LetkoBrosseau

Letko, Brosseau & Associates Inc.

Global Investment Management

Emerging Markets Equity Strategy

Sample RFI – For Investment Professional Use Only

Due diligence questionnaire

1. Company

1.1. Brief history of the company (including the names of the investors who provided the start-up capital, where applicable)

Letko Brosseau was founded in October 1987 by Peter Letko and Daniel Brosseau, with the support of minority investors, who for the most part continue to be shareholders in the company. The firm is independent, and investment management is its sole activity.

The investment philosophy we follow has remained unchanged since our beginnings in 1987. It is based on knowledge and fundamental analysis, prioritizing value creation over the long term while safeguarding our clients' invested capital. The emphasis is on thoroughness and the quality of the fundamental research that is carried out by our team of 24 Sector Analysts and Portfolio Managers.

Our investment professionals use their knowledge of industry sectors and their diverse backgrounds to generate a holistic understanding of our investments and the environments in which the companies operate.

Our Canadian Equity Strategy was launched in 1995, with our Emerging Markets Equity Strategy following in 2011. Our first institutional client signed on with us in 1989, and our clientele now includes 177 institutions.

We carry out our fiduciary duty with diligence and in accordance with an investment approach that incorporates high standards with respect to both company management and ESG criteria. All proxies have been analyzed and voted on internally by our teams since 1987, and the firm has been a PRI signatory since 2019.

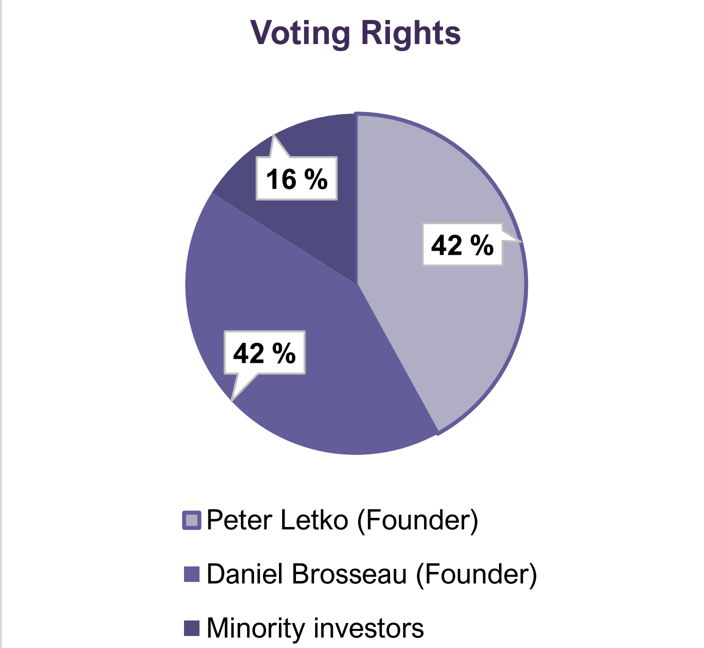
A Board of Directors was created in 2017, and now comprises seven members, five of whom are independent, including the Chairman of the Board.

The firm maintains a Canadian presence with more than 90 employees at our offices in Toronto (2007) and Calgary (2017). In addition, since 2016 we have been offering our employees the opportunity to become partners in the firm.

Since its beginnings in 1987, Letko Brosseau has generated net gains of $34 billion for its clients, which represents an additional value of $14.5 billion relative to the clients' benchmarks.

1.2. Ownership structure of the investment management company: Distribution of shares held in the company (percentage) and recent and anticipated changes in ownership:

The chart on the left shows the ownership structure of voting shares in the firm, which are held by Peter Letko, Daniel Brosseau and minority investors who provided some of the start-up capital.



Cash values (%) Since December 1, 2022	
Peter Letko – Founder	**38.7%**
Daniel Brosseau – Founder	**38.7%**
Minority investors	**14.8%**
Options on LBA shares held by active employees	**6.2%**
Options on LBA funds held by active employees	**1.6%**

In 2016, the company offered its employees an opportunity to become partners by creating a new class of non-voting securities, namely options on LBA shares. These options offer exactly the same market value as the voting shares, but do not carry any voting rights. The options pay the same dividend as voting shares, and are protected in the event of a sale or initial public offering. In that event, LBA share options would automatically be converted into LBA voting shares on a 1:1 basis. On a cash value basis, employees of the firm hold 7.8% of the diluted value, split between LBA share options (6.2%) and options on LBA funds (1.8%). In addition, the options represent the current market value of the long-term performance bonuses that will be paid to the employees. In fact, 92% of the firm's employees are partners, and we expect the economic interest in the firm held by active employees to continue to increase over time. Letko Brosseau has no intention of selling or going public. Our independence is one of our competitive advantages.

1.3. Description of whether it is possible and how employees can become shareholders/partners in the firm

Since 2016, employees have been able to become partners and acquire an equity interest in the economic value of Letko Brosseau. These equity interests are offered as part of the firm's compensation program, and depend on the level and experience of the employee.

1.4. In the case of private investment management companies or public companies with some shareholders holding a large percentage of the shares, please tell us about their investment horizon. (Are they long-term investors?)

The minority shareholders are investors who contributed to the start-up capital in 1987, and who have remained invested in the share capital since that time. All of the other shareholders and partners in the firm are active employees.

1.5. Organizational charts for the group and company

Available Upon Request

1.6. Locations of all offices, activities carried out at each office and reasons for establishing each office there (why did you choose that city?)

We have three offices in Canada, in Montreal, Toronto and Calgary. The head office is in Montreal, which is where the Executive Committee and most of the employees are based. The Toronto office was opened in 2007 and the Calgary office was opened in 2017. The initial reason was to provide the best service to our existing clients, and then to carry out business development in these markets. These two cities were selected as business locations based on the large number of existing clients in each one.

1.7. Key elements of the current business plan (e.g.: new offices, expansion of the research team, new strategies, succession plan)

Letko Brosseau's business plan is based on growing its activities by penetrating new geographic markets and segments in which the firm does not currently have a presence, and by developing new specialized strategies. In addition, our current structures (management team, IT systems and human capital) will enable us to achieve a much higher level of assets under management. For example, we hired 46 new employees over the last five years, representing a net increase of 21% in our human resources. In addition, the research team, with 24 employees, is of adequate size, and the turnover rate is very low. We are always on the lookout for available talent to improve the research department as opportunities arise. However, there are no plans to open new offices in Canada or abroad.

We recently entered into an agreement with Arrow Partners to represent the firm in marketing the Emerging Markets Equity Strategy in the United States. Our strategies will also soon be available on the FundServ platform, and discussions are underway with respect to managing mandates in a "sub-advisor" role in market niches where we are absent, such as mutual funds.

Some specialized strategies, such as the Public Infrastructure Equity Fund, have been launched with a view to globalizing our service offer and making it more attractive to foreign investors.

Finally, since the fall of 2022, we have been offering financial planning services to clients with a view to enhancing our private management service offer.

Our Board of Directors has also established a succession plan for the firm's key functions. Pursuant to this plan, a number of individuals have been identified as having high leadership potential, and particular emphasis will be placed on their development over the coming years to help them achieve their full potential, and thus contribute to the long-term growth of the firm.

