2024 Responsible Investing Report

MAWER

Be Boring. Make Money.®

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A Message to Our Clients

At Mawer, we believe that great investing requires patience, discipline, and a focus on the long term. This year, as we celebrate 50 years since our founding, we reflect on how these principles, coupled with our commitment to "do the right thing," have guided us through decades of change. These values remain critical as we navigate turbulent seas—a world shaped by relentless technological advances, shifting geopolitics, environmental pressures, and evolving societal expectations. Yet while the uncertainty and challenges grow more complex, so too does the opportunity to identify businesses that are resilient, adaptable, and capable of creating lasting value.

In 2024, the interplay between change and sustainability remained a dominant theme. Industries are being reshaped by rapid technological advancements and the growing demand for energy under a backdrop of energy transition. Companies must now grapple with the balance of short-term realities and long-term imperatives—managing costs, pursuing innovation, and responding to evolving societal expectations. As investors, we are not passive observers of this transformation. Rather, we are active participants: asking questions, seeking accountability, and engaging with businesses on material risks and opportunities that may shape their future.

This is why ESG considerations are not viewed as a standalone exercise within our process. It is one of many inputs into identifying wealth-creating businesses: those with enduring competitive advantages, strong management teams, and the ability to adapt to an evolving world. Whether it's understanding a company's exposure to supply chain disruptions, its plans to reduce carbon intensity, or its approach to fostering an inclusive workplace, our research team evaluates factors that could materially impact long-term outcomes.

At the same time, the nuance of responsible investing cannot be overstated. The world is full of trade-offs—competing demands on energy affordability, sustainability, and security, for instance. Navigating these complexities requires discernment, open-mindedness, and an ability to engage thoughtfully with management teams. It requires the persistence to continue asking questions and the humility to recognize that the answers are not always clear.

Over the past year, we have continued to deepen our capabilities. We've worked to enhance our processes to ensure that we remain informed and adaptable. Importantly, we've also listened—to clients, to companies, and to the shifting realities around us. This ability to learn and evolve is embedded in our culture and fuels our commitment to staying ahead of emerging challenges and opportunities.

As stewards of your capital, our role is to help you navigate an uncertain world with confidence. The work we do today—integrating material ESG insights into our investment process, engaging with businesses, and continuously improving our processes—serves a singular goal: to deliver strong, long-term, risk adjusted returns that align with your best interests.

Thank you for your continued trust and partnership. We look forward to facing the future 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 in the firm's strategies.
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, whereby Mawer, strives to improve our own ESG practices.

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2024 at a Glance

Firm

1974 Founded in Calgary	$90B Assets under management	100% Independently owned by 87 owners	98% Client retention*

Investment Approach

1 Investment philosophy	1 Integrated ESG approach	+1,100 Management interviews	99% Meetings in which we voted

All figures as of December 31, 2024 *Annualized rate over the past 10 years as of December 31, 2024; Institutional clients only

Proxy Voting

	Meetings Voted		Against ISS*		Against Management	
	#	%	#	%	#	%
Mawer International Equity	68	100.0	68	6.7	87	8.6
Mawer U.S. Equity	51	100.0	66	9.1	57	7.9
Mawer U.S. Mid Cap	39	100.0	66	16.0	57	13.8
Mawer Global Equity	51	100.0	93	10.3	75	8.3
Mawer Global Small Cap	53	100.0	91	12.1	49	6.5
Mawer Emerging Markets Equity	85	98.8	33	5.1	36	5.6
Mawer EAFE Large Cap	66	100.0	131	10.4	148	11.8
Mawer Canadian Equity	41	100.0	48	7.8	59	9.6
Mawer Canadian Small Cap	42	100.0	73	16.4	42	9.5

For the period of January 1, 2024 to December 31, 2024. 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.

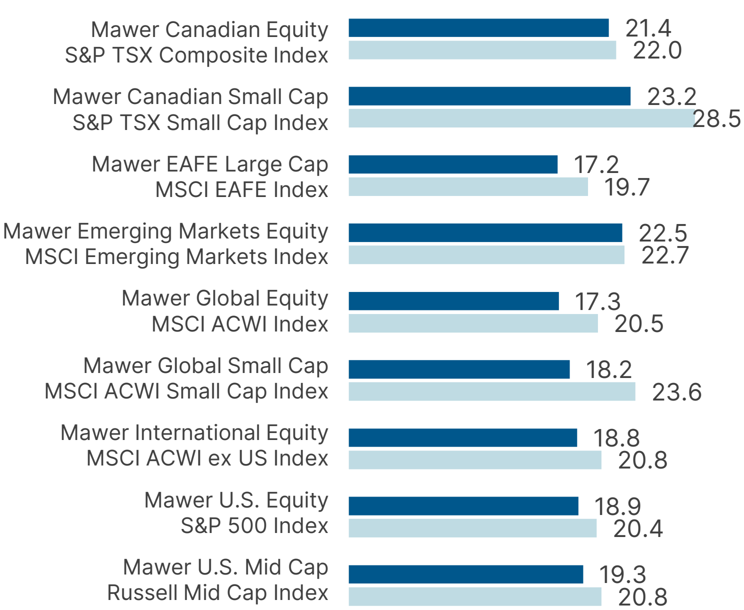
*We subscribe to Institutional Shareholder Services (ISS) to provide us with additional research and context, but ultimately, we use our own judgment in deciding how to vote.

