Doing good while doing well...

ESG Highlights Report

December 2023

LetkoBrosseau

Gestion de placements globale Global Investment Management

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Introduction

Founded in 1987, **Letko Brosseau & Associates** is one of Canada's largest independent investment managers.

The firm manages CA$16.4 billion as of December 31, 2023, on behalf of institutions and private clients.

We offer several broad investment strategies including:

- Global Balanced,
- Global Equity,
- Canadian Equity,
- EAFE (Europe, Australasia and the Far East) Equity,
- Emerging Markets Equity,
- China Equity,
- ESG Fossil Fuel Free Equity,
- Infrastructure Equity,
- ESG Canadian Equity Plus Income,
- Fixed Income.

We believe we can add value through our disciplined investment process.

Investment Approach

Strategy

Our portfolios are managed using a rigorous knowledge-based fundamental approach. We invest solely in public companies with favourable growth prospects trading at reasonable prices.
We are patient shareholders, true to our belief that value is created over time. We also believe that it is possible to do good while doing well and that companies with sound ESG practices will generally perform better in the long run.

Investment Management Team

Our assets are managed by a dedicated team of research professionals specialized by industry. Our investment team includes 22 investment professionals (investment analysts, portfolio managers and senior portfolio managers) with diverse educational and cultural backgrounds. Collectively, the team members speak 13 different languages and one-third were born and raised in Emerging Markets. We generally hire academically gifted people from various disciplines, such as engineering and science. We believe this has cultivated deep international sector knowledge thus, greatly enriching our team's global investment scope.

Research Process

ESG integration

At Letko Brosseau, fundamental, in-house research drives our investment decisions. This work combines a macro-economic approach with thoughtful analysis of trends in major industry groups and detailed evaluation of companies. The investment team gives careful attention to the price paid for all investments, both on an absolute basis and relative to other opportunities.

The scope of our work is global. Our team seeks and evaluates attractive industries and companies around the world and measures them against their international competitors. This global perspective provides valuable insight into industry trends and company dynamics.

We believe in investing in publicly traded securities that provide the benefits of liquidity, low cost, greater transparency and good governance. Environmental, social and governance (ESG) issues are fully integrated in our investment process.

How are ESG considerations integrated into our investment research process?

Since the beginning, we have been committed to evaluating material ESG considerations through our research process and seamlessly integrating these throughout our fundamental research process. The process includes ongoing engagement with companies concerning a broad range of topics, including ESG risks and opportunities. We believe that companies with sound business practices, including strong corporate governance and responsible management of material environmental and social issues, have better success and deliver stronger financial performance over time. Conversely, we believe companies that have poor environmental, social or corporate governance practices present risks and controversies that may hinder their financial performance.

Our approach to ESG integration is unique in that we do not layer on ESG analysis after the company or industry research is complete. In fact, each of our research analysts has ESG responsibilities within their coverage areas on an ongoing basis. To encourage and assure that our team is fully capable of this, each analyst is required to earn their FSA (Fundamentals of Sustainability Accounting) Credential.

Our framework for ESG research and integration is based on the Sustainability Accounting Standards Board's (SASB) Materiality Map, which identifies a set of sustainability issues most likely to impact the operating performance or financial condition of a typical company in an industry, regardless of geography. To support the identification of material ESG issues for a company, we review the appropriate industry report(s) prepared by SASB, which has published 77 industry reports focused on material ESG issues.

Once our research of a company is complete, our analyst will write a detailed thesis outlining the company's growth potential, including ESG risks and opportunities, and present it to the entire investment team for peer review. Meanwhile, our ESG Lead conducts his own independent review of the material ESG issues facing the company using Sustainalytics and Glass Lewis (external service providers who support and complement our ESG analysis and proxy voting efforts). When the analyst is presenting their thesis to the investment team, our ESG Lead facilitates a group discussion of the material ESG issues with the goal of cross-checking and leveraging the entire team's knowledge and expertise.

If the final decision is to include the company in our portfolio(s), ongoing monitoring, including semi-annual ESG screening by Sustainalytics, is performed. Additionally, each analyst regularly engages with the companies under their coverage, for all matters pertinent to the investment, ESG and otherwise. The analysts continually evaluate the risks and opportunities related to ESG in their industries, subindustries and for each company being assessed.

We apply the same ESG framework and process to both equities and corporate bonds. Our ESG and fossil fuel free investment options use the same fundamental investment process for ESG analysis, with additional ESG filters to screen across the investable universe.

Proxy Voting

Our investment professionals make all voting decisions for the companies under their coverage in accordance with our Proxy Voting Policy, "Proxy Voting Guidelines and Corporate Governance Principles", following a thorough review of proxy materials and insights from Glass Lewis, a leading independent provider of global governance services. All proxy voting decisions are reviewed by our ESG Lead.

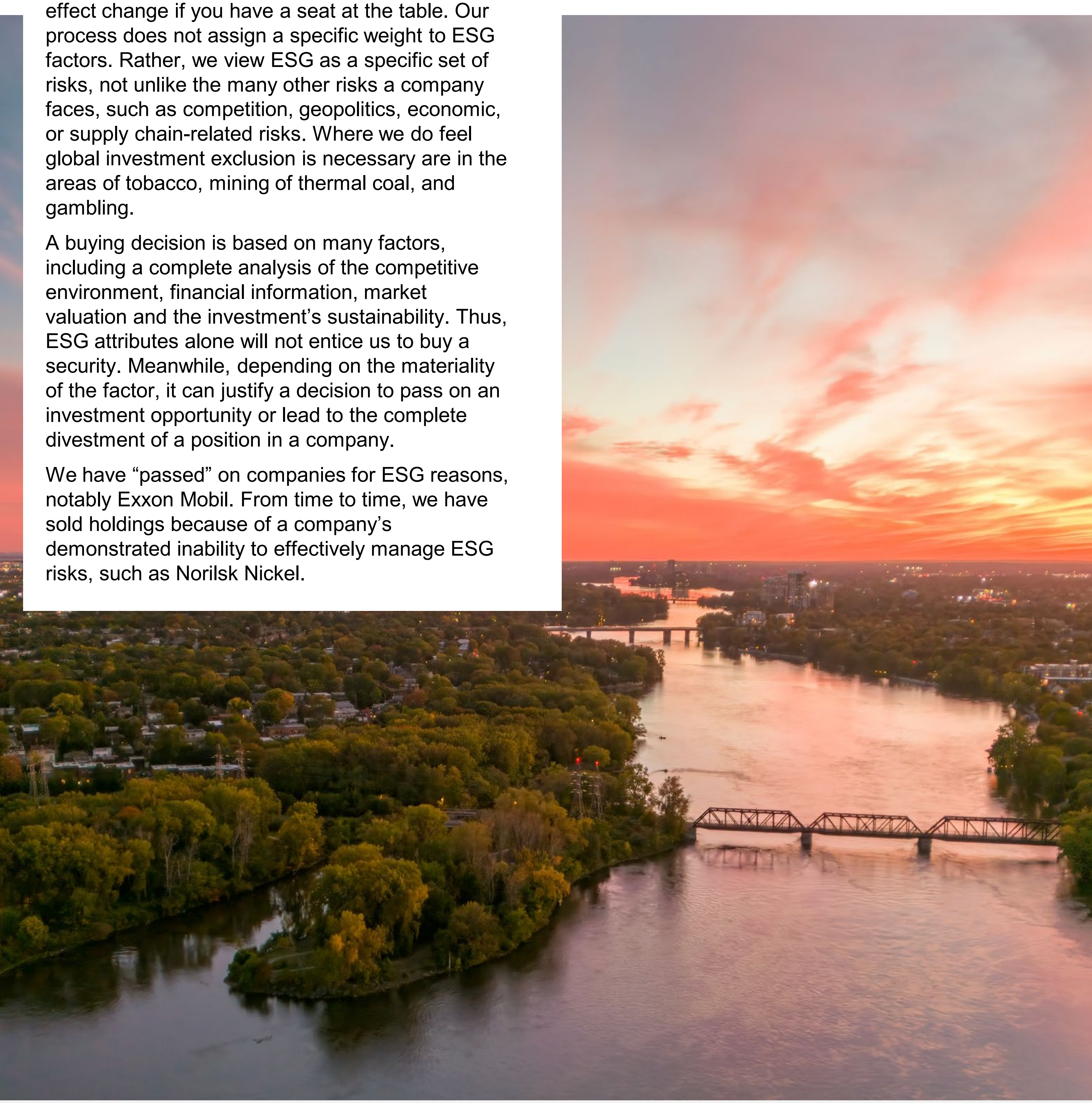
In addition, any proxy vote contrary to the management's recommendation requires written justification. Before voting contrary to the management's recommendation, we will often engage with the company to express our point of view on issues of concern and inform of our voting intentions. Proxy voting activity reports are provided to clients upon request.

