

Quarterly ESG Report

Q1 2023



UNDERSTANDING ESG

Responsible Investing can be extremely broad and vague, making it difficult for investors to understand. It is a large umbrella term used to describe investment strategies that incorporate environmental, social, and governance (ESG) factors into investment processes. Each category of ESG covers a different, but equally important, aspect of responsible investing. Some examples within each category include:



Environment: Climate change and carbon emissions, air and water pollution, biodiversity, deforestation, energy efficiency, waste management, and water scarcity.



Social: Customer satisfaction and product responsibility, data security and privacy, gender and diversity, occupational health and safety, treatment of workers, community relations and charitable activities, human rights, and labour standards.



Governance: Board of directors' composition (independence and diversity), audit committee structure, bribery and corruption, executive compensation, shareholder rights, lobbying and political contributions, and whistleblower schemes.¹

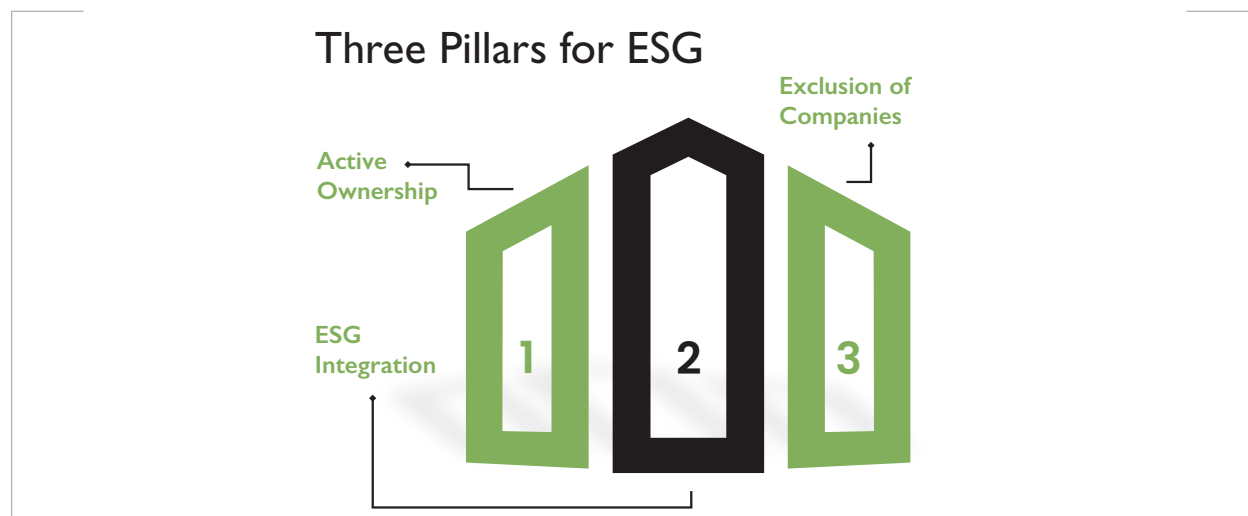
Using data metrics to back up company selection based on ESG factors is very important for analysis. Unfortunately, it can be a daunting task for individuals to do on their own, which is why ESG-rating companies were created. Although this has improved the overall analysis aspect of the process, research shows² the ESG scores determined by various ESG rating companies have little to no relation between each other. The lack of unification amongst providers demonstrates the value of managers who use multiple pillars that are clearly defined and reviewed regularly in a comprehensive ESG process.

When we zoom in even closer, we find there are a multitude of different ways ESG factors can be incorporated into investing. These processes can be relatively simple to identify and understand, such as negative screening, which excludes certain sectors or companies from a portfolio based on specific criteria. Or, it can be a more complex process, such as impact investing, which intends to generate positive, measurable social and environmental return alongside a financial return.³

It is important to understand the nuances of the various approaches and rating methodologies, so you can better understand what is and is not included in the fund you invest in. Often, Responsible Investing is summarized as “not investing in oil and gas companies”. Although this can be true in some instances, it can sometimes be more beneficial to engage with companies to improve their

operations for the betterment of society and the company's performance, ultimately leading to more return in your portfolio.

