2021

RESPONSIBLE INVESTING REPORT

MAWER

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A MESSAGE TO OUR CLIENTS

We have always analyzed environmental, social, and governance (ESG) factors in assessing investments. These, after all, are a subset of the many risks one must consider when investing for the long term. Rather than focusing on how a stock moves on a chart over the course of a day, we study how companies operate over a decade and longer. Ultimately, companies must be sustainable for investments to pay off over longer time horizons. This long-term focus improves risk management and allows us to fulfill our fiduciary duty of acting in clients' best long-term interests, while helping them achieve their investment objectives.

In general, this approach is now commonly referred to as Responsible Investing (RI) and has garnered greater attention over the last few years. ESG issues are not black and white; there are many shades of grey. And while one can have differing views, it's the debate around these ESG factors in context with other pros and cons of an investment that we believe is so powerful. Those conversations speak to the strength of our culture—our ability and obligation to communicate candidly, share, and debate.

Consistent with our culture, we take an engaged and integrated RI approach. It is our portfolio managers and analysts that are responsible for identifying risks, evaluating the impact of those risks, providing feedback, engaging with management teams, and voting proxies. This "farm to fork" approach is efficacious in the context of ESG as it is the same people making decisions on capital allocation as it is providing feedback and allocating votes on issues such as "say on pay." Our research team conducted over 1,200 management interviews in 2021 and we are cognizant that we have a responsibility to take care of our investments for our clients with an opportunity to create positive change.

Our evolution over the last several years has been a thoughtful grassroots effort. The research team has put in significant time and effort to articulate our beliefs which are now reflected in a number of ways: becoming a PRI signatory in 2019; establishing our five responsible investing principles; developing our RI policy; and taking strides to capture and track relevant ESG data. Furthermore, our incentive structure encourages team members to improve the process and execute on that evolution.

A key principle of leadership is getting your own house in order before telling others what to do. That's the basis of our fifth RI principle—Lead by Example. We're pleased to have made notable progress in 2021 in areas of ESG governance, diversity, equity and inclusion (DEI), and community giving.

While we have come a long way, there will be more to do. The world will continue to evolve in ways one cannot expect. However, our culture provides us with a foundation for managing uncertainty and we have a high degree of confidence that five years down the road we'll be in an even better place than we are today.

Paul Moroz, Chief Investment Officer

RESPONSIBLE INVESTING PRINCIPLES

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

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

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

2021 AT A GLANCE

INTEGRATED ESG APPROACH	PRI SIGNATORY	+1,200 MANAGEMENT INTERVIEWS

MAWER PORTFOLIO VS. BENCHMARK

Portfolio (P)	Benchmark (B)	ESG Risk Rating (P)	ESG Risk Rating (B)	ESG Risk Rating (P vs. B %)	Carbon Risk Rating (P)	Carbon Risk Rating (B)	Carbon Risk Rating (P vs. B %)
International Equity Strategy	MSCI ACWI ex US	18.8	22.3	-15.7	5.2	9.5	-45.3
Global Equity Strategy	MSCI ACWI	19.1	21.7	-12.0	4.8	7.4	-35.1
Global Small Cap Strategy	MSCI ACWI Small Cap	19.7	25.4	-22.4	6.7	12.0	-44.2
EAFE Large Cap Strategy	MSCI EAFE	17.6	20.8	-15.4	4.8	8.0	-40.0
Emerging Markets Equity Strategy	MSCI Emerging Markets	24.9	25.7	-3.1	8.6	12.0	-28.3
U.S. Equity Strategy	S&P 500	20.6	21.2	-2.8	4.5	6.3	-28.6
U.S. Mid Cap Strategy	Russell Midcap Index	20.3	22.0	-7.7	7.2	9.7	-25.8
Canadian Mid-Large Cap Equity Strategy	S&P/TSX Composite	20.2	22.2	-9.0	10.9	12.4	-12.1
Canadian Small Cap Equity Strategy	S&P/TSX SmallCap	22.8	32.5	-29.8	10.7	20.6	-48.1

Portfolio (P)	Benchmark (B)	Carbon Intensity (P)	Carbon Intensity (B)	Carbon Intensity (P vs. B %)
International Equity Strategy	MSCI ACWI ex US	64.7	223.1	-71.0
Global Equity Strategy	MSCI ACWI	29.1	165.3	-82.4
Global Small Cap Strategy	MSCI ACWI Small Cap	38.3	317.2	-87.9
EAFE Large Cap Strategy	MSCI EAFE	57.4	147.7	-61.1
Emerging Markets Equity Strategy	MSCI Emerging Markets	113.9	374.6	-69.6
U.S. Equity Strategy	S&P 500	78.5	134.5	-41.6
U.S. Mid Cap Strategy	Russell Midcap Index	29.9	215.6	-86.1
Canadian Mid-Large Cap Equity Strategy	S&P/TSX Composite	189.7	321.5	-41.0
Canadian Small Cap Equity Strategy	S&P/TSX SmallCap	43.8	726.1	-94.0

Source: Sustainalytics as of December 31, 2021. Portfolio information is based on the strategy's representative account. Please see full disclaimers at the end of the publication.

