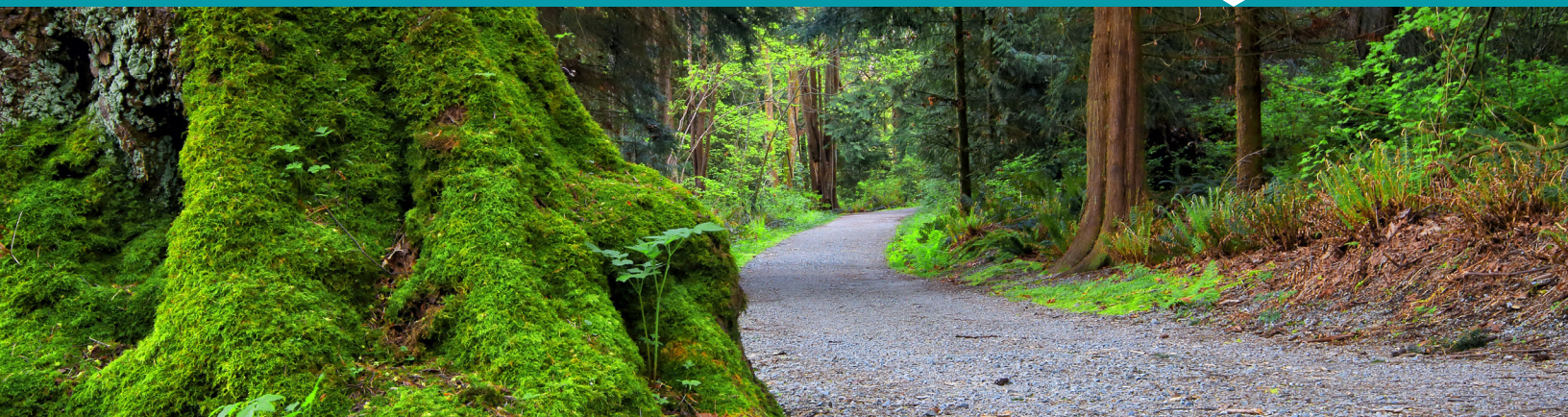


# CC&L'S RESPONSIBLE INVESTING UPDATE

2023



“This year, in addition to our annual RI Update, we are pleased to share our Corporate Social Responsibility (CSR) initiatives that reflect our core values as a firm, positively impacting our people, our culture and our communities.”

— Martin Gerber, President & CIO, CC&L Investment Management

We are pleased to share Connor, Clark & Lunn Investment Management's (CC&L) annual Responsible Investing (RI) Update, which covers our progress and achievements on our commitment to RI. We continue to explore ways to pursue the best risk-adjusted returns for our clients, including enhancing the ways in which we integrate Environmental, Social and Governance (ESG) factors in our investment processes. We recognize our duty as investors to work with issuers in their efforts to address ESG risks and opportunities while being good stewards of our clients' capital.

## CC&L'S RESPONSIBLE INVESTING (RI) APPROACH



In 2022, CC&L's ESG Committee undertook a market research project evaluating RI practices to ensure CC&L is adhering to industry best practices and to identify areas for improvement to our approach. As an outcome of this work, several recommendations

were made by the ESG Committee and approved by our Board in June 2023. We have now identified 5 areas for prioritization coming out of the longer list of recommendations that will take place over the next 9-12 months.

- **Investment processes:** Augment and add discipline to our current ESG integration practices in order to be more systematic in our approach to integration. This project will evaluate third-party ESG tools and data, as well as leverage internal synergies that can be achieved across our investment teams.
- **Enhance and formalize our ESG training strategy:** Develop a systematic framework for sharing ESG information and education that is relevant for each investment team.
- **Stewardship and engagement:** Augment engagements carried out by investment teams with additional engagements by the CC&L Financial Group Stewardship & Engagement (S&E) team, including greater attention to leveraging collaborative initiatives and considering the use of a third-party service. This will expand our scope of focus beyond Canada to global markets.
- **Documentation and tracking:** Improve workflow processes to systematically document and record all ESG activities across the firm. This includes improvements in tracking ESG integration and engagement activities.
- **Communication strategy:** Improve our reporting and ensure that ESG communication is updated regularly and conveys information important to our clients.