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 responsible investing approach promotes positive ESG policies in the companies we hold:



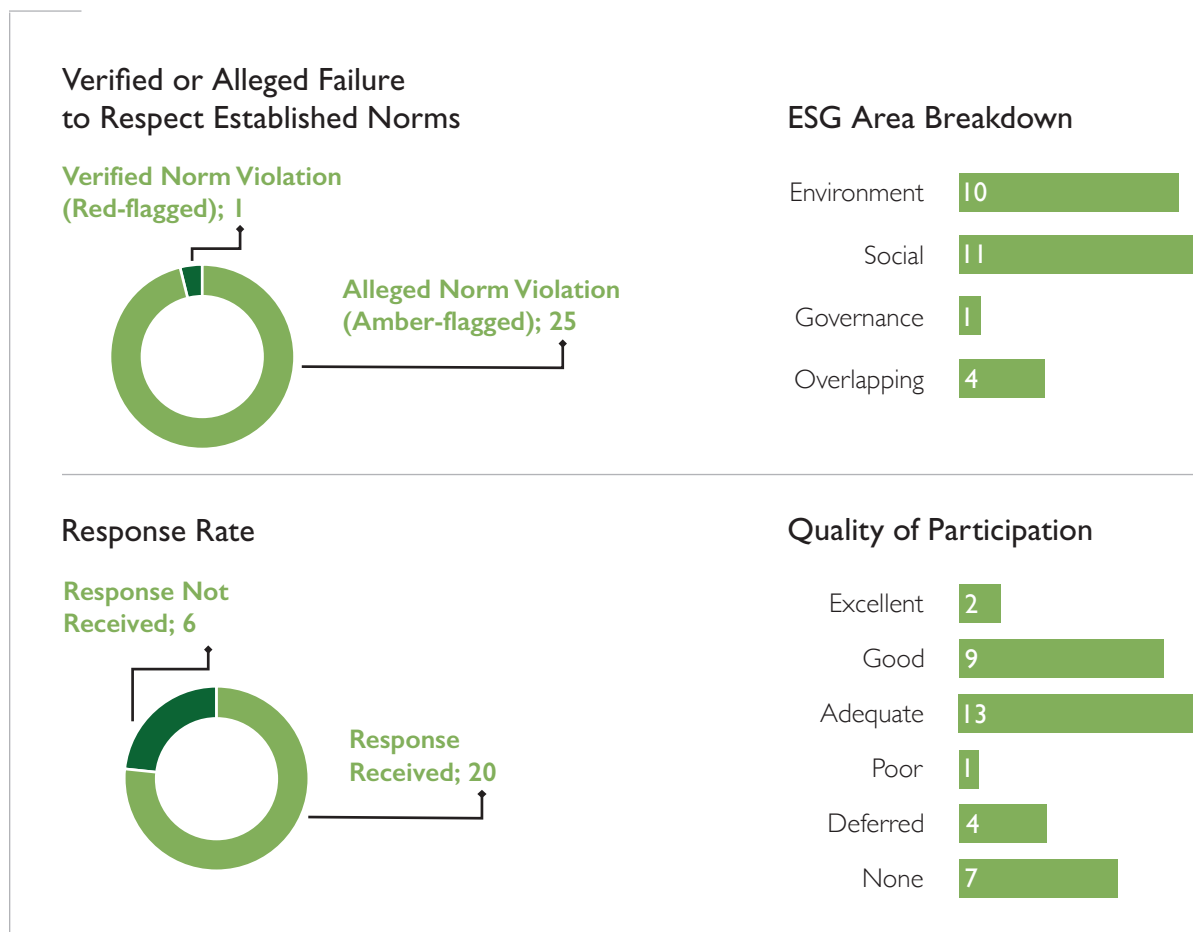
1. **Responsible Active Ownership:** We practice active ownership through proxy voting activity and corporate engagement. Our goal is to encourage better standards and management processes covering potential ESG risks using shareholder power to influence corporate behaviour. This approach aims to make positive change in the way all companies respect the environment, society, and their shareholders.
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. This includes the systematic and explicit inclusion of ESG factors into their investment decision-making process.
3. **Exclusions:** Negative screening of certain companies or practices based upon specific ESG criteria. These exclusions include companies generating 50% of their revenues from tobacco, companies generating 10% of their revenues from thermal coal mining, companies generating 20% of their revenues from thermal coal usage in power generation, and companies involved in the manufacture and distribution of controversial weapons.

