QV INVESTORS

2023 ESG Update

ENHANCING PERSPECTIVES & DECISION-MAKING

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Introduction

We are pleased to share our third Annual ESG Update.

ESG risks are business risks. Understanding exposures to material ESG factors and how they relate to corporate strategy are fundamental considerations for long-term investors. Our fully integrated approach to ESG complements our bottom-up analysis and contributes to more informed decision-making.

We continue to build on our efforts, with the key objective of supporting strong risk-adjusted returns for clients. Highlights from the past year include:

- Continued utilization of our proprietary ESG scorecard for all portfolio companies
- Maintaining our fully independent proxy voting efforts
- Strengthening relationships and promoting continuous improvement through ongoing company engagements
- Completing our first submission under the Principles for Responsible Investment (PRI) new reporting framework
- Renewed membership in the Canadian Coalition for Good Governance (CCGG)

Continue reading for more information about our ESG activities in 2023.

"An assessment of ESG factors provides important context as we evaluate opportunities for long-term value creation."

— Mathew Hermary,
Chief Investment Officer

Our Approach

Fully Integrated

Our comprehensive investment process includes an assessment of strategically material environmental, social & governance (ESG) factors. We integrate these considerations to inform our decision-making and support strong risk-adjusted returns for clients.

Every member of our investment team is tasked with considering ESG risks and opportunities. We do not have a dedicated individual focused exclusively on ESG factors, as we believe better investment outcomes can be achieved when the same people are evaluating all risks and opportunities in context.

Our philosophy and process are consistent across the firm. None of our products are explicitly branded as ESG strategies. We feel active ownership and prudent consideration of ESG factors are key components of any strategy seeking to invest in enduring businesses over the long term.

We don't use ESG factors in isolation to select or exclude assets. We use a bottom-up approach to evaluate material issues and their impact on a specific investment case. While companies in high-risk and/or controversial industries are not explicitly excluded from consideration on a policy basis, these types of companies are less likely to meet our investment criteria.

We strive to be active long-term owners. We express views on ESG issues and promote continuous improvement through our proxy voting and engagement efforts, which are carried out by our investment teams directly.

Oversight

Our ESG Committee coordinates ESG efforts across the investment team. The Committee meets regularly to collaborate on initiatives, identify areas of focus and discuss topics of relevance. The ESG Committee reports directly to our Board of Directors, which helps set priorities and oversee initiatives.

For more information about our approach to ESG, please refer to our ESG Policy (available at www.qvinvestors.com/esg).

ESG Committee Oversees:

Integration
- Proprietary scorecard
- Assess risks & opportunities
- Inform our overall view

Active Ownership
- Independent proxy voting
- Flexible engagement
- Promote continuous improvement

Commitment
- PRI signatory
- Member of Canadian Coalition of Good Governance
- Accountability

Communication
- Report to stakeholders
- Review progress
- Establish and convey objectives

Integration

We believe good stewardship of ESG risks and opportunities strengthens a business franchise over time, often bolstering an investment thesis. ESG is not siloed as a separate consideration but rather informs our long-standing investment process.

True to our investment philosophy, we employ a bottom-up approach to ESG. Our investment process begins with company-level analysis, where we seek to uncover quality franchises trading at attractive valuation levels. We identify companies' exposure to ESG risks and opportunities at this stage, recognizing that today's high-quality businesses aren't immune to current and emerging ESG factors.