Exclusion Criteria

Generally, rather than relying on exclusionary screens we prefer to actively engage with companies. We believe that you are more likely to effect change if you have a seat at the table. Our process does not assign a specific weight to ESG factors. Rather, we view ESG as a specific set of risks, not unlike the many other risks a company faces, such as competition, geopolitics, economic, or supply chain-related risks. Where we do feel global investment exclusion is necessary are in the areas of tobacco, mining of thermal coal, and gambling.

A buying decision is based on many factors, including a complete analysis of the competitive environment, financial information, market valuation and the investment's sustainability. Thus, ESG attributes alone will not entice us to buy a security. Meanwhile, depending on the materiality of the factor, it can justify a decision to pass on an investment opportunity or lead to the complete divestment of a position in a company.

We have "passed" on companies for ESG reasons, notably Exxon Mobil. From time to time, we have sold holdings because of a company's demonstrated inability to effectively manage ESG risks, such as Norilsk Nickel.



Firm Activity

Portfolio Carbon Measurement

We subscribe to Sustainalytics' database of climate data from over 13,000 companies. This facilitates our evaluation of performance toward reduction of greenhouse gas (GHG) emissions across industries and over time. We are committed to providing portfolio carbon reporting for client portfolios. We are happy to share that portfolio carbon scores improved in 2023. For the Letko Brosseau Global Balanced Fund, the weighted average carbon intensity of the portfolio was reduced from 189 tonnes CO_2/US$million Sales as of December 31, 2022 to 165.2 tonnes CO_2/US$million Sales as of December 31, 2023. We continue to engage with portfolio companies to encourage setting goals and measuring progress towards meeting emissions reduction targets.

Published Research Report

In December 2023, we published a second report in our Net-Zero Research Series which explores topics surrounding climate change, sources of emissions, and pathways towards transitioning towards a reduction in or elimination of greenhouse gas emissions. “Electricity Generation, Net-Zero Research Series – Part 2” provides commentary on the main sources of emissions from electricity generation, existing technologies that can help reduce emissions, and solutions that are required to achieve Net Zero by 2050.

Responsible Investment Policy

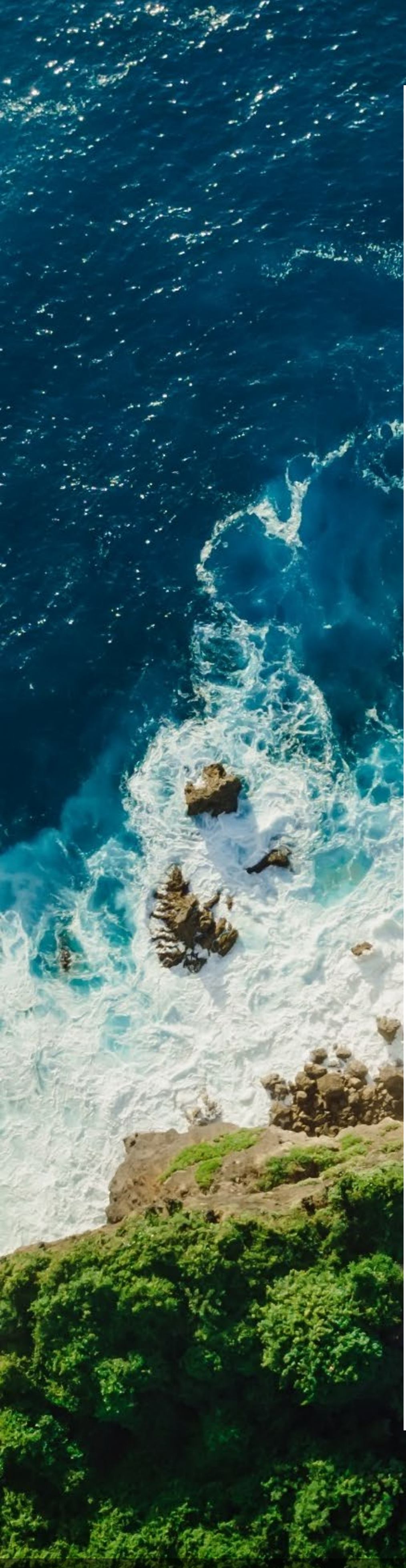
As an update to our previous ESG policy, we recently developed a Responsible Investment Policy, found here. This policy adds a formal clause on climate change and outlines our commitments to transparently reporting on Responsible Investment matters to our clients.

Public Policy Engagement: Invest in Canada

In 2023, Letko Brosseau continued a very important public policy engagement campaign concerning a worrying trend towards less investment in Canadian public companies by domestic pension funds. In the last two decades, Canada's pension plans have collectively reduced their allocation to Canadian publicly traded equities from 80% in 1990 to barely 10% in 2020[1].

We believe this development is not healthy for Canada's economic well-being and we are pleased to have found support for this view in several quarters, including from over 90 business and union leaders who joined us in signing an open letter to the Minister of Finance of Canada and Provincial Finance Ministers. For more information, please read our research paper and our presentation here.

1. Pension Investment Association of Canada. (n.d.) Pension investment association of Canada. PIAC 2022. http://piacweb.org/”



We are supporters of the following organizations

Signatory of:

PRI Principles for Responsible Investment

Letko Brosseau is a signatory of the United Nations-supported Principles for Responsible Investment (PRI) since April 2019. In December 2023, we filed our 2023 Public Transparency Report with the PRI and have made this available to view on our website.

CCGG Canadian Coalition for Good Governance

We are a member of and are actively involved with the Canadian Coalition for Good Governance (CCGG)[1]. Peter Letko has been a Director of the Board since June 2019. Through CCGG's corporate engagement program, we have participated in meetings with boards in Canada.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Letko Brosseau is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change[2].