Looking ahead to 2024, the ESG Committee will continue undertaking projects aligned with the priority areas identified in this market research project. We are excited to continue sharing our experience and progress in these areas with you.

## This report complements information in our other RI publications, outlined below:

- CC&L Voting Rights Policy
- CC&L Stewardship & Engagement Policy
- CC&L Climate-Related Disclosure
- CC&L's 2021 PRI Transparency Report
- CC&L Responsible Investing Policy

## RESEARCH

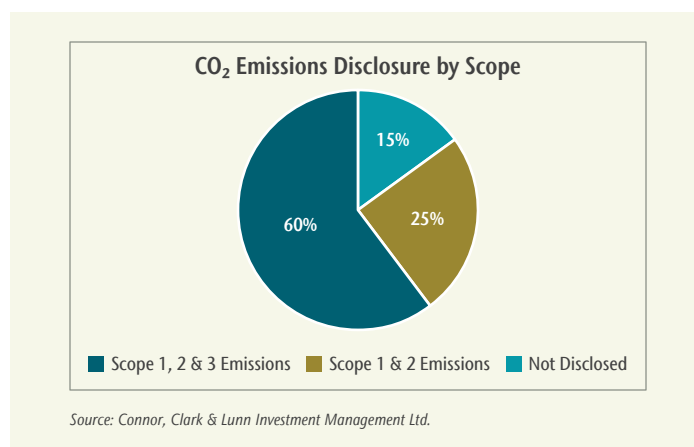
*Our ability to incorporate ESG factors in the evaluation of investments is continually evolving as company disclosures and data availability steadily improve. We are committed to undertaking regular research projects in order to find ways to improve the integration of these factors into our investment portfolios.*

In 2023, the Quantitative Equity (Q) team undertook a research project to examine the impact of carbon emissions on stock returns, to explore whether higher carbon emitting companies may experience higher future risk as well as lower future returns. The research focused on carbon intensity metrics and carbon footprint metrics. Categories of emissions incorporated in the research included Scope 1, 2 and 3 emissions. The key findings from the research demonstrate that the carbon metrics were not meaningfully predictive as compared to the Q team's existing alpha and risk factors over our forecast horizon. As a result, the Q team made no changes to its investment process. However, the team will continue to monitor developments and expects to conduct this exercise again once the quality of data improves, but also as climate increasingly becomes priced into financial markets.

Our Fundamental Equity (FE) and Fixed Income (FI) teams, in collaboration with the S&E team, created a custom ESG Questionnaire in 2020, which is sent to all FE holdings annually. The information gleaned from the survey responses is used by both the investment teams and the S&E team as part of their investment research and engagement activity. In 2023, the questionnaire was updated to include additional questions regarding greenhouse gas emissions (GHG) targets, Diversity, Equity & Inclusion (DE&I) representation at the board and senior management level, governance and oversight of ESG risks and opportunities, and more.

In 2023, we received responses to our questionnaire from 58% of all FE holdings. As seen in **Figure 1**, 60% of these respondents are disclosing Scope 1, 2 and 3 emissions, 25% of respondents are disclosing Scope 1 and 2 emissions and 15% are not currently disclosing any emissions. In addition to meeting the expectations of investors and customers, reporting GHG emissions data enables companies to uncover risks and opportunities related to climate change, and track and benchmark progress. Our engagement efforts in 2024 will focus on discussions with those companies that are not reporting their emissions or their GHG reduction plans.

FIGURE 1:



As noted earlier, we added questions to our 2023 ESG Questionnaire regarding companies short, medium, and long-term GHG reduction targets. Please refer to **EXHIBIT 1** for information we collected on this topic.

In 2023, 60% of respondents reported that they engage a third party to verify and assure their CO<sub>2</sub> emission reporting and 69% align their disclosure with the TCFD, increasing from 58% in 2022. We also found that 62% of respondents have set a medium-term GHG reduction target, with this number declining to 40% for those considering a Net Zero by 2050 target. We use this information in our fundamental bottom-up research.

