SPRUCEGROVE

INVESTMENT MANAGEMENT

2023 SUSTAINABILITY REPORT

ASSESSING OUR IMPACT

Sprucegrove 2023 Sustainability Report

TABLE OF CONTENTS

Letter From the Board of Directors

Sprucegrove's inaugural Sustainability report highlights how our approach to ESG considerations complements our long-term, value-based investment approach. We will also reference our ethos of giving back to the community that combines charitable donations as well as our employees contributing their time to local causes.

This is our first formal sustainability report in our 29+ year history, as we continue to enhance our approach to ESG, an ever-evolving topic in our industry. Given our long investment horizon, which has been on average longer than ten years, understanding the economic sustainability of the companies we invest in through the course of multiple business cycles is critically important. Our focus on sustainability, however, is not restricted to our analysis of a company's financial metrics, but also encompasses our assessment of environmental impacts, social considerations, and governance practices.

We want to ensure that the profitability and growth of our portfolio companies are achieved by considering the impact on the environment, local communities, or society as a whole. It was this mindset in the late 1990s that led to our decision to avoid investing inThis mindset in the late 1990s f their revenues and earnings from tobacco, gaming, and firearms, as the negative impact of their products far outweighs their benefits.

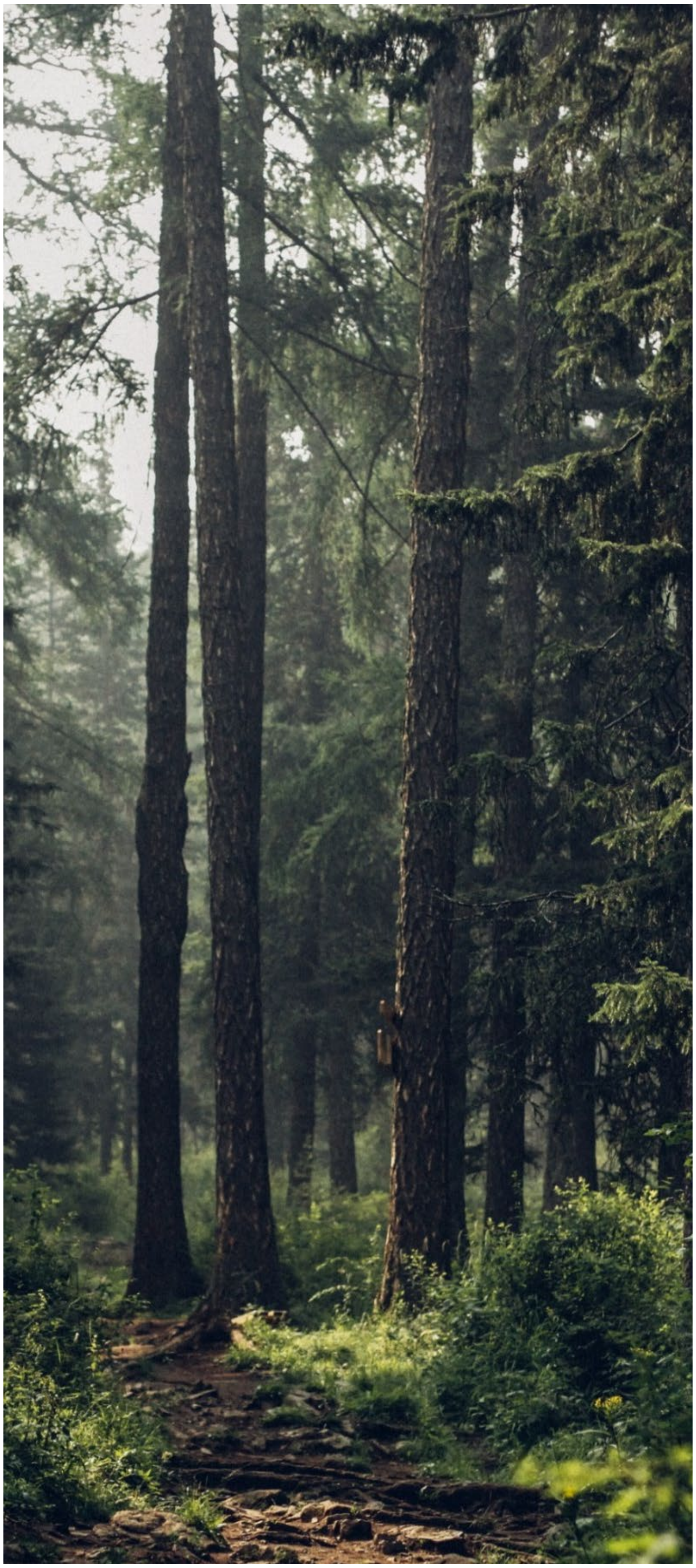
In recent years, the interest in ESG and corporate social responsibility across the broader investment industry has increased exponentially. While this gathering acceleration in attention to ESG issues is welcome, the sheer amount of information and data being devoted to this field can be daunting. Given the importance of sustainability in our research process, we have established a Proxy voting/ESG team that includes representation from Sprucegrove's Research, Portfolio Management, Marketing & Client Servicing teams in addition to a member of the Board of Directors.