Our ESG Scorecard

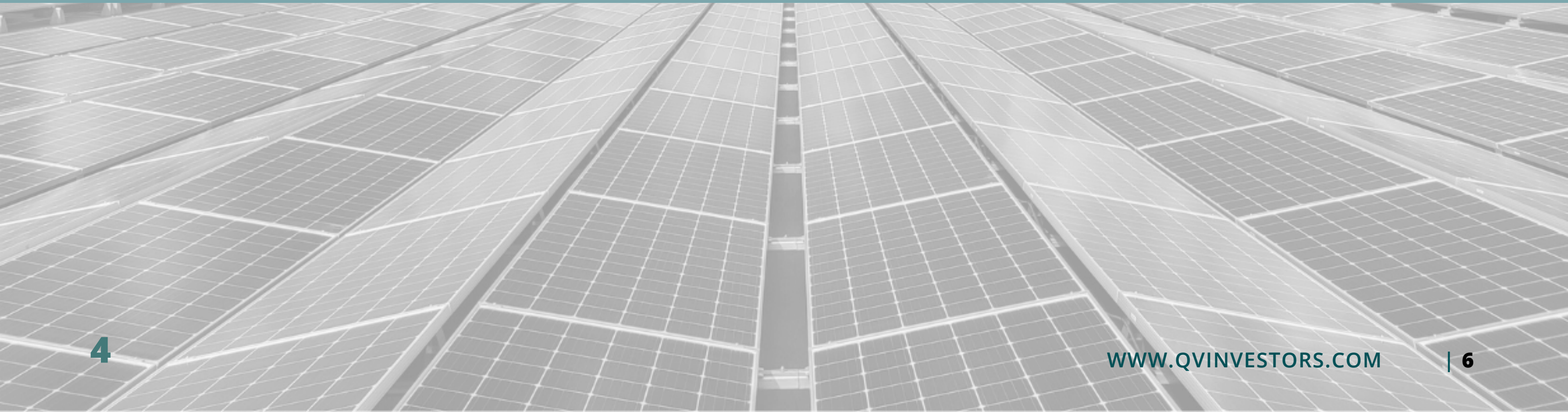
We use our proprietary ESG scorecard to identify and monitor material ESG factors unique to each investment. We consider how companies manage risks or benefit from opportunities, where improvements are needed, and potential impacts on financial performance. We prioritize our analysis in areas of high materiality, with the overarching goal of understanding how significant ESG factors may impact risk-adjusted returns over time.

While we may use third-party research to bolster our independent analysis, we do not rely on external ESG ratings in our process.

Our ESG analysis and its outcomes are not formulaic. Often more qualitative than quantitative, summary conclusions from our scorecards provide clarity in areas that may be relevant to our long-term investment theses. The identification of ESG risks and opportunities may positively or negatively impact our evaluation of a franchise, including our expectations around its long-term outlook and valuation. These judgements help inform our overall view of a company within the context of our long-standing security selection criteria and may ultimately impact portfolio construction decisions. The process also sparks thoughtful and deliberate discussions, internally and with companies directly, about strategic priorities, risk exposures and opportunities for improvement. Our engagement efforts are discussed in more detail later in this report.

Scorecard Objectives:

- Inform overall assessment.
- Consider potential impacts to financial performance.
- Identify opportunities for engagement.



2023 Portfolio Examples

Safety & Operational Efficiency - Our Canadian equity team used our scorecard to identify and monitor safety incidents at a major Canadian integrated oil and gas producer. They noted that major safety incidents are strongly correlated with overall productivity and efficiency and that the company's safety record lagged its peers by a significant margin. While the company appeared to have a strong safety policy, the policy was not being met in practice. The team discussed these concerns with the company's board and noted that more consistent performance would be required for continued investment. With ESG underperformance hampering operational and financial outcomes, the team ultimately decided to use proceeds from the sale of this investment to initiate a position in Imperial Oil. Imperial's strong balance sheet, free cash flow and safety/operational track record were considerations behind this portfolio upgrade.

Monitoring Uncertain Risks - Our scorecard is also useful for monitoring broad trends that may not have clear implications in the short term. For example, our team continues to monitor grocery businesses amidst escalating food inflation and remains eyes wide open to unforeseen regulatory risks that could impact food investments.

Energy Transition - We also continue to monitor trends related to the energy transition. Thanks in part to investors' focus on climate change and sustainability initiatives, conventional energy producers have dedicated increasing amounts of capital to reducing their carbon footprints while also investing in 'new energy' ventures (such as carbon capture solutions, biofuels and hydrogen), which will become part of the solution. Many large North American producers have committed over 10% of their capital budgets toward sustainability initiatives, following in the footsteps of some European peers who now devote almost 30% of their annual capital spending toward new energy investments. Against this backdrop, oil and gas management teams have begun to fundamentally change the way they run their businesses. Operating and capital discipline (long demanded by shareholders) have now become fundamental tenets to a more constructive investment backdrop for the industry.

