2022

RESPONSIBLE INVESTING REPORT

MAWER

Be Boring. Make Money.™

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A MESSAGE TO OUR CLIENTS

In 2022, we witnessed a tumultuous year marked by geopolitical tensions, rapid inflation unseen for decades, and significant market turmoil. Could the era of cheap energy, food, and capital have come to an end? Investors, companies, and governments will face even greater challenges in balancing shorter-term priorities while continuing to invest in long-term sustainability.

The energy trilemma is a case and point. Energy security, low-cost access, and environmental sustainability are competing priorities when viewed through an ESG lens. These ESG challenges— or opportunities—are complex, multi-facetted, and have wildly uncertain outcomes; they require an open mind, patience, and a stochastic mindset.

How does one manage in such an uncertain world? We continue to focus on what we can control: following and improving our investment process while staying actively engaged with the companies we invest in. Companies that are truly wealth-creating, often the result of strong leadership and cultures, will develop more options in facing these challenges.

Our primary objective continues to be maximizing long-term, risk adjusted returns for our clients, and ESG considerations clearly impact this objective. ESG risks and opportunities are real business drivers—building better portfolios and a better world are not mutually exclusive. I often tell our research team “each of our businesses require a social license to operate.” If we are to understand what this will look like in the future for capitalism, our attention must be tuned in to the evolutionary intersection of anthropology and science—in other words, the social behaviours of people and their relationship to evidence-based facts about the world. It will be at these crossroads that the greatest clues in navigating complex ESG issues that will serve our clients will be presented.

Despite the uncertainty, we have not been idle. Part of our ESG strategy for 2022 was to identify areas where we could do better. Some highlights include refreshing our Responsible Investing Policy and Proxy Voting guidelines, implementing a firm wide ESG education program, completing a comprehensive evaluation of our ESG data vendor, and becoming a signatory of CFA Institute’s Diversity, Equity, and Inclusion Code (DEI Code).

Finally, one of our core values is putting clients’ interests first. Our values are much more than words on a wall; they reflect how our organization acts when no one is watching. We believe that no one person has a lock on knowledge and therefore client input can be incredibly valuable in shaping our ESG strategy. We invite you to partner with us as we navigate this complex journey together.

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

2022 AT A GLANCE

INTEGRATED ESG APPROACH	+1,100 MANAGEMENT INTERVIEWS	MEETINGS IN WHICH WE VOTED 98%

MAWER PORTFOLIO VS. BENCHMARK

ESG RISK RATING

Mawer Canadian Equity	21
S&P TSX Composite Index	22
Mawer Canadian Small Cap	25
S&P TSX Small Cap Index	31
Mawer EAFE Large Cap	19
MSCI EAFE Index	21
Mawer Emerging Markets Equity	25
MSCI Emerging Markets Index	25
Mawer Global Equity	20
MSCI ACWI Index	22
Mawer Global Small Cap	19
MSCI ACWI Small Cap Index	25
Mawer International Equity	20
MSCI ACWI ex US Index	22
Mawer U.S. Equity	20
S&P 500 Index	22
Mawer U.S. Mid Cap	20
Russell Mid Cap Index	22

CARBON INTENSITY

Mawer Canadian Equity	167
S&P TSX Composite Index	275
Mawer Canadian Small Cap	60
S&P TSX Small Cap Index	142
Mawer EAFE Large Cap	82
MSCI EAFE Index	145
Mawer Emerging Markets Equity	56
MSCI Emerging Markets Index	338
Mawer Global Equity	20
MSCI ACWI Index	168
Mawer Global Small Cap	17
MSCI ACWI Small Cap Index	190
Mawer International Equity	58
MSCI ACWI ex US Index	208
Mawer U.S. Equity	117
S&P 500 Index	142
Mawer U.S. Mid Cap	13
Russell Mid Cap Index	225

Source: Sustainalytics as of December 31, 2022. 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 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.

PROXY VOTING

Portfolio	# Against ISS	% Against ISS	# Against Management	% Against Management	Total
Mawer Canadian Equity	65	9.9	65	9.9	660
Mawer Canadian Small Cap	58	14.5	40	10.0	401
Mawer EAFE Large Cap	39	3.4	47	4.1	1139
Mawer Emerging Markets Equity	18	2.9	51	8.1	632
Mawer Global Equity	54	5.7	41	4.3	952
Mawer Global Small Cap	99	10.9	46	5.1	910
Mawer International Equity	42	4.2	66	6.5	1012
Mawer U.S. Equity	85	10.5	66	8.1	811
Mawer U.S. Mid Cap	50	12.5	56	14.0	400

For the period of January 1, 2022 to December 31, 2022. 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.

