Quarterly ESG Report

Q2 2023

HOW SUSTAINABLE INVESTING CAN ENHANCE YOUR INVESTMENT EXPERIENCE

Sustainable Investing can not only enhance your investment experience by fulfilling your goals to contribute to bettering the world we live in, it can also benefit you by potentially increasing the long-term return and reduce the overall risk of your portfolio.

> **HERE'S AN EXAMPLE:** When equity Portfolio Managers and their teams are constructing a portfolio, they undertake rigorous research, often utilizing both quantitative and fundamental analysis, to identify the best possible companies to include in a portfolio based on a vast array of characteristics. Analysis is conducted by reviewing quantitative and qualitative data from multiple lenses such as within the company, market competition externally, general economic conditions and much more. The ultimate goal is to identify if a company is currently trading in the market at a price that is under-, over-, or fairly valued. Further to that, managers will identify which companies may have specific competitive advantages and any risks they may face in being successful and relevant over the long term.

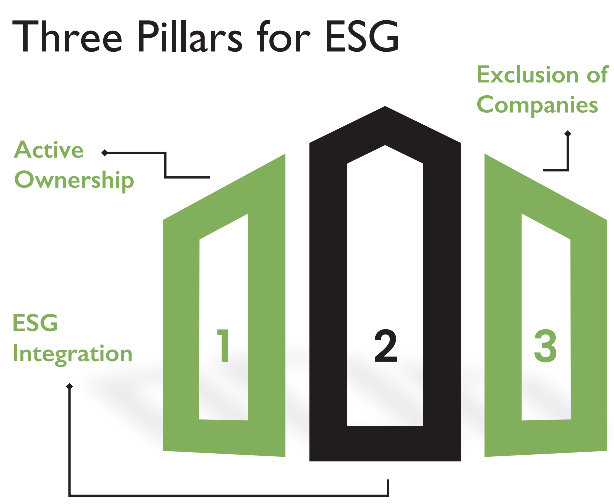
Now, if we remind ourselves what sustainable investing is – investment strategies that include analysis on Environmental, Social, and Governance (ESG) factors – it becomes evident how incorporating those factors, which can be viewed as risks or opportunities depending on the company, into analysis can be beneficial to portfolio performance. Additionally, a recent study conducted by our partners at ISS ESG concluded that there was a positive relationship in seven of the 11 sectors between ESG performance and company value, as measured by market value added (MVA)[1] from the ISS EVA Framework, over a five-year period.[2]

Looking at areas within the social factor, as an example, occupational health and safety is reviewed closely to ensure employees aren't put into dangerous situations during their workday. If a company was experiencing a high level of incidents where employees were getting injured or there were deaths, investors would not want to keep their money in that company's stock. Furthermore, if this was an ongoing trend that wasn't being address by the company, there would likely be serious depreciation of the stock over time.

Another important angle portfolio managers look at in their analysis is if companies are actually following through on their commitments in various ESG areas and not "greenwashing". Greenwashing is defined as when a company, investment product, etc. spends more time and money on marketing itself as having sustainable characteristics than actually supporting sustainable projects.

Ultimately, investing in a portfolio whose managers incorporate additional ESG characteristics into their process can increase the potential of your investments to provide superior long-term return while lowering risk. In our Manager Spotlight section for this quarter, we have included two unique explanations of how two of our investment specialists apply those principles to their security selection process. The first example from our Global Fixed Income manager, Franklin Templeton, provides a country-specific case study. The second example from our International Value manager, Thompson, Siegel & Walmsley (TSW), provides an analysis on the energy sector, along with an overview of how sustainability characteristics are embedded in their stock selection processes.

At IPC Portfolio Services, we include multiple approaches to ESG that we believe demonstrate alignment between our investment activities and the broader social and environmental objectives of society. Our Three-Pillar sustainable investing approach promotes positive ESG policies in the companies we hold:



1. **Responsible Active Ownership:** We practice active ownership through proxy voting activity and corporate engagement.

