital efficiency metrics in its incentive plans after several years of active engagement. And consistent with our engagement, caterer Compass Group implemented some sensible changes to its remuneration plan to properly incentivize management on the value drivers of its business while encompassing stakeholders broadly. Management also chose employee injury rates, food safety, and food waste as key KPIs. These metrics have clear linkages with business value given the potential for fewer workforce compensation claims, less site downtime for remedial activity, and less waste which should lead to lower costs. This is prior to considering the likely much more material reputational and societal benefits.

Sustainable Development Goals

While we don't directly consider UN Sustainable Development Goals (SDGs) in the management of our strategies, our investment process focuses on the long-term sustainability of the companies we invest in. In other words, we assess relevant and material risks and thereby address a number of UN SDGs in our evaluation process on a case-by-case basis. As long-term investors, we believe that businesses are only as sustainable as their assets and inputs and we believe that society tends to punish companies that leave large negative environmental or societal footprints. For this reason, when evaluating the sustainability of any entity, we factor in material ESG considerations into the business model to determine if the investment decision is sound and likely to deliver positive, risk-adjusted returns over the long run. Having said that, we have tools to evaluate alignment of our portfolios to various UN SDGs.

Summary of Responsible Investing in Action

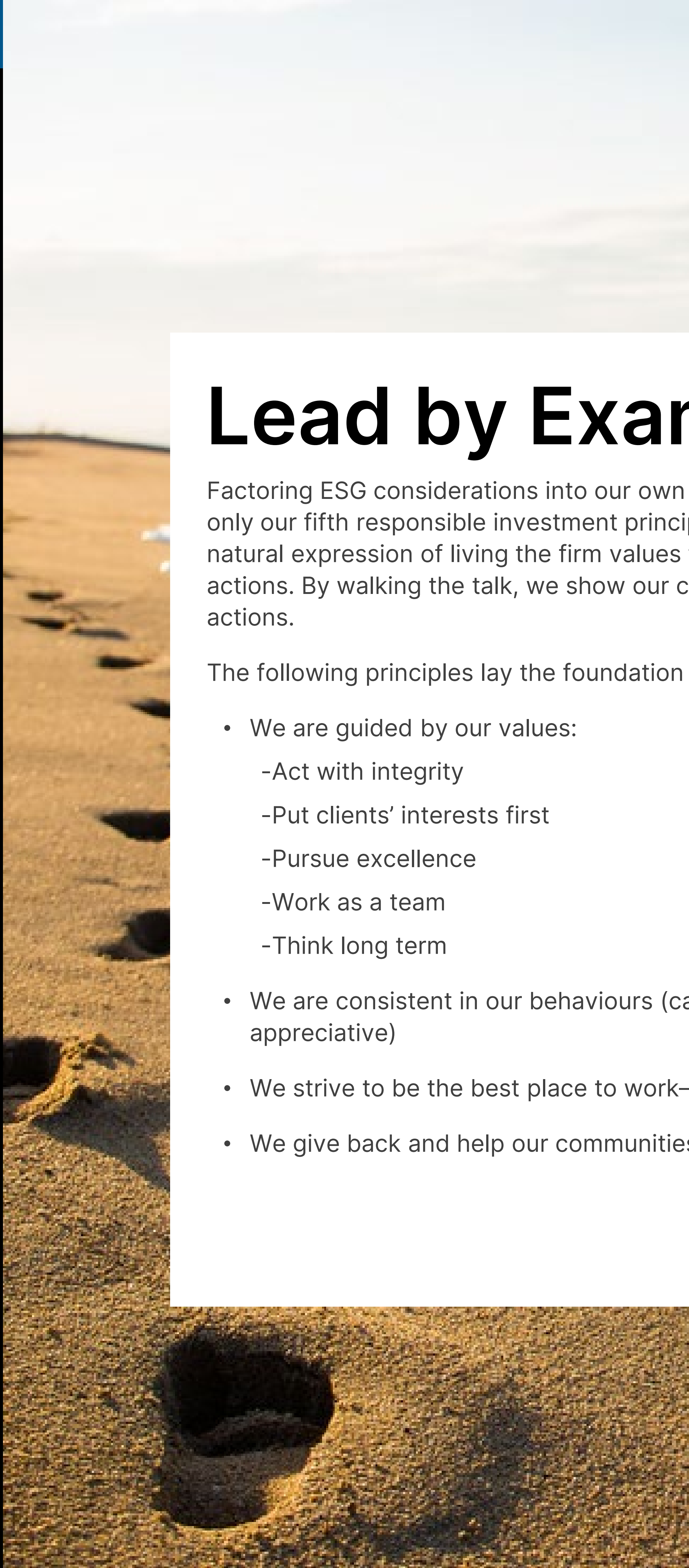
Sustainable Development Goals	Sustainability Themes	Responsible Investing in Action
	Navigating the Energy Transition	• Decarbonization efforts, low-carbon operations an investing in high-value renewables (Equinor) • Sustainable approach to fossil fuel operations (Prio) • Early transition to renewable energy (Iberdrola) – SDG 7, 11, 12, 13 • Advancing nuclear power as clean baseload power for electrical grids (Kazatomprom)
	Blazing Trail	• Innovations in fireproofing materials to mitigate wildfire risks (Stella-Jones) – SDG 12, 15 • Mitigation efforts for wildfire risks (Fortis) – SDG 7, 11, 12, 13
	Real Estate – The Silent Emitter	• Improving energy efficiency through innovation and reducing environmental footprint (Kingspan) – SDG 6, 7, 11, 12, 13 • Developing sustainable products through innovation for the construction industry (Sika) – SDG 11, 12, 13
	Prepare, Don't Predict	• Using innovation as a diversification strategy to transition to electric vehicles (BorgWarner) – SDG 11, 12, 13 • Case study of how ESG considerations are integrated in our investment process (Alimentation Couche-Tard)
	Reduce, Reuse, Recycle	• Recycling initiatives and reducing environmental footprint (CCL Industries) – SDG 12, 15 • Reusing materials and reducing waste (Sleep Country, Winmark) • Designing sustainable packaging materials (Essity) – SDG 12, 15 • Designing sustainable packaging materials (Winpak)