Dealing with diverse businesses across sectors has provided additional context for emerging challenges and opportunities. In our discussions, several businesses have pointed out the need for additional infrastructure and materials to facilitate the transition, which presents meaningful opportunities for some portfolio holdings. Utility companies have highlighted the need for better transmission and distribution infrastructure as well as investment in renewables to support a transition to electrification. Utility suppliers have seen a substantial increase in demand for utility poles to strengthen and improve the grid, along with demand for innovation to mitigate the impact of wildfires. Portfolio holdings in the auto supplier space are focusing on lightweighting initiatives, which improve efficiency regardless of the type of propulsion system used. We've seen retail fuel distributors partner with stakeholders to provide electrical charging stations and amenities for EV users. Lastly, a metals driller has highlighted the need for significant future investments in exploration to extract the metals and minerals needed to support the energy transition. We continue to stress the importance of thoughtful long-term management teams and resilient, responsive business capabilities.

Active Ownership

Through active ownership, we promote continuous improvement and communicate our expectations as long-term investors. We express our views on ESG issues through our proxy voting and engagement efforts, which are carried out by our investment teams directly.

Proxy Voting

Proxy voting is an important tool that allows us to voice our views on important governance matters, such as board composition and compensation practices. We exercise our right to vote at every shareholder meeting held.

We independently review and evaluate all ballot items in-house, using the guiding principles and evaluation framework as outlined in our Proxy Voting Guidelines (available at www.qvinvestors.com/esg). The structure of these guidelines shows that we prefer to consider a balance of factors rather than ascribe to strict and potentially arbitrary rules.

Our decision to invest in a company is generally an endorsement of management. In the absence of material concerns, we therefore generally vote alongside management for most routine matters. However, we may vote against management recommendations when our independent reviews identify a material concern, an opportunity for improved practices or when we believe doing so best serves the interests of long-term shareholders.

Proxy Voting:

Integral to our fully integrated approach.

All items independently assessed in-house.

Express views and spark thoughtful discussions.

2023 Voting Summary

We independently assessed and voted on over 2,300 proposals this year, including nearly 150 shareholder proposals.

We voted contrary to management recommendations on 40 occasions. The majority of these cases were related to individual director elections and executive compensation. The reasons we voted against certain directors can generally be summarized as accountability for governance oversight, matters of independence (particularly on key committees) and overboarding concerns. We voted against compensation plans in instances of excessive pay, lack of disclosure and concern about the usage of one-time awards.

Shareholder Proposals

Shareholder proposals represent a relatively small percentage of overall ballot items but may serve as a useful mechanism for shareholders to request action on specific issues. We've noticed shareholder proposals become more specific and rigid over time. We consider all shareholder proposals on a case-by-case basis to acknowledge companies' current practices, risk exposures and progress trajectories. Even in cases where we support the underlying goal of the resolution, we may withhold support when we feel the proposal amounts to micromanaging or is too prescriptive in its ask.

Shareholder Proposals We Generally Support	Shareholder Proposals We Do Not Support
✓ Requests for disclosure about a material ESG risk if the company has not done so already.	✗ Proposals regarding existing policies or disclosure with which we are satisfied.
✓ Requests for better governance practices, such as separation of the Chair and CEO roles.	✗ Issues that lack relevancy or materiality to our long-term investment case.
✓ Requests deemed reasonable in scope and additive to overall ESG risk management practices.	✗ Proposals that are impractical or overly prescriptive.
✓ Plans to manage climate risk if we feel the company's current disclosures, targets or strategic plans are inadequate.	✗ Proposals that duplicate or fail to acknowledge reasonable progress on the issue.

In 2023 we supported three shareholder proposals advocating for the separation of the Chair and CEO roles. As a matter of good governance, this practice facilitates the board's effective oversight of company performance. In cases where one individual holds both positions, we assess the appropriateness of the combined role and its impact on board effectiveness.