2. **ESG Integration:** We encourage our investment specialists to identify, monitor and manage ESG risks and opportunities that are, or could become, material to long-term performance, while recognizing the importance of ESG factors across industries, geography, and time.

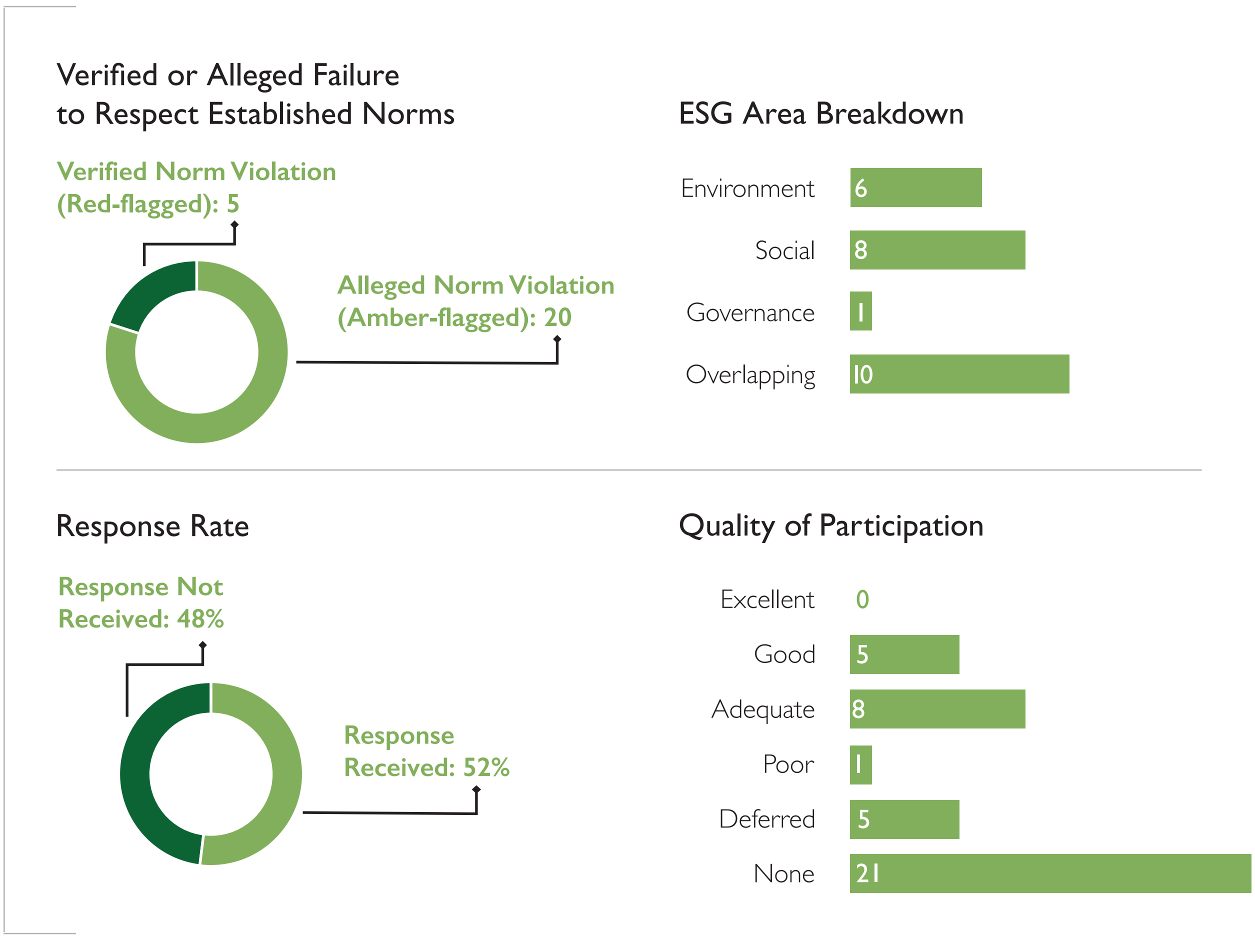
3. **Exclusions:** Negative screening of certain companies or practices based upon specific ESG criteria.