1.8. Main competitive advantages of the company

The firm's main competitive advantages are as follows:

a) **Independence and excellent financial health.**
The firm has a strong balance sheet, with more than $325 million in capital and no debt. Considering the fact that the firm is also owned by its employees, the portfolios can be managed by prioritizing our clients while following a value-creation approach oriented toward the long term.

b) **Investment culture.**
A strong investment culture is at the heart of all of our decisions. In fact, our in-depth fundamental research and application of the investment principles that we have been following

for more than 35 years will enable us to achieve attractive returns adjusted for the level of long-term risk. Our clients are the focus of all of our decisions, and we maintain very high standards in terms of ethics and integrity.

c) **Human capital.**
The employees are the firm's most important asset. Therefore, it is essential to maintain a stimulating work environment in which they feel valued and respected, and can grow and develop with the company.

1.9. What are the main risks that could threaten the viability of your company or business model?

The exodus from domestic equities among Canadian pension funds, the closing of defined-benefit pension plans, the strong growth of private investments and index investing are major limiting structural factors. Although they are constraining, these factors do not constitute a risk to the firm's survival in light of its strong balance sheet and excellent profitability. We believe that the execution of our business plan (Q 1.8) will enable us to navigate these challenges and put the firm in a good position, thus ensuring its long-term survival.

2. Assets under management

2.1. Using the Excel template provided, please provide the following:

2.1.1. Total assets under management for the firm and the strategy since inception

Available Upon Request

2.1.2. Breakdown of assets by type of product

Available Upon Request

2.1.3. Breakdown of assets by type of client (foundations and endowment funds, pension funds, funds of funds, family offices, wealthy clients) and examples of the names of clients, if they can be disclosed

Available Upon Request

2.1.4. Estimated capacity related to the strategy (including similarly managed assets)

We estimate the firm's capacity for managing emerging market equities at approximately $8 billion US.

2.2. Description of the methodology used to determine capacity

To begin with, capacity is defined on the basis of whether or not it is possible for our Managers to construct diversified portfolios that meet our investment criteria.

The firm currently manages approximately $1 billion US in equities in emerging markets, and based on the MSCI Emerging Markets Investable Market Index (IMI), we estimate the size of the market at $7,300 billion US. At the present time, we believe that the size of our Emerging Markets Equity Strategy is modest in relation to the universe of investment possibilities offered by the IMI index, and our capacity to add value within the Strategy is frequently reviewed. In light of this, our investment team considers that there are currently a great number of investment opportunities in emerging markets.

2.3. What is the number and proportion of securities that are common to this strategy and other similarly managed strategies?

Our Emerging Markets Equity Strategy is unique within the firm, and holds no securities in common with other strategies.

2.4. Total of the strategy's assets and of similarly managed assets since inception, including contributions and redemptions (monthly)

Available Upon Request

2.5. Distribution of assets between the pooled fund and the segregated accounts. Please indicate the number and size of the segregated accounts.

515 accounts have an exposure to the Letko Brosseau Emerging Markets Equity Fund, for a total of $1.4 billion, which is the total amount of the LBA Emerging Markets Equity Strategy.

2.6. Have you limited subscriptions to the strategy in the past (temporary closures, final closures)? If so, when and for how long?

No, the strategy has remained open since it was launched in 2011.

2.7. Percentage of the total strategy and of the total assets under management of the company accounted for by the five and ten main clients, and total percentage held by the employees of the investment company

45% of the assets of the Letko Brosseau Emerging Markets Equity Strategy are held by the 10 main clients.

29% of the assets of the Letko Brosseau Emerging Markets Equity Strategy are held by the 5 main clients.

18% of the assets of the Letko Brosseau Emerging Markets Equity Strategy are held by employees.

23% of the firm's assets are held by the 10 main clients.

15% of the firm's assets are held by the 5 main clients.

7% of the firm's assets are held by employees.

2.8. List the various strategies managed by the company since its inception, including any that were closed.

NAME	OPEN/CLOSED
LETKO BROSSEAU BALANCED FUND /	Open
LETKO BROSSEAU EQUITY FUND /	Open
LETKO BROSSEAU INTERNATIONAL EQUITY FUND /	Open
LETKO BROSSEAU BOND FUND /	Open
LETKO BROSSEAU INC. EQUITY FUND /	Open
LETKO BROSSEAU RSP BALANCED FUND /	Open
LETKO BROSSEAU RSP BOND FUND /	Open
LETKO BROSSEAU RSP INTERNATIONAL EQUITY FUND /	Open
LETKO BROSSEAU RSP BOND FUND /	Open
LETKO BROSSEAU EQUITY FUND – GLOBAL INVESTORS /	Open
LETKO BROSSEAU SOCIAL INTEGRITY FUND /	Closed
LETKO BROSSEAU ESG BALANCED FUND /	Closed
LETKO BROSSEAU EMERGING MARKETS EQUITY FUND /	Open
LETKO BROSSEAU RSP LONG-BOND FUND /	Closed
LETKO BROSSEAU CANADIAN EQUITY FUND /	Open
LETKO BROSSEAU US EQUITY FUND /	Open
LETKO BROSSEAU EAFE EQUITY FUND /	Open
LETKO BROSSEAU ESG FOSSIL FUEL FREE GLOBAL EQUITY FUND /	Open
LETKO BROSSEAU HEALTH SCIENCE INNOVATIONS EQUITY FUND /	Closed
LETKO BROSSEAU ESG FOSSIL FUEL FREE RSP GLOBAL EQUITY FUND /	Open
LETKO BROSSEAU ESG CANADIAN EQUITY PLUS INCOME FUND /	Open

LETKO BROSSEAU INFRASTRUCTURE EQUITY FUND /	Open
LETKO BROSSEAU CHINA EQUITY FUND /	Open
LETKO BROSSEAU ESG FOSSIL FUEL FREE GLOBAL EQUITY FUND (US)	Open
LETKO BROSSEAU MEDICAL SCIENCE INNOVATIONS EQUITY FUND	Open

3. Investment team (specific to the strategy)

3.1. Key employees: Names, biographies, years of experience, years with the company and responsibilities

Rohit Khuller, B. Eng., MBA, CFA
Senior Investment Manager, Emerging Markets, and Vice President, Investment Management, Partner
Mr. Khuller is a graduate of McGill University (MBA) and the Dehli College of Engineering. Prior to joining the firm in 1998, he gained experience in the aerospace, automotive and banking sectors. Mr. Khuller is currently dedicated to the Letko Brosseau Emerging Markets Equity Fund, for which he oversees portfolio construction, risk management and overall strategy. He was appointed Vice President of Investment Management in 2021, and is a member of the firm's Executive Committee.

Mila Krassiouk, B. Econ. and Mining Engineering, MBA, CFA, FSA
Associate Portfolio Manager, Emerging Markets
Ms. Krassiouk is a graduate of McGill University (MBA, Finance) and Moscow State Mining University (Economics and Engineering, Mining industry). Prior to joining the company in 2003, she worked as a Credit Analyst for the financial services arms of AT&T Capital and Fiat. Mila is the Senior Portfolio Manager for the Mining and Materials sector. She co-chairs the sectoral committee charged with analyzing risks and opportunities in the portfolio.

Yongai Xu, B. Sc. (Economics), M. Sc. (Finance), CFA, FSA

Associate Portfolio Manager, Emerging Markets

Ms. Xu is a graduate of HEC Montréal (M.Sc. Finance) and Fudan University (Bachelor of International Economics). She is also a CFA® charter holder and holder of the FSA credential. Before joining the firm in 2013, she worked for HSBC Bank (China) from 2009 to 2011, focused mainly on private banking and investments. Yongai is Portfolio Manager for Materials and Clean Technologies. She is also the senior member of the firm's ESG Committee.