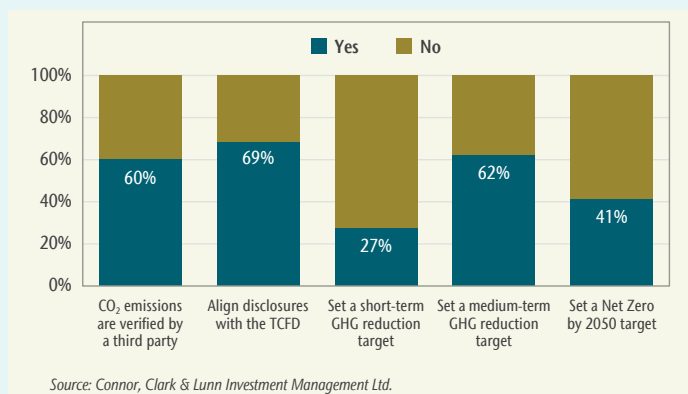


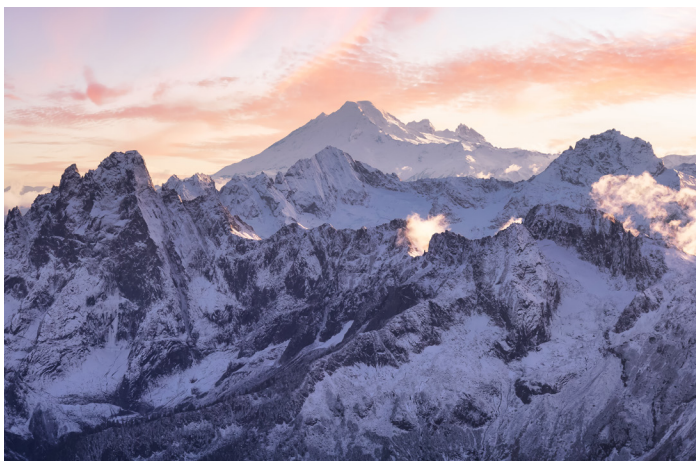
EXHIBIT 1

## INTEGRATE

*We believe that understanding and managing the potential impact of ESG risks through our investment approach is preferable to divesting or screening out companies from our investment universe.*

The FE and FI teams identify material ESG secular trends and themes to aid in their investment research. CC&L's top-down analysis begins with a macroeconomic view of the economy's position in the business cycle, as well as developing a deeper understanding of the longer-term secular trends. Following its bottom-up fundamental research, the FE team adjusts its target returns and the FI team adjusts its spread forecasts to reflect the impact of ESG issues that are material within the relevant investment timeframe.

As an example, physical risks related to climate change have been an area of focus for the investment teams of late. Recent extreme weather events in Canada and globally, including wildfires and flash floods, have been identified as a risk that could amount to significant losses for property and casualty (P&C) insurance providers. Please refer to **EXHIBIT 2** for details on how our teams integrate the impact of weather events in their valuation work for Intact Financial, Canada's largest P&C insurer.



Wildfire-related losses are an important consideration when assessing P&C insurers. We view these types of events as severe but with low frequency. The wildfires of 2023 have been intense in terms of incidence and magnitude; however, we expect the estimated losses to be manageable for Intact Financial, with only a one-time impact on profitability. P&C insurers, including Intact Financial, have been using reinsurance as a risk management tool, which effectively transfers a portion of the liability above an agreed upon level to the reinsurance providers. However, due to various factors, including the increased frequency of extreme weather events as a result of climate change, reinsurance costs have also increased. Despite the increase in costs, this has been an effective tool in managing losses. We expect these reinsurance costs will be passed on to the end customers, which will

## ENGAGE

*CC&L's FE and FI teams engage with the management teams of companies to support our research efforts and steward investments as an asset owner.*

CC&L uses engagement efforts as an information gathering tool and a way to encourage companies to adopt better practices with respect to ESG risks that aid in generating long-term value for our clients. We prioritize engagement efforts by the size of the position, the materiality of the issue and CC&L's proxy voting history with the company. CC&L engages with companies on a range of ESG issues; however, our focus is generally on understanding companies' plans to prepare for the impact of climate change, carbon emission disclosure, DE&I and systemic governance issues, which align with our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD), our participation in Climate Engagement Canada (CEC), our commitment to the Canadian Responsible Investment Association (RIA) Statement on DE&I and our membership in the Canadian Coalition for Good Governance (CCGG).