OUR APPROACH

Integration

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

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

ACTIVE STEWARDSHIP

ENGAGEMENT

Excellent management teams tend to strengthen a company's competitive advantages, allocate capital toward wealth-creating endeavours, treat stakeholders fairly, and manage risks and opportunities in their businesses effectively. Through this lens, excellent management teams often manage ESG matters effectively and support a sustainable perspective. For example, of the approximately 400 companies we own, we chose to engage with 66 of them over the course of the past year to encourage them to take action on ESG-related matters. This suggests that the need to engage to demand change, when invested alongside excellent management teams making sound decisions with respect to their businesses, is often not always needed. 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, research team members can engage with the management team to express their ideas and opinions.

PROXY VOTING

Corporate governance is widely recognized by regulators, advisors, investors, and academics as a crucial element of long-term company performance. Mawer shares this view and feels that the voting rights which accrue to shareholders are an important tool in promoting proper governance practices. Corporate governance includes taking into account environmental and social considerations, key frameworks that support sustainable business practices and, as a result, contribute to long-term responsible investing.

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

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

COLLABORATIVE PARTERNSHIPS

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

We are proud members of:

nicsa Diversity Project North America: Member since 2021. Participate in their Benchmarking committee and their CEO Advisory Council.

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

PRI Principles for Responsible Investment: Signatory since 2019.

NATOA: Member since 2019.

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

RESPONSIBLE INVESTING IN ACTION

THE ENERGY TRILEMMA

In the '90s action-thriller Speed, the protagonists are forced to confront an ever-expanding set of challenges in order to rescue passengers aboard a bus from a deranged villain. It's not enough that there's a bomb on the bus that will detonate if its speed dips below 50mph: first there's traffic, then a critically injured driver, then the iconic scene with the gap in the freeway. And the bus is quickly running out of gas….

In 2022, energy was at the center of its own multiplying set of (real-world) challenges with respect to all three elements of what the World Energy Council dubs the "energy trilemma": security, affordability, and sustainability. Governments, policymakers, businesses, and consumers—especially in Europe—have not only had to grapple with the long-term risks of inaction against climate change, but also navigate much more imminent challenges associated with radically higher energy prices and critical supply shortages, in large part due to the fallout from Russia's invasion of Ukraine.

The complex transition to lower-emission energy sources, while paramount, will clearly take time. On the affordability front, one of the insights we gained from a recent engagement with the CFO of a European electricity transmission utility was the degree to which a complete switch to renewable power just isn't economically feasible at present. For each unit of gas-generated electricity, it takes 4-5 units of equivalent renewable capacity to achieve the same level of consistent output. Consumers, on the other hand, expect steady, on-demand power that renewables can't currently provide without substantial improvements in battery storage due to the intermittent nature of solar and wind.

As an example of how all three elements of the energy trilemma impact our decision-making, consider the investments we made in two European energy companies this past year: **Shell** and **Equinor**. Since we last owned Shell in 2015, we have been impressed by how management has shifted its focus to prioritize lower cost, lower carbon, and more differentiated assets while staying disciplined and maintaining stable cash flows for shareholders. Similarly, Norway's Equinor operates low cost oil and gas assets and is redeploying capital into high value renewables such as offshore wind. Both companies have significant capabilities in natural gas, an important and less carbon-intensive fuel (vs. coal) in the transition to lower emissions. They are well-positioned and aligned to provide energy security to Europe. And their cost structures allow them to generate profits across a wide array of price environments.

Within our bond portfolio, one of the largest corporate positions is **North West Redwater (NWR)**, operator of the Sturgeon refinery that processes raw bitumen into refined products such as diesel. Environmental and social considerations figure prominently in our assessment, and in particular the risk of premature write-downs or devaluations due to stranded assets. What bolsters our confidence with NWR is that it employs the latest CO_2 capture technology, recovering about 85% of emissions. As the most modernized refinery in Canada, and with substantial capex behind it, this provides us with greater certainty with respect to the issuer's leverage profile going forward given that such investments, if still needed, would likely be substantially debt-financed.