3.2. Equities research analysts: Names, biographies, years of experience, years with the company and research responsibilities

Name/Education/Title	Role in the firm	Years of investment experience	Years with the firm
Peter Letko **B.Comm, CFA** Senior Portfolio Manager, Founder	Portfolio management – all mandates	50	35
Daniel Brosseau **B.Sc.A. (Eng.), MBA** Senior Portfolio Manager, Founder	Portfolio management – all mandates	44	35
Stéphane Lebrun **B.A.A., M.Sc. Finance, CFA, FSA** Senior Portfolio Manager	Portfolio management – all mandates	29	22
Rohit Khuller **B. Eng., MBA, CFA** Senior Portfolio Manager	Portfolio management – ME equity mandate	27	24
Mila Krassiouk **B. Econ. and Mining Engineering, MBA, CFA, FSA** Senior Portfolio Manager	Portfolio management – all mandates Sector: Materials	25	17
Joel Kaczor **B. Sc. Econ. and Pol., M. Sc. (Finance), CFA, FSA** Senior Portfolio Manager	Portfolio management – Fixed income and balanced mandates Research coverage: Economics, fixed income securities	14	12
Chairmaine Lim Uy **B. Sc. (Eng. and Production Management), MBA, CFA, FSA** Senior Portfolio Manager	Sector: Retail trade, industry, automotive	18	18
Terry Howard **MBA, CFA, FSA** Senior Portfolio Manager	Sector: Retail trade, consumer staples	45	14
Ivan Kraljevic **B. Sc. Pharm., M. Sc., MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Health	10	10
Victor Swishcuk **B.B.A., MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Energy, utilities	16	9
Yongai Xu **B. Sc. (Economics), M. Sc. (Finance), CFA, FSA** Analyst/Portfolio Manager	Sector: Clean technologies, forest products	13	9

Name/Education/Title	Role in the firm	Years of investment experience	Years with the firm
Allan Cyril **B.Eng., M. Sc. (Financial Economics), CFA, FSA** Analyst/Portfolio Manager	Sector: Information technologies	8	8
Paul Younes **B.B.A., MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Transport, industry, aerospace and defence	8	8
Sankalp Sachdeva **B. Technology, M. Business Econ., MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Finance	6	7
Edward Dashwood **B. Sc. (Geology), MBA, FSA** Analyst/Portfolio Manager	Sector: Mining, Engineering	6	6
Julie Bouianovskaia **B.B.A., MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Real estate, consumer staples	11	5
Wesley Scanterbury **B. A. (Economics), M. A. (Economics), FSA** Analyst/Portfolio Manager	Sector: Economics, fixed income securities	5	5
Alex Letko **B. A. Economics, M. A. Economics, MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Energy	7	4
Olivier Brosseau **B.Eng. (Biotechnology), MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Health	6	4
Adam Siek **B. Bus. Adm., FSA** Analyst/Portfolio Manager	Sector: Aerospace and Defence	4	2
Usman Olubajo **B. Sc. Math., MBA, CFA, FSA** Analyst/Portfolio Manager	Sector: Finance	9	2
Mark Chaboryk **B.A. Sc., MBA, FSA** Analyst/Portfolio Manager	Sector: Information technologies	2	1
Owen Ko **B.B.A., MBA, CFA, CPA** Analyst/Portfolio Manager	Sector: Finance	15	1

3.3. Employees working on several strategies and percentage of their time allocated to each one (where applicable)

With the exception of Rohit Khuller, who is primarily dedicated to the Emerging Markets Equity Strategy, Analysts and Managers contribute to the firm's other strategies. The structure of the research team is organized by sector at the global level, rather than by country or strategy. This business model allows us to develop greater expertise in each sector, and increases our chances of identifying the best investments in all of them. This approach also helps to obtain greater productivity from the research team.

3.4. What is the employee turnover rate for the company and the investment team? What is the breakdown between voluntary and involuntary turnover?

There have been eight departures from the research team since 2015. Three employees changed careers, while five left for similar positions in other investment management firms or pension funds. It should be noted that four of the departures followed unfavourable performance reviews.

3.5. Decision-making process, responsibility and changes made over the last 10 years (or since inception, if the company has been followed for less than 10 years)

The Investment Council, whose role is oversight of the various strategies, is a new body that was created at the beginning of 2020 in connection with the firm's succession plan. It is made up of the two founders, Peter Letko and Daniel Brosseau, and the two Vice Presidents of Investment Management, Rohit Khuller and Stéphane Lebrun. The role of the Council is to approve the recommendations of the Senior Managers and to ensure that the strategies are managed prudently and in accordance with the established objectives.

3.6. Compensation agreements for professional staff, including performance bonus plans and staff retention programs

Employees of the firm are eligible for an annual bonus plan based on the performance of the firm and the individual, and for a partnership program with stock options. Partnership in the firm provides access to the full economic value of Letko Brosseau, including dividends on shares that are not yet vested. The level of potential bonuses and partnership is determined based on the employee's performance, seniority and role in the firm.

3.7. Factors considered with respect to the recruitment and promotion of research analysts or Portfolio Managers (qualities sought and how they are evaluated)

We believe that the qualities required to become an excellent manager are curiosity, an independent mind, intellectual rigour, an analytical spirit, attention to detail, a willingness to understand how economies, industries and companies work, the ability to take and hold to positions outside of the consensus, and finally, the ability to exercise good judgment. Our young Analysts begin their career in an Analyst role, working initially with a mentor who has more seniority and within a specific industry. Later on, the qualities set out above, along with the performance of the recommendations over a certain period (5 years), give us a complete picture and allow us to determine whether the Analyst has the abilities to move up to the next level.

3.8. Succession planning for the principal decision-makers

The Board of Directors is responsible for succession planning for the firm's principal decision-makers.

3.9. What percentage of your decision-makers with responsibility for investments will be retiring over the next five to ten years?

None of our decision-makers with responsibility for investments intend to retire over the next five to ten years. Each investment strategy has a Senior Manager attached to it, along with two Co-Managers who have been working together for years. We consider the two Co-Managers (Yongai Xu, Mila Krassiouk) to be capable of taking on the role of Senior Manager (Rohit Khuller) for the Emerging Markets Equity Strategy.

3.10. Describe any known conditions (health, finances, litigation, personal commitments, etc.) of the company's executives that could affect their ability to carry out their functions

There is no known condition of the company's executives that could affect their ability to carry out their functions.

4. Investment process (specific to the strategy)

4.1. Philosophy and investment style

Our philosophy and investment style are based on rigorously conducted fundamental analyses that allow our Analysts to identify opportunities and that support all of our investment decisions. Companies are analyzed in detail using a bottom-up approach, which is backed by a top-down macro-economic analysis. The objective is to understand the positioning of the companies within their respective markets, their growth prospects and their cost structures, in order to obtain a proper valuation. Our teams pay particular attention to the price paid for each investment in both absolute and relative terms. Determining the intrinsic value of companies and ensuring that fair value is paid is an important component of our investment process. The investment team is constructed using a sector-based approach at the global level, which facilitates the evaluation of opportunities within a global context. We also believe that the value-creation process requires a long-term investment horizon. Finally, all of our research is carried out in-house, including the analysis of environmental, social and governance considerations.

4.2. Relative importance of thematic/top-down and bottom-up considerations in the investment process

Our investment process primarily takes a bottom-up approach, with our sectoral teams conducting an in-depth analysis of each company held in portfolio, including creating financial models. Our analyses at both the sector and individual security levels are supported by an in-house macro-economic analysis of each of the emerging countries in which we invest.

4.3. Thematic/top-down investment process:

4.3.1. Does your strategy include a thematic, sectoral or trend analysis, does it take the overall target market into account, etc. If so, please provide additional details.

The research team is organized by sector at the global level. The role of the sector specialists or Managers is to carry out an in-depth analysis of each sector in order to identify the broad underlying trends that will affect the companies involved.