CC&L's engagements with investee companies occur in a variety of ways, including:

- Direct engagements with management conducted by the FE and FI teams' portfolio managers when there is a material ESG issue identified within the investment time horizon;
- Direct engagements undertaken by the S&E team in conjunction with the investment teams;
- Identification of material ESG issues that are sourced from responses to our custom ESG Questionnaire, which is sent to all FE holdings; and
- Collaboration with like-minded investors, industry associations and advocacy groups to pool resources and speak with a stronger unified voice.

Please refer to **EXHIBIT 3** for some examples of engagements that we undertook over the last year.

mean higher premiums over the medium term. Overall, we do not believe these events present a material impact within our forecast horizon and we are not adjusting our spread forecast or target return for Intact Financial. We recognize that losses could increase based on the changing conditions of the wildfires and weather, and our FE and FI teams are closely monitoring the situation. Over the medium-term, we expect P&C insurers that are more exposed to catastrophe losses to experience multiple contraction. As we look forward, our preference is towards P&C insurers that are reinsuring more, not less and passing on the pricing to the consumer. Given we expect extreme weather events to occur more frequently, these will be important considerations as we assess the P&C industry going forwards.

## We engaged on a range of ESG topics since our last RI Update:

- In August 2022, we engaged with Open Text Corporation prior to its annual meeting to discuss CC&L's custom proxy voting guidelines. In addition to this, as a response to CC&L's 2022 ESG Questionnaire, the company shared various ESG initiatives underway. We highlighted the recent key changes to our custom policy guidelines and certain areas for improvement for the company. Open Text expressed its commitment to attain board diversity, which currently sits at 33% of female representation and expressed its intentions to ensure that board and audit committee independence remain a priority. Its 2022 Corporate Citizenship Report showcased some of its initiatives, such as its GHG reduction commitments, which include the target of 50% reduction by 2030, net zero by 2040 and zero waste from operations by 2030.
- In September 2022, CC&L engaged with members of Descartes Systems Group's board regarding the company's management and board, corporate strategy and execution, executive compensation and other ESG-related topics. The company informed CC&L that it is considering aligning its future disclosures with the TCFD recommendations. CC&L asked for information regarding Descartes' human capital management efforts and encouraged the company to consider reporting its carbon emissions, which would provide shareholders with an accurate reflection of its carbon emissions and avoid any over- or under-estimations of its emissions being reported by third-party vendors. Descartes shared that it is actively working to increase female representation on the board in order to achieve at least 30% gender diversity. Overall, CC&L commended the company for its efforts to improve its executive compensation plan structure.
- In January 2023, CC&L engaged with Enerplus Corporation as part of the company's annual shareholder outreach. The company presented updates on its ESG work to develop a climate policy. CC&L noted that female board representation was at 50% and encouraged the company to continue to work towards robust measurement and disclosure of Scope 3 emissions. In response, the company shared its current focus on mitigating the impact of its direct emissions. Updates to our proxy voting guidelines and approach were also shared.
- In February 2023, CC&L held a call with Blackberry Limited as part of the company's shareholder engagement on its executive compensation plan. The company noted shareholders' dissent for the previous Say-On-Pay proposals and emphasized its efforts to engage with shareholders regarding their concerns. Blackberry argued that the proposed changes would allow the company to align its executive compensation plan with peers and serve the long-term interests of shareholders. CC&L noted the company's efforts to enhance disclosures regarding the plan in its proxy circular, such as providing details from its shareholder engagements and including a director skills matrix.
- In April 2023, CC&L engaged with Agnico Eagle's leadership team to discuss the company's Say-On-Pay resolution and other governance matters. The company expressed its discontent with ISS' voting recommendation and provided CC&L with additional disclosure and outlined its consideration of shareholder feedback when implementing changes to the compensation plan. CC&L recognized the company's concerns and decided to vote in line with management and support the Say-On-Pay proposal and director elections.

## COLLABORATE

*CC&L participates in collaborative engagements and initiatives sponsored by other institutional investors, industry associations and advocacy groups. These collaborations allow CC&L to pool resources and speak with a stronger unified voice to protect the interests of shareholders.*

CC&L is an active member of the Canadian Coalition for Good Governance (CCGG). We work closely with other CCGG members to engage with Canadian companies on various governance issues. In December 2022, CC&L supported a submission sent to the Canadian Securities Administrators (CSA) acknowledging and supporting its announcement to consider the impact of international developments on the CSA's proposed climate-related disclosure rule. The submission voiced support for globally aligned climate-related disclosures, which enhance comparability and consistency across regions, enabling decision-useful information for institutional investors.