Mawer Portfolio vs. Benchmark

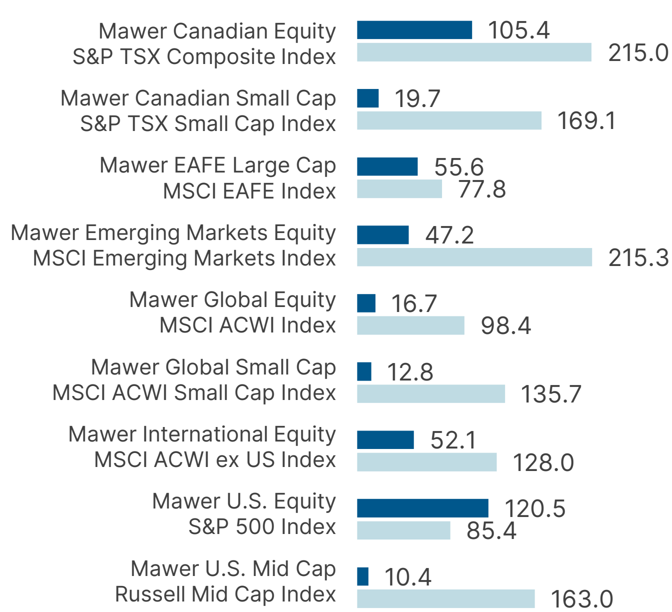
Mawer's primary objective is to maximize long-term, risk-adjusted returns in the firm's strategies, and we believe ESG factors can impact the sustainable competitive advantages of businesses and the risk/return profile of our investments. Our investment philosophy is to find wealth-creating businesses, led by excellent management teams, and strive to purchase them at prices we believe embed a margin of safety. In other words, we look for quality at a reasonable price.

Although our investment approach does not have an explicit ESG focus, ESG factors are considered as one of a number of inputs in assessing the quality of investments to enable sound decision making when constructing portfolios. As illustrated below, this focus on quality has often contributed to many of our portfolios ranking better than their respective benchmarks in terms of ESG risk rating and carbon intensity.

ESG Risk Rating



Carbon Intensity



Source: Sustainalytics as of December 31, 2024. Portfolio information is based on the strategy's representative account. Please see appendix for full disclaimers.

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 which may include ESG factors—are made through this lens. Mawer views responsible investing as a framework that 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 that in our opinion impact, or have the potential to impact, our investments. ESG factors are considered as an input in assessing the quality of investments to enable sound decision-making when constructing portfolios.

While consideration of material ESG factors is a component of our investment research process, the assessment of the ESG factors alone often plays a limited role in the overall investment decision. Having said that, in some cases ESG considerations may lead to higher or lower security weights in the portfolio, or in rare instances, excluding a security altogether.

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Active Stewardship

Engagement

We pursue engagements in the following three ways:

1. Fact finding and gathering information to assess the magnitude and probability of potential risks and opportunities;

2. Acting in an advisory capacity and providing input to decision making authorities (i.e., management teams), through engagements, and indirectly with voting and our ownership; or

3. Attempting to influence change where there is a reasonable chance an engagement could impact the desired outcome (e.g., being a large shareholder).

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 relationships with management teams help 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 endeavors, 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 when 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

Voting 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. We believe that by assessing the relevance and materiality of environmental, social and governance factors as part of our investment process, we can better identify and evaluate the quality of sustainable business practices, which supports our focus on 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 Asset Class Managers or analysts may not support a company's board or management actions. In our opinion, voting "against" can be consistent with the general investment support of the company, reflecting engaged ownership.

Engagement with company management may be a powerful agent for change and more effective than a mere vote against a motion recommended by a company's management/board and/or a vote in favour of a shareholder proposal. Subject to all relevant securities laws, research team members may engage a company's management or board to communicate the Asset Class Manager's rationale for voting in a certain manner, to explain the applicable principle or guideline, and to suggest more suitable alternatives.

Collaborative Partnerships

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[1].
CFA Institute	Signatory of the CFA Institute Diversity, Equity, and Inclusion Code since 2022.

[1] Mawer made its commitment to the PRI in its capacity as an investment fund manager rather than on behalf of any of the funds that Mawer manages. None of the funds managed by Mawer have an ESG focus.


RESPONSIBLE INVESTING IN ACTION

Powering Our Future

In the evolving landscape of energy, disruption brings both challenges and opportunities. The transition to cleaner and more sustainable energy sources reflects the need to mitigate risks and build resilience in an increasingly unpredictable world. In 2024, several additions to Mawer portfolios stand to potentially benefit from energy transition.

We recently initiated in **Hitachi**, an industrial conglomerate in Japan. Over the past ten years, management has transformed the business via disposals and acquisitions to one that now boasts an attractive and profitable portfolio focused on energy transition, electrification, green mobility, and digital industrial solutions. **Schneider Electric** is a manufacturer of electric power equipment with applications in power conversion, commercial buildings, and data centers. And China's **NARI** produces power grid and automation control systems that are mission-critical to its customers.

For all three companies, their market leading positions provide them with economies of scale and scope, providing the R&D horsepower to remain competitive within their core markets that require constant innovation. Their end markets are undergoing secular growth and should benefit from demand tailwinds emanating from greater electrification, digitization, energy storage, and grid reliability.

Of course, energy transition doesn't operate like a light switch. Two Indian companies—**Aegis Logistics**, which owns and operates a network of terminals for liquid petroleum gas used mostly for household cooking, and **Indraprastha Gas**, a regulated utility distributing compressed natural gas, primarily for autos—stand to benefit from the Indian government's stated desire to promote a shift to lower carbon emissions by moving toward cleaner fuels than those such as diesel, dung, or firewood. These companies remain significant in a country's infrastructure that lacks a robust pipeline network which cannot be built overnight.

Protecting Our Forests

As the world pivots toward cleaner energy, addressing environmental challenges like deforestation becomes equally critical to sustainability efforts. According to the UN Environment Programme, "the felling of trees in tropical areas alone releases more than 5.6 billion tonnes of planet-warming greenhouse gasses every year. That is more than four times the combined total of aviation and shipping."[1] This statistic puts into perspective the impact of deforestation as it relates to climate change, while not accounting for its other negative effects on wildlife habitat, Indigenous communities, and water supply. For these reasons, activities that contribute to deforestation (e.g., agriculture, mining) are under scrutiny by varying institutions and governments.

One notable example of such scrutiny is the European Union's 2023 EU Deforestation Regulation (EUDR). Under this regulation, any enterprise that operates within the EU must be able to show the commodities used in their products (including cattle, wood, cocoa, soy, palm oil, coffee, rubber, and some of their derived products) are not derived from deforested land or have contributed to forest degradation.[2] The onus of proof is on the businesses themselves and while the EUDR will only take effect as of December 31st 2025, the outlined penalties for non-compliance are arguably material.