Finally, it isn't just energy companies where we are thinking this through. We also invested in **DNB**, Norway's leading retail and corporate bank. DNB's customers include oil and gas companies (like Equinor), but it has specific and achievable targets to lower CO_2 emissions by 30% in the assets it lends against by 2030. It also requires its customers to have a tangible plan in place for energy transition and has exited loan positions when this criterium has not been met. In our assessment, DNB's approach is very sensible and is one that encapsulates all three elements of the energy trilemma while facilitating the complicated shift toward a greener economy.

DEFENSE

Our Chief Investment Officer, Paul Moroz, has often noted ESG issues are not black and white; there are many shades of grey. There were indeed shades of grey when our team was considering investing in defense businesses. We ultimately did invest in, and currently own, three defense companies: **Thales**, **BAE**, and **Rheinmetall**. Weapons and military systems carry significant social risks given the nature of their business models, and weapons can sometimes fall into the wrong hands. Having said this, the invasion of Ukraine in 2022 reminded us of the importance of strong national defense to the safeguarding of free democracies and how a toothless NATO can simplify the calculus for bad actors such as Russia. As part of our diligence, we concluded that none of the companies we own produce controversial weapons and that none of the revenues derived came from contentious countries (such as Russia, North Korea, China and Belarus).

Aside from the social considerations of investing in defense companies, other factors weighed into our assessment. 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. Defense spending globally as a percentage of GDP is currently very low in the context of the past few centuries. Russia's invasion of Ukraine and growing military spending in China have reinforced government appetite for higher defense budgets in the West.

Varying interpretations and views around responsible investing will continue to persist—with factors likely never appearing black and white. However, the debate around ESG issues alongside other elements of an investment thesis is powerful and reflective of what an integrated ESG approach is all about.

MINING THE DIFFERENCES

Like energy, we have relatively modest exposure to mining across our investment platform given the capital intensity of the endeavour and the commoditized nature of the ultimate product. And while mining operations often involve considerable ESG risks, many commodities (e.g., copper) are essential to the electrification of the world and a shift away from fossil fuels.

Yet, even within commoditized industries, differentiation can exist. **Anglo American**, for example, is a producer of iron ore, copper, and other precious metals. Importantly, Anglo's assets have among the highest iron ore grade purities, ~10% higher than lower grade ores. This difference doesn't sound like much but is substantial, as there are 3 times as many impurities in the lower-grade ores. More impurities demand greater energy, emissions, and costs to process.

One of Anglo's suppliers is mining equipment company **Epiroc**. This past year, we visited both companies at their head offices—Epiroc in Sweden, and Anglo in the UK—and took the opportunity to collect scuttlebutt on the other. Comparing notes, it was apparent how important Epiroc's industry-leading mining equipment is to Anglo's net zero commitments and continuous efforts to improve worksite safety. For example, Epiroc's battery-powered zero-emissions electric and remotely operated drilling rigs significantly increase rates of safety and efficiency. We were impressed with both management teams' vision in these areas, and the benefits are mutual: Epiroc's R&D investments perfectly align with Anglo's long-term strategic priorities.

SAFETY FIRST

On August 4th, 2020, a warehouse containing thousands of tonnes of ammonium nitrate caught fire in the Port of Beirut. The resulting explosion—which left hundreds dead, thousands injured, and hundreds of thousands displaced—is one of the largest non-nuclear blasts on record.

Of course, hazardous materials have many critical applications in our day-to-day lives: ammonium nitrate is used in fertilizers, chlorine to disinfect drinking water, lithium in batteries, and natural gas as a source of energy. Compared with the handling of general cargo, moving and storing flammable, explosive, and toxic chemicals requires specialized know-how given the risks of harm to workers, customers, and the environment. Governments, particularly in emerging markets, are increasingly motivated to implement stricter requirements on chemical logistics providers, especially given the extremely fragmented nature of the industry and the high degree of sub-scale players.

All of which benefits companies with sterling track records that have cultivated deeply ingrained cultures of safety over many years and that have already instituted many of the policies needed to mitigate the inherent risks. Our investments in two such Chinese companies—**Great River** and **Milkyway**—are based on exactly that: solid track records and cultures that put safety ahead of short-term profits. Not only do these factors position both companies to attract new business, but also to steadily consolidate their industries: smaller competitors face challenges in bearing the additional safety-related investments that governments are requiring.