Time horizon of the thematic, sectoral or trend models

The Analysts use a five-year time horizon in constructing their more-detailed sectoral models, and a longer period for projecting the structural trends specific to each sector.

4.3.2. Use of external research services, data suppliers and consultants for thematic analysis

We use no external services for our research. The investment team carries out all of our research, which is confidential and exclusive to the firm.

4.3.3. Role of the analysis of themes and trends, decisions regarding regional or sectoral allocation

The thematic or top-down analysis buttresses the bottom-up research work. In the end, decisions related to the allocation by industry or country are determined by the quality and number of opportunities our teams are able to identify within a given sector or country, and each investment thesis must be justified on a bottom-up basis.

4.4. Bottom-up investment process:

4.4.1. Selection process and generation of ideas

Our teams generate preliminary lists of ideas based on quantitative criteria (revenue and profit growth, enterprise value/revenue, dividend rate, price/earnings ratio, price-to-cash flow ratio, price /book value) using Bloomberg and Factset. Some interesting ideas for companies to look at are generated at conferences and during discussions with companies in which we are invested or their competitors. These preliminary lists of ideas serve to whittle down our sample to a smaller number of companies, for which we carry out a summary analysis (reading of the financial report and discussion with executives). Finally, the most promising companies are then analyzed in greater depth, including producing financial models and conducting due diligence reviews.

4.4.2. Number of securities researched briefly or in-depth per analyst and per year

On average, our Analysts produce brief research reports on ten companies annually, and more in-depth reports on 3 companies.

4.4.3. Qualitative due diligence process followed in analyzing a company

The due diligence process includes meetings with executives, visits to company facilities and discussions with clients, suppliers and competitors. We also validate the reputation and history of the executives through our network of local contacts.

4.4.4. Meetings or visits with the company, access to management

Our Managers meet with the executives of all of the companies held in portfolio at least once per year.

4.4.5. Use of external research services, data suppliers and consultants for fundamental research

N/A. See 4.3.2

4.4.6. How do you define "quality"? What indicators do you look at?

The main quality indicators that we study include return on invested capital, strength of the balance sheet and stable and increasing generation of positive free cash flow.

4.4.7. How do you define "growth"? What indicators do you look at?

We favour companies with good prospects for revenue and profit growth. We pay particular attention to the growth of the underlying market, increasing market share and the potential for improved profitability.

4.4.8. How do you define "value"? What indicators do you look at?

We want to invest in companies that have a high revenue and profit growth potential, but that trade at a fair price or below our estimate of their intrinsic value.

4.4.9. Evaluation measures and methods used (and under which circumstances). Please provide a detailed answer as to the exact process for calculating intrinsic value (or relative value,

if you do not use intrinsic value). You must answer in sufficient detail to allow us to explain this process step by step. This is a key question to help us understand your approach to valuation.

We use various valuation methods to determine a company's absolute intrinsic value. Some of these methods are industry-specific, while others apply to all industries.

For example, we evaluate companies active in the natural resources sectors (oil and gas, mines) using the discounted cash flow method. It is assumed that the reserves will be extracted to complete exhaustion without assigning value to the resources, and the estimated realized price is then based on our analyses of the marginal cost of production, using our supply and demand model. We assume a cost of production for the reserves as well as an allocation for overhead costs, and the cash flow is then discounted using our required rate of return for the firm, after which the present value of the debt is subtracted to obtain the share value.

For banks, the net current value is used. This is accomplished by examining the bank's forms of finance (deposits vs debts) and carrying out a matching of assets and liabilities. Once a level of comfort has been achieved with respect to the bank's financing (surplus of deposits vs loans, high solvency ratio, low debt to equity ratio), we conduct a detailed analysis of assets, such as loans, to ensure that loan-loss provisions are adequate. The net current value method allows us to be confident that the bank is structurally sound. In that event, financial projections with a five-year horizon are produced, with an estimate of the contribution from interest income and various revenue sources (general and transaction fees, commissions, etc.) and of operating expenses, to obtain the profit before losses and provisions. A deduction is then applied to reflect loan losses normalized over an economic cycle, as well as taxes, giving the bank's profits, to which an average historical multiple is applied to determine the intrinsic value.

For non-financial companies other than in the natural resources sector, a mix of methods is used, such as replacement value (what price are we paying for the company's enterprise value by tonne of capacity, and how does that compare with the replacement cost), enterprise value/EBITDA, share price/cash flow, share price/earnings per share and dividend yield. We prepare detailed financial projections for each company over a five-year horizon, and then estimate the intrinsic value of the company in five years, based on the various methods mentioned above, using an average historical ratio. The results are then reviewed based on the various methods in order to obtain an approximation of the company's value.

4.4.10. How is the decision to buy made (who makes the decision, how is the decision made, what is discussed or debated)?

The decision to purchase a new security is made by the Senior Manager after a detailed presentation of the thesis to the Investment Committee, which is made up of all of the members of the research team. Its role is to validate the quality of the underlying research for each buy recommendation, including reviewing the hypotheses, the financial model and the risks.

4.4.11. Once a company is in the portfolio, describe your post-investment follow-up process and how decisions to reduce or add to a position are made (by whom and under what circumstances)

Once a security is in portfolio, the Sectoral Analyst is responsible for following up and for making periodic reports to the Committee for that industry and to the Senior Manager. The decision to add to or reduce a position is made by the Senior Manager.

4.4.12. Sell discipline. What would trigger a decision to sell or reduce a portfolio position?

There are three main factors that can trigger a sale:

- The price of the security has overshot our estimate of the intrinsic value by a significant margin;
- The hypotheses underlying our initial thesis are no longer valid due to unanticipated changes in the external environment or a failure of our fundamental analysis process;
- The security's future residual return is low relative to risk, the portfolio is fully invested and we need to liquidate the position to finance a new investment with better prospects.

4.4.13. Changes or improvements made to the research process over the last 10 years (or since inception, if the company has been followed for less than 10 years)

An Industry Committee, which was established in 2020, meets alongside the Investment Committee to conduct industry reviews and analyze upstream opportunities. One of the purposes of this Committee is to enhance the productivity of our research group by commenting on analysts' ideas earlier in the process, so that they can focus their efforts on ideas that have a high probability of success.

4.4.14. Please provide two examples of equity positions in the portfolio that reflect the investment approach (including the investment thesis and the financial model).

See the Appendices (Available Upon Request) for investment theses and financial models pertaining to two of the largest positions in our Emerging Markets Equity Strategy:

- Grupo Financiero Banorte
  - Appendix 3.1: Investment thesis
  - Appendix 3.2: Financial model

- Sinopharm
  - Appendix 4.1: Investment thesis
  - Appendix 4.2: Financial model

4.5. Current portfolio construction process and changes made over the last 10 years

4.6. Please give us an example of an investment that was made and that you consider to have been an error of commission or a learning opportunity. What lessons did you draw from the experience? What effect did it have on your investment process?

One of our investments in a Chinese agricultural company, Asian Citrus, turned out to be a fraud. Although the audit process was carried out at the time, it is difficult to conduct a precise audit for assets such as plantations in emerging countries when real estate title documentation is incomplete or hard to access. Since that time, we avoid investments for which it is difficult to verify tangible assets with a high degree of confidence.

4.7. Please give us an example of an investment that was not made and that you consider to have been an error of omission or a learning opportunity. What lessons did you draw from the experience? What effect did it have on your investment process?