In 2021, CC&L became a founding participant in Climate Engagement Canada (CEC), a Canadian finance-led collaborative



initiative created to drive dialogue between the financial community and Canadian corporations on climate-related risks, opportunities and transition to a net zero economy. As part of this initiative, CC&L actively participated in engagements with CN Rail, Cenovus Energy and Methanex. Please refer to **EXHIBIT 4** for details on these discussions.

## CEC investor group engagements:

### CN Rail – April 2023

CN Rail is Canada's largest railway, serving Canada and the Midwestern and Southern United States. The CEC investor group commended CN Rail on its climate reporting and initiatives, noting that the company is viewed as a leader in the transportation sector.

The meeting topics included updates regarding the company's progress meeting its 2050 net-zero target, an overview of its climate governance approach and discussion regarding other climate-related initiatives underway. The company shared details regarding its track record, such as being amongst the first 100 companies globally to set a Science-based Target (SBT) and being approximately 15% more fuel efficient than its peers. CN Rail noted that innovative technology, big data and utilization of cleaner fuels are important components of its action plan to achieve net zero by 2050, sharing details regarding various initiatives and pilot projects underway. The investor group suggested that the company collaborate with peers from the aviation sector to address concerns surrounding the supply of biofuels. Finally, CN Rail emphasized that decarbonization is integrated into the company's business strategy.

### Cenovus Energy Inc. – December 2022

Cenovus is a Canada-based integrated energy company engaged in producing, refining and upgrading crude oil and natural gas, with operations in Canada, the United States and the Asia Pacific region.

The meeting topics included updates regarding Cenovus' GHG reduction targets and an overview of the company's approach to climate governance.

The company shared its progress and steps towards achieving its 35% absolute GHG emissions reduction target by 2035, such as conducting multiple feasibility studies on carbon capture, storage and utilization (CCUS) projects. In terms of climate governance, Cenovus shared details regarding its philosophy and approach to integrating climate in its executive compensation and board skills assessments. Specifically, the company has included a GHG performance metric in its scorecard. Additionally, board members' climate competencies are assessed using a skills matrix that includes climate and ESG-related metrics.

### Methanex – December 2022

CC&L is the lead investor for the engagement with Methanex. Methanex is the world's largest producer and supplier of methanol, produced using natural gas through a process that tends to be quite carbon intensive.

The meeting topics included a discussion around the progress the company is making in meeting its GHG reduction target, along with plans and progress measuring its Scope 3 emissions. The company aims for a 10% reduction by 2030. The CEC group informed Methanex that it would continue to monitor the company's progress setting a longer-term GHG reduction target. It was noted that it will be opening a new facility, Geismar 3, that manufactures methanol more efficiently, which will be key for its 2030 target. In regard to the company's climate governance, Methanex highlighted its director education program, which has conducted a number of climate-related educational sessions and noted that ESG factors are embedded in executive compensation, though not climate specifically.

## VOTE

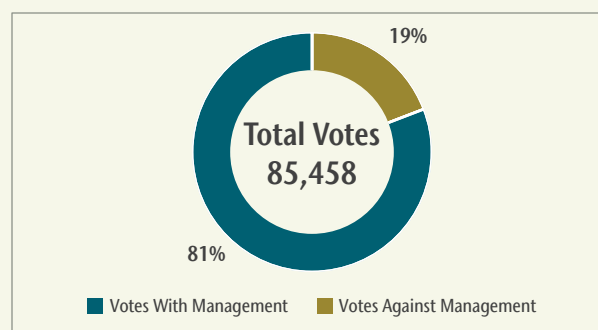
*The central tenet of CC&L's proxy voting policy is that good corporate governance enhances long-term shareholder value. We have a customized proxy voting policy that reflects our views on best practices for corporate governance and guides all of our voting decisions.*

In addition to engagement with portfolio companies and collaboration with other like-minded investors, we seek to vote proxies in a manner that creates value and serves the best interest of our clients. To that end, CC&L votes proxies in alignment with our custom proxy voting policy. We may use our voting as a tool to escalate our concerns with issuers' ESG activities, among other issues.