1. CCGG. https://ccgg.ca/
2. Task Force on Climate related Financial Disclosures. https://www.fsb-tcfd.org/about/

Spotlight on Governance

Resolutions voted in 2023

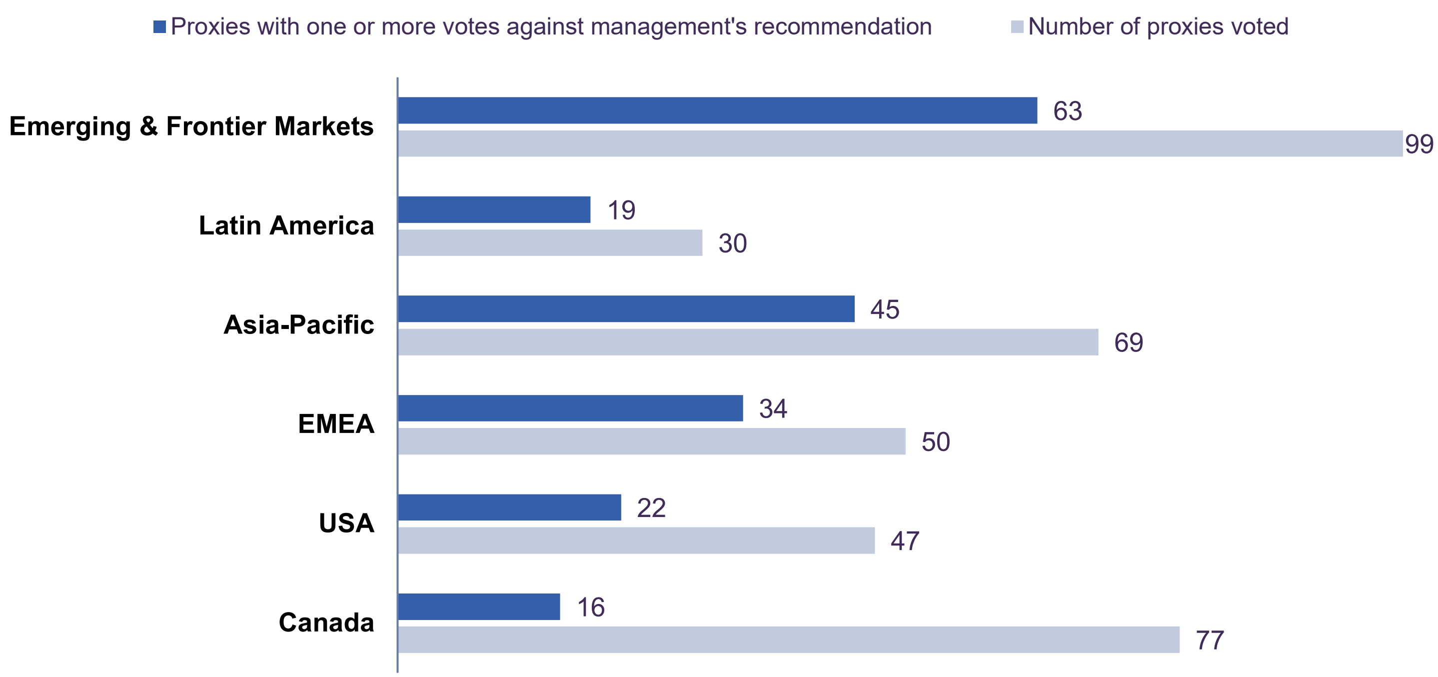
596	**Number of resolutions where we voted against recommendation of management**
1,850	Number of resolutions for election of directors
391	Number of resolutions for election of directors that we did not support
165	Other resolutions where we voted against recommendation of management
155	Shareholder Proposals Voted
40	Shareholder Proposals Supported

273

proxies voted

3,436

resolutions



Spotlight on Governance in Emerging Markets

- A particular area of focus in **Emerging Markets** is good governance. Voting rights are one of the most important rights inherent to shareholding. Letko Brosseau undertakes this duty with the utmost diligence to ensure that proxies are voted and that the decisions taken represent shareholders' long-term interests.
- We vote all our proxies ourselves following in-depth review of the proxy materials. Our votes reflect the guidelines described in our Proxy Voting Guidelines and Corporate Governance Principles, and consider the research provided by Glass Lewis, a leading independent proxy advisory firm.

Firm Level Engagement Themes

Our **ESG approach** considers engagement in both the narrow and broad views, ensuring that we are able to understand the challenges and opportunities these issues may have, not only on individual businesses and industries, but more broadly speaking on the portfolios we manage.

Our definition of engagement includes not only direct communication with the companies and their representatives but all forms of communication that allow us to garner additional insights and draw conclusions related to how the ESG factors under consideration may impact the investments and portfolio.

We frequently engage with portfolio companies and prospective investments on ESG-related issues.

ESG Themes

The following ESG themes represent what we believe to be the most significant topics across the ESG spectrum due to their perceived risk or opportunity over our investment horizon. Each theme may incorporate any or all aspects of environmental, social and governance concerns. A combination of factors is used for their determination:

Bottom-up analysis – This includes ESG risks and opportunities we see from our company and sector analysis. These factors are determined by our investment team members. Each theme aligns with one or more relevant dimensions of the Sustainability Accounting Standards Board (SASB) Materiality Map.

Top-down guidance – These factors include Letko Brosseau’s ESG principles, guidance from reputable organizations, such as the Canadian Coalition for Good Governance (CCGG), the Task Force on Climate-related Financial Disclosures (TCFD), Principles for Responsible Investing (PRI), and SASB, as well as influence from the United Nations Sustainable Development Goals (UN SDGs).

ESG Themes

Energy Transition

Supporting strategies for a transition towards a lower carbon world and understanding how companies intend to succeed efficiently and sustainably.

Topic Examples:

- Climate Change
- Electric Vehicles
- Carbon Capture and Sequestration
- Carbon taxes and trading
- Renewable Energy
- Greenhouse Gas (GHG) Emissions
- Energy Management Systems
- Transition technologies

Recognition of Climate Change as a significant global threat is growing. Governments, scientists, corporations, and the general populace are pressing for a shift towards a lower-carbon world. This pressure is driving changes across industries, policy, and consumer behaviour.

The Energy Transition theme includes a thorough analysis of climate change and the impact of global physical changes. It also includes ways that companies and governments are working to reduce emissions through new or alternative processes and technologies, and the impact of government policies put in place to accelerate this transition. It also covers an outlook on the energy framework that is required to replace fossil fuels as a primary energy source, and the associated industries, technologies, and raw material requirements.

ESG Themes

Sustainable Living

Encouraging healthy economic activity, which includes improving the quality of life for people around the globe, while integrating sustainability solutions, improved labour practices and minimizing environmental impacts.

Topic Examples:

- Environmental impact and protection
  - Water, Air, Land
- Water and food sustainability
- Proper waste and hazardous materials management, waste reduction
- Employee health and safety
- Sustainable labour practices
- Supply chain risk management

This theme addresses the challenge of balancing continuous healthy economic activity, including improving the quality of life for people across the globe, with sustainability and ecosystem conservation. Humanity already puts considerable pressure on the Earth's resources and ecosystems and, with an increasing global population, continued growth in developing countries and high resource intensity of developed nations, a focus on sustainability is vital. Government policies and investor engagement are putting pressure on corporations to do better.