In 2020, we missed out on the opportunity to invest in shares of HDFC Bank. At the time, HDFC shares were trading at a price-earnings ratio of 18, which was significantly lower than their historical average, and investors were worried about potential problems in the bank's loan portfolio. A detailed analysis of HDFC's balance sheet by our teams concluded that the stock had the potential to double its profits over the next five years, which would be expected to result in a significant increase in HDFC's share price. Unfortunately, HDFC shares quickly rose by approximately 30%, which reduced our margin of error, and the decision was made not to buy the shares. Although that was regrettable, we are conscious of the fact that our rigorous fundamental analysis process can lead to such consequences. Nevertheless, that very rigour has allowed us to avoid problematic situations on many occasions, and remains a net positive for the firm.

4.8. What is your approach to managing opportunity cost risk and missed opportunities (i.e.: securities that met your criteria and ended up performing better than the securities you selected)?

We recognize that it is impossible to capture all available opportunities. Therefore, the approach is simple: We look to invest in a portfolio focused on our best ideas, supported by rigorous fundamental research for each of the securities held. Investments must be made in companies with strong balance sheets, and emphasis is placed on the preservation of capital above all. We tune out market noise and trust that, if we do our job correctly, our investments will add significant value over a long-term horizon.

4.9. How do you improve or adjust your investment philosophy, process or execution? Do you conduct post-mortem exercises?

We have followed the same investment principles since the firm's beginnings in 1987. Retrospective analyses are regularly conducted for all situations where our initial hypotheses failed to materialize. The research team holds an annual week-long closed retreat to review the application of our investment principles in detail and carry out a retrospective analysis.

4.10. What do you stay away from (e.g.: countries or sectors avoided, types of securities avoided, situations avoided)?

We rule out investments in certain countries such as Russia, Venezuela, Argentina, Türkiye or any other country where the government and institutions do not provide the stability needed for long-term investing. Some sectors, such as gaming or the tobacco industry, are also off-limits.

5. Management of portfolio risk:

5.1. Provide a detailed description of how risk is defined and managed.

Investment risk is defined as the risk of experiencing a permanent devaluation of the capital invested. Our Sectoral Analysts and Managers maintain a file on each investment, and prepare periodic updates that are reviewed by the firm's Investment Committee and Senior Managers. Particular attention is paid to the risk profile of the companies in which we have invested and to how our investment theses are changing relative to the initial hypotheses. It is important to get to a position where our portfolios are well diversified, not only by individual security (maximum exposure of 7%), but also by sector and country (maximum exposure of 30%).

5.2. How do you assess the durability and the disruption risk of the business models of the companies in which you invest? What would be some examples of disruption risks that you identified and then dealt with?

Assessing the durability and the disruption risk of business models is part of the analytical framework that we apply to all of our investments. This framework includes a detailed analysis of the financial statements, ESG elements, regulatory environment, the quality of the balance sheet and the cash flow generated, along with our view of the long-term industrial prospects for the sector. In addition, companies that use excessive financial leverage are excluded, and we take all ESG risks into account in our calculation of the enterprise value. We favour companies whose future earnings and cash flow are clearly visible, companies that have high-quality assets and companies that operate in industries with high barriers to entry. As mentioned above (4.12), our macro-economic analysis allows us to avoid countries that do not provide the stability required for long-term investing.

A prompt reaction by our teams after the outbreak of the conflict between Ukraine and Russia allowed us to sell our shares of Sberbank and Gazprom. Since then, Russia is no longer under consideration for potential investments, which will continue to be the case unless there are major reforms in the government and institutions (for more details related to this example, see Question 11.4).

A few years ago, we sold all of our shares in Norilsk Nickel when we came to the conclusion that the company was not investing sufficiently in pollution control, preferring to use its free cash flow for paying dividends to shareholders. In our view, a policy such as this, while beneficial to shareholders in the short term, will destroy value for the company over the long term (for more details related to this example, see Question 11.4).

5.3. Please provide the name and title of the person responsible for risk management and the name of that person's supervisor.

In our view, there is a distinction to be made between investment risk management and compliance risk management. For this reason, the person responsible for investment risk is Rohit Khuller, Senior Manager, while the person responsible for compliance risk is Sylvie Richard, Senior Director, whose immediate supervisor is Isabelle Godin, Chief Compliance Officer.

5.4. List your risk management tools and indicate how they are used.

1. **Investment management risk**: As set out in Questions 5.1 and 5.2, Analysts are responsible for risk management for our investments. No external supplier provides risk management tools.

2. **Compliance management risk:** Daily reports are produced and reviewed by the Analysts and the Compliance Director to ensure that our management follows the investment policy for each of our mandates.

5.5. What is the absolute or relative risk limit for the portfolio?

There is no relative risk limit for the management of our portfolios. However, there are exposure limits by country (30%), sector (30%) and individual company (7%).

5.6. How do you manage currency risk?

Our economists determine the parity value of each emerging market currency relative to the Canadian dollar, with the assumption being that the exchange rate will reflect this parity value over a 5-year period, in keeping with our investment horizon when establishing a new position. When we anticipate that the foreign currency will depreciate against the Canadian dollar over the period, the return required for our investments is adjusted accordingly. For example, if we believe that the Indian rupee will fall 10% against the Canadian dollar over a 5-year period, our required return to invest in a company whose operations are based in India will be increased by 2% per year.

5.7. Do you look for a predetermined beta or a tracking error or stocks that are inactive relative to the index?

No.

5.8. Describe how the liquidity of the portfolio is measured and monitored, including the main assumptions and the time allotted for liquidating the portfolio.

In our experience, some emerging market securities trade in blocks, and it is often easier to find liquidity than the ADTV would indicate. In light of that, the liquidity of the portfolio is measured using the assumption that it is possible to trade 50% of the average daily trading volume (ADTV). Based on this assumption, we divide the securities held into different liquidity tranches, while ensuring that most of the portfolio can be liquidated in a single day. Most of the other securities are then in the 2- to 3-day tranche, and almost 95% of the portfolio will be liquidated within a week. The liquidity of the strategy is measured and monitored every year at least, and liquidity is taken into account during the analysis process and for the addition of any new security.

6. Return on investments (specific to the strategy)

6.1. Which benchmark do you consider to be the most representative? Why?

The MSCI Emerging Markets Total Return Index is the most representative benchmark, because it is the most comparable to the Letko Brosseau Emerging Markets Equity Fund.

6.2. What is your absolute or relative performance goal? How was it set?

Our primary goal is to double invested capital over a five-year horizon, which is equivalent to an average annual return of 15%. Our secondary goal is to outperform our benchmark by 2% annually, after management fees.

6.3. How do you approach the performance attribution process? What do you look at? What is your own assessment of your past performance?

Although our portfolios are neither constructed nor managed on the basis of benchmarks, an attribution analysis is conducted by sector and by country in order to obtain a clear understanding of the divergences between the our portfolio's returns and its benchmark. This allows us to validate our strategy or re-examine certain aspects, if necessary.

We are proud of the past performance of our Emerging Markets Equity Strategy. In fact, a great deal of value has been added relative to our benchmark, and our performance has been very steady for each of the periods. This is particularly true for value added during bear markets (down capture), which validates the emphasis our approach places on capital preservation.

6.4. In an Excel file (there is no template), please provide the cumulative contribution to the absolute

6.5. Annual turnover rate of the portfolio since inception

6.9.1. Calculated as a percentage of the net asset value: Total sales or purchases for the year (whichever is less)/average AUM. Note: Please adjust the total purchases and sales for capital injections and repurchases.

