

Q4 2025

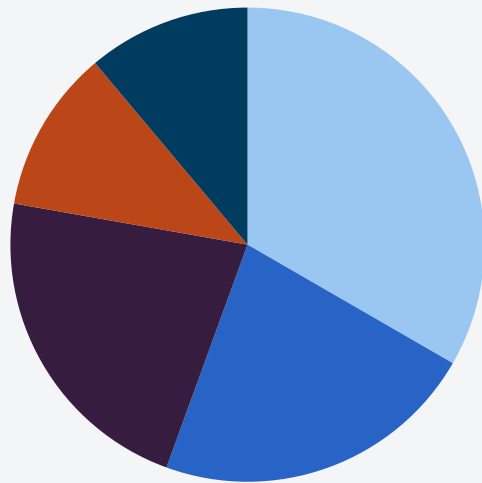
Engagement
Report

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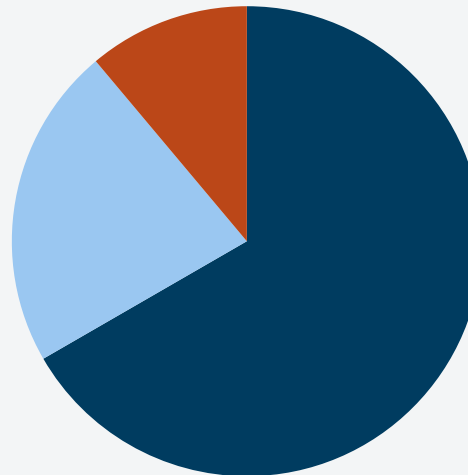
Q4 2025 Engagement Breakdown

Engagements by Sector



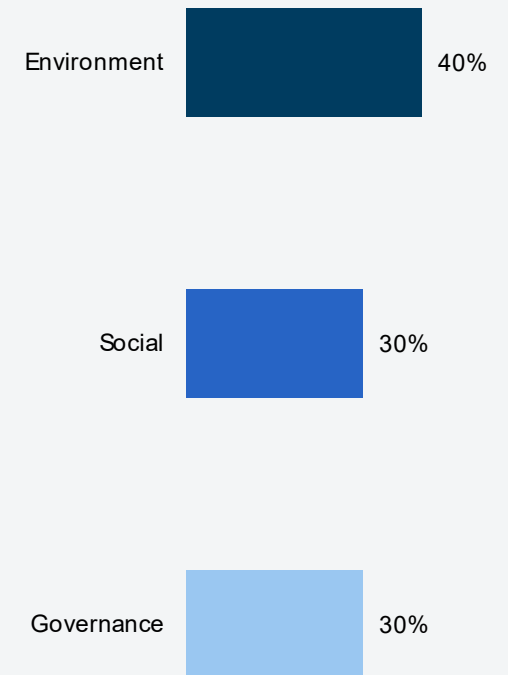
Energy	33%
Health Care	22%
Utilities	22%
Industrials	11%
Consumer Discretionary	11%