Kuehne & Nagel is another example. The contributions of scientists at Pfizer and Moderna in tackling COVID-19 are well-known, but perhaps less appreciated is the role of logistics companies. While not hazardous in the same way as ammonium nitrate, the distribution of COVID-19 vaccines involved highly demanding transportation requirements such as extremely cold temperatures, shielding exposure from various types of light, and strict timelines. Kuehne's logistical expertise and track record in meeting the complex needs of its customers positioned it to be the trusted choice in the safe dissemination of life-saving vaccines on very short notice.

By contrast, we have been engaging for several years with Canadian energy company **Suncor** as we've been concerned that culture has been at the root of the company's challenges with respect to workplace accidents. We have been pushing the company to engage third-party experts to review its internal operations. While Suncor has safety processes in place, it recently concluded that poorly structured safety evaluations have led to poor outcomes. The company's CEO resigned last year after a tragic workplace accident, and we encouraged the Board to look for an external candidate with excellent leadership qualities who can drive a culture change across the organization.

THE CULTURE ADVANTAGE

As the **Suncor** example illustrates, a company's culture can play a pivotal role in their success and sustainability as a business. A part of our investment research is dedicated to evaluating the culture that management teams have cultivated, ranging from how leaders make decisions to how employees engage with customers and colleagues. While there is no one-size fits all approach to achieving an excellent culture—having clear purpose, investing in employees, and continuous feedback serve as effective building blocks. Furthermore, having a leadership team that believes in the importance of culture and is committed to its excellence remains key.

For example, in the case of **Bilia**, an auto retailer and servicer out of the Nordics, we believe culture has played an important role in the company's growth and market share gains. The services Bilia offers have the benefit of both recurring and higher margin revenue, making it a notable part of its overall business. Given that the client experience is impacted by the service level they receive, the company's management team has fostered a "customer first" culture. Employees who receive customer service training through Bilia Academy are encouraged to share best practices across branches, and share feedback through annual cultural surveys. The company incentivizes and creates alignment amongst their employee base through having local compensation tied to local profitability. Bilia's employees' satisfaction comes through in their net promoter score which is three times higher than the industry average. Lastly, the leadership's commitment to this "customer first" culture is also showcased through the executive compensation program. A portion of the CEO's variable compensation is tied to customer satisfaction—something that is not commonly witnessed.

OPPORTUNITIES TO MITIGATE RISK

Our long-term focus requires us to take ESG factors into consideration as they can have an impact on the businesses we own. In many cases, the impact may be in the form of a potential risk to a given company. However, one company's ESG risk can be another company's opportunity to help with the mitigation of risk.

This is exemplified with **Eurofins Scientific**, a lab-based testing company focused on areas that impact human health including biopharma, food, environmental and clinical testing. The company benefits from its market leading position, scale advantages, and a sticky customer base. The stickiness of its customers stems from the nature of its services that are relatively low cost but necessary to manage operational risks. Eurofins' advanced testing capabilities support better safety standards which is of particular relevance to end-customers who rightfully demand higher standards in their health care, food, and environment.

The investment industry is another case where ESG needs have led to opportunities for other businesses. As investors need to increasingly be aware of varying ESG risk factors and considerations, they benefit from external research and data offered by companies (and portfolio holdings) such as **MSCI** and **Morningstar** (owner of Sustainalytics). While our investment theses for both MSCI and Morningstar extend beyond their ESG offerings, supporting ESG needs is a notable component of their businesses. (As you'll see in this report, we are users of Sustainalytics ourselves).

COMPANIES WALKING THE TALK

With travel resuming post-pandemic, our team had the opportunity to get back on the road in 2022, visiting company headquarters, meeting with management teams in person, and attending industry conferences. On one trip to Europe, one of our analysts attended an ESG conference (yes, the irony of all the attendees' carbon footprints in traveling to the conference is not lost on us). A notable topic of discussion at the conference was that of greenwashing—when a company's marketing around their ESG initiatives supersedes their actual efforts. While many businesses will aim to present themselves as good corporate citizens, only a subset will ultimately make meaningful efforts through genuine commitment—and more importantly, putting their money where their mouth is.