Year	Total purchases/Average AUM	Total sales/Average AUM
2012	73.6%	7.1%
2013	82.8%	6.3%
2014	21.6%	7.8%
2015	26.5%	9.2%
2016	19.1%	21.2%
2017	27.8%	20.1%
2018	19.1%	14.2%
2019	22.4%	15.0%
2020	19.3%	38.3%
2021	21.7%	27.8%
2022	29.9%	20.8%

6.9.2. Calculated based on number of securities: (Number of securities added to the portfolio + number of securities fully liquidated) / 2) / Average number of shares by month over the course of the year.

Year	Turnover rate based on number of securities
2012	10.7%
2013	12.0%
2014	8.2%
2015	8.8%
2016	9.0%
2017	14.8%
2018	8.9%
2019	13.3%
2020	15.5%
2021	11.0%
2022	6.9%

6.6. Degree of compliance with GIPS performance standards

Letko Brosseau undergoes an annual audit by an independent firm, and complies with GIPS performance standards.

6.7. Does the manager have a previous performance track record that we can consult?

Rohit Khuller has been employed with Letko Brosseau since he started his career in 1998, and has been Senior Manager of the Emerging Markets Equity Strategy since its inception in 2011.

7. Composition of the portfolio over time

7.1. Please comment on the current positioning of the portfolio as if providing a guided tour. What do you see when you look at the portfolio? What are the different groups of securities in it? Which securities are recent acquisitions, which others are in the process of liquidation and which ones are being reconsidered? Which securities do you think are likely to be resilient, as opposed to those that are dependent on a rebound-based outperformance?

Since the strategy was launched in 2011, emphasis has been placed on quality securities that offer solid growth prospects and trade below their intrinsic value. We believe that it is possible to participate in the superior structural growth offered by emerging markets while not losing sight of the goal of preserving the capital of our investors. In addition, companies that pay good dividends and demonstrate a sound capital structure are given preference.

Significant investments are also made in utilities companies and infrastructure companies, such as ports, airports, toll roads and communications firms. These investments, among others, allow us to capitalize on an underlying long-term positive trend while offering a somewhat defensive growth profile, good visibility with respect to future cash flow and attractive dividends. One example would be our investment in Copel, a major Brazilian producer and distributor of electricity, which has a strong balance sheet and operates under a regulatory framework that allows it to make annual rate adjustments linked to the consumer price index. This structure has allowed Copel to offer an average annual dividend return of 7% over the last decade, including a 17% dividend in 2022.

In addition, we hold significant positions in health and consumer staples companies that trade at reasonable valuations and offer a strong long-term growth potential arising from the growth of the middle class in emerging markets and low market penetration.

We also have holdings in some financial companies, but with a lower weighting than stock market indexes. In our view, it is possible to capture the growth of emerging markets while avoiding business models based on high financial leverage, such as banks and insurance companies. Financial companies whose financing comes mainly from depositors are prioritized, as opposed to institutions whose financing comes from financial markets, which are generally less stable during periods of economic turmoil.

In addition, companies that trade at excessive valuations are excluded from consideration, and it is essential that the price we pay for our investments is fair relative to their intrinsic value. This principle accounts for our lower weighting in technology companies than stock market indexes.

We recently initiated a new position in Santos Brazil, a Brazilian port operator whose activity accounts for 20% of intermodal traffic in Brazil. The shares of this company trade at a reasonable level of 13 times earnings, with an 8% dividend. We anticipate strong growth in future revenues as a result of solid demand, increased usage of its assets and higher rates.

We also have investments in companies such as Grupo Aeroportuario del Centro Norte (OMA) and IMAX China, which should greatly benefit from a post-Covid cyclical upswing in leisure demand.

At this point, no portfolio companies are being considered for elimination.

Our overall strategy offers a growth potential surpassing that of the indexes in the coming years, while trading at reasonable valuations of 9 times profits and 5 times cash flow, with a dividend rate of 4.5%.

7.2. Average number of equities in the portfolio by year since inception.

Year	Monthly average number of equities in the Letko Brosseau Emerging Markets Equity Fund
2011	56.7
2012	65.4
2013	70.7
2014	85.7
2015	84.8
2016	78.2
2017	84.4
2018	84.2
2019	82.8
2020	70.8
2021	63.7
2022	65.3

7.3. Average market capitalization of the fund by year since its inception.

Year	Monthly average market value of the Letko Brosseau Emerging Markets Equity Fund
2011	$ 99,985,336
2012	$ 176,234,046
2013	$ 389,314,004
2014	$ 749,063,835
2015	$ 895,835,402
2016	$ 965,193,019
2017	$ 1,223,680,237
2018	$ 1,355,899,103
2019	$ 1,471,240,606
2020	$ 1,267,541,988
2021	$ 1,241,164,379
2022	$ 1,314,667,597

8. Management fees (specific to the strategy)

8.1. Standard fee schedules and performance-based fees

Our management fees are 0.75% for a $25M mandate, and negotiable for larger mandates.

8.2. If you have performance-based fee arrangements, what indexes/minimum performance thresholds are used?

We do not currently have any performance-based fee arrangements with our clients.

8.3. Do you accept separately-managed accounts?

Yes.

8.4. Do you accept commingled accounts?

Yes.

9. Client references

9.1. Please provide four client references (name, organization, name of the strategy in which they are invested, since when).

10. Regulatory requirements

10.1. ADV form

Available Upon Request

10.2. Please disclose any prior or ongoing criminal, regulatory or civil proceedings involving the management company or any of its partners or employees.

Since its founding in 1987, the firm has never been the target of any criminal, regulatory or civil proceedings involving it or any of its partners or employees.

10.3. Latest annual and quarterly reports

Letko Brosseau is a private company, and our financial statements are not disclosed externally.

11. ESG (environmental, social and governance) factors – Andrea

11.1. Which individual/team/committee is responsible for establishing a responsible investment program, and who is responsible for ESG analysis within the investment process?

Our approach to incorporating ESG criteria is distinguished by the fact that the ESG analysis is not simply piggybacked onto an already-completed study of a company or sector. Instead, all of the members of our investment team must continually take ESG aspects of the companies they are charged with tracking into account. To incentivize our team to incorporate these criteria and ensure its full capability to do so, we have asked our Analysts to obtain FSA[1] (Fundamentals of Sustainability Accounting) accreditation.

Our study of the ESG characteristics of a company is based on the core criteria of the SASB[2] (Sustainability Accounting Standards Board) and the 77 SASB sectoral reports that identify the major ESG issues in each sector. All of our Analysts continually assess the risks and opportunities related to ESG factors within the sectors, sub-sectors and companies they study.

Before a position in a new security is initiated, our Analysts research it thoroughly and prepare a detailed pitch that describes the company's growth potential and reflects its ESG-related risks and opportunities, and then present it to the full investment team. As ESG Lead, Terry Howard conducts his own review of the major ESG issues facing the company, based on data from Sustainalytics and Glass Lewis, and moderates a discussion of these issues when the pitch is made by the Analyst. If we ultimately decide to invest in the company, it then undergoes continuous monitoring, including a semi-annual review of its ESG performance by Sustainalytics. In addition, our Analysts engage in an ongoing dialogue with the companies for which they are responsible, and these discussions often cover ESG issues.

The ESG analysis is an integral part our research process, and has been since the firm's inception in 1987. The use of the SASB analytical framework, including the 77 industry-based reports, facilitates a solid understanding of the specific risks and opportunities facing the industries and companies. The ESG analysis allows for upstream identification of any current environmental, social or governance conditions that could become major operational or financial risks for the company in the future if they are not addressed. This analysis gives us the opportunity to be proactive in our discussions with companies in order to encourage them to correct any shortcomings observed, and to ensure that our executives adopt a longer investment horizon, rather than focusing only on short-term financial goals. Finally, the ESG angle allows us to better assess our management teams in order to ensure that they prioritize an optimal long-term value-creation process for the benefit of all of the firm's stakeholders.