[1] https://www.unep.org/news-and-stories/story/how-halting-deforestation-can-help-counter-climate-crisis

[2] https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

Protecting Our Forests cont'd

A variety of business models (if not all) can be subject to a stroke of the pen risk. As investors, we cannot foresee the future regulation or laws that will impact the companies we own, but we can invest in companies that we believe are well-positioned in their given industry. In our opinion, in the case of the EUDR, coffee marketer, **JDE Peet's** is a good example.

As the largest pure-play coffee marketer in the world, JDE Peet's will be subject to the EUDR and has implemented efforts in helping achieve compliance come 2026. For instance, the company has partnered with Enveritas, a global sustainability platform, which uses a combination of high-resolution satellite imagery, artificial intelligence, and on-the-ground verification to measure the extent of coffee-related deforestation. JDE Peet's has also signed the Memoranda of Understanding (MOUs) related to combatting deforestation with multiple countries from which they source coffee.

What gives us further promise in JDE Peet's ability to comply with the EUDR, is its size and scale as well as its incorporation of sustainability in different aspects of their business (from its packaging, labor practices, and more). While their sustainability efforts undeniably come at a financial cost today, we believe it's an investment which can bear fruit in varying ways tomorrow—from meeting demands of their customers to those of future regulation.

No Wasted Efforts

According to the World Bank[3], the amount of waste generated by urban populations will rise to 3.4 billion tonnes per year by 2050 from a combination of greater urbanization, rising per-capita income, and overall population growth. Throughout much of corporate history, companies went largely unpenalized by the amount of waste they generated (e.g., the multiple fires that broke out on Cleveland's Cuyahoga River as a result of industrial waste). But increasing costs due to government regulations, a shift in consumer preferences, and the reputational impact on brands have combined to provide companies with a financial incentive to better address how they deal with waste.

Consumer packaged goods companies are a category that comes immediately to mind. **Procter & Gamble** (P&G), the company behind Tide laundry detergent, Crest toothpaste, Head & Shoulders shampoo, and Bounty paper towels is an example of a company that has been effective in addressing waste in its business. According to P&G, it recycles 99% of the solid waste generated in its manufacturing and is working toward a goal of 100% recyclable or reusable packaging by 2030, having doubled their use of recycled plastic over the past two years. It has also doubled its use of recycled resin over the past five years. Not only does management's follow-through on recycling related initiatives bolster our assessment of their competence, but the focus on reducing waste extends to introducing innovative products that their customers desire and new revenue streams (e.g., Tide detergents specifically formulated to work best in cold water, thereby reducing their customers' energy needs).

Grocers such as **Ahold Delhaize** are innovating to reduce waste too. The company is increasingly deploying digital tools in its stores, such as dynamic pricing tags that progressively apply discounts as products get closer to their expiration dates. The company is deploying AI-related tools to plan deliveries and restocking more efficiently and boosting the number of SKUs that offer refill options (e.g., cereal, laundry detergent, etc.). In concert, these initiatives flow through to the bottom line by reducing cost. And because we believe that for particular companies, focusing on food waste reduction is consistent with good business, our proxy voting has supported compensation plans at Ahold Delhaize and other organizations where this consideration is material, such as caterer **Compass Group**. Both—consistent with our engagement—explicitly include metrics on food waste as part of their executive compensation programs.

Advanced Drainage Systems (ADS)—a provider of plastic underground pipes, septic tanks, and other solutions used in facilitating access to fresh water, as well as various stormwater and wastewater management systems—benefits directly from its ability to help reduce waste. Traditionally, sewer and stormwater systems have been made from concrete and metal, but these are increasingly being displaced by plastic products given that the latter are more durable, cheaper to install and, crucially, more effective and therefore better for the environment in reducing leakage.

[3] https://courses.edx.org/assets/courseware/v1/9c36032ee3462a1d05c706d0ca0e275d/asset-v1:WBGx+SWM2001x+1T2020+type@asset+block/World_Bank_What_a_Waste_2.0_chapter_2.pdf

No Wasted Efforts cont'd

Management has positioned ADS as the clear leader in the plastics category with approximately 80% market share and is also a leader in using recycled plastics in its pipes, with roughly half of its revenues stemming from pipes made from remanufactured product. ADS should benefit from a long runway to take market share and replace the legacy concrete solutions across commercial, residential, infrastructure, and agricultural applications.

Finally, India's **Gravita** is the country's largest recycler of lead (think: car batteries), which is toxic to the environment, with significant operations in Africa too. Gravita's scale provides it with competitive advantages tied to its collection network and its ability to adhere to higher regulatory requirements imposed by various governments that have become increasingly concerned with the proper handling of toxic waste, thereby gaining share from many of the unorganized players it competes against. Moreover, recycling lead is cheaper than mining new lead from the ground. Given India is at the forefront of countries the World Bank considers most likely to experience population growth, economic development, and urbanization, Gravita's business should have a long runway for success.

Defense in a Complex World

Kinetic warfare is a real and growing reality and recent world events have caused us to reconsider our view of investing in defense companies. Countries that have previously shied away from defense spending appear to have changed their perspective on the need to rearm. While it can take years for defense budget commitments to translate into revenues, they tend to entail high switching costs, recurring servicing revenues, and demand uncorrelated with economic cycles.

One of our analysts attended the Singapore Airshow this year to conduct scuttlebutt with the competitors of our defense companies. The unfortunate reality is that countries are rushing to restock their munitions inventory, and recent conflicts show the importance of having sufficient stockpiles of interceptors (missiles that shoot down hostile missiles and drones). These systems are vital for keeping the civilian population in cities and maritime shipping lanes safe in times of aggression.

The scuttlebutt with the sales personnel of five different defense companies revealed speed of delivery followed by pricing as the two most important factors for winning deals. In our opinion, this bodes well for South Korean-based **LIG Nex-1** as their top selling product is anti missile/aircraft systems. In general, South Korean companies can offer quicker delivery versus European peers due to the country running hot production lines for the Korean military given the active threat posed by North Korea. This contrasts with Europe which deactivated production capacity post cold war. Labor costs are also lower versus European peers which translates into lower prices for the end customer. This scuttlebutt reinforces our view that LIG Nex1 is well-positioned to benefit from overseas defense sales.