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 Q4 2022 ENGAGEMENTS⁴

In Q4 2022, ISS ESG initiated engagements with 26 companies, covering 36 individual ESG topics. Below are the statistics for the companies engaged with in the quarter.



Summary charts as of December 31, 2022:

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 in Q4 2022 that are held in IPC Portfolio Services' investment solutions:

COMPANY	THEME	QUARTER INITIATED
Exelon Corp.	Corruption	Q4 2022
Samsung Electronics Co. Ltd.	Labour Rights, Corruption	Q4 2022
Accenture PLC	Labour Rights	Q4 2022
Anheuser-Busch InBev SA/NV	Labour Rights	Q3 2022
Barclays PLC	Human Rights	Q4 2022
Bayer AG	Environment	Q2 2022
Carnival Corp.	Environment	Q4 2022
Carrefour SA	Labour Rights	Q2 2022
Eni SPA	Environment	Q3 2022
Fast Retailing Co. Ltd.	Labour Rights	Q2 2022
Glencore PLC	Environment, Human Rights, Corruption	Q4 2022
Hankook Tire Co. Ltd.	Labour Rights	Q3 2022
Hyundai Engineering & Construction Co. Ltd.	Corruption	Q2 2022
Imperial Oil Ltd.	Environment	Q4 2022
LG Chem Ltd.	Human Rights	Q4 2022
LG Electronics Inc.	Labour Rights	Q4 2022
Renault SA	Environment	Q4 2022
Repsol SA	Human Rights, Environment	Q4 2022
Sony Corp.	Labour Rights	Q4 2022
Starbucks Corp.	Labour Rights	Q3 2022
Uber Technologies Inc.	Labour Rights	Q3 2021
Verizon Communications Inc.	Labour Rights	Q4 2022
Volkswagen AG	Environment	Q4 2022
Woodside Energy Group Ltd.	Environment	Q4 2022

Q1 2023 ENGAGEMENTS

Our Partners at ISS ESG have already initiated their Q1 2023 engagements with 25 companies across 40 topics. The key themes for this quarter include:



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



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



Standard of living in several countries: These involve a cluster of companies facing allegations of failure to respect the right to an adequate standard of living.

Upcoming Engagement Meeting of Interest:

ISS ESG has an upcoming call with Canadian mining company **Barrick Gold Corporation**. Barrick Gold Corporation is a small holding in the Counsel Defensive Global Equity Fund, a component in our Counsel Retirement Portfolios.

In this meeting, our partners will be discussing the controversies of “Alleged complicity in human rights violations by security forces/providers and alleged failure to prevent water pollution at Porgera mine in Papua New Guinea”, “Alleged complicity in human rights violations by security forces/providers at North Mara mine in Tanzania” and “Alleged failure to assess environmental impact at Veladero mine in Argentina”, which ISS ESG Norm-Based Research (NBR) currently assesses with Amber signals.