Responsible Active Ownership

IPC Portfolio Services has partnered with ISS ESG, an industry leading company for shareholder services, to engage with corporations and assess all economic social governance engagement activities. This partnership enables us to participate alongside other asset managers to exert more influence than we would be able to through individual engagements.

KEY STATISTICS FROM ISS ESG'S Q1 2023 ENGAGEMENTS

In Q1 2023, ISS ESG initiated engagements with 25 companies, covering 40 individual ESG topics. Below are the statistics for the companies engaged with in the quarter.



Summary charts as of March 31, 2023.

Note: Participation quality definitions: **Excellent:** Company has fully addressed topics and there is strongly positive development in the engagement. **Good:** Company has replied and addressed the topics. **Adequate:** Company has responded, but not fully. **Poor:** Company responded but did not address the topics. **Deferred:** Company has requested more time to respond. **None:** No response received.

Companies that responded to ISS ESG engagement efforts during Q1 of 2023, for engagements that began in Q1 or earlier, that are held in IPC Portfolio Services' investment solutions:

COMPANY	THEME	QUARTER INITIATED
BHP Group Limited	Environment, Human Rights, Labour Rights	Q1 2023
Fortescue Metals Group Ltd.	Labour Rights	Q1 2023
Marriott International, Inc.	Human Rights	Q1 2023
Mitsui O.S.K. Lines, Ltd.	Environment	Q1 2023
Rio Tinto Limited	Labour Rights, Environment	Q1 2023
Rio Tinto Plc	Labour Rights, Environment	Q1 2023
The Star Entertainment Group Ltd.	Corruption	Q1 2023
T-Mobile US, Inc.	Labour Rights, Human Rights	Q1 2023
Tokyo Gas Co., Ltd.	Environment	Q1 2023
Toyota Motor Corp.	Environment	Q1 2023
Barrick Gold Corporation	Environment, Human Rights	Q3 2022
Bayer AG	Environment	Q2 2022
Chevron Corporation	Environment, Labour Rights	Q1 2023
China Gas Holdings Limited	Human Rights	Q1 2023
Deutsche Telekom AG	Labour Rights	Q1 2023
Empresas Copec SA	Human Rights	Q3 2022
Exxon Mobil Corporation	Environment, Human Rights	Q4 2022
First Quantum Minerals Ltd.	Environment	Q1 2023
Formosa Petrochemical Corp.	Environment	Q4 2022
Glencore Plc	Environment, Human Rights, Corruption	Q4 2022
Grupo Mexico S.A.B. de C.V.	Environment, Human Rights	Q3 2022
Hino Motors, Ltd.	Environment	Q1 2023
Imperial Oil Limited	Environment	Q4 2022
JBS SA	Labour Rights	Q3 2022
Levi Strauss & Co.	Labour Rights	Q2 2022
LG Chem Ltd.	Human Rights	Q4 2022
PG&E Corporation	Human Rights	Q4 2022
Porsche Automobil Holding SE	Environment	Q4 2022
Samsung Electronics Co., Ltd.	Corruption, Labour Rights	Q4 2022
Stellantis NV	Environment	Q2 2022
TC Energy Corporation	Human Rights	Q1 2023
Tesla, Inc.	Human Rights, Labour Rights	Q1 2023
The Coca-Cola Company	Labour Rights	Q4 2022
Tyson Foods, Inc.	Labour Rights	Q4 2022
Verizon Communications Inc.	Labour Rights	Q4 2022
Zijin Mining Group Co., Ltd.	Human Rights, Environment	Q1 2023

Q2 2023 ENGAGEMENTS

Our partners at ISS ESG have already initiated their Q2 2023 engagements with 25 companies in several countries, across 40 topics. The key themes for this quarter include:

Air, soil and/or water pollution: these involve companies facing allegations of failure to prevent pollution (air/soil/water).

