

ESG Report

2024

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Message from LetkoBrosseau

At **LetkoBrosseau**, our philosophy has always centered on creating long-term value for our clients. We firmly believe that integrating ESG factors into the investment process is essential for the sustainable success of our clients. Since the firm's inception, we have continued to emphasize the importance of investing responsibly. We believe companies that manage extra-financial risks properly will perform better over the long term. We've consistently sought out new trends in this evolving field, ensuring that our practices remain aligned with industry standards.

Today, client expectations regarding responsible investing are higher than ever. The pursuit of opportunities aligned with these values leads us to share these expectations with the companies in our portfolio. In the spirit of collaboration, we know that our role as investors is to actively support this change by establishing an open dialogue with our stakeholders. These discussions push us to look beyond our investments and reassess our own practices. This report highlights the progress made in 2024. In terms of disclosure, we have opted for a more detailed and quantifiable presentation of our actions, while aligning more closely with recognized industry standards. This approach aims to enhance our transparency while providing a clearer overview of our commitment to responsible practices.

We are confident that our **ESG journey** will continue to be one of ongoing progress. We remain determined to pursue our efforts and believe that the continuous improvement of our practices is essential to meet future challenges.



A handwritten signature in black ink, appearing to read 'David Després', written in a cursive style.

David Després

B.B.A., M. Sc. Finance, CFA®

Vice President - Investment Services

Investment Team

Sustainable Investing

Our assets are managed by a dedicated team of research professionals, specialized by industry.

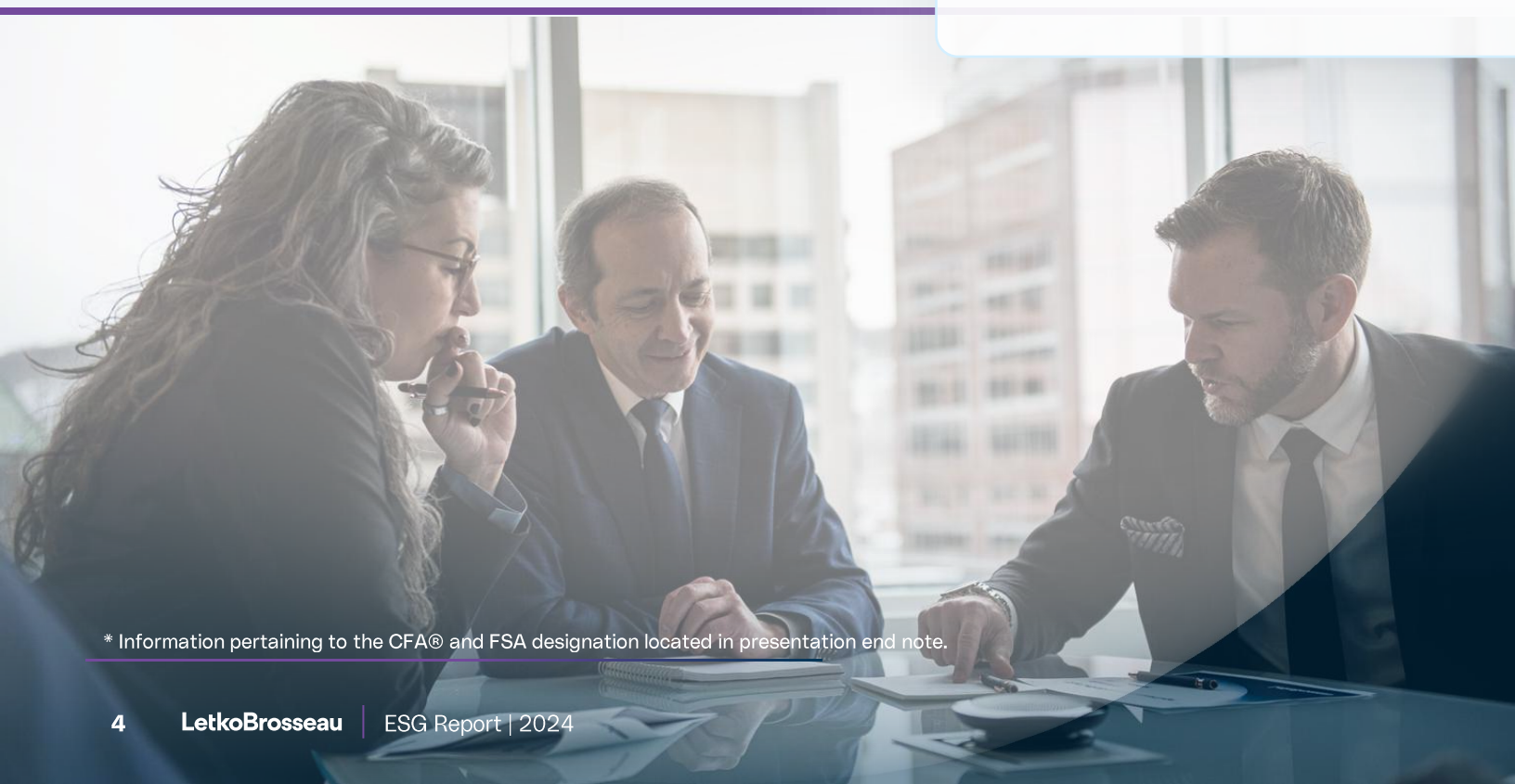
Our investment team includes 22 investment professionals (investment analysts, portfolio managers and senior portfolio managers) with diverse educational and cultural backgrounds. Together, our team members speak 13 languages, and one-third of them were born and raised in Emerging Markets.