We also hold a position in U.S.-based **CACI International**. CACI is an IT consulting contractor that works primarily with the U.S. Department of Defense as well as several federal civilian agencies. In our view, the company has a stable business model, with a consistent baseload demand and high customer retention. The company also offers a way of gaining defense spending related exposure without the direct risks of weapons manufacturing and distribution.

Fit for the Future

One of our mental models is to assess “where the puck is going.” Whether you are a hockey fan or not, hopefully this resonates as to why this is a focus for us as investors. In addition to evaluating a business’s wealth creation in the past and present, we assess its potential for the future while accounting for risks along the way. After all, we’re in it for the long haul! Social shifts that influence consumer behavior and demand can have a meaningful impact on a company’s future viability and wealth creation. The increased emphasis on health and wellness for instance has impact that spans industries and varies in both upside and downside risk (depending on the company in question).

Fit for the Future cont'd

When we initiated a position in pharmaceutical company **Novo Nordisk** in 2019, we appreciated its core business of diabetes medicines; however, their pipeline of drugs helping with tangentially related diseases such as obesity was a notable opportunity for the company's growth. While there may be debate surrounding the use of obesity medicines, there is clear demand by the consumer market as people aim to lose weight and improve their overall health. This demand has translated into big gains for companies such as Novo Nordisk.

In contrast, some food and beverage companies are more vulnerable to an increased emphasis on health and wellness. For instance, we previously held a food, snack, and beverage company which has a significant amount of revenues coming from unhealthy product lines (chips, sodas, etc.). Despite the company's efforts to diversify away from its core business, the uncertainty around such a shift remained. Overall, we believed that the company's valuation had already accounted for the majority of its revenue growth, contributing to our decision to exit the position.

The health and wellness social tailwind go well beyond our positions in Novo Nordisk and the exited food and beverage company. There are business models we have historically avoided (such as tobacco) which have obvious downside risks given the emphasis on health. This is not to say we don't have exposure to companies that may be viewed as less health-focused (our positions in brewers and spirit makers comes to mind), but rather we assess the varying risks and opportunities that face the businesses we own and understand how that impacts our investment.

Safety First

In our 2022 Responsible Investing Report we highlighted the troubles Canadian energy company **Suncor** was having with high rates of workplace safety accidents. While Suncor has safety processes in place, the company concluded that poorly structured safety evaluations have led to poor outcomes. The company's CEO resigned in 2022 shortly after another tragic workplace accident. At the time, we encouraged the board to look for an external candidate with excellent leadership qualities who can drive a cultural change across the organization.

In April 2023, the company named Rich Kruger as their new CEO. Mr. Kruger has over forty years of energy industry experience, most recently as the CEO of Imperial Oil. We were pleased with the management change as we view operational and safety improvements as a critical piece of our investment thesis. We had a dedicated call with Suncor's health and safety professionals where they indicated to us this is a high priority and changes were being made internally.

Since that call, management appears to have made meaningfully progress. This includes efforts to drive more internal accountability by reducing both the amount of outsourcing to consultants and the number of layers in the organization to improve communication. At the most recent investor day, the company noted 2023 was the safest year in the company's history, with zero severe injuries or fatalities. Operationally, management has implemented simplified scorecards with KPIs that are consistent across assets and avoid competing operational objectives. At the mines, one big change has been shifting material hauling from smaller trucks operated by higher priced contractors to larger trucks Suncor owns and operates, driving safety improvements (fewer people at risk), and lower costs as haul distance is shortened. Management is increasing its utilization of autonomous haul trucks which is also expected to improve operational safety. Lastly, management has added some incremental processes where they've seen gaps.

One example is rest-time tracking when employees or contractors fly in by plane, in case planes are delayed. There's still more work for Suncor to do, but in our opinion its new leadership has been able to improve both safety and performance at the same time, leading to higher output and lower costs per barrel (given the high level of fixed costs in this business).

Stronger Together

Strong Indigenous community relations are key to a number 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 financial interests is fostered, improving the odds these projects are successfully executed.

One example of shared ownership is **North American Construction Group (NACG)**, a construction contractor company that provides equipment and operator services to oil sand operators and mining companies. NACG has a number of long-standing partnerships with different Indigenous communities:

- Nuna Logistics is the largest Inuit-owned heavy civil construction, earthworks, and mining construction contractor in Canada. It is controlled by the Kitikmeot Corporation (51% ownership), a wholly owned business arm of the Kitikmeot Inuit Association, while NACG holds the remaining ownership. The partnership is mutually beneficial for both groups with Nuna accessing NACG's broad equipment fleet, while NACG has been helped by diversifying their business outside of the oilsands in areas such as gold mining.
- NACG also has partnerships with the Mikisew Group of Companies which is directly owned by the Mikisew Cree First Nation (51% ownership) with NACG owning the rest. The partnership provides construction and mining services to oil sand customers and has been an important element to the oil sands operations in Fort McMurray and surrounding areas.

These partnerships have enabled NACG and its Indigenous partners to deliver high value construction and mining services to their clients while also providing substantial long-term benefits to local communities.

Stronger Together Cont'd

Parex Resources is a Colombian oil exploration and production firm which we believe has a strong set of practices to consult and partner with local Indigenous communities. Colombia has low-cost conventional oil reserves that were not exploited until 2016 due to previous political turmoil and Parex has significant, low-cost proved reserves, 10% of which is on Indigenous land.

In our opinion, Parex has established robust guidelines and policies that strive to respect and protect the rights of ethnic and Indigenous communities. Every exploration project carried out has an agreement with the community. Elements of the agreement include social investments and compensation in ethnic territories and alignment with the ethnic communities' culture and interests (via life plans, development plans, sustainable development goals, and other guidelines).

In last year's report, we highlighted the formation of a 50/50 joint venture between **Pembina Pipeline** and the Haisla First Nation for the proposed development of the Cedar LNG Project. The project proposal has since been finalized between both parties and is a great example of positive collaboration between the oil industry and local Indigenous communities. The Haisla Nation benefits both from its direct 20% equity interest in the project and facility jobs once the infrastructure is up and running, Pembina and the other oil and gas parties involved get a big project greenlit and the expected financial returns that come with it, and Canada likely benefits from improved economic growth.

Aligning Interests

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 not only have the ability to express our opinion through voting on the remuneration plans themselves, but also with respect to the election of those board members who form the remuneration committee.