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 Risk Rating: quantifies the company's exposure and management of material carbon issues in its own operations as well as its products and services.
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.

INTEGRATION

ENVIRONMENT = **SOCIAL =** **GOVERNANCE =**

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

Our approach to responsible investing is one of integration, whereby our long-term focus requires us to integrate how, and to what extent, varying factors impact the businesses we own.

FOSSIL FUELS

The shift away from fossil fuels toward more sustainable sources of energy remains at the heart of the transition necessary to slow climate change. As the fallout of war in Ukraine and Europe's energy dependency on Russia has highlighted, this is very much a transition—not a shift that will happen overnight. This transition will require a lot of investment and continued access throughout the transition to stable, dependable, and more traditional sources of energy such as fossil fuels.

Yet, companies engaged in fossil fuel extraction and related services (or other sources of energy production for that matter!) account for less than 2% of investments across the Mawer global investment platform.

While we regularly review energy producers around the world, the decision to forego the large majority of fossil fuel investments stems from our conclusion that these companies don't tend to meet our quality threshold, in part due to the lack of pricing power given the commoditized nature of their output. Further, elevated risks in fossil fuel production emanate from the multiple ways that governments can impose extra costs: such as royalties, regulatory costs, remediation costs, transportation costs, and taxes. For example, many producers have historically benefitted from lax regulation with respect to old and abandoned oil and gas wells. But given the substantial environmental damage caused by depleted wells leaking persistently for many years after abandonment, and growing scrutiny by society and governments, these represent costs that the industry will likely have to bear in the future.

Furthermore, the industry has historically been highly cyclical. Producers tend to invest in capacity expansions when commodity prices are high. These periods of elevated investment often look excessively aggressive with the benefit of hindsight to long-term investors and have broadly generated meager returns on investment for producers and their shareholders. In short, fossil fuel producers collectively have a long history of poor capital allocation, and return on investment is an important quality criterion within our investment philosophy.

Since our investment horizon is measured over decades, after accounting for the significant potential costs that fossil fuel producers might have to incur, the risks very often outweigh the criticality of these businesses to the energy transition.

SUSTAINABILITY INNOVATION IN REAL ESTATE

As noted above, our investment philosophy is centered on investing in wealth-creating companies—those that, by virtue of sustainable competitive advantages, are able to generate high returns on capital. Some of the strongest competitive advantages emerge from a combination of scale and technological leadership, further compounded by managerial effectiveness, that can have a self-reinforcing impact on culture, employee engagement, and customer satisfaction. Ultimately, this can result in material value creation for society at large.

The UN estimates that construction and the subsequent operation of buildings accounts for 37% of the world's energy-related CO2 emissions, making it the most carbon-intensive sector globally. Broadly speaking, the industry is grossly inefficient. In addition to the deficiencies associated with the design of many existing buildings, the process for new construction is arcane: materials are sourced and brought to a construction site, where they are then cut, poured, and assembled. In addition, emissions from the operation of buildings continue to rise, moving the sector further away from fulfilling its huge potential to slow climate change and contribute significantly to the goals of the Paris Agreement.

These challenges present many opportunities for innovative companies and management teams in which we are invested.

Kingspan, by way of consistent product innovation, has gradually become the world's leader in high-performance insulation products. Kingspan insulation significantly reduces the heating and cooling needs of buildings, thereby reducing the associated energy consumption and costs. Moreover, Kingspan has been introducing new processes and products to substantially reduce construction time for builders, as well as increased energy efficiency in Kingspan's own manufacturing facilities.

Sika is a manufacturer of specialty chemicals for the construction industry. As a result of its scale advantage in R&D and innovative culture, Sika has a long history of developing effective products that align with a shift toward greater sustainability. This includes reinforcing fibers to increase the performance of concrete and thereby reduce the need for subsequent repairs; reflective thermoplastics that reduce radiant heat absorption on roofs; and additives that significantly reduce water and energy consumption during the manufacturing of gypsum wallboards.

Legrand, a manufacturer of electrical switches and components, has been a leader in enabling the construction of data centers that are used in managing cloud computing for some of the world's largest technology companies. Legrand offers a wide range of products to help builders and operators of data centers address key challenges such as energy efficiency, service continuity, security, flexibility, and adaptability to changes in technology, regulations, or usage. Beyond data centers, given the broader shift to digital building infrastructure and electrification, Legrand's products are facilitating energy efficiencies across a wide variety of commercial, residential, and industrial buildings.