We believe that ESG's time has come and our firm is committing – and will continue to commit – the requisite investment needed to ensure that our understanding is current and its integration with our research process is adhered to.

Shirley Woo
Director & Portfolio Manager

Arjun Kumar
CEO & Portfolio Manager

Sabu Mehta
Director & Senior Investment Analyst



ESG Approach, Considerations and Engagements

Since the firm's founding, our foremost objective has been to generate superior long-term returns for clients and this remains our unwavering focus. Assessing a company's competitive advantages alongside its financial strength and overall sustainable profitability are key factors that are taken into account. With the need to consider heightened market externalities or systemic risks and opportunities that can impact a company's future returns, we need to be aware of those risks that may impact an investment's long-term sustainability and, importantly, how management teams are positioned to address these concerns. In much the same way that we are stewards of our client's funds, we look to management teams to discharge their fiduciary duty to us as shareholders. We believe that companies with a strong appreciation of the ESG challenges they face should *ceteris paribus* generate superior longer-term returns.

Third-party service providers including MSCI ESG® and Sustainalytics® supplement our internal research while we also attend conferences and webinars to increase our network of contacts and remain apprised of current developments.

Engaging with management is an integral aspect of our research and stewardship process. These engagements include dedicated ESG meetings where the focus is on material issues affecting the company's competitive strengths, long-term strategies and financial results.

In the following section, we provide examples of engagements over the past year with company management on ESG issues.

Company Engagements

COMPANY NAME
Holcim

SECTOR
Materials

COUNTRY
Switzerland

ENGAGEMENT CATEGORY
Environment

SPRUCEGROVE ENGAGEMENT

In January 2021 we had a meeting with the Chairman and Chief Sustainability of Holcim to discuss how the company plans to reduce its impact on the environment. The company has acknowledged that their long-term survival depends on how they handle that critical issue. In order to achieve the goal, the company wants to burn more waste in their cement plants, further reduce their clinker factor and use more recycled materials from waste. At the same time, the company is experimenting with carbon capture and storage. It has established specific targets, which are validated by third parties, and the targets are fully aligned with the organization and executive compensation.

More recently, we had a meeting in December 2022, with the Head of Climate and Energy of Holcim. They highlighted their continued commitment to net zero by 2050. A good example of the progress the business is making is in green cement. The ECOPlanet brand offers 30% lower emissions and is available in over 20 markets. Holcim also expects to cut emissions further by reducing clinker content from 71% to 68% in the medium term.

ESG SUMMARY & CONSIDERATIONS

Holcim is the largest cement company in the world with a growing building solution offering. With its efficient plants and market leadership, the company is well-positioned to benefit from higher infrastructure spending in many markets. Increasing population and urbanization around the world should be supportive of more repair and refurbishment as well as higher demand for sustainable construction solutions. The construction sector represents 38% of the world's carbon emissions* and the manufacturing of cement is a carbon-intensive process. Within this context, Holcim is a leader of sustainability in cement production, with its carbon emissions per tonne amongst the lowest in the industry. The company aims to further reduce carbon intensity and has pledged to be net carbon neutral by 2050.

Besides its focus on reducing carbon emissions, the company is investing in a new business segment (Solutions & Products) which is more on the asset light side of the industry. The solutions and products segment offer products in roofing and insulation which make buildings more energy-efficient and resilient throughout their lifecycle. Holcim accelerated its presence in the asset light side of the industry through the acquisitions of Firestone and Malarkey roofing businesses. Holcim has set a goal to achieve 30% of sales from this division by 2025 and is currently well on track to meet this target. Through recent acquisitions, such as Firestone, the segment's sales have grown from 8% in 2020 to 21% in 2022.

With respect to the core cement business, Holcim is innovating around greener products with the successful launch of ECOPlant green cement and ECOPact green concrete, these products have a 30% lower carbon footprint. Holcim is at the forefront of driving circular construction to reduce, reuse and recycle materials. In 2021, recycled content made up 24% of cement and over 50m tons of waste were recycled (the target is 100m tons by 2030).

In terms of governance, the key issue that we continue to monitor is the outcome of the legal proceeding in the French courts with respect to Lafarge Cement Syria's alleged dealings with terrorist organizations (protection payments amidst the civil war) in 2013 and 2014 (pre the Lafarge Holcim merger). In terms of the Board composition, we are supportive of the separation of roles of the CEO and Chairman combined with the increase in diversity with females making up 25% of the board in 2021 up from 8% in 2017.[1] According to a report published by the United Nations Environment Programme in 2019.

CONCLUSION

Based on our longstanding research and ownership of the company, we believe the company is addressing the key challenges of decarbonization by being an industry leader with innovative products and diversifying the business mix to less carbon-intensive products.

SEE IMPORTANT INFORMATION
PLEASE CONSIDER THE ENVIRONMENT BEFORE PRINTING.