In 2024, we had a chance to vote our proxies across 674 compensation-related proposals, voting against management on 205 of those items, i.e., 30% of the time.

Our obsession with compensation plans stems from our investment approach. As long-term business owners, the decisions that management teams make have a material impact on our investment decisions. As a result, 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 the level of talent needed to run that particular organization?
2. Are the incentives aligned properly?

Aligning Interests cont'd

Strong alignment occurs when elements of remuneration are tied to long-term wealth creation, which we believe will ultimately result in long-term share price appreciation. Our observation has been that companies can 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.

Our UK contract caterer, **Compass Group**, made what we believe to be some sensible tweaks in their compensation plan that properly incentivizes management to focus on the value drivers of their business while also considering stakeholder interests. They changed their primary short-term bonus metrics from operating margin and organic growth towards absolute profit growth citing inflation obfuscating the prior metrics. When inflation is high, revenue growth improves though margins temporary lag given a modest time lag on matching pricing to their costs. Margins can also be impacted by new contract wins coming in at lower margins.

Of note, Compass chose employee injury rate, food safety, and food waste as their main ESG related KPIs. In our view, 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. Even more importantly, there are material reputational benefits.

We also began a dialogue with value added technology reseller **Converge Technologies**. We sent a letter to the Converge board regarding chairperson, compensation, and board composition practices. We advocated for (i) an independent chairperson, (ii) a compensation structure that included clear, simple, and value-creation-oriented KPIs, as well as (iii) a smaller board and independent compensation committee. This letter prompted a meeting with the company's CEO to discuss these issues in greater depth. While it's early days in this engagement, we're pleased with the initial reception from management while remaining focused on affecting long-term, positive change.

Lessons from Product Recalls

Governance is further tested when companies face crises like product recalls, which highlight the importance of resilience and accountability. Product recalls can be costly for companies to remedy while also potentially damaging their reputation. While one-time costs are a pain point, sustained damage to a brand is what is often more concerning. Our past and present portfolio holdings have experienced recalls and there will inevitably be recalls in the future. There are a few considerations to keep in mind when thinking of recalls from an investment standpoint.

Regardless of the severity of a recall, it is important to understand whether it is indicative of a more systemic and structural issue at the company in question. Are there quality control issues that can impact other product lines? Are there cultural issues at play? Or was the recall a more isolated instance? In 2024, portfolio holding, **BMW**, had a major recall for an integrated braking system impacting approximately 1.5 million cars. While this recall was costly to the automaker and its share price, the recall, in our opinion, has not uncovered a structural issue at the company.

A structural or systemic issue at the company can also lead to questions about the effectiveness of a company's management team. Furthermore, how a management team navigates the recall process itself can be revealing. Our past holding, **Philips**, experienced a major recall of their sleep apnea machines in 2021. Outside of the problematic and dangerous recall itself, Philips' outreach to impacted customers was considered by us to be suboptimal. Given our focus on effective management, this mishandling along with other management missteps led to our decision to exit the position.

In our focus to invest in wealth-creating businesses, there are often shared characteristics across the companies we hold. Some of these characteristics include having a strong brand and size/scale advantages. These attributes are beneficial when experiencing a recall. A company with a reputable brand and large size can often more easily absorb the financial and non-financial consequences of a recall. Portfolio holding **Nestlé** is a company which has experienced recalls over its history, but through their dominant position and diversified business lines, they have been able to weather such events. Moreover, the types of business models we invest in matters as well. While we invest in a variety of businesses, those that are asset-light are appealing for a variety of reasons. From the perspective of recalls, these businesses are less likely to experience one at all given their typical focus on offering a service rather than a product.

Food for Thought

Competing priorities and trade-offs are inevitable in both life and investing. We may want to squeeze in a morning workout but that can come at the cost of additional sleep. We may have a very high-quality company to invest in, but its valuation may be rich. This is also the case in the world of ESG integration. We evaluate the varying environmental, social, and governance factors which are relevant to a business and sometimes the opportunity for positive impact under one factor can have negative consequences for another. In the case of food insecurity, we've observed the dichotomy between the environmental costs and social benefits.

We currently hold a position in **Nutrien**, an integrated commodity producer, which can help with this effort. Nutrien combusts natural gas to produce nitrogen compounds for fertilizers. Synthetic nitrogen fertilizers are frequently attributed to supporting about half of the current global population; agricultural output would fall sharply without them. While Nutrien's offerings are essential to the global food supply chain, the combustion process clearly has negative environmental effects. There is the possibility to make the process more sustainable; however, even conservative forecasts estimate that these costs would be significantly higher (approximately triple vs. the current process), impeding its feasibility.

We also hold **Deere & Co**, an agriculture and construction equipment manufacturer. As global population is expected to grow, farmers must considerably increase production on today's arable land, a difficult task compounded by the fact that one-third of global arable land has disappeared due to erosion/pollution in the past 40 years. Deere's agricultural equipment can help increase efficiency, but increased usage of their fleet has negative environmental consequences through its emissions. The company is working on introducing electric vehicle options (starting in 2026); however, these offerings will be limited in nature and may take time for wide-spread adoption.

Overall, when it comes to food security, environmental factors can be at odds with social considerations. From an investment perspective, any increased demand for products that improve agricultural productivity is to the benefit of our portfolio holdings such as Nutrien and Deere & Co.

Governance That Delivers

What makes an excellent management team? Quite simply, one that is highly competent, well-aligned, and honest. Two initiations, **Hitachi** and **Nippon Sanso**, would not have met our investment criteria without observing significant improvements in governance.

We first met with Japanese conglomerate Hitachi ten years ago and have been impressed with the evolution of its board. It is now internationally diverse—vital for a global conglomerate—which translates into valuable perspectives and greater exposure to global best practices. As highlighted in the "Powering Our Future" section, an improvement in governance has translated into much better capital allocation, high consistency in word and deed, and ultimately a more sustainably wealth-creating business.

Industrial gas company Nippon Sanso has historically exhibited lower margins than its global competitors. When Linde and Praxair were forced to divest assets in the U.S. and Europe as part of their merger, Nippon Sanso was an opportunistic acquirer. Not only were many of these assets attractive additions to the company's portfolio, but they also introduced positive changes in corporate culture, management, and capital allocation that have lifted our assessment of business quality.