To do so, we use a third-party research and voting services provider, Institutional Shareholder Services Inc. (ISS). ISS prepares the voting recommendations in accordance with our customized guidelines, which were last updated in 2021 to increase focus on certain environmental and governance themes, specifically: gender diversity, auditor tenure and climate risk. Our proxy voting policy is not meant to be exhaustive due to the variety of issues that we may be required to consider.

Over the last year, CC&L voted against management in approximately 19% of the 85,548 votes in which we participated.

FIGURE 2:



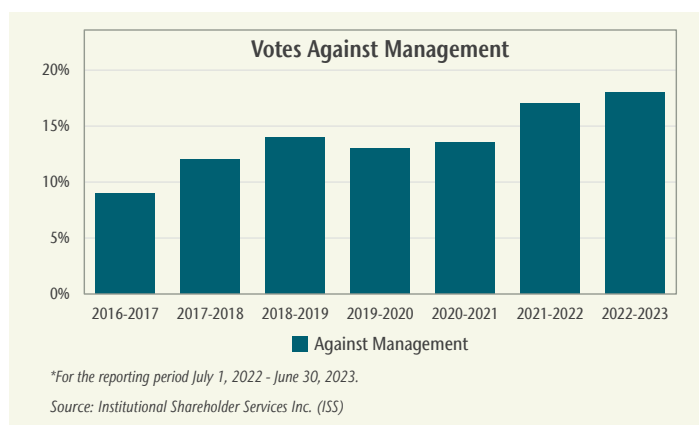
*\*For the reporting period July 1, 2022 - June 30, 2023.*

*Source: Institutional Shareholder Services Inc. (ISS)*



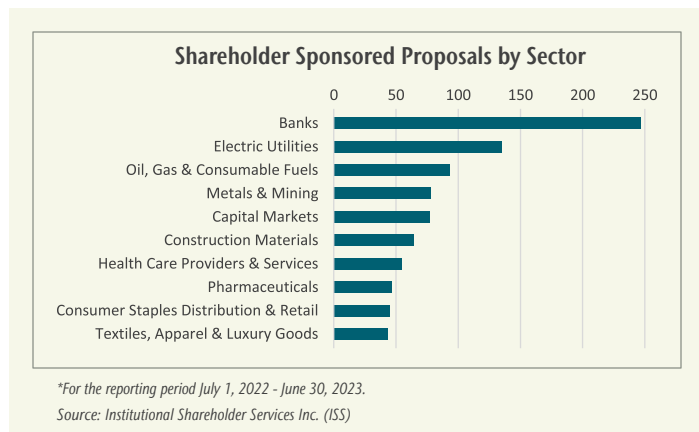
As shown in Figure 3 below, CC&L has increasingly held company management accountable, expressing dissent through our votes against management’s recommendations.

**FIGURE 3:**



CC&L supported 62% of the shareholder resolutions on which we were eligible to vote. From the 2023 proxy season, we noted that certain industries experienced significantly higher levels of shareholder-filed resolutions, particularly Banks and Electric Utilities. Figure 4 demonstrates the top 10 industries that experienced the highest level of shareholder-filed resolutions.

**FIGURE 4:**



When reviewing and voting shareholder resolutions, we will generally vote in favour of shareholder proposals that seek to improve disclosure of environmental risks, establish formal committee oversight of climate-related matters and improve transparency regarding social issues, provided it is in the best interest of shareholders. Over the last year, CC&L voted on 173 environmental, 234 social, 1,255 governance and 73 broader ESG shareholder proposals.

Specific to climate risk, our voting policy was updated in 2021 to withhold votes from certain directors if a company has not established appropriate climate risk oversight. We are currently in the second year of testing a custom ISS tool to assist in aligning our voting outcomes with this update to our policy. Over the last year, CC&L voted against 612 director elections and/or financial reports due to insufficient climate risk oversight or disclosure.

Further, we updated our proxy guidelines such that, should a board lack female representation, which we define as a minimum of 30%, we may vote against the Nominating Committee Chair. Over the last year, CC&L voted against 1,592 director elections due to insufficient gender diversity on the board.