We generally hire academically-gifted individuals from various disciplines, such as engineering and science. We believe this has cultivated deep international sector knowledge, thus greatly enriching our team's global investment scope.

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

- **18 years average experience**
- **14 years average tenure at LBA**
- **13 languages spoken**
- **7 members born in emerging markets**
- **19 CFA® charterholders***
- **19 FSA credential holders***
- **16 MBAs**

* Information pertaining to the CFA® and FSA designation located in presentation end note.



Our Committees

ESG Committee

The ESG Committee was established in 2021 to assess both internal and external risks and opportunities related to ESG. The committee is tasked with structuring and formalizing the policies and frameworks used by the investment team, including the ESG Policy, ESG Engagement Policy, and Proxy Voting Policy. Additionally, the committee works to enhance ESG data collection systems, improve reporting capabilities, and facilitate the sharing of information with colleagues and clients. It also explores internal opportunities for LBA to strengthen its policies and practices regarding ESG and sustainability.

The members of the committee ensure that the firm stays up to date with the latest ESG developments in the industry and best practices by attending relevant conferences and summits. The committee is comprised of a Senior Portfolio Manager, an Investment Analyst, a Portfolio Manager, the VP of Investment Services, and an ESG Analyst.

Climate Change Committee

A Climate Change Committee was established in 2019 with two main objectives:



To identify investment risks and opportunities arising from climate change, both within our portfolios and across broader capital markets;



To conduct climate change scenario analyses, starting with potential global physical changes and examining how these might affect the macroeconomic environment, policy and regulation, sector and industry dynamics, and individual company performance.

Our Climate Change Committee is dedicated to providing a thorough understanding of climate change while continually evaluating relevant risks and opportunities. The committee consists of eight Analysts covering a wide range of industries, including energy, materials, metals and mining, industrials, clean tech, transportation, and macroeconomics.

The committee delves into academic literature, explores the impacts of climate change from a scientific perspective, studies various technologies and potential solutions, and conducts detailed cost-benefit analyses.



Affiliations

Industry Collaborative Initiatives

We are supporters of the following organizations



The Task Force on Climate-related Financial Disclosures (TCFD) aims to develop recommendations on the types of information that companies should disclose regarding climate-related risks. Since the dissolution of the TCFD in 2023, its mission has been taken over by the International Sustainability Standards Board (ISSB)¹. We continue to support the initiative.

Signatory of:



LetkoBrousseau became a signatory of the United Nations-supported Principles for Responsible Investment (PRI)² in 2019. In December 2023, we filed our 2023 Public Transparency Report with the PRI and have made this available to view on our website. Considering our good score, we decided not to complete the non-obligatory reporting in 2024.



We are a member of and are actively involved with the Canadian Coalition for Good Governance (CCGG)³. Peter Letko has been a Director of the CCGG Board since June 2019. Through CCGG's corporate engagement program, we have participated in meetings with boards in Canada.