By contrast, we eliminated a lab-based testing company from our portfolios after a longer engagement that hasn't borne fruit. The lack of a return-based metric in executive compensation and a lack of independence among board members (e.g., the CEO's brother and ex-wife) were elements we did not support as part of the company's annual proxy statement and, in conjunction with poor fundamental execution, these governance concerns played a key role in our decision to exit.

Finally, we eliminated a construction project manager in China after the abrupt resignation of the CEO, whom we highly regarded, as well as a number of his direct reports. A founding figure, the CEO's outsized influence on execution, capital allocation, and safeguarding the interests of minority shareholders will be missed, and it raises the possibility of increasing influence from the SOE parent whose interests may not be aligned with minority shareholders.

SPOTLIGHT

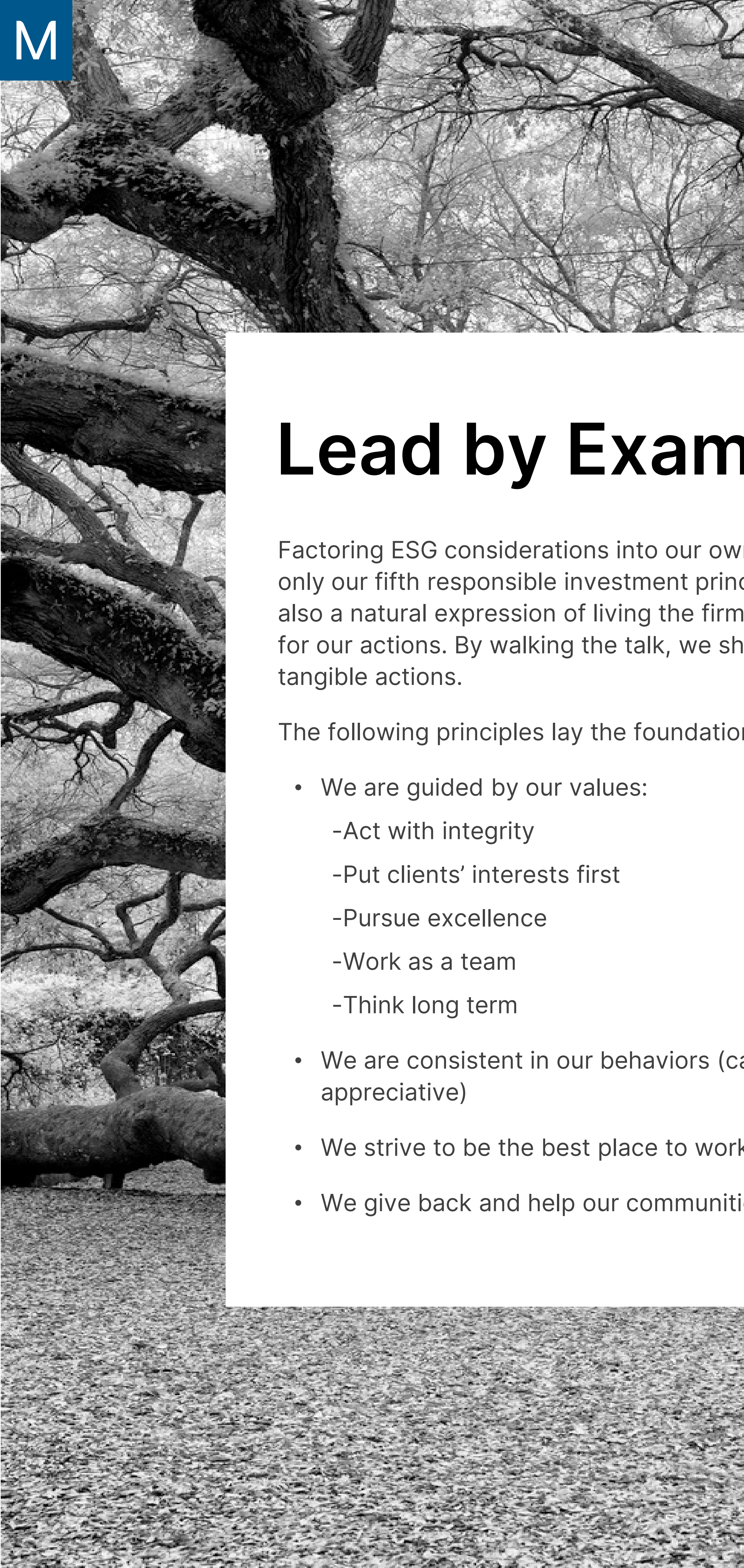
Bunzl: Driving Long-Term Value Through Integration and Stewardship

Bunzl, a distributor of recurring consumables such as coffee shop cups, hospital gauze, and plastic cutlery, provides a clear example of our integrated approach to responsible investing.

The trend away from single-use plastics and toward sustainable alternatives presents both opportunities and risks. For example, customers are ordering fewer products but paying more for sustainable options, such as compostable straws. Bunzl's proactive adaptation to these shifts reinforces our confidence in their long-term viability. Their competitive advantage in sustainability is evident in their rigorous supply chain audits. In 2023, the company conducted 1,022 supplier audits, terminating 10 suppliers due to insufficient progress—actions that strengthen their reputation and stakeholder trust.

Our approach to ESG integration is often complemented by our stewardship efforts. For example, we believe strong alignment occurs when elements of remuneration are tied to wealth creation, and ultimately, long-term share price appreciation. Bunzl's management allocates significant capital to bolt-on acquisitions, making return on invested capital (ROIC) a particularly important key performance indicator in their compensation plans. Recognizing this, our ongoing efforts over the years to engage with Bunzl's management team and compensation committee, particularly in the area of executive compensation, and continuously sharing our proxy voting rationale has yielded tangible results.

Following these discussions, Bunzl increased their return on average operating capital weighting in short-term incentives from 10% to 15% and introduced an ROIC metric as an underpin in their long-term incentive plans. Our support for these changes was reflected in our proxy voting decision, where we voted in favor of the compensation plan.