CC&L recognizes the existence of systemic racism and its impacts on Indigenous communities in Canada. In May 2023, a guest speaker from Reconciliation & Responsible Investment Initiative led an education session to provide insight into CC&L’s ESG Committee and investment, senior leadership and S&E teams on investment-related issues top of mind for Indigenous communities and tools institutional investors can utilize to support Indigenous communities in achieving the goals of reconciliation in Canada. The learnings from this session will be used by our investment team to vote proxies in a manner that recognizes the impacts on Indigenous communities and the goal of reconciliation.

Please refer to **EXHIBIT 5** for examples of our proxy voting.

## We are pleased to share the following proxy voting examples:

- In April 2023, CC&L supported a shareholder proposal at Royal Bank of Canada submitted by B.C. General Employees' Union and SHARE urging the company to publish a third-party racial equity audit. In 2020, RBC expanded its \$1.5 million commitment to \$150 million towards investing in futures of black youth and redefining inclusive leadership. However, there has been insufficient transparency and reporting on the progress towards this commitment. The company instead expressed that such an audit should be explored through the Canadian Bankers Association to create a standard approach. CC&L elected to vote against management and for this proposal as it would strengthen the bank's commitment towards addressing diversity, equity and inclusion efforts. It would further allow shareholders to assess the effectiveness of said efforts.
- In May 2023, CC&L supported multiple shareholder proposals at ExxonMobil. Notably, CC&L voted against election nominations for CEO, Chair and Lead Director due to concerns regarding management's oversight of climate-related risks and actions taken to mitigate them. CC&L supported a proposal to report on the reliability of Exxon's methane gas disclosures. The proponent of the proposal notes that methane is significantly more potent than carbon dioxide over a 20-year period and that the EPA has historically underestimated methane emissions from oil & gas production. Additionally, concerns were raised regarding methane reporting techniques and the accuracy of such data. CC&L agreed that a report on the accuracy of the company's methane emissions disclosure will allow both the company and its shareholders to better assess methane-related risks. Although this proposal didn't pass, 36% of shareholders supported the resolution.
- In September 2022, CC&L voted against a management-sponsored proposal at Open Text Corporation to ratify KPMG LLP as auditors. In accordance with our custom proxy voting guidelines, CC&L will vote against the auditor ratification if the auditor tenure exceeds 15 years or is not disclosed. Open Text's auditor tenure exceeded this guideline and therefore CC&L elected to vote against the ratification of KPMG LLP as auditor to encourage greater independence of the company's audit function.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

*CC&L, as a firm, is committed to having a positive impact on our workplace, community and society.*

In collaboration with our employees, we have set out three key areas of focus for our firm-wide CSR policies:

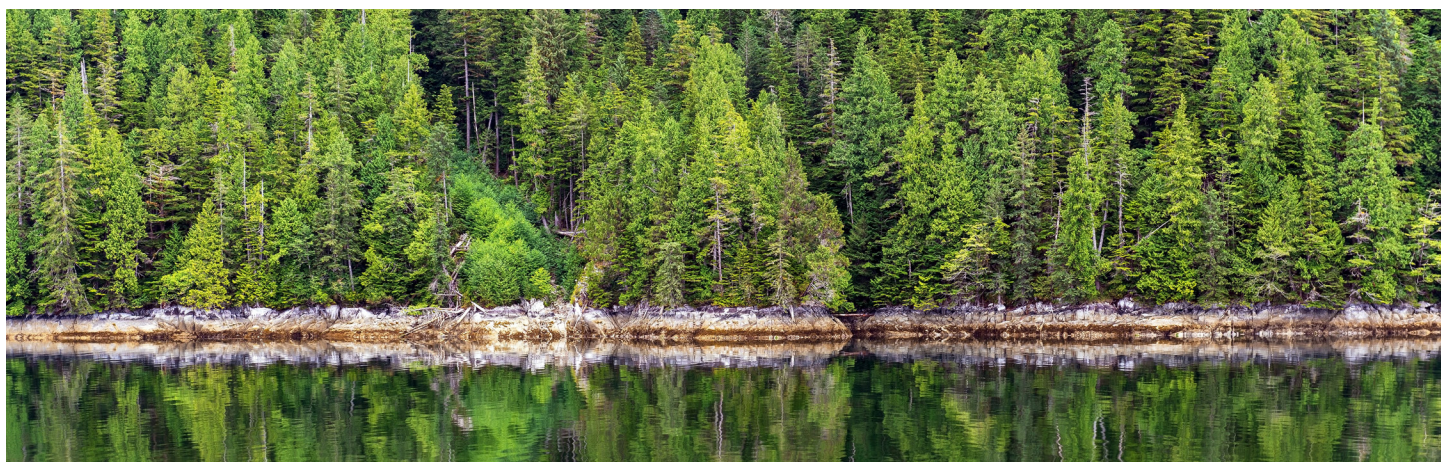
- The quality of the working environment of our firm, including diversity, equity, inclusion and belonging (DEIB);
- The health and wellness of people who work here; and
- Environmentally sustainable business practices.