Engagements by Geography



Canada	67%
USA	22%
Other	11%
Europe	0%

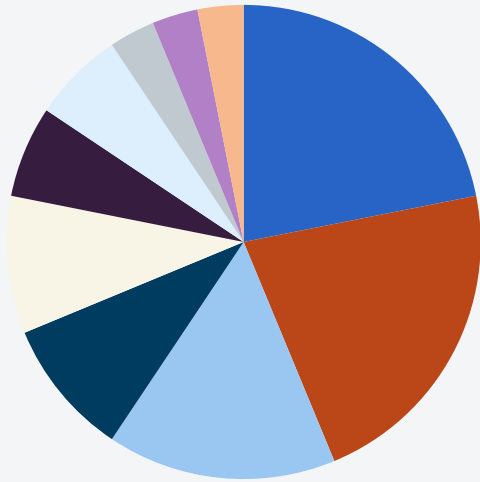
ESG Discussion Topics



Environment	40%
Social	30%
Governance	30%

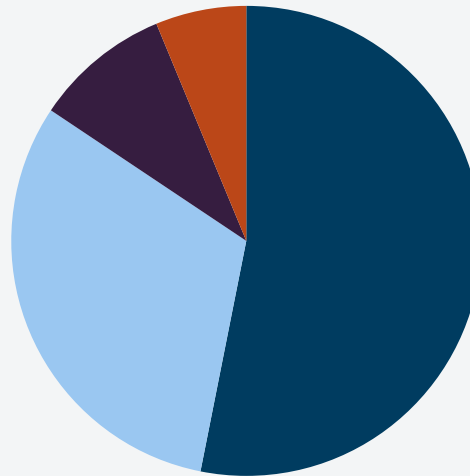
2025 Engagement Breakdown

Engagements by Sector



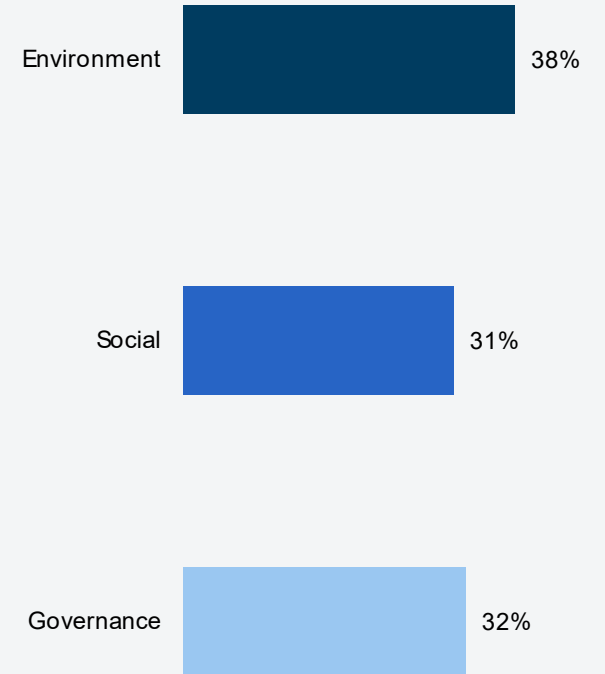
Health Care	22%
Energy	22%
Financials	16%
Industrials	9%
Utilities	9%
Real Estate	6%
Consumer Disc.	6%
Technology	3%
Telecommunications	3%
Communications	3%

Engagements by Geography



Canada	53%
USA	31%
Europe	9%
Other	6%

ESG Discussion Topics



Environment	38%
Social	31%
Governance	32%

Our Engagements

Global Automotive Original Equipment Manufacturer

Sector: Consumer Discretionary

Geography: South Korea

Discussion Topic: Environment & Governance

Engagement Rationale

- We engaged with this global automotive Original Equipment Manufacturer to better understand its ESG approach and long-term decarbonization strategy amid a shifting regulatory and market environment, particularly amid the recent slowdown in electric vehicle demand. As a medium-sized core holding held across multiple portfolios, our focus was on how the company is adapting its EV strategy while maintaining longer-term environmental objectives, alongside governance oversight, quality assurance, and supply chain management.

Highlights & Outcome

- The discussion highlighted a pragmatic recalibration of the company's near-term electrification strategy. Management confirmed that its overarching carbon neutrality target of 2045 remains unchanged and has recently received validation under the Science Based Targets initiative. The primary lever to achieve this goal continues to be the transition to fully electrified vehicle sales, which is expected to account for approximately 90% of emissions reductions over time. However, given weaker-than-anticipated EV demand and profitability pressures, the company has removed its interim 2027 EV sales target while maintaining its longer-dated goals. Hybrid vehicles now represent roughly 16% of global sales and over 20% of US sales, with peak hybrid demand expected around 2030 before a renewed acceleration in EV adoption.
- Operational decarbonization efforts are progressing in parallel. The company is expanding renewable energy use across its manufacturing footprint, with overseas plants currently being converted and its largest domestic facility expected to transition after 2035 due to scale and labor considerations. Battery strategy discussions focused on improving longevity and recycling pathways rather than modular replacement, alongside selective sourcing strategies by region.
- Supply chain and governance practices remain an area of continued development. ESG risk assessments have expanded from domestic suppliers to global tier 1 suppliers, covering 74 subsidiaries. While terminating supplier relationships is challenging, corrective action plans and remediation support are embedded within procurement processes.
- Overall, the engagement reinforced a constructive view of the company's ability to balance near-term market realities with credible longer-term decarbonization and governance frameworks. No changes were made to our portfolio positioning. Surface the tension, nuance, or insight from the desk that makes the topic worth paying attention to. This is where interest and engagement deepen.