Discrimination: these involve companies facing allegations of failure to prevent different forms of discrimination (racial, sexual, workplace).

Standard of living: these involve a cluster of companies facing allegations of failure to respect the right to an adequate standard of living.

Engagement Meetings of Interest:

Throughout the second quarter ISS ESG conducted calls with:

1. Multinational Australian mining company, **BHP Group Limited**. BHP Group Limited is a holding in the Counsel Defensive Global Equity and Counsel International Value funds. The call was organized to discuss the controversies of "Verified failure to remediate water pollution" and "Alleged poor stakeholder consultation and failure to respect the right to adequate standard of living" at Fundão dam in Brazil.
2. Multinational American hospitality company, **Marriott International Inc**. Marriott is a holding in the Counsel Defensive Global Equity and Counsel Global Dividend funds. The call was organized to discuss the controversy of "Alleged failure to respect consumers' right to privacy and manage cybersecurity in several countries".

The goal of these meetings with specific companies is for ISS ESG to review the controversies, engagement targets, and ask questions. The respective company will respond to items identified in the meeting and answer any outstanding questions.

INVESTMENT SPECIALIST SPOTLIGHT

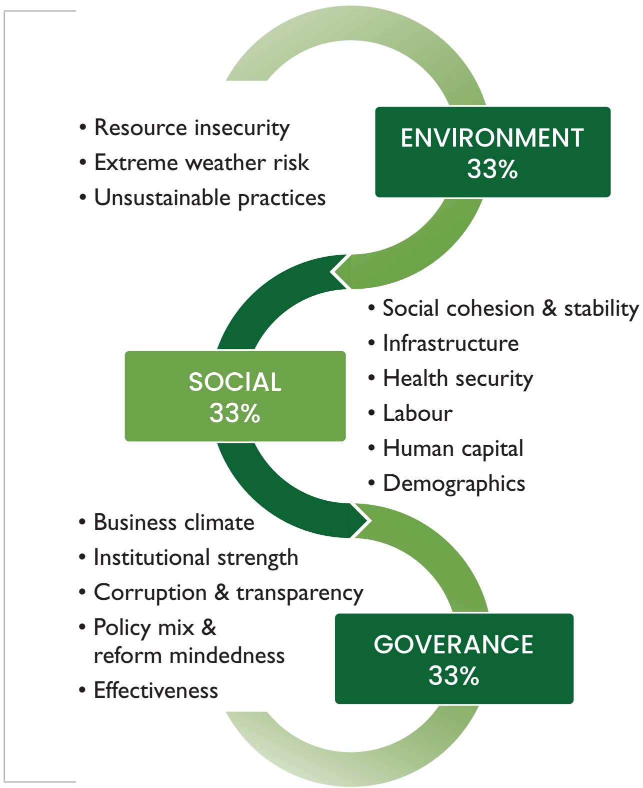
FRANKLIN TEMPLETON

1. **FRANKLIN TEMPLETON,** investment specialist for Global Fixed Income, a component of Counsel Fixed Income

Franklin Templeton's global fixed income mandate utilizes a bottom up, research-driven approach with a focus on identifying potential sources of high current income worldwide and seeking to capitalize on global interest rate and currency trends. Their Global Macro Team has been conducting research on the state of ESG factors in countries and their impact on macroeconomic conditions for several decades. In 2018, they officially started quantifying this research into an ESG scoring system.

This scoring system is called **The Templeton Global Macro ESG Index (TGM-ESGI)**, which is made up of 14 indicators across five subcategories on governance, six social factors, and three environmental factors.

To the right is a diagram summarizing the 14 indicators. The selected indicators were designed specifically to have low overlap and be material to a country's macroeconomic situation and its population's social well-being. Included in the analysis is in-depth quantitative and qualitative data, while also allowing analysts to input a level of subjectivity based on complex situations.



CASE STUDY EXAMPLE[3]

Below is a case study directly from Franklin Templeton's recent ESG publication. Case studies are for illustrative purposes only and do not reflect any trade intent or past position of Franklin Templeton.