SDG source: Sustainalytics – measures the revenue of a company's involvement in sustainable activities

Summary of Responsible Investing in Action cont'd

Sustainable Development Goals	Sustainability Themes	Responsible Investing in Action
	Flowing Forward (Clean Water)	• Reducing water stress by recycling (Terravest) • Providing environmentally friendly products and processes (Sartorius Stedim)
	Safety Track Record	• Stringent safety protocols and demonstrating progress (CN and CPKC)
	Human Rights	• Leader in labour practices and sustainably sourcing coffee across the value chain (JDE Peet) – SDG 2, 12, 14, 15
	Empowering Indigenous Partnerships	• Prioritizing Indigenous procurement (Hydro One) – SDG 11, 12, 13 • Fostering Indigenous community partnerships (Pembina Pipeline)
	Improving Disclosure	• Engaging with management team to improve ESG disclosures (Fagron)
	Compensation Matters	• Adopting return on invested capital into the compensation plan (Publicis) • Incorporating return on invested capital into compensation plans (Bunzl) • Implementing changes to remuneration plans that closely link to the value drivers (Compass Group)

SDG source: Sustainalytics – measures the revenue of a company's involvement in sustainable activities



Lead by Example

Factoring ESG considerations into our own business activities fulfills not only our fifth responsible investment principle ("lead by example") a natural expression of living the firm values that serve as a compass for our actions. By walking the talk, we show our commitment through tangible actions.

The following principles lay the foundation for our culture:

- We are guided by our values:
  - -Act with integrity
  - -Put clients' interests first
  - -Pursue excellence
  - -Work as a team
  - -Think long term
- We are consistent in our behaviours (candid, curious, accountable, appreciative)
- We strive to be the best place to work—anywhere
- We give back and help our communities thrive

Culture – We Aspire to Create a Culture of Caring and Excellence

We believe our culture provides us with a unique competitive advantage—or "secret sauce." It has led us to be recognized for having an enviable reputation throughout the industry for professionalism, integrity, continuity of management, and a highly disciplined approach to investment management.

We have a strong culture built upon its well-defined vision, mission, and core set of values and behaviours. It enables us to have a work environment that is inclusive, passionate, open, honest, engaging, focused and respectful. It helps us determine who will be a good partner (as a client and a team member), enables us to attract and keep excellent team members, fosters constructive firm-wide dialogue so that we can make well-informed decisions that include input from a broad and diverse group of individuals, and keeps us united towards the same goals.

As we have grown in recent years, we have been intentional in our efforts to strengthen our culture. Our annual culture event is an example of when we come together as a firm to reconnect and reinforce the firm's core values and behaviours. The highlight of this year's event was building bicycles for Two Wheel View, a charitable organization, whose mission is to provide youth development programs that use bicycles as a tool to build resiliency in young people.