There is a continued push towards clean water and air, waste reduction, conservation of resources and protection of forests and other fragile ecosystems. Proposed solutions include increased recycling, development of a circular economy, improving resource efficiency and construction of green infrastructure. This must all be accomplished while providing quality education, jobs, healthcare, and security of food supply.

ESG Themes

Diversity and Equality

Promoting diversity and equality of people at all levels within an organization. Urging companies to maintain strong social licences to operate by ensuring respect for communities, human rights and land rights.

Topic Examples:

- Human rights and community relations
- Employee engagement, diversity and inclusion
- Equitable pay
- Indigenous lands and rights
- Diversity at the board, management and employee levels

This theme focuses on the importance of diversity and equality of people, thought, perspectives and experience, both inside and outside the organization. There is a growing body of evidence showing that increasing the gender, ethnic and cultural diversity of an organization, particularly at the executive level, leads to improved financial performance[1].

In addition, companies need to maintain a strong social licence to operate by ensuring respect for communities, human rights and land rights in order to build sustainable operations.

1. Hunt, Vivian., et al. *Diversity Wins: How Inclusion Matters*. McKinsey & Company, Mai 2020, How diversity, equity, and inclusion (DE&I) matter | McKinsey.

ESG Themes

Responsible Innovation

Encouraging innovation while limiting adverse effects to society, safety, and the environment. Understanding the full life cycle of new products and technologies to limit environmental damage and negative impact to communities.

Topic Examples:

- Artificial Intelligence
- Privacy
- Data collection and accessibility
- Autonomous vehicles
- Product life cycle and long-term impact
    - EVs, batteries
- New forms of currency

As companies continue to innovate, we want to ensure that they are doing so in a responsible way, limiting the adverse effects on society, safety and the environment.

This is especially important in areas such as information technology, where innovation can sometimes be too fast for regulation to keep pace, or society to understand the long-term impacts.
In addition, the importance of understanding the full life cycle of a new product can help limit environmental damage.

ESG Themes

Principled Governance

Ensuring that all proxy vote decisions taken represent the long-term interests of shareholders. Engage with management as well as the board of directors and challenge them when we believe their governance structure or actions are not in the long-term interest of all shareholders.

Topic Examples:

- Business Ethics
- Management of the legal and regulatory environment
- Critical incident risk management
- Systemic risk management
- Competitive behaviour
- Executive compensation
- Addressing corruption

Strong governance is something that Letko Brosseau has always supported. We believe the voting right is one of the most important rights inherent to shareholding. We take very seriously our responsibility of ensuring that proxies received are voted and that the decisions taken represent the long-term interests of shareholders.

In general, we promote equal treatment of all shareholders and vote against restricting the composition or conduct of the board of directors. We also seek to ensure that executive compensation and option plans are fair, reasonable, and do not result in excessive shareholder dilution.

Engagement with company management and the board of directors is a key part of our investment approach, and we will challenge them when we believe their actions are not in the best interest of shareholders.

Our engagement activities through the lens of ESG

From our holdings in over **240 portfolio companies**, we have selected the following companies, with which we have been engaged in significant and meaningful discussions related to ESG.

We take pride in featuring these companies that have shown positive evolution, partly as a result of our ongoing engagements with their senior management and boards of directors.

Within Canada

- Celestica Inc.
- Capital Power Corporation
- Sun Life Financial Inc.

Other Developed Countries

- Aegon N.V.
- Veolia Environnement S.A.
- Energias de Portugal, S.A.

Emerging Markets

- PT Semen Indonesia (Persero) Tbk
- IMAX China Holding, Inc.
- First Pacific Company Limited
- Ferreycorp S.A.A.

Celestica

Canadian Equities

Celestica operates in the Electronic Manufacturing Service industry (EMS). The company builds products for original equipment manufacturers who own and create intellectual property but have no manufacturing competencies. It provides supply chain solutions in North America, Europe and Asia. It operates through the Advanced Technology Solutions and Connectivity & Cloud Solutions segments. The company offers a range of product manufacturing and related supply chain services. It also provides hardware platform solutions, which includes development of infrastructure platforms, and hardware and software design solutions and services. The company serves aerospace and defence, industrial, HealthTech, capital equipment, original equipment manufacturers, cloud-based and other service providers.

Company Name
Celestica Inc.

Industry
Electronic Manufacturing Services

Established
1994

Headquarters
Toronto, Canada

ESG Themes
Principled Governance

ESG Risk

Principled Governance

Onex, and indirectly Gerald Schwartz, its founder and current CEO, commanded approximately 81.6% of the voting power of Celestica, despite owning about 14.9% of the economic interest. This entitlement is derived from the holding of multi-voting shares which gives them five votes for each share versus one vote available to common shareholders.

The multi-voting class share structure is an outdated practice with only 11% of members in the S&P/TSX currently employing them and trending lower. Moreover, many leading Canadian companies, such as Metro, Telus, Interfor and Gildan Activewear, have eliminated their dual class multi-voting structures with no premium.

On March 14, 2023, Celestica announced that they would convert all multi-voting shares into subordinate voting shares with no premium. This would lower Onex's voting power at Celestica to 15.8%. It was speculated in the market at the time that Onex was setting up for the sale of all or part of its Celestica stake.

Dual-class subordinate structures have been an issue of discussion in Canada for many years but the issue has taken on renewed prominence in recent years in response to a number of corporate scandals and controversies, in Canada, the United States and internationally. Dual-class or subordinated voting shares are one of the factors currently being examined by the Canadian Coalition for Good Governance for their effect on governance.

Our Engagement

In late 2022, members of our investment team initiated discussions with a Celestica board member to discuss three main issues we felt were critical in the corporate governance space:

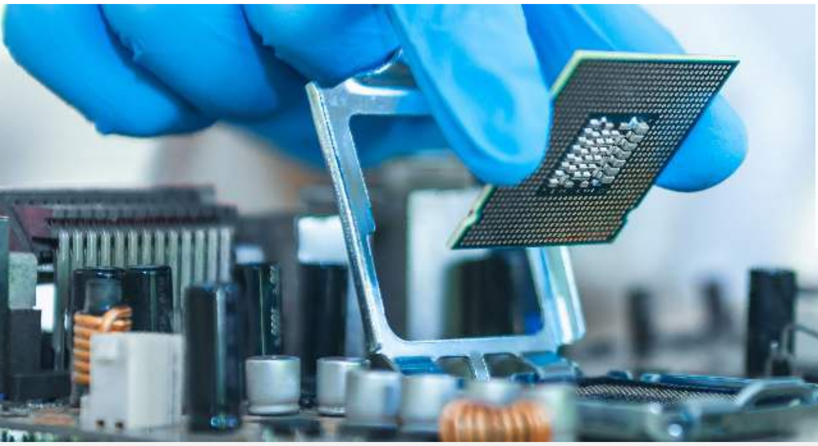
- initiation of dividends,
- the elimination of multi-voting shares, and
- executive compensation.

Management agreed to eliminate the multi-voting shares as long as Onex, its parent company, did not object; our position was that the multi-voting share structure resulted in a sustained discount to peers and created a moral hazard from a management perspective.