1. IFRS. <https://www.ifrs.org/sustainability/tcfdd/>
2. UNPRI. <https://www.unpri.org/>
3. CCGG. <https://ccgg.ca/>

ESG Integration

Our Philosophy

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



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



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

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

ESG Integration

Our Research Process



Our framework for ESG research and integration is based on the Sustainability Accounting Standards Board's (SASB) Materiality Map, which identifies a set of sustainability issues most likely to impact the operating performance or financial condition of a typical company in an industry, regardless of geography. To support the identification of material ESG issues for a company, we review the appropriate industry report(s) prepared by SASB, which has published 77 industry reports focused on material ESG issues¹.

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



Once our research of a company is complete, our analyst will write a detailed thesis outlining the company's growth potential, including ESG risks and opportunities, and present it to the entire investment team for peer review. Meanwhile, our ESG Lead conducts his own independent review of the material ESG issues facing the company using Sustainalytics² and Glass Lewis³ (external service providers who support and complement our ESG analysis and proxy voting efforts).



When the analyst is presenting their thesis to the investment team, our ESG Lead facilitates a group discussion of the material ESG issues with the goal of cross-checking and leveraging the entire team's knowledge and expertise.



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

1. SASB. <https://sasb.ifrs.org/>

2. Sustainalytics. <https://www.sustainalytics.com/>

3. Glass Lewis. <https://www.glasslewis.com/>

ESG Integration

Exclusion Criteria

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

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

Our exclusion list per our Responsible Investment policy

- **Tobacco**
- **Mining of thermal coal**
- **Adult entertainment**
- **Gambling**

2024 Highlights

In 2024, we continued our **ESG journey** by making continuous improvements through various initiatives. These projects focused on enhancing the integration of ESG factors into our investments, as well as refining our internal processes as a firm. The following highlights showcase the key projects completed over the past year, demonstrating our ongoing commitment to sustainability.

Establishment of Responsible Investment Policy

In January 2024, we officially implemented our Responsible Investment Policy, reinforcing our commitment to integrating ESG factors into our investment decision-making processes. This policy outlines how we evaluate material ESG issues, understand the risks they present to investors, and ensure that we act in the best interest of our clients while managing the capital entrusted to us.

Proxy Voting Summary Available on Website

In 2024, we published a summary of our proxy voting activities on our website. This report offers greater transparency regarding our voting decisions and how they align with our ESG principles, thereby reinforcing our commitment to responsible governance.

Launching of SFDR Classified Product

In 2024, we became subadvisor of a UCITS fund with our partner Candoris B.V. The UCITS fund is classified as Article 8 per the Sustainable Finance Disclosure Regulation (SFDR) classification.¹

Revamping of Our Research Portal

In 2024, we undertook a comprehensive revamp of our research portal to improve our ability to track and measure ESG metrics and data. This enhancement allows us to gather more accurate data and monitor ESG metrics with greater precision, enabling us to report on our progress more effectively. The upgraded portal supports our broader ESG strategy by providing us with the tools needed to ensure continuous improvement.

Hiring of ESG Analyst

In 2024, we took an important step in strengthening our commitment to ESG by hiring our first full-time resource dedicated to ESG within the Investment Services team. This strategic addition supports our efforts to integrate ESG considerations across our investment processes and services, ensuring that we continue to meet the evolving expectations of our clients.

First ESG Self-Assessment at the Firm Level

As part of our ongoing commitment to ESG, we conducted our first self-assessment of ESG performance at the firm level in 2024. This initiative allowed us to evaluate our current ESG practices and outcomes, providing valuable insights into areas of strength and opportunities for improvement. Through this self-assessment, we also identified key ESG projects for the future, ensuring that they are aligned with both our internal goals and our clients' expectations.