One such example of a company doing its part to drive sustainability is our investment in **JDE Peet's**. JDE Peet's is the largest pure-play coffee marketer in the world, benefiting from its strong range of brands, scale advantages, and loyal customers (i.e., many are reliant on their cups of joe every day). The company had increased its target for responsibly sourced coffee from 30% to 80% in 2022. Ultimately, the company fell just shy of reaching this goal but managed to get very close at 77%, and we applaud the progress. Looking forward, JDE Peet's has a goal of reaching 100% by 2025. Its management team has allocated sufficient capital to the initiative and recognizes that these efforts are key to its branding strategy among certain consumers. Ultimately, these efforts are not just good for the environment but are expected to be good for business as well.

While some companies like JDE Peet's consider ESG factors on their own, there are other businesses that benefit from a shareholder nudge. A foundational element of a company's ESG journey is to collect and disclose its current state and outline future plans. We have engaged with companies where we believe that such transparency may be lacking. For instance, we engaged with **InPost**, a parcel delivery company in Poland. We provided feedback that we would like to see better disclosures around their carbon footprint, employee satisfaction and turnover, as well as compensation policies. Closer to home, we informed heavy equipment provider, **Toromont**, that we would like to see disclosures on relevant social considerations related to safety, discrimination, and diversity. We believe that engaging with management teams on ESG matters can serve as a powerful agent for change.

We would like to add that when it comes to weighing existing disclosures and materiality, we believe that common sense should influence our decisions. For example, we voted against a shareholder proposal that asked convenience store operator **Couche-Tard** to publish a report on the representation of women in management positions … not because we disagree with the importance of gender diversity, but rather because the company already provides detailed disclosure in this regard and has reasonable targets it would like to achieve. As ever, our fiduciary duty demands that we consider each proposal on a case-by-case basis.

SUPPLY CHAIN AUDIT

In last year's Responsible Investing report, we shared how we opted to forego an investment in a leading manufacturer of solar panels as they were unable to provide appropriate disclosure on the sourcing of raw materials in their supply chain.

We believe supply chain auditing is important for a number of reasons:

- It ensures that suppliers comply with rules and regulations with respect to product safety, labour standards, and environmental protection.
- It can help prevent costly fines, legal actions, or quality defects.
- It helps to ensure that companies maintain their reputations.
- And it can result in improvements in learning, costs, efficiency, and sustainability.

Last year, we engaged with **Bunzl**, a distributor of recurring consumables, to better understand the work they do in assuring the quality of their supply chain. We were pleased to learn the depth and thoughtfulness that goes into the auditing and assurance work that Bunzl carries out to ascertain that the products they distribute comply with ethical standards.

For example, in 2021, Bunzl performed 754 audits in Asia. When a supplier falls short, Bunzl's approach is to actively engage with them on improvement which we believe is a sensible process as it shows a commitment to stewardship. Bunzl ultimately terminated 10 suppliers last year after failing to see enough progress.

While Bunzl has benefited from scale in procurement and operations, the company is also establishing a competitive advantage in sustainability. Bunzl often competes against smaller players that do not conduct audits at scale or have the capability to source alternative products/materials globally. This provides reinforcement to our investment thesis that is predicated on management's operational acumen and reinforces the competitive advantages that Bunzl has accrued with respect to reputation and trust. Furthermore, we were pleased to learn that Bunzl isn't complacent: the company has even more ambitious goals with respect to supply chain assurance over the next two years.

CYBER SECURITY BREACH PREVENTION

Data privacy and cyber security is an important ESG factor for many businesses and for certain companies it can also be a key risk depending on the type of information they possess, or end-user access they may have. A notable breach can have significant financial implications for a business; both in respect to resolving the damage of a harmful breach, along with the mistrust it may breed among customers on a go-forward basis. Regulators have stepped up on this issue as well. For instance, in 2022, the SEC expanded its requirements around companies' disclosure of cyber incidents and cybersecurity oversight.