Celestica also put forward that they were seriously considering moving their headquarters to the United States so that they could list their shares on U.S. stock exchanges. We conveyed our disagreement with this proposal.

Even though Celestica was not open to discussing all the topics on our list and were seriously considering moving their headquarters from Canada, to which we expressed our opposite opinion, we have decided to maintain our holdings in this stock and that has paid off very well. In 2023, Celestica was the highest returning stock in the S&P/TSX.

Even as the Canadian stock market witnessed another year of big ups and downs in 2023, a few fundamentally strong stocks, including Celestica, continued to deliver solid gains to its investors. Posting a 49% positive return in the previous two years, the ongoing rally in the Celestica stock gained steam in 2023 as it traded with a 145% return boosting the price per share by $37.37. With this, Celestica has risen nearly 266% in the last three years against the S&P/TSX Composite benchmark's 15.3% advance during the same period.




Capital Power

Canadian Equities

Capital Power develops, owns and operates renewable and thermal power generation facilities in Canada and the United States. It generates electricity from various energy sources, including wind, solar and natural gas. The company owns approximately 7,700 megawatts of power generation capacity in 30 facilities. It also manages its related electricity, natural gas and emissions portfolios by undertaking trading and marketing activities.

Company Name
Capital Power Corporation

Industry
Power Generation

Established
1814

Headquarters
Edmonton, Canada

ESG Themes
Energy Transition

ESG Risk

Energy Transition

Greenhouse gas (GHG) emissions are an industry-wide issue, especially for companies that operate in parts of the world that have relied on coal-fired power generation for geographic and historical reasons.

When Capital Power became a publicly traded company in 2009, coal-fired power plants represented 80% of its portfolio, given that Alberta has rich coal deposits and has historically relied on coal for power generation. Even though the industry has a bad track record when it comes to environmental issues, we chose to purchase the stock shortly after the company went public and have been closely engaged with the company's management and board in the quest to reduce carbon emissions and transition off coal. Both we and the company's management felt that an opportunity lay in replacing older coal-fired power plants with a combination of baseload natural gas-fired plants and renewable wind farms.

In general, Capital Power's key performance indicators – quantifiable and measurable metrics used to track progress towards a specific goal or objective – have been moving in the right direction and will experience a massive drop in 2024-25, when the Genesee plants 1+2, which are currently coal-fired, are converted into Canada's most efficient combined-cycle natural gas plant. This conversion alone will reduce CO_2 emissions by three million tons per annum and will cut the company's overall CO_2 intensity of electricity by 30%. Furthermore, Capital Power has a shovel-ready Carbon Capture and Sequestration (CCS) project to make its Genesee 1+2 combined-cycle natural gas plant emissions-free and reduce CO_2 emissions by a further 3.4 million tons per annum. Also, the company has partnered with Enbridge to develop an open-access CCS hub at Wabamun, Alberta and is studying small nuclear reactors with OPG for potential future development in Alberta. The company is committed to reducing its Scope 1 GHG intensity of power generation by 65% over the 2005-2030 period and targets reaching net-zero emissions by 2045.

Our Engagement

We have had a close relationship with the company's management team and have spent a fair amount of time visiting their power plants and studying their emission intensity. We also urged the company to provide extensive ESG disclosures to facilitate our assessment of their progress. We would meet with the management team on a quarterly basis and talked to the board at least once a year. We provided feedback to the company about their strategy and helped make sure that they were on the right track. Capital Power is a great example of a company that had been dealt a poor starting position (80% coal) and managed to achieve tremendous progress through sound strategy, vision and execution. In fact, the company will be coal-free by 2025, having converted its coal plants into Canada's most efficient natural gas plants, while also adding wind farms. The company is now working on the next big step in its commitment to reach net-zero by 2045, which is in advancing a CCS project at its Genesee 1+2 newly converted natural gas power plants that will render them emissions-free. The company has ambitious targets to achieve a 50% decline in Scope 1 CO_2 emissions at the Genesee plant between 2005 and 2030, as well as to reduce Scope 1 emission intensity by 65% over the same period. Finally, the company has partnered with Enbridge to develop the Wabamun open-access CCS hub in Alberta and to make it available to any interested third parties.

The company is certainly on the right track. We need to, and expect to, see continued execution of its plan to get fully off coal by 2025 and position itself to be a leader in low-carbon power generation. Capital Power, through its CCS project, aims to deploy carbon capture technology at the Genesee generating station, near Warburg Alberta. Up to approximately three million tons of CO_2 per year are forecasted to be captured and sequestered through this project by as early as 2027. Upon a successful final investment decision, the project will progress into detailed engineering, procurement and construction with a targeted commercial operations date as early as 2027. This will enable significant GHG reductions by 2030, helping both Alberta and Canada to meet their GHG gas reduction targets. The company has shown itself to be a true practitioner of energy transition. Its careful, prudent planning and meticulous execution has allowed it to reduce the carbon intensity of its power generation, while supplying reliable and affordable electricity to customers in North America. We continue to hold Capital Power's stock as it is both a great investment and an exemplary energy transition story in the making.

Sun Life Financial

Canadian Equities

Sun Life Financial, a leading international financial services company, provides savings, retirement and pension products worldwide. The company's operations are divided into five areas: Asset Management, Canada, U.S., Asia and Corporate. It offers various insurance products, such as term and permanent life, personal health, as well as reinsurance. In addition, the company provides advice for financial planning and retirement planning services, investment products and asset and investment management products consisting of pooled funds, institutional portfolios and pension funds. As well, it operates as a real estate investment management advisor, infrastructure investment manager and alternative credit investment manager.

Company Name
Sun Life Financial Inc.

Industry
Financial Services

Established
1865

Headquarters
Toronto, Canada

ESG Themes
Diversity and Equality

ESG Risk

Diversity and Equality

Sun Life has a robust ESG agenda including a focus on diversity, equity and inclusion (DE&I). They believe that developing an inclusive and caring culture is essential to attracting outstanding talent and is key in serving the diverse needs of its clients and communities around the world. We are in full agreement with this philosophy.

The company continues to make progress:

- 36% of new hires in Vice President and above roles globally and 47% of the internal promotions to Vice President and above roles are women
- 35% of new hires in Vice President and above roles and 22% of the internal promotions to Vice President and above roles within North America are from underrepresented groups.

These trends are positive and position the company well in achieving its targets by 2025.

Our Engagement

We met with members of Sun Life's Board of Directors on April 4, 2023 and among the many ESG topics discussed was the topic of gender parity.

As of 2022, women held 36% of the positions in Vice-President and above roles globally and, in North America, 19% of the positions at the Vice-President and above roles were filled by underrepresented ethnicities.

While these ratios are impressive and indicate steady improvement over the years, we encouraged Sun Life's board to continue to enhance gender parity and underrepresented ethnicity going forward.

They advised us that the company has set three exceptional social governance goals:

- to attain gender parity in senior management (VP and above) roles at the global spectrum,
- to reach a level of 25% in underrepresented ethnicities in senior management (VP and above) roles in North America,
- to prioritize diversity in hiring and promotions.

The target date for achieving these notable goals is 2025.

We applauded them on their achievements and goals and advised them that we would remain in touch and track their progress towards these socially fair targets.