Engagement

Engaging with investee companies is a critical part of our investment process. Through regular dialogue, we believe our flexible approach lends itself to building long-term relationships and ultimately influencing ESG best practices. We acknowledge progress and promote continuous improvement for the benefit of all stakeholders.

We identify opportunities for engagement through our ongoing integration and proxy voting activities. ESG discussions may be conducted alongside other strategy and investment-related discussions or serve as the primary topic of conversation. We generally focus on company-specific issues. In prioritizing resources, we may consider factors such as the size of the holding and the materiality of the ESG issue to our long-term investment case.

We initiate conversations with companies, and they also seek out our feedback as long-term investors. Given our concentrated ownership positions and long-term focus, our viewpoints on these topics have historically been well-received and well-respected by management teams. In addition to our regular discussions with companies, we will also engage directly with board members when appropriate.

A company's responsiveness to ESG concerns may materially impact our overall assessment for investment. Escalation of a material concern may include voting action, further engagement with the board, a reduction in exposure, or divestment.

Engagement Objectives:

Build long-term relationships.	Acknowledge progress.	Promote continuous improvement.

2023 Engagement Summary

We continued active discussions throughout 2023. True to our approach, topics ranged widely across areas of importance for specific businesses. We continue to encourage companies to adopt a continuous improvement mindset and to focus on both the medium and long term.

Examples of select recent engagements:

- **Continued regular dialogue with some of our largest holdings; generally centered on governance topics including dual class share structures.**
- **Engaged with a retailer to better understand how they adhere to product safety recommendations.**
- **Ongoing discussions with companies around long-term emissions targets, investments needed to achieve those goals, and expected rate of progress over the medium and long term.**
- **Discussions with a global drilling services business about its sizeable runway to participate in opportunities related to the energy transition.**
- **Continued conversations to encourage ways a packaging business can increase the recyclability of its products for the end customer.**

As further discussed below, we continued to support additional engagement efforts indirectly through our membership in the Canadian Coalition for Good Governance.

Commitment

Principles for Responsible Investment

We have been a signatory to the Principles for Responsible Investment (PRI) since 2021. These voluntary and aspirational principles formalize our commitment to the ongoing advancement of our ESG activities.

We report and receive feedback on our ESG activities annually. We use this process to assess ways to improve our policies and disclosures each year. Further details on the PRI can be found at www.unpri.org.

Principles for Responsible Investment

1. **We will incorporate ESG issues into investment analysis and decision-making processes.**
2. **We will be active owners and incorporate ESG issues into our ownership policies and practices.**
3. **We will seek appropriate disclosure on ESG issues by the entities in which we invest.**
4. **We will promote acceptance and implementation of the principles within the investment industry.**
5. **We will work together to enhance our effectiveness in implementing the principles.**
6. **We will report on our activities and progress towards implementing the principles.**

Canadian Coalition for Good Governance

We have been a member of the Canadian Coalition for Good Governance (CCGG) since 2018. CCGG represents the collective voice of its Canadian institutional members (representing a total of $6 trillion in assets) as it promotes good governance practices at Canadian public companies.

Our membership extends our impact and amplifies our internal engagement efforts.

We continue to publicly endorse CCGG's Stewardship Principles, further formalizing our commitment to being active and effective stewards of our investments.

CCGG's Stewardship Principles

1. **Develop an approach to stewardship.**
2. **Monitor companies.**
3. **Report on voting activities.**
4. **Engage with companies.**
5. **Collaborate with other institutional investors.**
6. **Work with policy makers.**
7. **Focus on long-term sustainable value.**

Communication

This report is part of our commitment to communicate regularly with stakeholders. Within our well-established investment process, we continue to build upon the ESG initiatives that have helped to better define risks and opportunities within our funds. These efforts support our ultimate objective of building resilient portfolios that will provide strong risk-adjusted returns for our clients.

As regulatory requirements and investor priorities evolve, ESG remains a relevant lens through which long-term investment opportunities must be considered. As we strive to provide excellence in investment management and client service, we will continue to build on these efforts in the periods ahead.

For more information on our approach to ESG, please visit www.qvinvestors.com/esg.

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