Lead by Example

Factoring ESG considerations into our own business activities fulfills not only our fifth responsible investment principle (lead by example) but is also 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 behaviors (candid, curious, accountable, appreciative)
- We strive to be the best place to work—anywhere
- We give back and help our communities thrive

Our Culture: A Foundation for Excellence

Our culture is a cornerstone of who we are as a firm, bringing us together and setting us apart. Guided by our core values and key behaviors, our culture serves as the foundation for achieving our mission: to be our clients' most trusted investment manager by delivering long-term investment excellence, building strong client partnerships, and making a commitment to do the right thing—always. These values define how we operate, make decisions, and interact with one another, fostering a workplace that is inclusive, collaborative, passionate and high performing.

Our culture is our "secret sauce," a unique competitive advantage that helps us attract and retain exceptional team members, identify like-minded partners, and maintain alignment towards our goals. It has earned us an enviable reputation within the industry for professionalism, integrity, and a disciplined approach to investment management. These qualities have also led to recognitions such as being named one of Canada's Top Employers over the last two years and Alberta's Top Employers for the last three years—a testament to our forward-thinking workplace policies and exceptional programs.

Our Culture: A Foundation for Excellence cont'd

Some programs and practices that demonstrate our commitment to excellence include:

- Hybrid work policies that support team members in achieving work-life balance while maintaining connectivity and collaboration
- Mental health and well-being resources and initiatives such as counseling services and wellness programs
- Firm wide Town Hall meetings that aspire to create an environment where every role is valued, every voice is heard, and ideas matter more than titles
- Professional development opportunities including mentorship programs and robust training offerings such as "Fundamentals of Emotional Intelligence"
- Leadership development programs that equip emerging leaders with the skills to excel such as "Change Management and Leadership"
- Annual learning stipend to permanent employees to be used in the creation of a robust career development plan at their discretion. The objective of the learning stipend is to empower employees' career success by helping to eliminate possible financial barriers to their professional and personal development

Our culture of excellence extends beyond the firm, as evidenced by our community giving efforts (see pages 31-33).

> *"Doing the right thing is also building a strong culture for our workers, one that attracts and retains the best employees."*
>
> *- Craig Senyk, Board Chair*

Governance and Risk Management

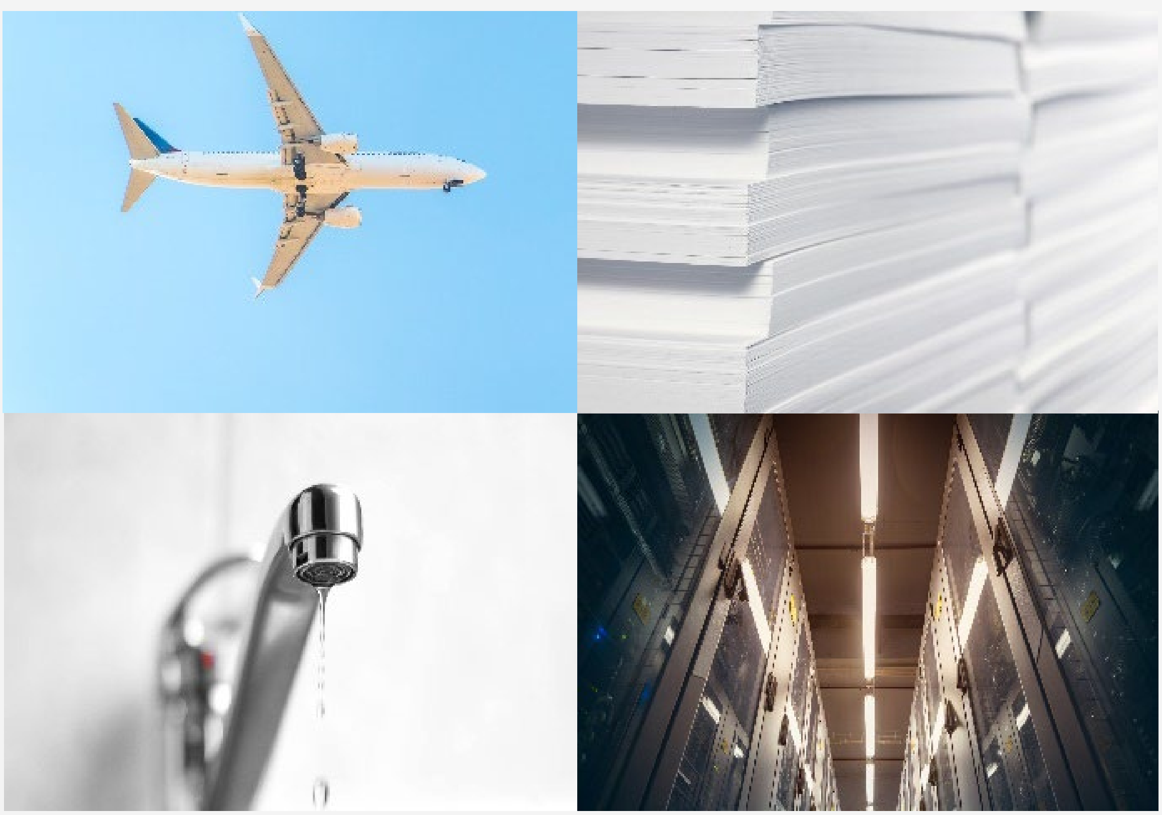
By design, the investment risk management aspect of our process rests within the Research team and is meant to be a fully integrated aspect of our investment process.

ESG Committee

At the firm level, our ESG Committee (“Committee”) oversees Mawer’s overall ESG strategy and support programs with the goal to advance ESG-related opportunities and mitigate ESG-related risks. The Committee is responsible for establishing our ESG objectives and priorities with consideration to both investment and organization-specific initiatives.

From a governance perspective, the ESG committee reports to the Risk Management and Audit Committee (RMAC) which is a board sub-committee, thereby strengthening oversight and accountability of ESG related matters at the board level.

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 evaluate our firm policies and practices, giving considerations to environmental and social factors. For example, one of our key achievements in 2024 was to partner with Green Economy Canada to help us measure our firm’s carbon footprint.