Companies within our portfolios that have a more notable level of cyber risk include (but are not limited to) technology companies such as **Microsoft**, **Intuit** (provider of solutions such as Quickbooks, Turbo-Tax, etc), professional reference database providers **Wolters Kluwer** and **RELX**, and a credit bureau business such as **NICE Information Services**. The matter of cyber security is also an area in which we've engaged with our holding companies given the material risk it presents. **Knowit**, an IT consultant in the Nordics, has a good track record of protecting client information and they disclose their metrics around the number of incidents where client data was breached (no client data has been lost in the last 3 years). While we appreciate this outcome, we have inquired about how they are able to accomplish this result whether it be through penetration testing, following certain standards that reduce the likelihood of a security breach, or another preventative measure.

As noted in the Companies Walking the Talk section, we encourage companies to disclose certain policies and practices in their reporting to allow for increased transparency. Consequently, we engaged with **FinecoBank**, a digital bank in Italy with the aim to understand how it manages their cyber risk. We learned that through building out their systems from scratch as opposed to using an off-the-shelf solution, there is increased structure and fewer opportunities for failure.

We can never definitively state that our businesses will not be impacted by a cyber breach, but these risks and the steps taken by management teams to mitigate them, are assessed and considered when determining the quality of the business we own.

GOVERNANCE: BEING IN ALIGNMENT

2022 produced a variety of winners and losers, but paradoxically, we discovered that both outcomes tend to exacerbate underlying governance issues.

Over the past few years, rising commodity prices have been a welcome development to copper mining conglomerate **Grupo Mexico**. The company is controlled by the Larrea family, and approximately 80% of its value stems from its stake in **Southern Copper**, with the other ~20% in transportation and infrastructure assets. With higher cash flow generation, the risks of poor incentive structures are heightened as management decides how to deploy the additional capital. We believe that Grupo Mexico may be making incremental investments beyond its circle of competence. As a result, despite the conglomerate discount, we opted to eschew the complexity of the conglomerate structure and instead pursue the more direct investment in Southern Copper.

By contrast, we exited a semiconductor equipment cleaning and coating services company as there was heightened risk of related-party transactions that may disadvantage minority shareholders. In other words, we think its parent company, which owns a majority stake, is coming up with creative ways to extract cash from its underlying holding as the semiconductor cycle turns.

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 2022, we had a chance to vote our proxies across 729 compensation-related proposals, voting against management on 163 of those items, i.e., 22% 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. 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.

A recent example occurred with **Johnson & Johnson**. We engaged with the company in 2021 to encourage it to adopt an ROIC metric in its renumeration plan. We asked that relevant, material ESG issues be reflected in KPIs tied to compensation. And we expressed our displeasure at the degree of adjustments involved in the performance metrics, particularly with respect to legal and compliance costs given their materiality and recurrence.

Our proxy voting efforts supplemented this engagement. Last year, we voted against ratifying J&J's compensation plan. In addition, while it failed to receive support from the majority of shareholders, we voted in favour of the shareholder proposal that legal and compliance costs be included in incentive compensation metrics.

Stepping back, a focus on alignment is multiplicative: if we invest alongside excellent management teams that are honest, competent, and well-aligned, the number of incidences in which we disagree on various shareholder proposals or feel the need to engage with them to suggest a different course of action, tends to be minimized.

LEAD BY EXAMPLE

As anyone who has been a parent would know, you can't ask your children to do something if you're not willing to do it yourself. 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.

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

CULTURE 2022

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 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.

We're excited to share that **Mawer has been named as one of Alberta's Top Employers for 2023,** a recognition given to only 75 organizations across the province that lead their industries in offering exceptional places to work.

We have been intentional in recent years to ensure our strategies accommodate growth in headcount and the transition to a hybrid work environment do not detract but rather strengthen our culture. We have also made significant progress in our DEI and community giving efforts (see pages 15-17) as well as enhanced existing programs—particularly those around mental health and well-being which we have been given a sharper focus since the pandemic.