TOPIC: China – Rapid reopening, along with a new government, has placed renewed emphasis on the economy.

Environment:

- Following energy shortages in 2021 due to high energy prices and droughts, China has been leaning further into strengthening its energy security. This is likely to come at the cost of climate goals, as the country continues to lean on domestic coal production, which accounts for over 50% of the country's energy mix. Despite international pressure to reduce faster, China has maintained its NDC (nationally determined contribution) targets of peak emissions by 2030 and net-zero by 2060.
- China continues to be the largest investor in clean energy, with Bloomberg estimating US$546 billion spent in 2022, or about half of total global investment. China is the center of many critical renewable supply chains, including those for solar, wind and batteries for electric vehicles.

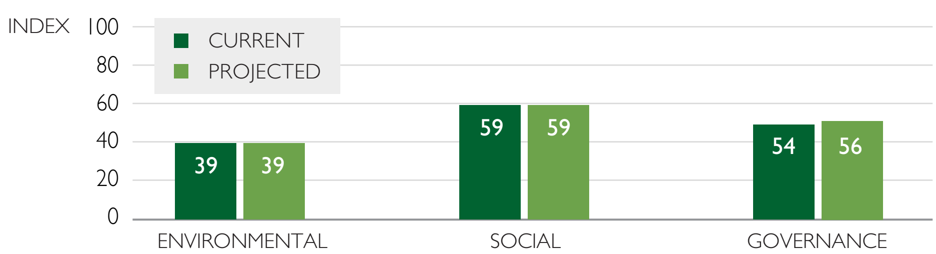
Social:

- China showed rare signs of public discontent in late November 2022 as groups of people held up blank pieces of paper to protest the country's strict zero-COVID policy. This began after a fire in Urumqi killed 10 people, which many blamed-on lockdown measures, but spread to represent people's broad frustrations with the government. These protests appear to have been quelled following the reopening of the economy, and the threat to social stability has declined.
- China ended its zero-COVID policy abruptly in late-November and December, which allowed COVID to spread rapidly through the population. Starting around mid-January 2023, the government began to declare that the peak of cases was passing. Official estimates of deaths are unreliably low at under 100,000, with third parties estimating 1.0 million to 1.5 million. Even at the high end, however, this would place China's death rate per 100,000 people lower than countries like the United States, Italy and the United Kingdom, which saw outbreaks prior to vaccine availability.

Governance:

- President Xi Jinping received an unprecedented, but expected, third term at the 20th National Party Congress in October, the first person to do so since constitutional limits were established in 1982 (they were abolished in 2018). The Politburo Standing Committee, which is the top governing body in the country, is now also filled with members that have ties to Xi.
- The government pivoted toward a more pro-growth and pro-economy stance in line with the reopening. This has included an official end to the "rectification" of the tech sector, greater support for real estate, and the general promotion of private sector activity. In the medium term, policy stability and predictability will be important for both domestic and foreign investment.
- Tensions with the West have increased, particularly over Beijing's support for Moscow in its war against Ukraine.The United States banned exports of advanced semiconductors that could be used in military equipment, and Japan and the Netherlands have followed suit. These restrictions could have ramifications for China's-high tech sector, but the outlook remains uncertain.

CHINA Exhibit 8: Current and Projected Conditions (TGM-ESGI) - As of March 2023



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2. THOMPSON, SIEGEL & WALMSLEY (TSW)
investment specialist for International Value, a component of the Counsel Strategic Portfolios

Included below are comments from TSW explaining their investment philosophy and exploring what sustainable investing means to them as investors.

For more than 20 years, TSW has distilled its fundamental investment process into three simple questions:

- Why is a stock cheap, or mispriced?
- What is changing that could bring price into line with intrinsic value? And,
- Is that change sustainable?

We never dreamed that in naming sustainability as a key element of our investment process we were tapping into one of the future's most popular investment themes. Under the broad banner of Environmental, Social and Governance (ESG) investing, sustainability has taken on a very specific definition relating to climate and environmental objectives. The requirements have become so specific that we run the risk of misleading investors if we say that TSW strategies are "sustainable" because the word's meaning has narrowed.