These goals are not the first time Sun Life has impressed not only us but society as a whole. In late 2021, Sun Life Canada launched their Dean Connor Sun Life Inclusion Scholarships for Black and Indigenous students in Canada. Up to 20 talented candidates, per year, would be awarded a $5,000 scholarship, an internship and a Sun Life mentor. This was in line with Sun Life's mission to help clients achieve lifetime financial security and live healthier lives.

Aegon N.V.

International Equities

Aegon provides insurance, pensions, retirement and asset management services in the Americas, the Netherlands, United Kingdom and internationally. The company offers life, accident, property and casualty, and health insurance; annuities, retirement plans and mutual funds; mortgage loans; and individual retirement accounts, as well as stable value investment management and digital banking solutions. It offers its products under both the Aegon and Transamerica brands.

Company Name
Aegon N.V.

Industry
Financial Services

Established
1983

Headquarters
The Hague, Netherlands

ESG Themes
Principled Governance

ESG Risk

Principled Governance

As a result of the sale of its operations in the Netherlands, Aegon no longer has a regulated insurance business in that country and the Dutch Central Bank cannot remain Aegon's group supervisor. Aegon was aiming to redomicile to Bermuda and change its group regulatory supervision to the Bermuda Monetary Authority. This modification could potentially affect shareholders' rights.

Influenced by our constructive discussions and having received supplemental valuable input and feedback from other stakeholders on Aegon's proposed governance plans and recommendations from proxy advisors, the company, taking this feedback into consideration, made the decision to initiate modifications to those items that had been brought forward and discussed in an effort to further enhance the governance of Aegon and strengthen shareholder rights.

Following the modifications made to the proxy, all three proxy advisors changed their recommendation from opposing to supporting the proxy. The vote was, thus, positive and the proxy was approved.

Letko Brosseau is diligently looking for the necessary evidence to evaluate the robust regulatory oversight of the Bermuda Monetary Authority. We are also verifying the continuation of strong accounting reporting that is in line with International Financial Reporting Standards (IFRS). In addition, we are evaluating any material impact of Aegon's new capital management approach.

Our Engagement

Members of our team met with the management team of Aegon, virtually, on September 14, 2023, with a follow-up in-person visit on September 20, 2023, in London, England. While we understood management's rationale and supported the initiative, we expressed our concerns about some negatives including:

- loss of pre-emptive rights meant to protect us from dilution of value,
- no voting being granted on the authority to issue shares up to 10% of the company's share capital,
- no possible voting on the authority to repurchase shares,
- cancellation of treasury shares,
- no voting on discharging of board members,
- dividend distribution.

Veolia

International Equities

Veolia Environnement is involved in the resource management, production and delivery of drinking water, collection, treatment and recycling of wastewater, and design and construction of water treatment and network infrastructure. It also provides waste collection, waste material recovery, waste-to-energy solutions, urban cleaning, and industrial maintenance and cleaning services. The company also engages in the operation and maintenance of heating and cooling networks, development of energy services to reduce the energy consumption and CO_2 emissions of buildings as well as the optimization of industrial utilities.

Company Name
Veolia Environnement S.A.

Industry
Environmental Sciences

Established
1853

Headquarters
Aubervilliers, France

ESG Themes
Energy Transition

ESG Risk

Energy Transition

Carbon intensity of industries that operate in developing countries is usually impacted by the primary energy sources available in that country. Eastern European countries, such as Poland, Hungary and Moldova, are still highly dependent on fossil fuels and coal for their energy needs.

Decarbonization of the European economy is one of the main strategic goals of energy transition in the European Union (EU), which aims to become a leader in this process by 2050 and to include other European countries making the European continent the first carbon-neutral region in the world.

This objective is at the heart of the European Green Deal and is a legally binding target through the European Climate Law. The Deal needs to combine EU-wide instruments with tailor-made approaches for each of the member states.

Our Engagement

Letko Brosseau has an ongoing engagement with Veolia on its carbon emissions, mainly derived from its energy business in Eastern Europe.

Veolia emitted 25 million tons of Scope 1 CO_2 in 2021, making it one of the largest emitters in our portfolios. We started to engage with the company on this subject at that time and we continue to do so. Veolia explained to us that most of its carbon footprint comes from its district heating business in Eastern Europe, where coal remains the major fuel used for heating and power generation.

We encouraged the company to leverage its expertise in environmental technologies to mitigate this issue. We were assured that Veolia already had substantial resources and efforts dedicated to reducing the carbon footprint in their Eastern European business and were heavily engaged in a group level net-zero strategy.

Specific targets had been established:

1. In their Eastern European business, Veolia will dedicate €2.2 billion to the conversion of all its European coal-fired co-generation plants to natural gas and biomass by 2030. This represents approximately 3% of its revenues.
2. At the group level, in addition to Veolia's medium-term 2020-2023 strategic plan, in 2022 the company announced a number of additional longer-term environmental performance targets, related to:
   a) combating climate change,
   b) upgrading plastic recycling,
   c) intense protection of all environments
   d) more biodiversity, and
   e) sustainable water resources management.
3. The company has targeted a reduction of 15 million tons of CO_2 emissions per year by 2023 for its clients:

   The company won a project in Brazil that will generate renewable electricity production by capturing the methane emitted from three landfill sites, resulting in a reduction of over 1.2 million tons of CO_2 emissions per year for that customer.
4. Veolia has begun to link compensation of top management and senior management to ESG criteria, with 30% of performance targets in its long-term incentive plan being ESG-related.

   We continue to monitor Veolia's execution against its environmental performance targets and remain actively engaged with their senior management on these important issues.

Energias de Portugal

International Equities

EDP - Energias de Portugal engages in the generation, transmission, distribution and supply of electricity in Portugal, Spain, many other European countries as well as in both South and North America. It operates within the Renewables, Networks and Client Solutions & Energy Management segments. The company primarily generates and sells electricity. It has an installed capacity of 28 GW and operates more than 380,000 kilometers of distribution network lines. The company is also involved in the supply of natural gas.

Company Name
Energias de Portugal, S.A.

Industry
Electricity Generation and Distribution

Established
1976

Headquarters
Lisbon, Portugal

ESG Themes
Energy Transition

Its electricity and gas customers include domestic, industrial, commercial and agricultural. Contributors to its profit are quite diversified:

- 40% from wind and solar plants installed globally, making it the world's 4th largest wind operator,
- 30% from running electric distribution grids in Iberia and Brazil which, together, have 11.8 million customers,
- 20% from an extensive quantity of hydro-electric plants in Iberia and Brazil,
- 10% from energy marketing and thermal generation.

ESG Risk

Energy Transition

Prior to 2005, EDP was heavily dependent on coal, but has since made a massive leap in de-carbonizing its generation fleet. Because it is based in Europe, this issue is very important for maintaining a social licence to operate. Energy is central to the European Union's transition towards climate neutrality by 2050, in line with the European Green Deal. We initiated a position in the company in 2017 and, since then, have been supportive of the company's pursuit of accelerating their energy transition.