Dassault is an industry leader in simulation software that enables significant efficiency gains in the design of products and processes in construction and other industries. Dassault's construction design software increases collaboration between engineers, manufacturers, builders, and building owners. In addition, Dassault is a leader in the development software used by electrical vehicle, aircraft, and many other manufacturing clients hoping to increase energy and materials usage efficiencies.

By offering the best products/solutions, fostering a culture of innovation, and being leaders in their markets, all of these companies are well-positioned to drive—and benefit from—the transition toward greater energy efficiencies.

ELECTRIFICATION OF EVERYTHING

We conduct research on individual businesses and build robust portfolios company-by-company. That said, we recognize we're investing in the real world where there are no shortage of macro events that can impact our individual holdings.

Each year, our Research team holds a top-down scenarios forum, whereby different team members take off their proverbial bottom-up hats and present on a top-down topic of interest which is subsequently followed by a broader group discussion. The purpose of this exercise is to widen our lens and consider long-term, industry wide changes that may be slow to evolve but could have significant long-term consequences. We then put on our bottom-up hats again to consider potential direct consequences for our portfolios.

The "Electrification of Everything" was a topic of interest to one of our portfolio managers this past year. When looking at the transportation, industrial, residential, and commercial sectors, transportation, despite being one of the largest sources of energy consumption, is the least electrified. This presents an opportunity for the transportation sector, particularly within passenger and road freight vehicles, but it will take time. In the U.S., even in scenarios whereby electrical vehicles (EVs) comprise a significant percentage of new car sales by 2035, they would still make up a smaller portion of the total U.S. fleet.

The notable runway for EVs not only impacts automakers but other businesses as well, such as electrical utilities. Risk and uncertainty remain around how fruitful different businesses' investment into the shift to electrification will be; however, this is where bottom-up analysis is imperative. Where relevant, we've assessed how a company may be directly or indirectly impacted by this theme.

Some examples of recent initiations where such considerations were material include the following:

We re-initiated a position in automobile manufacturer, BMW. We exited the holding a few years ago, in part due to concern over the required research and development capital expenditures required to develop their EV capabilities. When revisiting the investment, we were impressed by the significant progress BMW had made in EVs, and from a valuation perspective, those investment costs had been more absorbed relative to BMW's peers.

Brembo designs and produces high-end braking systems primarily for gasoline-powered cars; however, the company has done well in pivoting towards EVs by being the primary supplier to Tesla's Battery Electric Vehicles. Furthermore, given that electrical vehicles tend to be heavier than gas-powered cars, there may be additional demand for Brembo's products as they are one of the performance leaders in this space.

The shift to electric power will require increased demand from the electric grid leading to increased growth for utility companies such as Southern Company and American Electric Power, who also own green energy sources such as solar and wind farms.

CULTURE AS A CORE DRIVER OF SUSTAINABILITY

Organizational values, principles, and behaviours are what differentiate companies from one another and ultimately drive organizational performance and impact at large. These factors can be summed up in one word—culture. A large part of our investment research is dedicated to evaluating a company's culture, ranging from how leaders make decisions to how employees engage with customers and colleagues.

High quality companies, in our opinion, embody cultures that emphasize that their goals stretch beyond making money, and include a higher purpose that results in meaningful value to clients, colleagues, communities, and countries that these companies serve and operate in. We believe that a strong corporate culture ultimately leads to better long-term business outcomes.

For example, our Danish pharmaceutical company, Novo Nordisk, has benefitted significantly from a purposeful mission and strong culture, which play an important role in attracting and retaining top talent and producing cutting-edge innovation. Unlike peers, Novo Nordisk employs a focused approach to pharmaceutical development, with products catering to those with diabetes, obesity, and related diseases. This specialization has led to consistent and repeatable innovation, which in turn has resulted in systematic improvements in life-saving medicine for diabetes patients. A strong culture and high degrees of employee satisfaction allow for a positive and high-performing work environment that begets commercial success.

As is the case with most parts of our research process, there are qualitative and quantitative elements in assessing a firm's culture. There is undoubtedly nuance and subjectivity in this assessment and how it may serve as a competitive advantage—especially compared to other advantages that impact the bottom-line more directly. However, a company's culture, including how they treat their various stakeholders, is an important social consideration that needs to be accounted for as a long-term investor.

THE RIGHT PEOPLE ON THE BUS

Businesses and cultures are fostered by people. People are responsible for combining the basic building blocks of labour, capital, and innovation into solutions and experiences for customers by way of strategy, execution, capital allocation, and risk management—thereby generating excess returns on the capital they employ.