The goal of this meeting with Barrick Gold Corporation is for ISS ESG to review the controversies, engagement targets, and ask questions. Barrick will respond to items identified in the meeting and answer any outstanding questions

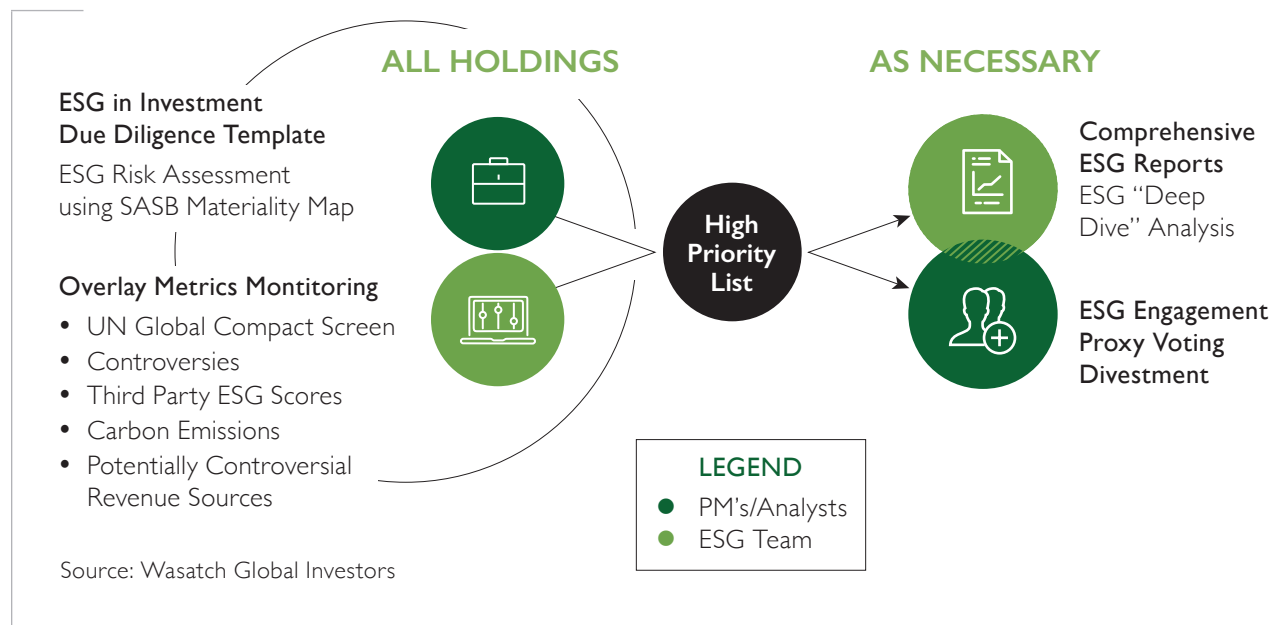
INVESTMENT SPECIALIST SPOTLIGHT

I. **WASATCH GLOBAL INVESTORS**, investment specialist for Global Small Cap Ex Canada, a component of Counsel Global Small Cap



Wasatch was founded in 1975 to manage assets in a style that relies on intensive, fundamental research of individual companies. Wasatch's research team is made up of experienced investment professionals who seek to understand each company from the bottom up through in-depth analysis and assessing the long-term growth potential and value of each investment they make. Their goal is to find companies with strong financials, sustainable competitive advantages, and industry-best management teams. As part of this intensive research, they strive to know all information that may impact how companies perform, especially over the long-term, and they believe ESG factors are an important piece of that mosaic.

Wasatch has been continuously improving and expanding upon their ESG program since 2014. At the foundation of the ESG program they have an ESG Statement along with an ESG & Responsible Investment Policy, they established an internal ESG Committee, and became a signatory to the United Nations Principles of Responsible Investment (UNPRI). Below is an image outlining how Wasatch integrates ESG into their research due diligence process.



DIRECT ENGAGEMENT EXAMPLE

In December 2022, Wasatch analysts met with management at flooring distributor, Floor & Decor Holdings, Inc., to discuss and provide feedback on the company's recent ESG disclosures. Wasatch analysts asked about the company's views on sustainability as a cultural principle, including executive buy-in, their perceived value-add of ESG, and ESG as a tool for hiring/retaining talent. Wasatch also asked about the company's Diversity, Equity, and Inclusion (DEI) initiatives and employee engagement strategies, including engagement surveys. Lastly, Wasatch asked management about their plans for utilizing renewables and increasing recycling efforts. Wasatch left the call feeling confident in the company's ESG practices, both current and planned, as such they continue to hold this company in their portfolio.