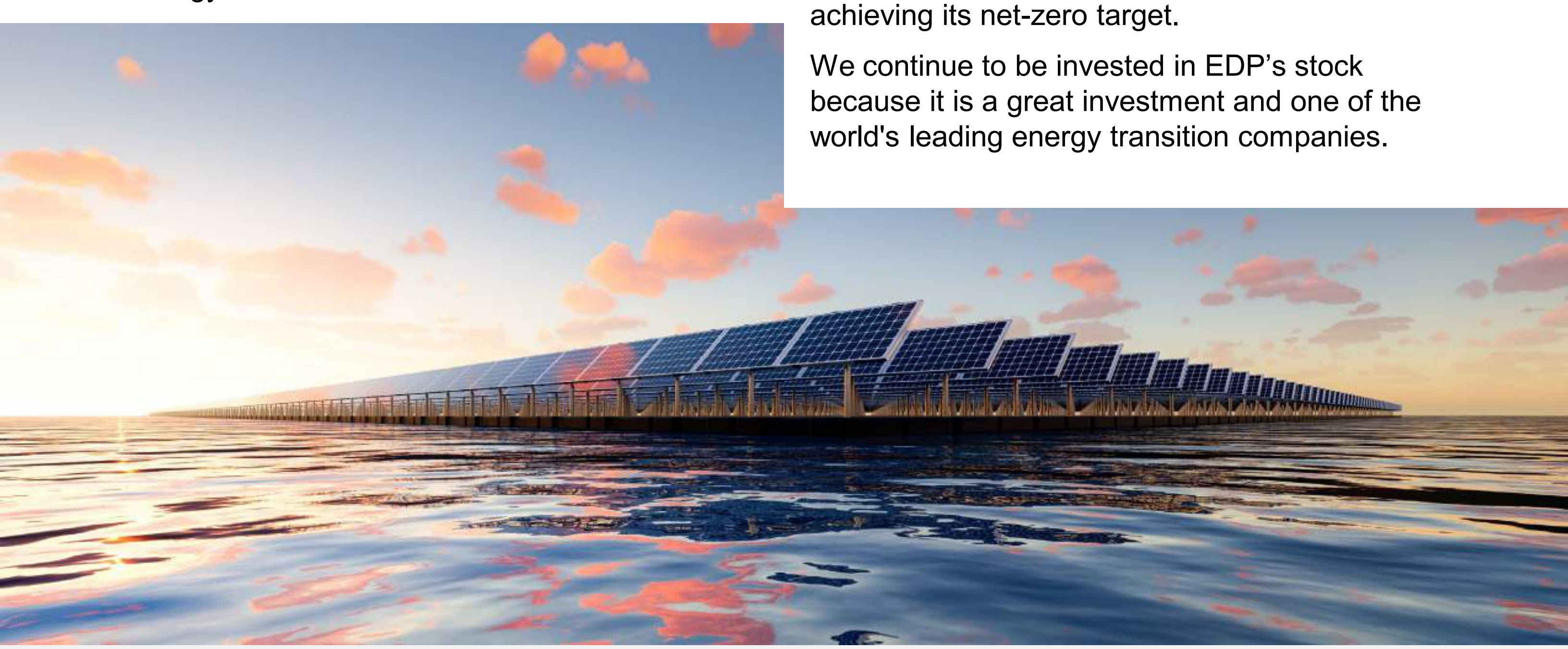
Our Engagement

We studied EDP's energy transition risks and opportunities by thoroughly reading their disclosures and actively speaking to management. We have been very supportive of the new management team's efforts to accelerate the expansion of renewable power projects and the total elimination of coal, as rapidly as possible. Our strong relationship allows us to get in touch with the company's executive team several times a year or as needed.

Since 2005, the company has achieved a 90% reduction in greenhouse gas emissions and, currently, over two-thirds of its generation is carbon-free. The company's goal is to be 100% coal-free by 2025, five years earlier than their original estimate. This has been accomplished by accelerating coal plant shutdowns or conversions. Also, the company has committed to achieve 100% renewable generation by 2030 by accelerating the installation of wind and solar projects. The company is working to add battery storage and hydrogen electrolyzers to its grids by 2025. Finally, EDP has committed to achieving net-zero by 2040.

Over the next five years, the company intends to build 18 gigawatts of new renewable power generation facilities, transitioning all of its remaining coal-fired power plants and incorporate new technologies necessary to put it on track to achieving its net-zero target.

We continue to be invested in EDP's stock because it is a great investment and one of the world's leading energy transition companies.



Semen Indonesia

Emerging Markets Equities

Semen Indonesia is one of the largest cement manufacturers and distributers in the ASEAN region with installed capacity of approximately 50 million tons. They have a 51% market share in Indonesia and export cement to China, Bangladesh, Australia and other parts of the world. The company operates at all levels of the supply chain, including limestone and clay mining, cement bag manufacturing and transportation logistics, as well as industrial real estate construction and development.

Company Name
PT Semen Indonesia (Persero) Tbk

Industry
Construction Materials

Established
1957

Headquarters
Jakarta, Indonesia

ESG Themes
Energy Transition

ESG Risk

Energy Transition

Cement production contributes significant amounts of CO_2 emissions into the atmosphere and the industry is responsible for approximately 8% of global CO_2 emissions each year.

These emissions are an ongoing concern due to their contribution to climate change, which can have widespread implications across the globe in the long term. In addition, companies with high emissions can be exposed to the implementation of carbon taxes or restrictive regulations if they do not strive to transition. This presents both financial and operational risks in the short- to medium-term and should be closely monitored by investors.

Emissions intensity has been an issue for Semen Indonesia for numerous years. Not only does the company emit CO_2 in the production of cement, but also from the coal that is used to generate energy for its operations.

Our Engagement

Letko Brosseau has an ongoing engagement with Semen Indonesia due to the high CO_2 emissions intensity of their operations.

Since 2021, we have been engaging more closely with the company on this issue. We have spoken with the management and sustainability teams and expressed our concerns over the high emissions intensity and potential negative impacts to the company's operations.

In response to our concerns, the company outlined their emissions reduction plan as part of their "Sustainability Journey" strategy. The company targets a 15% reduction in Scope 1 CO_2 emissions intensity by 2030 compared to 2020 levels. This is in line with leading global peers. They plan to achieve this reduction by altering the cement production process to use more recycled raw materials and by changing the energy mix used to power operations by replacing coal with alternate and lower-emission fuels, such as biomass. These initiatives will have an added financial benefit as the expensive raw materials will be replaced by recycled content and coal is replaced by biomass waste, reducing operating costs. In addition, the company plans to reduce its Scope 2 emissions by 19% by 2030 from their 2019 baseline year, through the addition of renewable energy to the operations.

Despite the challenges that the company has with emissions, we believe Semen Indonesia has a positive future and we continue to be a shareholder. There is no viable replacement to cement and it is a key component in infrastructure and housing for growing emerging market economies. In addition, Semen Indonesia is making solid progress towards emissions reduction, with Scope 1 intensity down 17% since 2010, and has a feasible plan in place to continue down this path.

We will continue to track the Scope 1 and Scope 2 CO_2 emissions intensity closely and will continue to engage with the company on a quarterly basis to receive updates.

Going forward, in addition to evaluating progress towards the interim 2030 targets, we would like to see the details of their plan to achieve net-zero emissions within an appropriate timeframe.

IMAX China

Emerging Markets Equities

IMAX China is an investment holding company which provides digital and film-based motion picture technologies in the People's Republic of China, Hong Kong, Macau and Taiwan. The company engages in the digital re-mastering of Hollywood, Chinese language, and other films into the IMAX format through a proprietary IMAX DMR conversion process and the exhibition of these films in the IMAX theatre network and provides digital theatre systems at its exhibitor partners' movie theatres. In addition, the company provides technical research and development, consulting, service, training and marketing services for theatre systems and multimedia technology, and photographic equipment, virtual reality display equipment and related software and hardware as well as any necessary repairs to equipment.