In our quest for excellent management teams, we seek managers who are able, honest, and aligned. In many cases, indications of strong corporate governance have influenced our assessment of a company's quality.

For example, BMW has excellent alignment with the company's engaged owners (the Quandt family owns 42% of the company's shares) which we believe has been a contributing factor to its prudent management. In our view, this has had a positive influence on the company's stewardship of its balance sheet over the years, and, more recently, the way the company has adeptly prepared for and navigated through COVID-induced supply chain bottlenecks that have plagued other auto manufacturers.

Perhaps the best example of excellent corporate governance having a favourable impact on our assessment of management is the aforementioned Sika. For much of the past decade, Sika had been embroiled in defending against a hostile takeover attempt. Sika's directors opposed the sale of a minority ownership position that had controlling voting rights, despite tactics to unseat the Board and filibuster directors' compensation. The bid ended as the would-be acquirer ultimately conceded and sold its remaining stake. Management's steadfast resolve to protect the interests of shareholders throughout the 6-year saga is perhaps one of the best examples of good corporate governance in action. And, as mentioned above, management has gone on to make great capital allocation decisions, positioning Sika to be at the forefront of innovation in the transition to sustainability within its industry.

OTHER DEMAND TAILWINDS

Our Deputy CIO, Christian Deckart, is fond of paraphrasing legendary Canadian hockey player, Wayne Gretzky, in describing excellent management teams: they understand where the puck is going and position their businesses to take advantage of how the world may be shifting.

As environmental and social risks have risen, insurance brokers Aon and Marsh & McLennan understand that corporations and other entities will seek to insure against these risks, including those related to climate and cyber-related threats. As brokers, neither company takes on balance sheet risk; instead, they use their market leading positions and data advantage to provide sound advice to their clients with respect to their insurance needs, including new and emerging risks brought on by evolving environmental and social concerns, thereby opening up new revenue streams.

Many other companies benefit from such prescient management teams. Eurofins Scientific is a lab-based testing company focused on areas that impact human health. Food companies are increasingly at risk of consumer backlash from mislabeled products or contaminants which necessitates more batch testing across a greater number of assays. And as industrial companies and governments become more accountable to their environmental footprints, there is an increasing demand for Eurofins' services in testing water, soil, and air samples.

Finally, management at Epiroc, a mining equipment company, understands the importance of environmental and social concerns to their clients and their clients' stakeholders. While mining is an industry with a heavy environmental footprint, copper and other metals remain very important commodities in the transition to a lower carbon economy. As a result, the fruits of recent R&D at Epiroc have been focused on reducing emissions in the mining process through battery-powered mining equipment, as well as increasing workplace safety via more automated equipment.

EMPLOYEE SAFETY

In *Harry Potter and the Goblet of Fire*, Sirius Black offers some words of wisdom to his godson, Harry: "If you want to know what a man's like, take a good look at how he treats his inferiors, not his equals." We agree: a management team's concern for employee well-being and safety can be emblematic of their broader competence—i.e., whether they are indeed able and honest.

A great example of this is the management team at RS Group, a UK-based distributor of industrial and electrical devices such as drills, valves, and batteries. Prior to the current management team, the company had seen persistent declines in organic growth and margins. Today, the company is in the midst of a turnaround under a new CEO. Yet, while the narrative is compelling—management certainly talks the talk—there's some statistical evidence supporting this claim too. Notably, the CEO committed to reducing employee injuries, listing it as one of his main Key Performance Indicators (KPI). Accordingly, within two years, injuries had been cut to one-sixth of their prior levels. This degree of follow-through in an area that has little obvious connection to financial statements and shareholder returns, has given us confidence in management's ability to execute in other areas, such as reigniting growth, improving margins, and improving the recurrence of the company's revenues.

This stands in contrast to a Canadian energy producer we own. We've noticed a disconnect between the company's policies and procedures on safety versus realized accidents and operational issues. We've been pushing management on this issue in recent engagements: if indeed the reasons for these accidents are human error—i.e., employees failing to adhere to stated procedures—why is this the case? Are they overworked, is there a lack of oversight, or perhaps a cultural issue within the organization? It remains an area that we are monitoring very closely and colours our assessment of management.

ESG OFFSETS

When we evaluate an investment, our goal is to have a full picture—from the advantages and opportunities to weaknesses and potential risks. No investment is completely perfect, and the same can be said about how a company looks from an ESG perspective.

For example, a company may be making strides from an environmental and governance perspective, but it may have notable deficiencies on the social front. These ESG offsets or contradictions are common, vary in materiality, and are continuously considered by our team.