Our culture of caring and excellence is also evident in our progress to advance Diversity, Equity and Inclusion at the firm and in the industry (pg 31), our community giving efforts (pg 32), as well as enhancements to our mental health and well-being programs.

We are grateful and proud of our team for continuing to strive for excellence. We're excited to share that Mawer has been named as one of Canada's Top Employers for 2024 and Alberta's Top Employers for 2023 and 2024, a recognition given to organizations that lead their industries in offering exceptional human resources programs and forward-thinking workplace policies.

Governance and Risk Management

Because we believe a key principle of leadership is getting your own house in order before telling others what to do—the basis of our fifth Responsible Investing (RI) principle, "Lead by Example"—we have made considered, focused efforts to integrate ESG more broadly into our firm policies.

ESG Committee

Our ESG committee is responsible for the firm's ESG strategy and support programs with the goal to advance ESG-related opportunities and mitigate ESG-related risks within Research and at the firm level.

We are pleased to have made notable progress over the last year in ESG governance, reporting, and policies. For example, effective this year, the ESG committee now reports to the Risk Management and Audit Committee (RMAC) which is a board sub-committee, thereby strengthening oversight and accountability at the board level. We refreshed our Responsible Investing Policy to clarify our definition of engagement, how we establish engagement priorities, and our escalation process. We introduced portfolio level ESG metrics in our quarterly investment reviews. We have been closely reviewing and better understanding climate related risk management frameworks, such as the TCFD. In addition, we've partnered with Green Economy Canada to help us measure our own carbon footprint.

Enterprise Risk Management

As a firm, Mawer is subject to environmental and social risks. Specifically, the risk of our business negatively impacting the community and the failure of promoting diversity, equity, and inclusion within our organization. In addition, from a portfolio management standpoint, environmental, social and/or governance issues could cause a material negative impact on the value of our investments.

Mawer has established an Enterprise Risk Management Program (ERM), which is the foundation of our risk management approach and establishes common risk management practices. Our ERM promotes a holistic process to identify, assess, and manage risks that could interfere with achieving our firm's strategy and objectives.

Mawer maintains a risk governance framework to ensure comprehensive risk oversight. The board is responsible for oversight of the ERM, and delegates monitoring of the risk program to the Risk Management and Audit Committee (RMAC). In addition to the monitoring of the ERM, the RMAC assists the board in ensuring the executive team has identified and assessed all material risks. The executive team ensures that the risk management framework is adequate and implemented with sufficient policies, procedures, and risk mitigation practices.

As part of our ERM, Mawer is expected to:

a) Identify, assess, and document current and emerging risks

b) Establish, implement and maintain an internal control environment

c) Establish a risk appetite and manage risks accordingly

d) Embed risk considerations into decisions and actions

We conduct our business to meet high standards of environmental and social responsibility, and to minimize our ESG risk exposure.

Diversity, Equity and Inclusion (DEI)

At Mawer, our commitment to fostering a high-performance culture that attracts the best talent, encourages innovation, and ensures excellent decision-making is inseparable from our dedication to Diversity, Equity, and Inclusion (DEI). To us, cultivating DEI is not just a box ticking exercise, but an integral part of our strategy to be the best independent investment boutique globally.

We recognize that striving to be the best requires intentional efforts that are grounded in creating an environment that values and respects the unique contributions of every individual and where everyone can thrive.

In 2023, our DEI Council helped nurture this commitment in tangible ways by launching a firm wide online DEI education program, collecting demographic data for a second time, establishing a talent acquisition working group to help expand our pipeline of diverse talent and to review our hiring practices from a DEI lens.

In addition to strengthening our internal culture, we continue to contribute to the betterment of our industry and the communities we serve. For example, we are active in various industry initiatives including the Diversity Project North America, the Portfolio Management Association of Canada (PMAC) DEI steering committee and networking group, becoming signatories of the CFA Institute DEI Code, and more recently engaging in a sponsorship opportunity with Women in Capital Markets.

As we move forward, we will continue to develop and improve our DEI-related talent strategies and processes, expand our DEI educational offerings (including the evaluation of inclusive leadership programs), execute a second DEI sentiment survey to establish trends and reconfirm priorities, collect workforce demographic data on a systematic basis and further advance DEI in the industry.

Our DEI efforts remain central to our responsible investing practices. Through thoughtful reflection, our journey continues to evolve so we can ultimately enact tangible actions to ensure a positive impact for our clients, employees, owners, and society as a whole.