HIGHLIGHTS FROM 2022

- Hosted our first firm "Hackathon"—over 200 team members attended the event with the objective to share stories from our history that demonstrate how our core values and actions have been brought to life. The stories ranged from the hilarious to the deeply moving and personal; from major events to the innocuous anecdotes that act as stitches in the overall fabric; recent stories vs. those from several decades ago; from our longest-tenured employees to some of our most recent additions: all of which form a part of our DNA. It is only through the sharing of our actions that they become a permanent part of our culture, and the Hackathon proved to help us better understand and evolve our culture while strengthening interpersonal relationships.
- Conducted a people leaders forum to address gaps and uncover opportunities to enhance leadership across the firm.
- Offered a Coaching for Success Seven Module Program as well as bi-monthly workshops to support People Leaders in applying tools and processes to be successful in their roles.
- Offered a coaching program as an option for the annual Learning Stipend which was introduced in 2021. The objective of the learning stipend is to empower employees' career success by helping to eliminate possible barriers to their professional and personal development and encourage creativity.
- The research team conducted their annual post-mortem discussions—an opportunity for everyone to reflect openly and share insights, mistakes, learnings, looking back over the past year.
- Doubled our mental health practitioner benefit and offered five Mental Health and Wellness workshops throughout the year.
- Augmented our Employee Assistance Program (EAP) and made it available to all employees, including part-time and contract workers.

GOVERNANCE AND RISK MANAGEMENT

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

ESG Governance

Our ESG Committee oversees Mawer's overall ESG strategy and support programs with the goal to advance ESG related opportunities and mitigate ESG related risks within Research and at the firm level. In addition, the ESG Committee strives to ensure the execution of the strategy by Research and the overall firm is working in parallel.

We're pleased to have made significant progress in our ESG efforts in 2022. Some notable highlights include refreshing our Responsible Investing Policy and Proxy Voting Guidelines to clarify our approach to Environmental, Social, and Governance factors, including specific guidance around climate change and social topics such as diversity; implementing a firm wide ESG education program with climate change being a primary focus; completing a comprehensive ESG data vendor evaluation; and, augmenting our collaborative stewardship efforts by becoming a signatory of the CFA Institute's Diversity, Equity and Inclusion Code.

We will continue to expand our knowledge as ESG issues evolve and remain steadfast in our commitment to improve our processes.

Risk Management

In order to further support our oversight of potential firm wide risks, we would like to add that Mawer has recently established an Enterprise Risk Management Program (ERM), which is the foundation of our risk management approach and establishes common risk management practices. Our ERM utilizes a holistic process to identify, assess, and manage risks that could interfere with achieving our firm strategy and objectives.

As part of our ERM, Mawer is expected to:

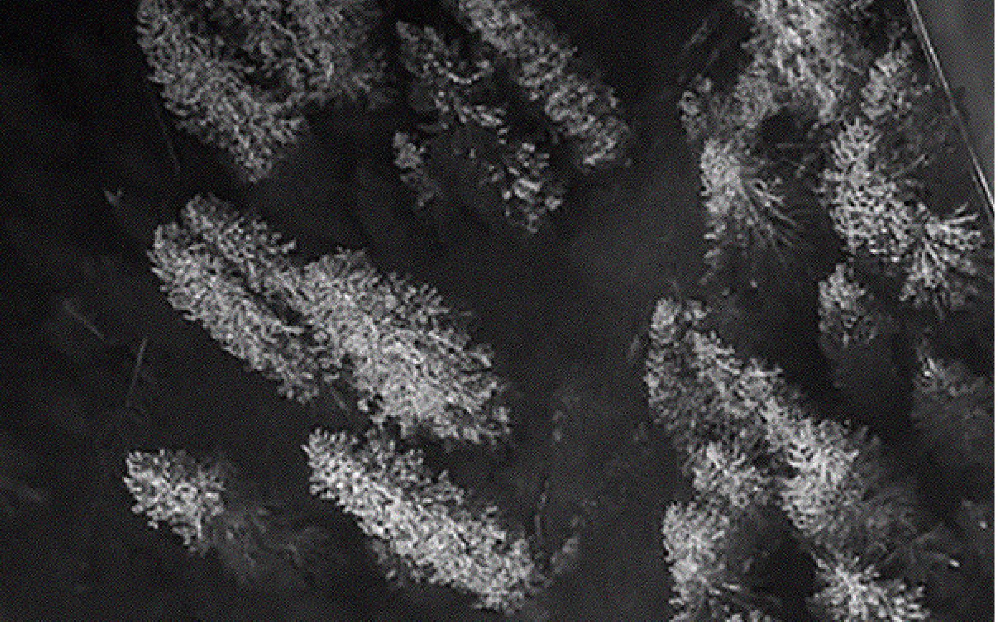
a) Identify, assess, and document current and emerging risks.

b) Establish, implement, and maintain an internal control environment.

c) Establish a risk appetite and manage risks respectively.

d) Embed risk considerations into decisions and actions.