Diversity, Equity and Inclusion (DEI)

At Mawer, we aspire to make people's lives better by being the best at what we do—creating the best independent investment boutique, as well as the best managed firm. Achieving this goal requires a strong, merit based, high-performance culture—one that attracts the best people and provides opportunities for them to work at their highest potential.

We believe diverse perspectives, equitable practices free from discrimination, and inclusive environments are important aspects of our high-performance culture. Industry data suggest, and we agree, that enhancing diversity and inclusion leads to greater innovation, stronger engagement, and better decision-making. Advances in these areas helps create a competitive advantage for the firm—one that enhances investment performance, strengthens client relationships, increases operational effectiveness, and ultimately delivers greater value to all stakeholders—clients, employees, owners, and society.

2024 Initiatives

Our initiatives are primarily focused on increasing education and awareness, expanding the industry talent pools, improving our ability to recruit top talent, and supporting our communities. Highlights from 2024 are below.

- **Conducted the Firm Sentiment Survey:** We implemented our second sentiment survey which provided valuable insights, identified areas of strength, and highlighted opportunities for focus.
- **Refined our Talent Strategies:** To expand our candidate pool, we built a databank of inclusive interview questions and explored new partnerships. These efforts align with our goal of expanding our pipeline of diverse talent.
- **Expanded Learning Opportunities:** Explored lunch-and-learn opportunities and inclusive leadership workshops, to help foster ongoing education and awareness.
- **Fostered Indigenous Cultural Awareness:** Our annual Indigenous cultural education session provided us with an in-depth understanding of some of the challenges and barriers Indigenous communities face. The program provided us with tools and resources to help build positive working relationships with Indigenous communities.
- **Collaborate with VersaFi:** Mawer employees participated in VersaFi programs, such as Inclusive Leadership and career accelerator programs like Aspire, Elevate, and Soar.
- **Participated in Industry Organizations:** We continue to participate in the NICSA's Diversity Project initiative and PMAC's Networking Group to help advance industry-wide initiatives.

Community Giving: Making People’s Lives Better

We believe in contributing meaningfully to the vitality of our communities. 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.

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 as to how we can direct our community giving efforts while being aligned with our overarching purpose of making people’s lives better.

As a certified Caring Company from Imagine Canada over the last four consecutive years, we are committed to donating a minimum of 1% of our pre-tax profits back into our communities. In 2024, we supported more than 200 organizations, donated more than $2.5 million and matched more than $150K in employee contributions.

A few 2024 highlights include:

Education/Financial Literacy:

- Supported a financial literacy organization offering an array of programs. One of these programs is an educational series developed and delivered by Indigenous people for Indigenous people.
- Funded a Mawer Indigenous Student Bursary supporting approximately 17 post-secondary bursaries each year, investing in the education of First Nations, Inuit, and Métis people.
- Examples of organizations supported in 2024: WoodGreen, West Neighbourhood House, Carya, Momentum, Indspire

Health Care/Mental Health:

- Contributed to an organization focused on providing mental health support that are especially tailored to women in the Quebec community.
- Examples of organizations supported in 2024: YW Calgary, Calgary Counselling Centre, Portage Quebec

Basic Needs/Food Security:

- Contributed to an organization's culturally sensitive food hamper program supplying 40 families (160 individuals) with food, diaper supplies, and gift cards for three months
- Examples of organizations supported in 2024: Calgary Immigrant Women's Association, United Way Calgary & Area, Daily Bread Food Bank, Moisson Montreal

> *"Ultimately, it's our community that allows us to be successful as an organization."*
>
> *- Craig Senyk, Board 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 committed to a corporate donation as well as providing matching opportunities to employees for specific disaster relief initiatives. In 2024, this included relief efforts for the wildfires in Jasper, Alberta.

Jamboree: As the flagship sponsor of the annual Jamboree for Charity, we are proud that the annual event has raised over $2 million in support of different community-based charities since its inception in 2013.

volunteerMAWER: We participate in many volunteer initiatives with organizations such as: Made by Momma, Calgary Seniors' Resource Society, Habitat for Humanity, Fred Victor, Toronto Humane Society, and Bloorview Holland Hospital.

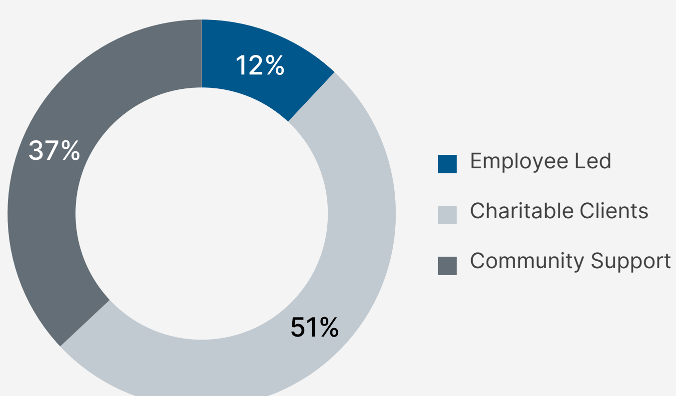
Giving back to Institutional Clients: We make an annual donation equal to 10% of our management fee to our institutional charitable organization clients that qualify.

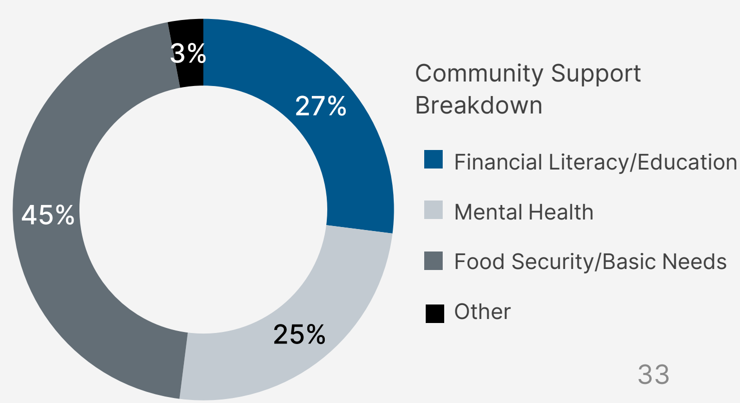
Our Impact

>200 organizations supported

$2.5M donated

>150K in matched employee contributions





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