Community Giving – Do the Right Thing

We believe in contributing meaningfully to the vitality of our communities. Our community giving strategy is to focus on alleviating poverty in the communities where we work and live. The three underlying pillars of our strategy are to improve access to education (with an emphasis on financial literacy and empowerment), health care (particularly mental health), and basic needs (food and shelter). This provides a flexible but focused framework to how we can direct our giving efforts while being aligned with our purpose: to provide financial peace of mind.

Through donations, fundraising, volunteering, and support from our careMAWER programs, our collective support reaches a wide variety of local and national organizations spanning education, health, community outreach, poverty reduction, and more.

A testament to our continued community giving efforts is our Caring Company status from Imagine Canada over the last three years which recognizes Canadian corporate leaders who are setting the standard for community investment and social responsibility.

A few 2023 highlights include:

Education/Financial Literacy:

- Supported a financial literacy organization offering an array of financial management programs. One of these programs is an educational series developed and delivered by Indigenous people for Indigenous people.
- Finalized a 5-year donation agreement for an Indigenous student bursary to support a student/students enrolled in business administration.
- Contributed to an organization which provides support to individuals in the Toronto area, including housing, education, and employment assistance.

Health Care/Mental Health:

- Contributed to an organization focused on providing mental health support services that are especially tailored to women in the Quebec community.

Basic Needs:

- Contributed to an organization which provides support to individuals in the Calgary area, including access to food, mental health services, housing, education, and employment assistance.

"Investing in the well-being and prosperity of society has always been at the core of who we are—it's about doing the right thing." - Craig Senyk, Chair

Our careMAWER Programs include:

Employee Matching Program: We offer employees up to $3K in annual matched contributions, whether it's donations, fundraising, and/or volunteering to the registered charities of their choice.

Choose Your Cause: Every month, employees submit nominations for causes to receive a $10K donation determined by employee votes.

Support Local: We provide every team member $250 to spend at a local small business on an annual basis.

Disaster Relief Efforts: We commit to a corporate donation as well as provide matching opportunities to employees for specific disaster relief initiatives. In 2023, this included humanitarian aid in Gaza, the West Bank, and Israel, relief efforts for 2023 Canadian Wildfires, and earthquakes in Turkey and Syria.

Jamboree: As the flagship sponsor of the annual Jamboree for Charity, we are proud the annual event has raised over $2 million since its inception in support of different community-based charities.

volunteerMAWER: We participate in many volunteer initiatives such as Made by Momma, carya, Holland Bloorview Kids Rehabilitation Hospital, Fei Yue, and Christmas Families.

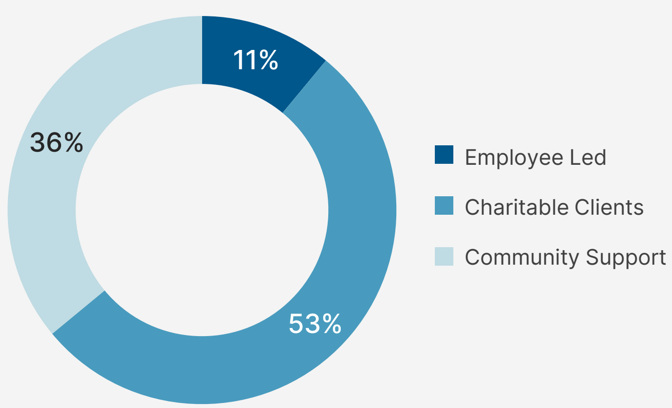
Giving back to Institutional Clients: We make an annual donation equal to 10% of our management fee to our institutional charitable organization clients that qualify.

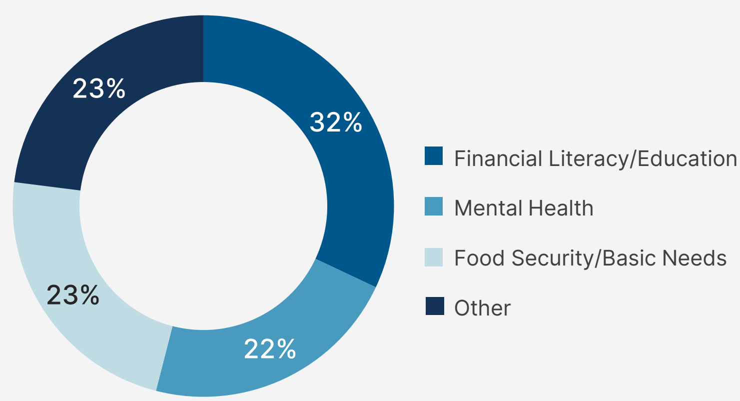
Our Impact

>200 organizations supported

$2.6M donated

>200K in matched employee contributions





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