Our assessment of North American Construction Group (NACG) falls under the category of a company with conflicting considerations. NACG is the leading provider of heavy construction and mining support services in Canada with a large fleet of heavy equipment. Given the company's customers include oil sand operators and mining companies, there are clear environmental considerations with its business model; however, the company has shown its commitment to the environment through different practices such as salvaging and rebuilding its equipment which prevents notable waste. Moreover, they have been refitting their rebuilt equipment with more energy efficient engines, reducing their environmental impact.

From a social perspective, the company has adopted a unique approach in partnering with First Nations communities. For instance, 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 Kitimeot Inuit Association, while NACG holds the remaining ownership. This partnership is mutually beneficial for both parties. Nuna Logistics accesses NACG's broad equipment fleet and in return NACG has been able to diversify their business outside of the oilsands.

As sustainability issues evolve, we expect how we consider and account for them in our analysis to evolve as well.

ENGAGEMENT

ENVIRONMENT = **SOCIAL =** **GOVERNANCE =**

As noted earlier, one of the three elements of our investment philosophy is to invest alongside excellent management teams: able and honest operators and allocators of capital. Good management teams tend to strengthen a company's competitive advantages, allocate capital toward wealth-creating endeavours, treat stakeholders fairly, and manage risks and opportunities in their businesses effectively. Through this lens, excellent management teams often manage ESG matters effectively and support a sustainable perspective, and we've come to find that the need to engage and demand change is often limited.

Having said that, 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.

COMPENSATION

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 fact, firm-wide in 2021, we had a chance to vote our proxies across 465 compensation-related proposals, voting against management on 143 of those items, i.e., 31% 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 clients' experience as shareholders over time. As a result, given well-documented principal-agent issues, when assessing compensation plans, we ask ourselves two questions:

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

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

We've observed that we don't always see eye-to-eye with influential proxy voting gatekeepers such as ISS on matters of compensation. But one recent example of a positive development in this area, in part due to our engagement and proxy efforts, was at certification and testing company Intertek, whereby ROIC was indeed introduced as a metric to both their short-term and long-term incentive plans.

GREATER ENVIRONMENTAL ACCOUNTABILITY

We frequently work in collaboration with management teams to provide opinions, advice, and guidance. And due to the long-term nature of our ownership stakes, when companies do not, we take the initiative to engage with them.

With climate and environmental factors being significant drivers of long-term risks and opportunities for investors, we often nudge our companies to adjust their policies and practices where we think it will be beneficial for shareholders.

91% of the companies that we are invested in across the Mawer investment platform currently have explicit disclosures with respect to environmental impact, and specific targets for environmental sustainability improvements. While this proportion has improved, we continue to encourage our companies in aggregate to do better.

Recent examples include Stella-Jones, a manufacturer of pressure-treated wood products such as railway ties and utility poles. We've pushed them to better quantify the potential economic impacts of chemical use, air emissions, and water usage. We've also encouraged restaurant operator MTY Food Group to better disclose internal diversity, as well as to quantify and disclose their plans for reducing food and packaging waste.

Finally, after several years of urging higher standards of environmental accountability and sustainability, we've been pleased to see Swedish electrical and HVAC company Bravida introduce more environmental and social disclosures and targets to their annual report. This development is especially meaningful given the nature of Bravida's business and the impact that their products and services have on the environment.

EMPLOYEE FOCUS

As demonstrated through our integration stories, we believe that a company's culture and how employees are treated are important social considerations. While we consider how well a company takes care of their workforce and the culture they foster, we also take the opportunity to engage with management teams on the topic to provide our own perspective.

For instance, given the various direct and indirect issues brought on by the pandemic, we've pressed companies on how they've supported their employees. Through this engagement we learned that an on-premises caterer, Compass Group, made the health and safety of both their employees and customers a top priority through strengthening their health and safety protocols. Further, the company worked to redeploy their employees who were impacted by pandemic closures into areas where workers were still needed. The company also rolled out support programs and mental health initiatives during the difficult time.

We have shared our best practices with management teams. One of our financial services holdings, iA Financial Group, expressed interest in learning more when we shared our own experience with employee development efforts such as our learning stipend (more detail on this in the Lead by Example section).

MAKING GOVERNANCE SHIFTS

In an effort to invest alongside excellent management teams, we look at and assess their track record of decision-making. We favour management teams that have a track record of sound capital allocation and that ultimately do what they say they're going to do. At times, however, we've been faced with management teams changing course. In cases where management teams and their boards have changed their stance on governance matters, we have engaged and voiced our opinion.

One of the companies we own recently expressed interest to change their articles of association in order to pass remuneration policies more easily by only requiring a simple majority (as opposed to the needed 75% of the vote). While the company feels disadvantaged relative to peers in this respect, we expressed that we would not be in favour of such a shift reducing shareholder voting control.