We regularly review the risks that we face and as such, we have identified several risks that are being assessed from a financial, client retention, client growth, reputational, and regulatory standpoint.



DIVERSITY, EQUITY AND INCLUSION (DEI)

We believe diversity, equity, and inclusion (DEI) are essential components of the firm's 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.

Our DEI journey has been thoughtful and reflective with tangible actions to date. Examples include establishing a DEI Council; implementing a DEI policy; deploying a DEI sentiment survey; collecting demographic data; and, evaluating our policies and practices (including HR, and those around ESG and community giving).

Mawer is committed to advancing DEI to improve outcomes for all stakeholders: our employees, clients, industry, and community. As part of this commitment, a key milestone for 2022 was becoming a signatory of the CFA Institute Diversity Equity, and Inclusion Code. This is another purposeful way to hold ourselves accountable and to do our part to advance DEI in the industry.

Where do we go from here?

The DEI sentiment survey we deployed last year enabled us to measure our baseline and helped us to establish a DEI road map. One of the key learnings was a strong alignment from our employees to have more education and conversations around DEI. As such, one of the goals for 2023 is to offer a general DEI awareness program as well as more focused sessions around unconscious bias and inclusive leadership. In addition, we will explore ways to expand our pipeline of diverse talent as it was noted as a top three priority in the survey results.

We recognize that advancing DEI is a journey, and we will be constantly learning and evolving in this area to improve our behaviours, policies, and practices.

COMMUNITY GIVING

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

In 2022, we completed an assessment of our community giving strategy and improved our internal governance process by creating a Donation Committee whose mandate is to determine the recipients of the firm's larger donations.

Education | **Health care** | **Basic Needs**

A FEW 2022 HIGHLIGHTS INCLUDE:

Education

- Supported a financial literacy organization offering an array of financial management programs. One of these programs is an educational series developed and delivered by Indigenous people for Indigenous people.
- 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.
- Contributed to an organization which provides wraparound support to single mothers in the Toronto area, including education and employment assistance.

Health Care

- Contributed to an organization focused on providing mental health supports that are especially tailored to the Asian community.

Basic Needs

- 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.

LEAD BY EXAMPLE/

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 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 monthly $10K donation determined by employee votes.

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

Disaster Relief Efforts: We commit to a corporate donation as well as providing matching opportunities to employees for specific disaster relief initiatives. In 2022, this included the war in Ukraine, floods in Pakistan, Hurricane Fiona, and more recently the earthquake in Turkey and Syria.

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

United Way Campaign: Our annual United Way campaign sparks participation across the entire company through a series of fun and engaging fundraising activities, like our Skills & Thrills Auction (employees donate their time and experiences), unique contests, and more.

volunteerMAWER: We participate in many volunteer initiatives from making lunches with Brown Bagging for Calgary's Kids to delivering gift baskets to seniors with Calgary Seniors Society, and even sorting fresh and non-perishable food items for Daily Bread Food Bank in Toronto.

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.

In 2022, we also maintained our Caring Company status from Imagine Canada which recognizes Canadian corporate leaders who are setting the standard for community investment and social responsibility.

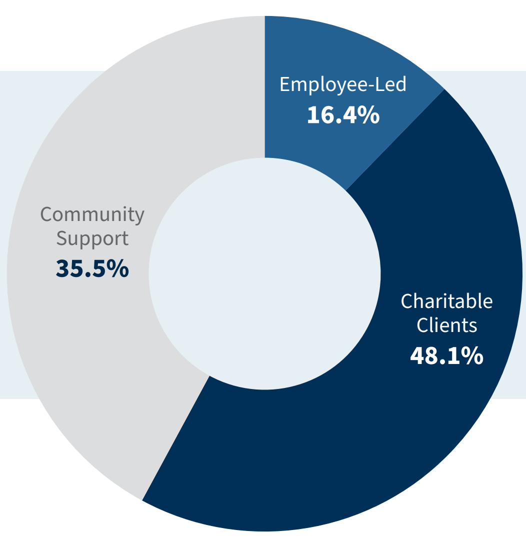
"Investing in the well-being and prosperity of society has always been at the core of who we are—it's about doing the right thing."
-Craig Senyk, Chair

OUR IMPACT IN 2022

223 organizations supported

>2.8M donated

>178K in matched employee contributions



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