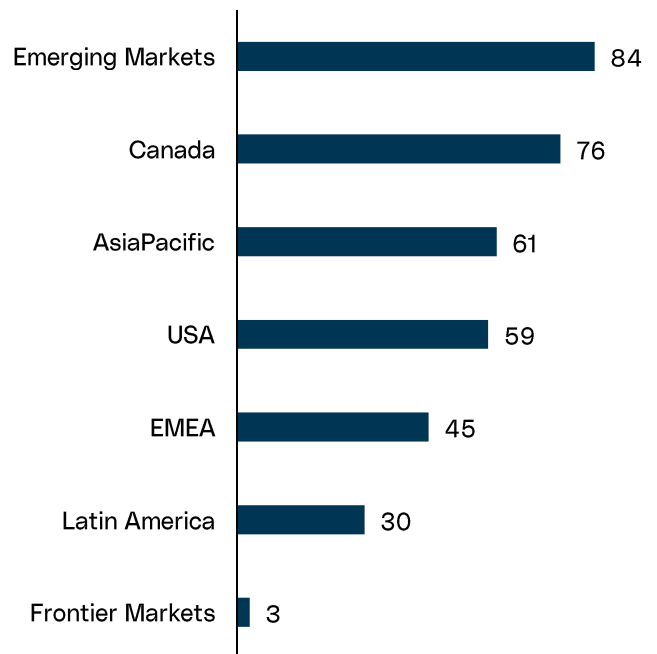
1. SFDR. https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en

Proxy Voting Summary

We believe proxy voting is one of the most important rights of shareholders. We also consider it our responsibility to exercise this right to promote strong corporate governance and sound business practices. We do so with the utmost diligence, ensuring that proxies are voted internally and in accordance with shareholders' long-term interests.

Our investment professionals make all voting decisions for the companies under their coverage in accordance with our [Proxy Voting Policy](#) following a thorough review of proxy materials and insights from Glass Lewis, a leading independent provider of global governance services. All proxy voting decisions are reviewed by our ESG Lead. In addition, any proxy vote contrary to the management's recommendation requires written justification. Before voting contrary to the management's recommendation, we will often engage with the company to express our point of view on issues of concern and inform of our voting intentions. We vote all our proxies and a summary is available on our website.

Number of Proxies Voted by Strategy



3,392
Resolutions
Voted

271
Proxies
Voted

576 Number of resolutions where we voted against recommendation of management

1,845 Number of resolutions for election of directors

363 Number of resolutions for election of directors that we did not support

168 Shareholder proposals voted

40 Shareholder proposals supported

Engagement

Our principles

Since the inception of the firm in 1987, we have been committed to incorporating **ESG considerations** into our investment research. The process includes ongoing engagement with companies concerning all matters that are typically important to a given industry, including ESG risks and opportunities.

Our ESG approach considers engagement from both a narrow and broad view, ensuring that we are able to understand the challenges and opportunities these issues may have not only on individual businesses and industries but more broadly speaking on the portfolios we manage. We integrate ESG factors directly into the investment process as part of our core investment principles. By so doing, we believe we can “do good while doing well.”

At LetkoBrosseau, we incorporate ESG issues throughout the process: from the first time we consider an investment and continuing through the entire time we own the stock. Essential components of our approach include continuous monitoring and active engagement with management teams and boards of directors. Our approach is to engage directly with the company, as we believe meaningful change is more likely when we have a seat at the table. Therefore, divesting is not our first step when addressing ESG issues.



Engagement

Contribution to the UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a set of 17 global objectives aimed at addressing key challenges facing the world, such as poverty, inequality, climate change, and environmental sustainability. Adopted by all UN member states in 2015, the SDGs seek to promote prosperity, protect the planet, and ensure peace and justice for all by 2030. They provide a universal framework for governments, businesses, and individuals to contribute towards a more sustainable and equitable future¹.

**Letko
Brosseau**



LetkoBrosseau supports the Sustainable Development Goals

1. UN SDGs. <https://sdgs.un.org/fr/goals>

Engagement Examples

Emerging Markets

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

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

As a long-term investor, we frequently collaborate with portfolio companies and potential investments on ESG-related issues.

Through our engagements, we actively contribute to the SDGs, recognizing the importance of these issues. However, certain goals are more prominent in our efforts. We will highlight 2 SDGs to which we contribute through our Emerging Markets strategy.



Cemex, S.A.B. de C.V.



Puregold Price Club, Inc.

Cemex, S.A.B. de C.V.

Emerging Markets



Headquarters

**Noevo León,
Mexico**

Established

1906

Industry

**Construction
Materials**

ESG Engagement Themes

GHG Emissions

Cemex is a global leader in the building materials industry, with a significant portion of its revenue coming from cement production. The company manufactures and distributes a variety of construction materials, including cement, ready-mix concrete, and aggregates. Cemex operates in over 50 countries, serving both residential and commercial sectors. It is involved in infrastructure development and construction.