Nevertheless, sustainability—by our definition—remains a central element of TSW's value philosophy and disciplined investment process. Value investing means buying at a price significantly below intrinsic value and ensuring that downside risk is low relative to the prospective return. Sustainability plays a crucial role in this approach. A business that contributes to environmental or social degradation, is competitively disadvantaged or is just badly managed may trade at a low price, but it is not sustainable—it's intrinsic value, measured by future cash flows, will deteriorate. This business carries ultimate downside risk—the equity investor may be left with nothing.

Energy stocks pose a fascinating example of the interplay between value investing and contemporary attitudes about sustainability. In a concerted effort to mitigate the effects of CO2 production on global climate, we look to energy from renewable sources like solar and wind to gradually replace fossil fuels like oil, natural gas, and coal over the next few decades. Fossil fuel production is not considered an environmentally sustainable activity under the European Union's strict new sustainability taxonomy. The stocks of energy producers, like the major integrated oil companies, trade at low valuations because some investors have divested their holdings or steered clear of a sector that is expected to decline.

Despite the push for climate change mitigation, the world still needs oil and natural gas. The US Energy Information Administration notes that global energy demand will rise by 47 percent by 2050 and that oil will still take the largest share of the global energy mix. The International Energy Agency expects oil demand to peak in 2025 at 97 million barrels per day (bpd), and to decline to 77 million bpd by 2050. The consumption of oil will decline slowly, but oil is a scarce resource that is increasingly difficult to find and produce. Major oil companies have sharply cut back their spending on finding and developing new reserves, indicating that the supply of these resources may decline as fast, or even faster, than demand. Under these conditions, the price of oil and the cash flow generated by oil producers—the foundation of intrinsic value—may be quite strong over a lengthy time horizon. If oil companies focus on returning excess cash flow to shareholders via dividends and share repurchase, returns could be attractive.

This investment case is not without risks. The oil majors are diverting some of their capital spending into developing renewable energy, an activity that may produce poor returns on investment. Governments may enact regulations to accelerate the shift away from oil and gas and new technologies could make renewables cheaper and more accessible. But these risks appear to be reflected in low stock valuations and we believe governments will come to recognize that responsible fossil fuel production and consumption will be necessary during a lengthy energy transition.

As value investing practitioners, TSW may invest in stocks with low ESG or sustainability scores if we believe companies are on a path to improvement or if sustainable returns more than offset the risks attendant with a particular activity. Where appropriate, we will use our influence as long-term shareholders to encourage businesses practices that improve sustainability and long-term intrinsic value. We studiously avoid companies whose activities are not sustainable over our investment horizon, whose businesses recklessly endanger society or the environment, or whose governance practices fail to balance the interests of employees, customers, shareholders, and society at large, no matter how "cheap" the stocks may appear.

The current popularity of "ESG" or "Sustainability" funds has boosted the prices of stocks that score highly on new scales that purport to measure these values. At the same time, companies that do not score as well may trade at prices significantly below the intrinsic value indicated by sustainable future cash flows. Some oil and gas producers may fall in this category today. We will invest responsibly in this class of stocks when the return and risk profiles present attractive opportunities.

EXCLUSIONS

The third pillar of our Responsible Investing process empowers IPC Portfolio Services to ensure our investment specialists do not purchase certain companies for ESG purposes. The goal is to avoid companies that are controversial or are in ESG-negative industries because they contribute to health or climate risks and contradict our sustainable investing commitment. This list includes:

Controversial weapons – We do not invest in companies involved in the production, use or distribution of anti-personnel land mines and cluster munitions, and companies with verified involvement in weapons such as depleted uranium, nuclear weapons (in violation of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) entered into force in 1970), chemical weapons, biological weapons, incendiary weapons, and white phosphorus weapons.

Tobacco – We exclude companies within the tobacco sub-sector whose business focus is primarily (50% or greater) based on the manufacture and distribution of tobacco products.