To oversee the execution of initiatives aligned with these themes, CC&L launched working groups and committees comprised of members from a range of business functions, seniority levels, geographic locations and demographics. We have formalized

our policies in each of these areas and have summarized some of the initiatives undertaken in 2023 by each of these groups in **EXHIBIT 6**.

In addition, the CC&L Foundation assists organizations in our communities that are important to our employees both through financial support as well as supporting volunteer activities. This includes a broad range of organizations that focus on promoting a better environment; improving education; advancing science and medicine; creating stronger communities; and encouraging the arts.

This year, the Foundation has supported relief efforts for a number of natural disasters, both at home and abroad. We have supported wild fire relief efforts in Alberta and the Northwest Territories, as well as victims of the earthquakes in Turkey and Ukrainian refugees who have been displaced as a result of Russia's invasion.



## DIVERSITY, EQUITY, INCLUSION & BELONGING AT CC&L

*At the firm level, we are committed to workforce diversity, promoting equity, and creating a culture of inclusion. To ensure our people feel a sense of belonging, we strive to foster a culture that unites people of diverse backgrounds and perspectives, in an environment where everyone has the opportunity to achieve personal and professional success.*

- In 2021, CC&L launched a Women in Leadership (WiL) initiative. This initiative was created as a voluntary committee with the objective of identifying key symptoms, root causes, and ultimately proposing solutions to proactively tackle the gender-based leadership gap that exists in the finance industry, generally and in our firm specifically. The initiative involved focus groups made up of employees from all levels. These focus groups explored topics related to the underrepresentation of women in asset management and made recommendations to the Board on four key areas: societal norms, leadership competencies and qualities, work environment and hiring. By coming together to reinforce a culture of fairness, open dialogue and opportunities, we create conditions for success. With this in mind, we are hopeful that the positive impacts of our WiL initiative will ripple across our organization and into the communities where we live and do business – resulting in better leadership, stronger teams and a brighter future for all. For more details on this initiative, please see the full report [here](#).
- Our DEIB initiatives have been focused on education, communications and events to discuss our initiatives and promote a culture of celebration and learning throughout the year. The following are some examples of initiatives undertaken by our DEIB committee so far in 2023:
  - » Hosted an International Women's Day internal event focused on expanding leadership talent by addressing issues that have contributed to gender imbalances
  - » Celebrated Pride, which included a webinar from Rainbow Railroad, a global not-for-profit organization that helps LGBTQI+ people facing persecution based on their sexual orientation, gender identity and sex characteristics.

## HEALTH AND WELLNESS

*We believe the health and wellbeing of the people who work here is critical to maintaining our collective performance. We are committed to undertaking initiatives that support a safe and healthy work environment within a culture where everyone feels secure and supported.*

- We celebrated Mental Health Month by hosting an education session from the Centre for Addiction and Mental Health and delivered education to employees regarding CC&L's employee benefits package.
- We held guided meditation sessions, yoga and stretching sessions, webinars on gut-brain connection as well as identifying and managing burnout.

## ENVIRONMENTAL STEWARDSHIP

*We believe that through our actions we can contribute to the vitality of our environment, and we are committed to undertaking initiatives that support ongoing environmental stewardship.*

We are undertaking a project to measure and monitor the GHG emissions generated by our firm as a byproduct of our 2022 operational activities. Additionally, throughout 2023, the Environmental Sustainability committee undertook the following initiatives:

- Implemented actions to eliminate single-use plastics in our offices across the country.
- Engaged with CC&L's landlords to reduce our environmental impact and reliance on paper-based products.
- Championed Earth Day, creating engagement opportunities for team members to support local cleanup efforts across our cities.

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