ESG Risk

The cement industry is responsible for approximately 6% of global CO2 emissions each year, driven by both the energy required to operate the cement plants and the chemical reactions involved that convert the raw materials into finished cement¹. Currently, there are no viable alternatives to cement in modern construction techniques making it crucial to innovate and reduce emissions within existing production processes. With increasingly stringent regulations on building construction emissions, industrial carbon taxation, and global commitments to achieving Net-Zero, industry players must adapt to remain competitive and contribute meaningfully to global decarbonization efforts. Failure to lower emissions could result in financial penalties, loss of market share, and damage to the company's reputation.



Our Engagement

Since 2021, we have actively engaged with Cemex on this important issue. We recognize Cemex as an industry leader in emissions reduction but given the significance of this ESG risk to the industry and the long-term nature of the adaptation involved, we continue to engage with management to voice our continued support for CO2 emissions efforts and to stay informed of the company's emission reduction progress, innovation plans, and spending levels. Cemex has committed to reducing Scope 1 emissions to less than 430kg per ton of cement by 2030 – a 47% reduction from 1990 and 31% lower than in 2020. Longer term, the company has committed to Net-Zero emissions by 2050². As of the end of 2023, the company had already reduced CO2 emissions per ton of cement to 541kg.

When engaging with the company, we work not only to understand the emissions reduction targets, but also the technologies and capital spending it would take to achieve these goals. We focus on both the use of readily available technologies and the development of new production processes necessary to meet Net-zero across the industry. According to the company, post-2030 emissions reduction will rely heavily on carbon capture, utilization and storage (CCUS) technology. Given its early stage of commercialization, and large role in plans for the future, we closely engage with the company to track progress on pilot projects and to assess advancements in this space.

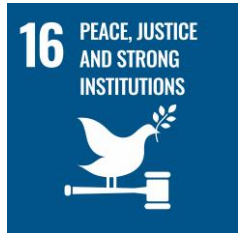
1. Challenges and Opportunities for Low-Carbon Suppliers Report, September 2024.

https://www3.weforum.org/docs/WEF_High_Emitting_Sectors_Challenges_and_Opportunities_for_Low_Carbon_Suppliers_2024.pdf

2. Cemex. <https://www.cemex.com/en/sustainability/future-in-action/by-the-numbers>

Puregold Price Club, Inc.

Emerging Markets



Headquarters

**Taguig,
Philippines**

Established

1998

Industry

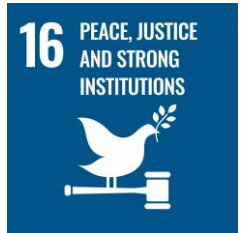
**Consumer Staples
Merchandise Retail**

ESG Engagement Themes

Business Ethics

Puregold Price Club (PGOLD) is a retail company that operates wholesale and grocery stores. The company offers a wide range of food, household, and consumer products. PGOLD generates revenue through the sale of these products to both individual consumers and businesses. It operates multiple locations across the Philippines and focuses on providing a variety of products at competitive prices through a membership-based model. The company serves the retail and wholesale segments, specializing in bulk grocery sales and everyday consumer goods.





ESG Risk

Corporate governance is an important factor for companies like PGOLD, as it directly influences transparency, fairness, and accountability in decision-making. Business ethics, in this context, refers to the principles and standards that guide a company's operations, ensuring it aligns with the interests of all stakeholders.

At PGOLD, several governance concerns were identified. These included the composition of the board, where only three out of nine directors were independent, and some directors had been in position for extended periods. Additionally, executive directors were involved in the Corporate Governance Committee, raising concerns about the objectivity of governance decisions. Another point of concern was the dilutive share placement in 2019, where Chairman Lucio Co sold shares to third-party investors, only to later repurchase them at the same price. This raised questions about fairness and the protection of minority shareholders. Addressing these governance concerns was important for enhancing the company's long-term performance and investor trust.



Our Engagement

In mid-2022, we engaged with PGOLD's management to address three key governance concerns: raising the dividend per share (DPS) and establishing a formal dividend policy, increasing the number of independent directors on the board, and reducing related-party transactions.