Thermal coal mining – We exclude companies that derive 10% or more of their revenue from thermal coal mining.

Thermal coal power generation – We exclude companies whose power generation output is derived from 20% or greater from the use of coal.

Our Portfolio Management Team regularly engages with our investment specialists on their holding of flagged companies to ensure they're aware of the issues and discuss engagement activities with the respective companies. There have not been any companies removed from our portfolios this quarter due to any of the above categories. However, a previously excluded company was recently engaged to understand their exposure in the controversial weapons area. Our team agreed to remove the company from the exclusion list – we will discuss this situation below.

IPC PORTFOLIO SERVICES EXCLUSIONS UPDATE

Brookfield Asset Management

Our Portfolio Management team recently revised the controversial weapons policy to align more closely with best practices of highly regarded pension funds across the world. Due to this revision, we have removed Brookfield Asset Management from our exclusion list, originally added to the list for involvement in controversial weapons, specifically nuclear weapons. For context, there are two major treaties dealing with nuclear weapons:

- The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) entered into force in 1970 and seeks to prevent the spread of nuclear weapons beyond the nuclear-weapon states, i.e., those that had built and tested a nuclear explosive device before 1967 (USA, Russia, UK, France, and China). Four other states known or believed to possess nuclear weapons: India, Pakistan, and North Korea have openly tested and declared that they possess nuclear weapons, while Israel is ambiguous regarding its nuclear weapons status. Only India, Israel, Pakistan, and South Sudan have never signed the NPT.
- The Treaty on the Prohibition of Nuclear Weapons, which seeks to ultimately eradicate all nuclear weapons, entered into force on 22 January 2021 and has 68 state parties, including Austria, Ireland, and New Zealand.

Previously, our policy applied restrictions on all companies involved in nuclear weapons, regardless of their involvement in either treaty, which is why Brookfield was on our exclusion list. Going forward, we have revised our policy to exclude only companies that are in violation of the NPT. This change takes a more practical approach where there is near universal agreement in terms of political support, ratification of conventions, and investor practices among investors that implement ESG exclusion policies.

CONCLUSION

Investing in securities that utilize sustainable practices can enhance your overall experience in a multitude of ways that benefit you and the world around you. However, it can be difficult to conduct the in-depth analysis yourself. Having an investment team you can trust is extremely important. At IPC Portfolio Services, you can have peace of mind knowing we incorporate those beliefs into all our portfolios through our Three-Pillar Approach.

- IPC Portfolio Services recognizes the importance of delegating complex duties to partners that are immersed in the responsible investing world. Therefore, we utilize ISS ESG as our active ownership partner. Through ISS ESG, we are engaging with companies in your portfolio to enact change from the ground up for the betterment of society.
- Our second pillar ensures all our investment specialists are incorporating their own ESG due diligence processes. These specialists also work directly with the companies they invest in or are interested in investing in. As evidenced in our Manager Spotlight above, they look deeply into all sustainability factors to understand the implications.
- Finally, by restricting our investment specialists from investing in certain controversial and ESG-negative industries, we can directly exclude companies that don't align with our sustainable investing philosophy. Additionally, our ESG approach is agile: our Portfolio Management Team continuously monitors changes in the market and at the company level to ensure we're ahead of the curve.

Haley Jones

Haley Jones, CIM®
Product Manager, ESG Specialist
Investment Planning Counsel

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Sources:
[1] MVA is measured by taking the difference in a company's Enterprise Value and its Capital, scaled by its Capital. Capital is defined as all assets used in business operations, net of trade funding from accounts payable and accrued expenses and after adjusting remedy accounting distortions. For instance, Capital is measured net of excess cash, net of deferred tax assets, and net of pension and retirement assets, but including leased assets, and after capitalizing and amortizing research and development (R&D) and advertising spending over time.
[2] ESG Performance and Enterprise Value: In Which Sectors Does ESG Performance Matter the Most for Company Valuation?
[3] Franklin Templeton