2. LINCLUDEN INVESTMENT MANAGEMENT, investment specialist for Counsel Canadian Dividend



Lincluden fully integrates ESG factors into all their security selection decisions. They have been using these factors for a long time since they identified the general sustainability metrics in ESG as being extremely important for the performance of companies over the long term.

They utilize multiple layers of integration, beginning with receiving ESG and sustainability data from service providers which, together with their internal ESG assessment, forms the quality score for each

potential holding. Important metrics they review include measures of carbon emission, intensity, and materiality and these are frequently monitored for changes. Lincluden is a signatory to the UN Principles for Responsible Investment (UNPRI), a supporter for the Task Force on Climate-related Financial Disclosures (TCFD), Member of the Canadian Coalition for Good Governance, and signatory to the Carbon Disclosure Project (CDP). Finally, Lincluden also actively engages and works with companies they have identified as having room for improvement or a misunderstood ESG profile.

DIRECT ENGAGEMENT EXAMPLE

Below is an example of an engagement with Inter Pipeline where Lincluden identified areas for improvement for the company:

ENGAGEMENT WITH INTER PIPELINE (IPL)

Company profile: Inter Pipeline is an energy infrastructure business engaged in the transportation, processing, and storage of energy products across Western Canada and Europe.

Engagement duration: Initiated January 2020, concluded February 2020.

Rationale for engagement: Importance of an Indigenous rights policy:

Recognition – It is important to recognize and consult with Indigenous peoples where IPL's infrastructure was situated to ensure environmental safety as well as to provide a positive social impact. Cultural diversity must be respected.

Lincluden – this issue was near and dear to us given that we have several First Nation and Metis clients.

Engagement objective: Lincluden had several discussions with the VP of Finance and Investor Relations to discuss and amend the lack of an Indigenous rights policy.

Engagement outcomes:

- Lincluden was able to use their material ownership in IPL to actively engage with senior management and maintain a line of open communication.
- In late February 2020 IPL drafted an Indigenous rights policy which was signed by the President & CEO. Lincluden was the only manager that engaged with them on this critical issue.

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 Responsible 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, 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.

IPC PORTFOLIO SERVICES ESG UPDATE

1. As part of our goal to align with the Net Zero Asset Owner Alliance (NZAOA), we have committed to reducing our thermal coal mining and power generation thresholds annually to get to net zero. These thresholds have already gone down from last year when thermal coal mining and power generation were previously 30% or more of revenue and 30% or more of power output, respectively.
2. Another area of focus for our Portfolio Management team has been researching the impact of the palm oil industry on biodiversity, land right conflicts, and other labour rights and social conflicts. We plan to address the environmental and social risks the palm oil industry faces by benchmarking sustainability performance and scores of individual companies against exclusion thresholds. These thresholds will be based on The Roundtable on Sustainable Palm Oil (RSPO) certification levels. Further information on how we intend on applying this initiative will be shared as the metrics are put into place.

CONCLUSION

We all want to do our part and ensure the companies we invest in are fostering a more sustainable and positive future for the world. Similar to most areas of investing, it can be difficult to decipher what is noise and what is constructive or causing positive ripples. Therefore, having a team behind the curtain you can trust is 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 can directly advise companies on ESG issues, which not only leads to increases in the value of your portfolio, but also positive change for the world.
- 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 responsible investing philosophy. Our ESG approach is agile, and we continue to enhance restrictions with current ESG policies and themes evolving across the world.



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Sources:

¹ CFA Institute

² Divergent ESG ratings, Elroy Dimson, Paul Marsh, Mike Staunton, 2020

³ <https://thegiin.org/impact-investing/>

⁴ Norm-Based Engagement Q4 2022 Progress Report, ISS ESG 2023

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