The management team of a company in the hospitality industry that we own wanted to make a discretionary adjustment to their annual payout given the extraordinary circumstances of the pandemic. We engaged by communicating that we would not be in favour of such an adjustment. While the management team did a good job navigating the significant roadblocks brought on by the pandemic, we believe that the approach to calculating compensation should be the same regardless of the circumstances—especially since management benefits when the business is doing well. Furthermore, we noted that such a shift would lack consideration for those in the hospitality industry who have struggled during the pandemic.

MORE INFO NEEDED

ESG-related considerations may be more or less material to a given company, depending on the business model and the context in which it operates. For example, understanding a company's climate transition plans may be important to assessing a mining company, but perhaps less so for a software developer.

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

On occasion, management's inability to provide adequate disclosure can prohibit our desire to invest, even when other aspects of the business model are attractive. In researching a potential investment in a leading manufacturer of solar panels in China, we engaged with the company to ask for increased disclosure on their sourcing of polysilicon, a key raw material in the industry that is sourced from Xinjiang province where it is known that certain suppliers may use forced labour. Despite our engagement, we were not able to obtain adequate disclosure on their supply chain—either from the company itself or from a reputable third-party certification and testing company. As a result, despite favourable environmental tailwinds behind the company's core business tied to energy transition, we did not pursue the investment as the risks in the company's supply chain had a material influence on our quality assessment of the business.

PROXY VOTING

Casting votes in a manner that is consistent with the long-term interests of a company's shareholders is one of Mawer's fiduciary responsibilities. Furthermore, shareholder voting is one of the most effective methods for promoting good corporate governance, which includes taking into account environmental and social considerations.

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

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

PROXIES VOTED AGAINST ISS AND MANAGEMENT

	# Against ISS	% Against ISS	# Against Management	% Against Management	Total
Mawer International Equity Fund	64	5.9	65	6.0	1091
Mawer Global Equity Fund	74	6.8	67	6.1	1093
Mawer Global Small Cap Fund	110	12.4	33	3.7	889
Mawer EAFE Large Cap Fund	61	5.2	48	4.1	1174
Mawer Emerging Markets Equity Fund	57	7.8	57	7.8	732
Mawer U.S. Equity Fund	63	7.9	60	7.5	802
Mawer U.S. Mid Cap Equity Fund*	0	0.0	1	4.5	22
Mawer Canadian Equity Fund	56	9.2	57	9.4	608
Mawer New Canada Fund	67	15.1	50	11.3	443

For the period of January 1, 2021 to December 31, 2021. Proxy voting records are based on Mawer Canadian mutual funds and are presented for illustrative purposes only. Please see full disclaimers at the end of the publication. *Inception date: September 27, 2021.

LEAD BY EXAMPLE

Factoring ESG considerations into our own business activities fulfills not only our fifth responsible investment principle ("lead by example"), but is a natural expression of living our values which serves as a compass for our actions.

The following principles lay the foundation for our culture:

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

"Our people are our most important asset, and our culture is what unites us, driving us to be the best—while having some fun along the way."

Craig Senyk, Vice Chair, President

CULTURE

Our culture brings us together—and sets us apart

Our culture is shaped by our core values and key behaviours. To us, they are much more than words on a page; they guide the way we operate, make decisions, and communicate.

We aspire to create an environment where every role is valued and every voice is heard and we believe ideas matter, not titles. We work in an open, non-hierarchical culture that encourages candid communication and fosters trust thereby enabling effective decision-making throughout the firm. After all, diversity of thought within a team is meaningless unless individuals have the humility to hold their stories lightly and to engage in respectful debate.

