



LBA'S ESG Integration

LetkoBrosseau

Global Investment Management

Do good while doing well...

At Letko Brosseau we believe that **Environmental, Social, Governance (ESG)** integration allows our clients to benefit from sustainable returns over the long term, while effecting a positive societal impact.

- LBA seamlessly integrates material ESG issues into the investment decision-making process.
- Fundamentals of Sustainability Accounting Credential: over 80% of the investment team is FSA accredited.
- Rather than relying on a single ESG leader - we believe it is the responsibility of every member of the research team to examine, monitor, and evaluate ESG factors.
- Rather than layering on ESG analysis after research is complete, we believe in evaluating ESG factors on an ongoing basis.
- We rely on our own judgement and our own in-house framework.



ESG Integration



ESG Committee

- Policies, Framework and Mandates.
- Reporting and Ratings.
- Ongoing evaluation of portfolio ESG performance.
- Internal resource enhancements
- Portfolio Carbon Measurement

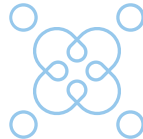
LEARN MORE:

Scan the QR code or visit
www.lba.ca/investment-responsible-investment/



ESG Leader

- Prior to an investment: independent evaluation of material ESG issues, ratings and practices.
- Negative screening twice a year.
- Supervision of proxy voting.



Independent ESG Evaluation

- Industry/Sector ESG evaluation framework.
- SASB Materiality Map + 77 industry reports – identify material ESG issues by industry
- Internal database of key ESG matrix for each company invested.
- Regular engagement and communication with companies.



Climate Change Committee

- Identify key global trends related to climate change that would improve internal understanding of the key risks and opportunities at the portfolio level.



ESG Engagement Themes

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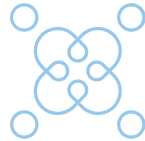
Energy Transition

Supporting strategies for a transition towards a lower carbon world and understanding how companies intend to succeed efficiently and sustainably.



Sustainable Living

Encouraging healthy economic activity, which includes improving the quality of life for people across the globe, while integrating sustainability solutions, improved labour practices, and minimizing environmental impacts.



Diversity and Equality

Promoting diversity and equality of people at all levels within an organization. Urging companies to maintain strong social licenses to operate by ensuring respect for communities, human rights, and land rights.



Responsible Innovation

Encouraging innovation while limiting adverse effects to society, safety, and the environment. Understanding the full lifecycle of new products and technologies to limit environmental damage and negative impact to communities.



Principled Governance

Ensuring that all proxy vote decisions taken represent the long-term interests of shareholders. Engage with management and board of directors and challenge them when we believe their governance structure or actions are not in the long-term interest of all shareholders.



Climate Change Committee

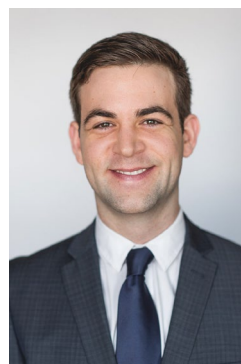
Objective:

- The Committee is responsible for monitoring the natural, technological, social and political trends and consequences related to Climate Change.
- To assess Climate-related threats and opportunities and how they impact LBA's investment portfolios.
- Publish thematic reports based on in-house research and science-based analysis.

“You cannot think about the future without contemplating climate change. It is one of the defining challenges of this generation and our choices today will impact many generations to come. It is our obligation to ensure this impact is positive.”



Alex Letko
Portfolio Manager



Edward Dashwood
Portfolio Manager



Net-Zero Series

- The science of climate change
- The largest sources of emissions
- The concept of net-zero
- The transition to a lower-carbon economy
- Potential solutions
- [Part 1: Understanding the Science](#)
- Part 2: Electricity Generation – coming soon



Invest in Canada Campaign

- Are you aware that Canada's biggest pension funds have reduced their allocation to Canadian public equities from 80%, in 1990, to less than 10% in 2020?
- We believe this trend has significant impact on the health of Canada's economy and is an important question for all Canadians.
- We are leading a public campaign to raise awareness and work with policy makers to propose solutions.
- We believe in doing the right thing: engaging with all stakeholders to promote Canada as a top-tier economy, to promote job growth, to invest in Canada.
- Please read our [research paper and presentation](#) to learn more.