Company Name
IMAX China Holding, Inc.

Industry
Movies & Entertainment

Established
2011

Headquarters
Shanghai, China

ESG Themes
Principled Governance (Privatization)

ESG Risk

Principled Governance (Privatization)

On July 13, 2023, minority shareholders received an offer from majority shareholder, IMAX Corporation, which owned 71.6% of the outstanding shares of IMAX China, to acquire all remaining equity of IMAX China for a price of HK$10.00 per share. Based on our analysis, the proposed offer significantly undervalued IMAX China and unjustifiably benefited IMAX Corporation at the expense of its minority investors.

Our Engagement

Following the offer from IMAX Corporation to purchase all shares held by minority shareholders of IMAX China for HK$10.00 per share, we engaged in a call with the management of IMAX Corp. on August 28, 2023, to discuss their low offer. This call subsequently led to an in-person meeting with IMAX Corporation's management on October 5, 2023. Following the meeting, our team were still unconvinced that the privatization offer was anywhere near adequate. Letko Brosseau then issued a press release urging all other minority shareholders to carefully consider the merits of this offer. Letko Brosseau, which owned 1.7% of IMAX China, voted against the privatization proposal.

Approximately 61% of minority shareholders voted on the proxy and slightly more than 18% rejected the offer from IMAX Corporation. The proxy voting standards were not met and so, on October 10, 2023, IMAX Corporation issued a press release confirming that the company's proposal to acquire IMAX China's outstanding shares would not proceed following a vote by IMAX China's shareholders.

We are expecting IMAX China to create additional shareholder value by focusing on its core operations in Greater China and taking advantage of the post-COVID recovery in China. The recent reopening of all theatres should drive significant recovery in revenue and adjusted profit at IMAX China.

First Pacific

Emerging Markets Equities

First Pacific, an investment holding company, engages in telecommunications, the consumer food industry as well as infrastructure and natural resources businesses in the Philippines, Indonesia, Singapore, the Middle East, Africa and internationally. The company offers a range of telecommunications and digital services, including a fiber optic backbone and fixed line and mobile networks. It also manufactures and distributes a range of food products, including noodles, dairy products, snack foods, and related consumer goods. In addition, the company explores for mines and produces gold, copper and silver and produces sugar and bioethanol. Through its subsidiaries, it is involved in the operation of a gas-fired power plant and provides water distribution, sewage and sanitation services. Additionally, the company engages in the distribution of renewable energy-related activities.

Company Name
First Pacific Company Limited

Industry
Telecommunications, Consumer Food, Infrastructure, Natural Resources

Established
1981

Headquarters
Hong Kong SAR

ESG Themes
Energy Transition, Principled Governance

ESG Risk

Energy Transition

Metro Pacific, a company controlled by First Pacific, derives more than 50% of its profit from Meralco, one of its subsidiaries. Meralco is the largest private electric distribution utility in the Philippines. It purchases almost 40% of the electricity generated in the country and redistributes it. Meralco's purchases were dominated by fossil fuels, making up 70 to 100% of the total purchased electricity. Roughly half of these purchases come from fossil gas and coal, while oil-based sources cover most of the balance of the energy mix. Renewables from power supply agreements contribute a relatively small share of the energy mix at between 1% and 2%.

Principled Governance

Corporate governance concerns, at the holding company level, centered on questionable management remuneration and sparce shareholder returns due, in part, to the issuance of too many shares and payment of minimal dividends.

Our Engagement

Energy Transition

Due to the extremely high level of fossil fuels used by Meralco, in 2021, we initiated a detailed discussion with First Pacific to delve deeply into their strategic plans to deal with this important issue.

First Pacific informed us that they would work closely with Metro Pacific on its long-term net-zero strategy and that it intended to publish its first ESG report in the near future. First Pacific also provided us with details on the progress that Metro Pacific was making in the conversion of their power business, by adding at least 1,500 megawatts of renewable power plants over the next five to seven years and plans to source 1,750 megawatts of additional renewable energy by 2030; this compares to the 2021 installed capacity of only 50 megawatts.

Following our encouraging conversations, Meralco published its first sustainability report in 2022. Electricity generated from coal declined from 60% in 2020 to 56% in 2022. Meralco also reiterated its goal towards low-carbon emissions through to 2030, adopting new and green technologies by 2040 and preparing for deep decarbonization with the goal of becoming coal-free before 2050. We will keep watching the company's progress in its impressive but necessary carbon strategy.

Principled Governance

Given the underperformance of First Pacific's stock price, we have talked to the management regularly since 2019 on how they should modify the remuneration mechanism of top management to be better aligned with shareholder returns.

We also recommended that the company repurchase shares and increase the dividend. We felt this would demonstrate management's confidence in and commitment to the company's future potential.

As a result of our repeated requests, in March 2021, First Pacific Company launched a three-year US$100 million share repurchase program targeting 7.8% of total shares outstanding. In terms of the dividend, the company has steadily increased the amount and the frequency.

We will continue to engage with the company on the improvement of the management remuneration mechanism.

Ferreycorp

Emerging Markets Equities

Ferreycorp is a Peruvian corporation that sells and services heavy mining and construction equipment in Peru, Guatemala, El Salvador, Belize, Nicaragua, Ecuador and Colombia. The company is the sole dealer and distributor of Caterpillar products in these geographies. It also sells a diverse assortment of other leading equipment brands such as Paus, Terex, Metso, Landini, Civemasa and Spra-Coupe. Ferreycorp imports and sells machinery, engines, automotive equipment and spare parts and operates through the following segments: Heavy Equipment, Automotive, Vehicle Rental, Agricultural Equipment and others.

Company Name
Ferreycorp S.A.A.

Industry
Heavy Equipment Distribution

Established
1922

Headquarters
Lima, Peru

ESG Themes
Principled Governance

ESG Risk

Principled Governance

The risk we feel needs to be addressed concerns board governance and committee independence. This is a company-specific concern but is quite common in many countries in the region, where it is a prevailing and acceptable practice.

We had concerns with the governance structure at Ferreycorp. The members of the board of directors are currently only subjected to elections every three years which is not in line with international standards of annual elections. We prefer annual election of individual directors, a move that we felt would encourage greater accountability.

In addition, key board committees, which are meant to advise the board on specific areas of operations like audit, compensation, nominations and governance, included non-independent directors. This, in our opinion, could negatively impact their ability to effectively undertake their critical responsibilities.

Our Engagement

In February and March of 2023, we expressed our concerns over the firm's board governance and committee independence to the CEO, who is also a board member and sits on some key committees. We communicated our preference for the annual election of individual directors and for the independence of key board committees.

The CEO notified us that the board would consider our position on annual election of directors. In addition, we were also informed that non-independent directors planned to step down from certain key committees and continue in a role of providing information, only.

Despite these concerns, Ferreycorp has proven to have a strong governance structure in place and acts as a consistently responsible corporation. We continue to hold shares of the company and will work with them as they transition towards international best practices. We are looking for continued progress on the implementation of these important changes.

End Notes

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