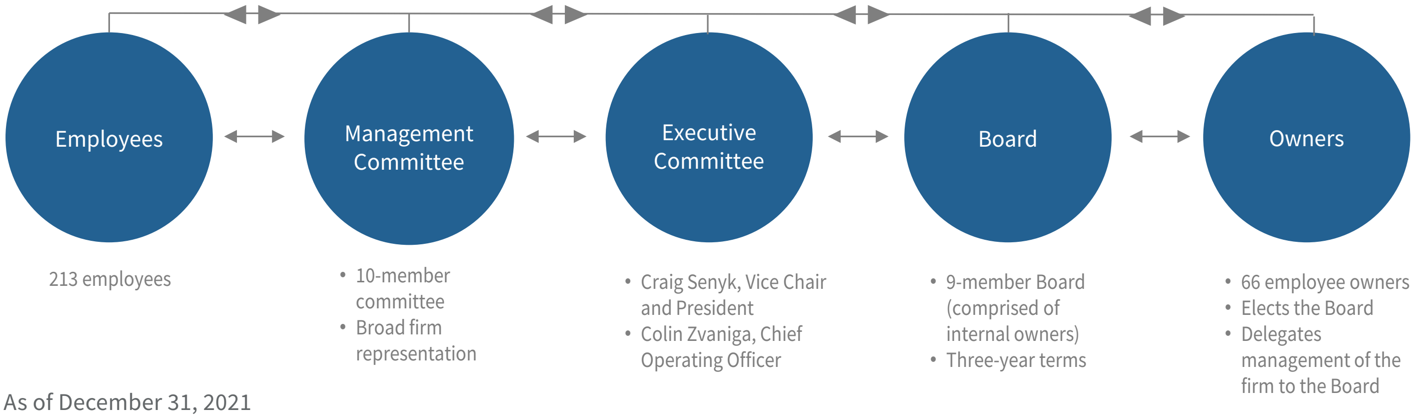
We strive to be honest, humble, relentlessly curious, and to seek continual improvement. We think and act like owners and are comfortable giving up short-term wins for long-term success. This culture supports a decision-making and workplace environment that is clear, inclusive, focused, and passionate, helping to contribute to high retention rates within the team.

We believe our culture provides us with a unique competitive advantage—or "secret sauce." It helps us determine who will be a good fit (as a client and a team member), enables us to attract and keep excellent team members, facilitates communication between and across teams, and keeps us united towards the same goals.

GOVERNANCE

The formalization of Mawer's ESG Committee in 2019 was a testament to our commitment to improve our own ESG related activities as a firm and to "lead by example." We recognized developing and enhancing our firm wide ESG strategy requires a more collaborative effort to identify material points of integration across our organization. As such, in 2021 we restructured and expanded our ESG committee to be comprised of the President, the CIO, the Sustainability Specialist (a new role at the firm) and representatives from relevant key areas of the firm. Mawer's ESG Committee oversees the firm's overall ESG strategy and supports programs with the goal of advancing ESG related opportunities and mitigating related risks within Research and at the firm level.

In 2020, the ESG committee considered looking at formally identifying responsible environmental practices within our workplaces for 2021 despite our business model having a relatively lower environmental footprint. However, with business interactions continuing to be virtual and employees largely working from home during the pandemic, we decided to shift our priorities in 2021 to focus more on social factors such as DEI and supporting mental health and well-being initiatives.



As of December 31, 2021

Board of Directors

The Board of Directors is responsible for setting the firm's strategic plan and delegating the day-to-day implementation of the plan to the Executive and Management Committees. The Board oversees the Executive Committee and retains oversight of the firm. Meeting monthly, the Board is comprised of the Chairman, President, and owner-elected Directors within the firm.

Executive Committee

The Executive Committee is responsible for the implementation of the firm's strategic plan across all departments as well as managing and overseeing the Management Committee. The Executive Committee is comprised of the President and Chief Operations Officer. The Executive Committee meets weekly and reports monthly to the Board of Directors.

Management Committee

The Management Committee is responsible for the implementation of the firm's strategic plan within departments. The Management Committee is currently comprised of the President and the department heads of the following functional areas at Mawer: research, portfolio management, marketing, legal, finance, operations, and business technology. The Committee meets every two weeks and reports quarterly to the Board of Directors.

DIVERSITY, EQUITY AND INCLUSION (DEI)

At Mawer, our goal is to be the best independent investment boutique and one of the best managed firms in the world. Achieving this goal requires a strong, high-performance culture; one that attracts the best people, inspires them to work at their highest potential, embraces change and innovation, and enables excellent decision-making and execution at all levels of the firm. We believe diversity, equity, and inclusion (DEI) are essential components of the firm's high-performance culture and result in a tangible competitive advantage; one that increases value for all stakeholders: clients, employees, owners, and society.

The firm, and specifically Mawer's leadership, is committed to advancing DEI to improve outcomes for all stakeholders. We also recognize that DEI is a journey, and we will be constantly learning and evolving in this area to continuously improve our policies, behaviours, and practices.