Our Engagements

Canadian Retirement Residence Operator

Sector: Health Care

Geography: Canada

Discussion Topic: Environment, Social & Governance

Engagement Rationale

- We engaged with this Canadian retirement residence operator to better understand the evolution of its ESG strategy, which remains in the early stages, with a particular focus on governance-related risks. Key areas of interest included the maturity of ESG reporting, emergency preparedness in the context of more frequent extreme weather events and oversight of ongoing litigation. Surface the tension, nuance, or insight from the desk that makes the topic worth paying attention to. This is where interest and engagement deepen.

Highlights & Outcome

- The discussion highlighted gradual but tangible progress in ESG integration over recent years, with a clear emphasis on social considerations given the nature of the business. The issuer now publishes an annual ESG report, compared to having no formal disclosure several years ago, and described ongoing efforts to improve data quality and reporting depth. An ESG committee has been established, with reporting lines to the board, and several individuals across the organization hold ESG-related responsibilities, including oversight of utilities and wastewater. However, there is no dedicated full-time ESG role, and the issuer has not yet committed to external ESG frameworks or industry initiatives.
- Environmental reporting remains under development. Management emphasized the importance of establishing reliable baseline data before expanding disclosure, particularly for waste generation and diversion metrics, with more comprehensive waste data expected in the current reporting cycle. No medium- or long-term emissions reduction targets have been set; the issuer cited caution around data readiness, regulatory constraints, and the energy-intensive nature of 24-hour care operations. Formal third-party building certifications have not been pursued, though relevant best practices have been incorporated into operations, and an alternative accreditation focused on care quality has been obtained.
- From a governance and risk perspective, the issuer outlined robust emergency preparedness practices, including physical risk assessments, disaster recovery planning, staff training, and coordination with local communities and peer operators. These measures were tested during recent wildfire events, where several residences supported displaced residents from affected areas. Cybersecurity oversight has increased at the board level, with plans for enhanced disclosure and third-party risk assessments. Ongoing COVID-related litigation remains in the discovery phase, with defense costs covered by insurance and no near-term financial impact expected.
- Overall, the engagement provided reassurance around the issuer's direction of travel on ESG, despite the early-stage nature of its strategy. No changes were made to our portfolio positioning.

Our Engagements

North American Energy Company

Sector: Energy

Geography: Canada

Discussion Topic: Environment, Social & Governance

Engagement Rationale

- This follow-up engagement with a large North American energy infrastructure company was conducted to assess progress against issues identified in earlier discussions, particularly elevated emissions intensity, evolving climate targets, and safety performance.
- As one of the largest bond issuers in North America and a significant holding across several of our portfolios, the issuer's approach to emissions management, regulatory alignment, and governance oversight remains a key focus of our ongoing ESG monitoring.

Highlights & Outcome

- The follow-up discussion centered on recent changes to the issuer's climate targets and the underlying rationale. Since the prior engagement, the company has removed its net-zero by 2050 target, citing regulatory uncertainty related to Bill C-59, higher-than-anticipated natural gas demand, and slower-than-expected technological advancement.
- Management described the original target as having been set during a period of "peak market optimism," noting that practical constraints around compressor station emissions, which represent roughly 80 percent of the asset base, have proven more complex. In place of the prior 30% absolute emissions reduction target by 2030, the company introduced a new goal to reduce methane intensity by 40% to 55% by 2035. Methane accounts for approximately 19% of Scope 1 emissions, focusing near-term efforts on what management views as the most achievable and cost-effective abatement lever. Broader Scope 1 targets remain under evaluation, though no timeline was provided.
- The issuer reiterated that the removal of a fixed net-zero year does not signal a retreat from decarbonization, but rather reflects a desire for flexibility as technology, regulatory clarity, and energy systems evolve. Near-term actions remain focused on methane management, electrification where feasible, and pilot projects involving carbon capture and hydrogen blending at compression sites. Longer-term transition exposure continues through investments in nuclear power and adjacent technologies.
- From a social and governance perspective, management provided updates on safety and Indigenous engagement. Safety metrics have shifted from total recordable case rates to high injury and fatality rates, aligning with industry best practice and addressing prior underperformance. Indigenous economic participation remains a priority, though spend declined following the completion of a major project, with advisory councils and equity participation options continuing to guide engagement. Board oversight of sustainability remains robust, with ESG-related competencies embedded across the majority of directors and regular reporting to relevant committees.
- Overall, the follow-up engagement provided clearer context around recent target changes and reinforced management's awareness of prior ESG underperformance, alongside concrete plans to address areas within its control. No changes were made to our portfolio positioning.

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