11.2. What ESG data, research, resources, tools and practices do you use to incorporate ESG factors into your investment process, valuations and decision-making?

Letko Brosseau is an independent company, and the tools listed below are used as support tools.

1. **SASB:**

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[1] Fundamentals of Sustainability Accounting (FSA) certification by the Sustainability Accounting Standards Board (SASB) indicates an in-depth knowledge of how to incorporate data and information related to sustainable development into investment analysis. Qualifying for the FSA certificate requires passing two exams. Level I covers essential concepts and practices, while Level II covers application and analysis.

[2] Letko Brosseau has obtained a licence to use the SASB Materiality Map®, its subject matter areas and the corresponding accounting metrics.

As mentioned in Question 11.1, our study of the ESG characteristics of a company is based on the core criteria of the SASB (Sustainability Accounting Standards Board) and the 77 SASB sectoral reports, with a view to identifying the major ESG issues in each sector.

2. **Sustainalytics:**
   Sustainalytics is used for our own research. This risk analysis tool is useful for identifying the major issues facing a company. However, Sustainalytics ESG risk ratings are not taken into consideration when choosing equities or constructing portfolios. In addition, we do not sub-contract ESG risk evaluation to Sustainalytics (or anyone else). In short, Sustainalytics is used as a monitoring tool and for the semi-annual review of the ESG performance of the companies in our portfolios.

3. **Glass Lewis:**
   Glass Lewis is used for proxy voting. We take the same attitude with respect to using Glass Lewis for analyzing proxies, meaning that it is a tool, but does not dictate our vote.

4. **ESG commitments database:**
   An ESG commitments database was developed to provide better tracking of key ESG metrics throughout the portfolio, including SASB accounting metrics.

5. **ESG themes:**
   To guide the incorporation of ESG factors, a list of five major themes is used, covering the main ESG issues that companies face at the present time and in the foreseeable future.
   Themes:
   - Energy transition
   - Sustainable living
   - Diversity and equality
   - Responsible innovation
   - Principles-based governance

These themes reflect the results of our research related to economic activity sectors, and are based on Letko Brosseau's ESG principles and advice from reputable organizations that we support.

11.3. Do you have a specific approach to incorporating climate risk into your investment process? If so, please describe it.

Environmental issues:

Just like all of the other major risks that our companies face, the climate change risk of each of our investments is analyzed in depth. An analysis of the consequences of climate change specific to each investment is conducted, and companies in the oil and gas industry are monitored with particular attention being paid to the development of new technologies, fines imposed and the approach to recycling the water used in the extraction process. In addition, particular interest is paid to companies that are directly active in sectors that contribute to the reduction of our society's environmental footprint and green technologies.

For example, within the framework of our investments in the general and home insurance industry, exposure to risk zones is taken into account for natural disasters, and modeling is carried out on their potential impact on the solvency of our investments. This is all done with a view to ensuring that the potential impact of any natural disaster on the profits and valuation of our companies will be minimal.

As mentioned earlier, energy transition is a major ESG theme. It is essential to know how companies are adapting to a lower-carbon world while engaging with energy producers, and how they envisage the transition to a low-carbon-emission world. Above all, we look for solutions that will bring forward new technologies. The research team often asks questions about how companies envision the reduction of their emissions from now to 2030 and 2050 in concrete terms, and their answers are often clear for the short-term horizon (2030) but much less so for 2050.

Companies claim that technological solutions that can successfully deal with these requirements are not yet available on the market. With this in mind, we published an article on this topic in 2021: *The climate is changing. Electric vehicles are coming. Should we still invest in oil?*

There will be a series of reports focusing on the concept of carbon neutrality (reduction of net emissions to zero). These research reports will cover the scientific evidence for climate change, sources of emissions, a closer look at the sectors involved, the notion of carbon neutrality and possible future solutions. This will include a description of our sectoral research reports, our conclusions and their influence on our investment decisions. The series was introduced in August 2022, with our first report, entitled *Net-Zero Research Series Part 1: Understanding the Science*.

11.4. How do you monitor ESG issues in the portfolio?

We continuously monitor and are in regular communication with the companies with which we maintain an ongoing involvement. Finally, ESG-related questions are frequently asked and clarification is requested, if necessary.

11.4.1. How does your monitoring of ESG issues affect the investment process?

Analysis of ESG issues is an integral part of our investment process. (See Question 11.1)

11.4.2. Could you give us examples of investments that you liquidated due to ESG-related factors? How does your monitoring of ESG issues affect the investment process?

In general, our sell discipline is based on close monitoring of current events and constant communication with the companies and Analysts to identify risks on a timely basis.

Examples of sales:

Sale of our positions in Sberbank and Gazprom

An interesting example involving ESG or geopolitical risk is the current conflict between Russia and Ukraine. A prompt decision was made to liquidate our positions in the two Russian companies (Sberbank and Gazprom) immediately when the war started.

The decision to liquidate our position in Gazprom was taken because of this company's central role in the European energy market and the obvious geopolitical risks. More specifically, we were concerned by the risk of sanctions, and by the company's role in financing the Russian government's capacity to go to war.

Sale of our position in Norilsk Nickel

Norilsk Nickel's ESG problems were related to its shareholder structure and its chronic under-investment in operations as a result of an inflated dividend. Norilsk has continued to be a major emitter of sulfur dioxide because of the problematic environmental practices carried over from the Soviet era, and because its high dividend payments limit the amount of its cash flow allocated to investing in improving its environmental performance. In addition, the situation has deteriorated over the years, and the company has experienced numerous minor environmental incidents.

The position was retained because we thought the company was taking action to correct its environmental problems. In fact, it had committed to investing $2.5 billion US to reduce its sulfur emissions. However, it was essential to monitor Norilsk's performance closely, because the exceptionally generous dividend restricted the company's ability to invest in maintenance. We did not consider the dividend to be sustainable, and after multiple meetings with the company's Chief Financial Officer, our concerns were confirmed. It was quite apparent that the principal shareholder's financial situation and desire to extract liquidity from the company took priority over reinvestment needs.

These concerns led us to begin reducing our position in Norilsk in 2018. In June 2020, the company announced that an incident at one of its installations had resulted in a major diesel spill (20,000 tonnes) into a river. An investigation is underway to determine the exact causes of the spill, and to estimate the costs of the cleanup and restoring the natural environment.

The decision was then made to sell off our entire position. We believe that governance failure arising from shareholder structure and systemic under-investment in assets in favour of dividends undoubtedly contributed to this incident. In short, unless dividends are reduced to allow for reinvestment in the company, incidents of this kind could recur, which poses an unacceptable ESG risk.

11.5. Do you have discussions with the companies you invest in with respect to matters related to ESG factors? Where applicable, can you give us specific examples?

Yes, we have regular discussions with the companies we invest in.

Examples of ESG engagement

Atrium European Real Estate Limited

Atrium is a principal owner, an operator and a rehabilitator of shopping centres and commercial real estate in Central Europe. Atrium designs dominant local shopping centres that cater to a dynamic lifestyle and trends in consumer tastes, and offers a combination of shopping and entertainment. Atrium's portfolio includes 26 properties in Poland, the Czech Republic, Slovakia and Russia.

In 2021, when Letko Brosseau was Atrium's second largest shareholder, we held approximately 2.4% of the outstanding shares.

On August 2, 2021, Atrium's Board of Directors received a proposal from majority shareholder Gazit-Globe Ltd. (Gazit) to acquire the remaining equity in the company for a consideration of 3.35 Euros per share. At the time, Gazit held approximately 75% of Atrium's outstanding share capital.