As a result of our engagement, PGOLD made substantial improvements. The company raised its DPS by 72% and introduced a new dividend policy, committing to distribute at least 30% of the previous year's core income. In 2023, through continued discussions, we successfully advocated for replacing two long-serving Affiliated Directors with two non-affiliated Directors, significantly improving the board's independence. By mid-2023, all three Independent Directors were non-affiliated, a clear step forward in strengthening corporate governance.

In 2024, our discussions continued to focus on the governance risks linked to related-party transactions. The planned acquisition of Puremart, a 130-store small-format retail chain from Mr. Lucio Co, Puregold's principal shareholder, raised concerns about fairness and conflicts of interest. While management maintained that the transaction was conducted at arm's length and the cost was significantly lower than building new stores, we remain cautious. We continue to engage with PGOLD to ensure that similar transactions do not take place in the future, advocating for greater transparency and fairness. These efforts have yielded positive results. By the end of 2024, PGOLD's stock price outperformed the Filipino market, rising by 8%, and the company now trades at a higher valuation than Robinsons Retail, a clear sign of improved governance and the positive impact of our engagement. PGOLD's shift toward stronger corporate governance has not only mitigated the initial risks but has also reinforced its market position and bolstered investor confidence.

Agenda 2025

Our Plan

In 2025, our ESG agenda will focus on several key initiatives aimed at advancing our sustainability efforts.

Adding ESG Oversight to the Board's Charter

Our Board of Directors will be responsible for overseeing the Company's ESG strategy, ensuring that it aligns with the Company's overall objectives and supports long-term sustainability. In 2025, we will formalize ESG oversight as part of the Board's charter, strengthening its role in guiding our ESG initiatives and ensuring that they are integrated into our strategic decision-making.

ESG Initiatives Review and Collaboration

In 2025, we will conduct a thorough review of our existing ESG initiatives to assess their effectiveness and identify areas for further improvement. Additionally, we will explore opportunities to collaborate with industry partners on joint efforts to enhance ESG practices, contributing to collective progress on sustainability goals.

ESG Report and Alignment with Disclosure Frameworks

As part of our commitment to transparency and continuous improvement, we aim to align our ESG annual report with established disclosure frameworks, such as the UN SDGs or the SASB standards. This alignment will enhance the comparability and relevance of our ESG reporting, positioning our annual report as a tool for ongoing improvement toward industry best practices.

Engagement Policy Update

In 2025, we will update our Engagement Policy to reflect the improvements made to our research portal to better track engagement progress. We also plan to add an escalation policy to formalize our approach when our engagements with companies do not move in the desired direction.

Scope 1-2 Operational Emissions

In 2025, we plan to calculate and assess the emissions from our operations, covering Scope 1 and Scope 2 emissions. This initiative will help us understand the environmental impact of our operations and identify areas where we can reduce our carbon footprint.

Indigenous Awareness Practices

We acknowledge the importance of integrating Indigenous rights and perspectives within our ESG framework. In 2025, we plan to continue exploring & improving our ways in effort to better recognize and respect Indigenous communities. This will involve understanding how to engage thoughtfully, honour Indigenous cultures and traditions, and contribute to reconciliation efforts. Our approach will focus on fostering dialogue, enhancing awareness and understanding of Indigenous issues.

End Notes

The information and opinions expressed herein are provided for informational purposes only, are subject to change and are not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. Any companies mentioned herein are for illustrative purposes only and are not considered to be a recommendation to buy or sell. It should not be assumed that an investment in these companies was or would be profitable. Unless otherwise indicated, information included herein is presented as of the dates indicated. While the information presented herein is believed to be accurate at the time it is prepared, Letko, Brosseau & Associates Inc. cannot give any assurance that it is accurate, complete and current at all times.

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CFA: A professional certificate offered through the CFA Institute. The certification qualifies one to be a financial analyst. To qualify for a CFA®, one must have worked a certain number of years in the financial industry and must complete three levels of exams on all topics related to investing. CFA® charterholders are required to adhere and annually attest to the CFA Institute Code of Ethics and Standards of Professional Conduct.

FSA: Fundamentals of Sustainability Accounting (FSA) credential awarded by the International Sustainability Standards Board (ISSB) of the IFRS® Foundation demonstrates in-depth knowledge of the integration of sustainability information into investment analysis. To qualify for the FSA Credential, one must complete two exams. Level I focuses on principles and practices and Level II focuses on application and analysis.

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