Summary of Engagements 2021

- ✓ LBA held more than 560 virtual meetings
- ✓ With 311 companies globally

- ✓ LBA voted on 270 proxies
- ✓ With 3361 resolutions

[LBA's Proxy Voting Policy](#)



Engagement Examples

CAUSES FOR INTERVENTION

PROPOSAL / OUTCOME

AIR CANADA 



Energy Transition



- Replacing older aircrafts with more a modern and energy efficient fleet
- Replace ground equipment with electric substitutes
- Sustainable aviation fuels and zero emission aircraft

Capital Power 



Energy Transition



- On track to become coal-free by 2024
- Constructing seven new wind and solar plants

 **Cominar**



Principled Governance



- Voted against the proposal and urged all other shareholders to carefully consider the terms and conditions of what was being proposed



Appendix

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Engagement Examples

✓ Air Canada: Energy Transition

- LBA has been a shareholder since 2009.
- We have an in-depth understanding of the business and a strong relationship with their management team and some of the members of the board.

LBA Actions:

- Encourage greater disclosure around GHG emissions.
- We asked the company to develop a concrete carbon reduction plan and communicate it publicly.

Outcome:

- Laid out ambitious carbon reduction targets (net-zero by 2050) along with more disclosure as to how shorter-term targets will be achieved.
- Replacing older aircrafts with more a modern and energy efficient fleet (expected to consume 20% less fuel per seat and emit approximately 20% less CO2 and 50% less nitrogen oxide than those they are replacing).
- Will remain actively involved in supporting the development of sustainable aviation fuels and zero emission aircraft (potentially hydrogen or electric), both of which will be critical to Air Canada achieving its net-zero ambitions.
- Air Canada will phase out carbon-intensive ground equipment, further advance electric vehicles.



Engagement Examples

✓ Capital Power: Energy Transition

- LBA has been a shareholder since 2009.
- We have an in-depth understanding of the business and a strong relationship with their management team and Board of Directors.

LBA Actions:

- Frequent engagements with CEO, CFO and Chairman of the Board.
- Question whether a responsible transition to cleaner fuels is possible without imposing excessive burden on employees and customers.
- Urge the company to utilize its core competency in building and operating power plants to expand its fleet of wind and solar facilities.

Outcome:

- On track to become coal-free by 2024, having achieved a remarkable transition of lowering their GHG emissions by more than two-thirds.
- In the process of constructing seven wind and solar plants in Alberta and the United States.
- Capital Power is a good example of a company that had to overcome significant historical and geographical obstacles to transition from coal to a combination of natural gas and renewables.



Engagement Examples

✓ Cominar: Principled Governance

Context:

- LBA initiated a position in May 2019.
- On October 24, 2021, Cominar announced an agreement to be acquired for \$11.75 per unit in cash by Iris Acquisition II LP (the purchaser).

LBA Actions:

- After evaluating the offer, LBA concluded that the proposed transaction was unattractive and fell short of reflecting the full value of Cominar's real-estate portfolio.
- Rejected the assertion that it was in the best interest of Cominar shareholders.
- Called on the Company and its Trustees to provide greater disclosure regarding the proposed transaction.
- A member of the purchaser was also a major shareholder and insider of Cominar, serving on its Board of Trustees. We viewed this as a conflict, reflecting poor governance practices.
- Voted against the proposal and urged all other shareholders to carefully consider the terms and conditions of what was being proposed.

Outcome:

- Although we did everything in our power to engage with the company, communicate with and encourage other shareholders to join us, and made our opposition public, the proposed acquisition (at \$11.75 per unit) was approved by 82.8% of shareholders who voted. The transaction was completed in 2022.