As part of this commitment, Mawer's Council for Diversity and Inclusion (CDI), established in 2020, achieved a number of notable milestones in 2021:

- Established a DEI Policy
- Explored and trialed DEI education/awareness training providers to consider for firm implementation in 2022
- Evaluated several research providers for their expertise in determining firm DEI sentiment. The result was the deployment of a comprehensive DEI survey to employees in 2022
- Hosted an Indigenous awareness and education session
- Maximized our membership in the North American chapter of the Diversity Project. In addition to continuing our participation in the Benchmarking Committee, we also joined the Next Practices Committee to further our understanding of the state of DEI in the industry
- Strengthened our membership in Portfolio Management Association of Canada (PMAC) by becoming a member of their newly formed DEI steering committee and co-chairing PMAC's DEI Networking Group

In addition to these initiatives, the CDI has been supportive in efforts to address DEI in our firm as well as doing our part to facilitate advancements within our industry. Those being:

- Introduced an 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
- We built the myCAREER program to help support employees with their career development and success. The program includes processes, resources, and tools designed to stimulate their thinking on what is possible to achieve their vision of success.
- While Mawer has been investing in leadership development for decades, in 2021 we significantly increased this investment with the launch of our internal 'Coaching for Success' Leadership Development Program, inclusive of all leaders in the firm.
- Introduced a flexible vacation policy allowing employees to take as many vacation days as they require each year
- Mental health and well-being of our employees has been a particular focus during the pandemic. We introduced an annual betterment allowance for all employees earlier in the pandemic to support personal development and improve their quality of life. More recently, we doubled our mental health practitioner benefit for our employees and their dependents in an effort to remove any financial barriers that may prevent individuals and families from seeking support. People Leaders received training on the topic of mental health with the goal of highlighting tools and resources to better support employees. Furthermore, Jim Hall, our Chairman, is our executive sponsor to help promote mental health and well being initiatives at the firm

We remain committed to listening to the concerns of our clients and to fostering a culture of awareness and improvement. While diversity appears to be a challenge within our industry, we agree it does not mean we should accept it as an inevitability and are making intentional choices to ensure we are an open and inclusive place to work.

COMMUNITY GIVING

Our goal for 2021 and into 2022 was to develop a cohesive, encompassing community giving strategy that better focuses our current efforts, while also finding ways to further our impact through a DEI lens. We leveraged an external agency to assist with this initiative. As a result of this work, we decided to focus on reducing poverty in the communities where we live and work. Alleviating poverty in our communities aligns with our purpose around providing financial peace of mind and provides a flexible but focused framework to how we can direct our community giving efforts.

Three underlying pillars of this strategy are to improve access to:

- **Education (emphasis on financial literacy and financial empowerment)**
- **Health care (emphasis on mental health)**
- **Basic needs (e.g., food, shelter)**

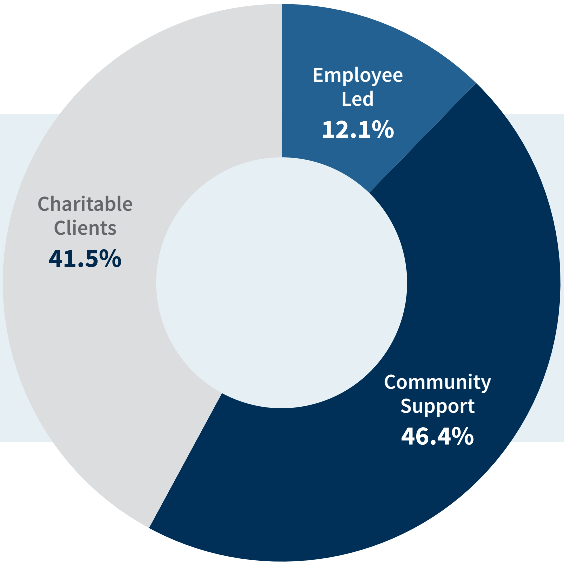
Mawer Volunteers, Habitat for Humanity

A few 2021 highlights include:

- Contributed to an organization which provides wraparound support to single mothers in the Toronto area, including education and employment assistance
- Donated to a non-profit settlement agency in Calgary that focuses on the needs of immigrant and refugee women, girls, and their families. We specifically supported their culturally sensitive food hamper program
- Contributed to a Diversity and Mental Health Fund set up by an organization that works in partnership with families and children, with other community services and with community groups to improve mental health of the children and youth of Toronto. The Fund's purpose is to better serve the BIPOC community and remove logistical barriers to accessing mental health services for their children
- We continued to partner with Canadian university business schools to establish scholarships that encourages female participation in its portfolio management program, and continue to participate in/sponsor women in finance events and initiatives
- Donated to an Indigenous national charity's scholarship program that is dedicated to providing financial support to Indigenous students. One of the first steps in our commitment to elevate Indigenous voices and do our part to advance reconciliation

We maintained our Caring Company status from Imagine Canada which recognizes Canadian corporate leaders who are setting the standard for community investment and social responsibility. We continued with our employee programs: Choose Your Cause, More(er) and Mawer and Support Local, and gave back to our Institutional charitable clients.

TOTAL GIVING: $2.9M
TOTAL # OF CHARITIES: 211



Mawer Volunteers, Summer Hampers - Calgary Children's Cottage

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