Our case study revealed that the proposed offer undervalued Atrium, and would have ended up unjustifiably benefiting Gazit at the expense of minority investors. The offer was made to the company during a strategic transition period after shopping centres had been forced to close for significantly long periods in 2020 and 2021 because of COVID-19.

We urged Atrium's Board of Directors to vote against Gazit's offer.

Among other things, it was pointed out that the offer:

- Represented a 19% discount relative to Atrium's own reported EPRA Net Reinstatement Value (NRV) of 4.15 Euros per share as of June 30, 2021.
- Implied a capitalization rate of 7.5%, while the yields for prime shopping centres in Warsaw and Prague were 5.35%[3] and 5.25%[4], respectively.
- Represented a 0.40 Euro reduction from the original offer of 3.75 Euros per share that Gazit had presented on July 23, 2019. That offer had been publicly criticized by minority shareholders. Institutional Shareholder Services (ISS) had issued a report recommending voting against the proposal, and that advice was followed by the shareholders.

It was our position that Atrium should create value for all of its shareholders. In order to protect the value of our investment, we voted against this proposed privatization transaction.

The legal merger of Atrium and Gazit Hercules 2020 Limited was completed in February 2022 for 0.28 Euros more than the initial offer of 3.35 Euros per share.

Companhia de Saneamento Basico do Estado de São Paulo (SABESP)

SABESP is the world's third-largest water and sewage service provider by revenue, according to a Global Water Intelligence survey. Between 2011 and 2019, SABESP accounted for approximately 30% of Brazil's total investments in basic sanitation services. The company, which is based in Sao Paulo, Brazil, operates in 374 municipalities representing approximately 67% of the urban population of the State of Sao Paulo (population 28.5 million). The City of Sao Paulo is the company's largest concession,

[3] Cushman & Wakefield, Poland MarketBeat Retail Q1 2021
[4] Cushman & Wakefield, Czech Republic MarketBeat Retail Q1 2021

accounting for 44% of total revenue. Residential customers represent 86% of water/sewage services consumption and approximately 70% of revenues.

Letko Brosseau holds regular discussions with the SABESP committee about how they execute their long-term environmental strategy. Topics that are discussed include Brazil's hydrology, the ever-increasing challenges of climate change, the durability of the water distribution system and the delivery of sewerage services in SABESP's concession areas.

a) **Environment:** Greenhouse gas (GHG) emissions and energy management

   Water and sewage services consume a great deal of energy for the extraction, transport, treatment and distribution or disposal of potable water and waste water. How suppliers of these services obtain their energy supply and use it more efficiently is a key factor in reducing their carbon footprint and controlling the impact of energy price inflation.

   In 2019, SABESP began construction on a number of solar power generating assets to supply electricity for its waste and water works. When they are completed, the company will be producing solar energy that accounts for 4.5% of its total energy use, eliminating approximately 9,000 metric tonnes of CO_2 annually. We are pleased to see the company moving in the right direction.

b) **Business model:** Efficiency of the distribution system

   There are significant water losses in the distribution system, essentially due to breakdowns and inefficiency in the infrastructure, including leaks and service connections. Improvements in these areas, and in operating procedures, can limit the losses, have a positive impact on earnings and probably lower prices. This will lead to an increase in the value of the company and solidify the long-term returns on investment.

   SABESP is ready to increase the waste treatment ratio from 76% in 2020 to 88% in 2025. If correctly applied, efficient treatment will not only have environmental benefits, but will also reduce CO_2 emissions by eliminating the organic wastes in the effluents discharged into the river system. In order to meet this goal, SABESP plans to invest a total of $3.5 billion US from 2021 to 2025. The company has 92% sewage treatment coverage, and is aiming for 100% water coverage.

Beijing Enterprises Holdings

Beijing Enterprises Holdings (BEH) is an investment holding company that focuses on infrastructure and public utilities, and that has been listed on the Hong Kong Stock Exchange since 1997. The Beijing municipal government has a 60% interest in BEH. 75% of the firm's net earnings derive from natural gas operations, 20% from water and waste water treatment, 2.5% from solid waste treatment and 2.4% from its brewing business.

In view of China's worrisome pollution problem, the government was forced to establish its "China's Clean Air Strategy" program, aimed at increasing the share of natural gas in the energy mix from 10% in 2020 to 15% by 2030. As a company with a range of environmental asset portfolios, BEH is well-placed to profit from China's long-term commitment to combating pollution and improving the environment.

a) **Letko Brosseau's mission:**

Letko Brosseau holds regular discussions with BEH management concerning its strategy for increasing the market penetration of natural gas in its concession areas, and concerning specific projects, such as water treatment and solid waste treatment. We are comfortable with the company's operational track record.

However, Beijing Enterprises Holdings is the majority shareholder in China Gas Holdings Ltd., which has had a number of explosions in various cities in its concession areas. We have entered into a dialogue with BEH to determine the cause of these accidents and learn more about its action plan for ensuring that safety standards and operational excellence at China Gas are brought up to par with those at BEH. We will continue to monitor the situation.

b) **ESG risks:**

1. **Energy transition**

Environment – End-use energy efficiency

China has a clearly-defined strategy for increasing the share of natural gas in its energy mix. In general, despite its lower emission levels, the natural gas value chain produces significant greenhouse gas emissions. Efficient natural gas consumption will be a major theme of discussions between political decision-makers and regulatory bodies with respect to the fight against climate change.

At BEH, the solid waste treatment business is in development, with a focus on projects to convert waste into energy. In 2020, the energy produced by its solid waste incineration plants represented a savings of 2,718,976 tonnes of CO_2, which is comparable to China's conventional thermal power production.

2. **Sustainable living:**

Integrity of the gas distribution infrastructure

BEH has set up a sound operational management system that includes multiple layers of protection and detection. In 2020, the company began applying precise positioning technology using the BeiDou satellite to the management of all of its natural gas companies. By applying this technology, one can quickly obtain accurate and detailed data concerning gas pipelines, and it will create a security loop consisting of precise positioning, operating performance, maintenance and support. As installations are carried out, the company performs regular safety inspections on its equipment, including compliance inspections to ensure the safe use of gas. In 2020, BEH organized more than 170 safety promotion activities, both online and offline, which reached more than 100,000 people.

11.6. What projects are you currently working on to help you take the risks and opportunities related to ESG factors into account more effectively?

a) **Climate Change Committee:**

Our purpose in setting up a Climate Change Committee is to understand the scientific aspect of climate change, and then to assess the risks and opportunities arising from the transition to a low-carbon economy at the sectoral and individual company levels. Our assessments are based on a close review of the scientific literature, a study of potential new technologies, an examination of substitution strategies and familiarity with the regulatory framework and government policies. If necessary, we carry out a scenario analysis that focuses on factors such as supply and demand, commodity prices and how quickly new technologies are adopted. These conclusions are incorporated into our investment process, and a constant effort is made to improve our information-sharing capabilities.

b) **ESG Committee:**

In 2021, an ESG Committee was created to discuss all of the risks and opportunities related to ESG factors within the context of our investment approach and internal activities.

c) **Reports on carbon neutrality:**

The Climate Change Committee is in the early stages of its research into the concept of carbon neutrality (reduction of net emissions to zero). These research reports will cover the scientific evidence for climate change, sources of emissions, a closer look at the sectors involved, the notion of carbon neutrality and possible future solutions. Given our focus on research, we deemed it appropriate to begin by publishing a first report on the scientific aspect of climate change, entitled *Net-Zero Research Series Part 1: Understanding the Science*. Other reports on various topics will follow, setting out our sectoral research and conclusions, along with their influence on our investment decisions.