[1]According to a report published by the United Nations Environment Programme in 2019.
SOURCE: HOLCIM, SPRUCEGROVE, FACTSET
AS OF DECEMBER 31, 2021

HOLCIM CONTINUED

ESG Highlights

The manufacturing of cement is a carbon intensive process. Holcim is the leader of sustainability in cement production with its carbon emissions per tonne amongst the lowest in the industry. The business is focused on its 2025 Green Strategy which entails investing in lower carbon industries. It is also a market leader in green products with the first to market in green concrete and cement products.

The company has announced its goal of achieving carbon neutrality by 2050 and reducing its carbon emissions is included amongst its long-term compensation metrics.

COMPANY NAME

Air Liquide

SECTOR

Materials

COUNTRY

France

ENGAGEMENT CATEGORY

Governance

SPRUCEGROVE ENGAGEMENT

In the course of an ESG meeting in December 2021 with Air Liquide's Investor Relations team, they referenced management's keen interest in hearing feedback from long-term shareholders, in particular as it relates to their responsible growth approach. Their LTI plan incorporates with effect from 2020 a performance condition linked to the Group's Carbon Intensity. This is consistent with the trajectory of the Group's Climate Objectives that were announced at the end of 2018, of which the aim is to reduce the Carbon intensity by 30% between 2015 and 2025.

ESG SUMMARY & CONSIDERATIONS

Air Liquide (France) is the second largest industrial gas company in the world. It provides atmospheric gases – nitrogen, oxygen, argon, carbon dioxide, helium and other specialty gases to a diverse set of customers in the metals processing, petroleum, chemicals, aerospace, food & beverage, electronics and medical industries, amongst others. The industrial gas industry has historically grown at 1.5x – 2.0 x GDP in advanced economies and higher rates in developing markets.

The ongoing need to assist its customers to produce their products more efficiently and with reduced emissions is an important aspect of the industry. Furthermore, the 'Net zero' objectives being embraced by many governments and industries around the world are expected to drive demand for more renewable energies and 'green' hydrogen (H2) achieved via the electrolysis of water using renewable electricity is anticipated to be one of the fastest growing renewables.

Separately, we have long advocated for a change in the company's governance practice of having a combined Chair and CEO. In 2021 Air Liquide announced that it will separate these roles effective in 2022. Another change that Sprucegrove has been supportive of is to see a portion of management's long-term compensation tied to achieving lower carbon dioxide emissions from its asset base, and the company has embedded this into its executives' compensation.

CONCLUSION

Based on our longstanding research and ownership of the company in addition to its ongoing R&D commitment, we believe the company is addressing the key challenges of decarbonization while paying ample attention to improved corporate governance.

ESG Highlights

Air Liquide is proactive on the ESG front in seeking to both decarbonise its own energy use through increasing its purchase of renewable power in conjunction with assisting its customers, particularly in the hard-to-abate sectors of cement and steel, in reducing their carbon footprints.

The company has announced its goal of achieving carbon neutrality by 2050 and reducing its carbon emissions is included amongst its long-term compensation metrics.

Proxy Voting

We are proud of our role as stewards of our clients' funds and while generating the best long-term investment performance is our paramount objective, the discharge of our fiduciary duty includes voting our clients' proxies in their best interests. We are cognizant of the importance of this responsibility and strive to apply our proxy voting policies as consistently as possible regardless of the geography in which a company is domiciled. Our internal analysis also utilizes proxy analysis from third party providers – ISS and PIRC - however, all decisions rest with us.

Our guidelines are reviewed and updated annually, as required, to take into account evolving expectations as to good corporate governance in addition to applying lessons learned from prior years' voting. A good example of the latter is as a member of executive management should be assigned the responsibilities of Chief Sustainability Officer to demonstrate the company's commitment to ESG matters.

Recent changes to our proxy voting guidelines:

BOARD OF DIRECTORS:

The maximum number of Board commitments we consider appropriate is four (4), as well as a maximum of two (2) other non-executive director ("NED") commitments (i.e., trustee and advisory roles). Unless otherwise advised as to the time and commitment involved, we consider director's board duties and obligations equivalent vis-à-vis public and non-public companies. We also take into consideration the requisite time obligations of the different commitments. For example, a Chair or CEO is a greater time requirement than a regular board seat or an advisory role at an organization. A Chair or CEO should only have one NED role.

MANAGEMENT & DIRECTOR COMPENSATION:

While we remain philosophically opposed to stock options as we believe they do not align the interests of management and shareholders, we recognize they are embedded in many companies' compensation plans. In those instances, we want the plans to be structured as best as possible to encourage long-term performance and result in as minimal dilution to shareholders as possible. We prefer limited and reasonable use of stock option plans because we do not believe they effectively align the interests of management and shareholders (particularly when they are "under water"), but we acknowledge that their existence is still common.

We will support the issuance of a reasonable level of restricted stock units as long as there is a mix of profitability, growth and ESG components embedded in the plan in addition to having a post-vesting retention period. We also favor longer duration plans as opposed to those with a short time horizon. Issuing restricted shares with time-based post-vesting restrictions supports strong corporate governance.

We generally support equity awards as part of the overall management compensation; however, the authority sought for approving the grant of awards and issuance of shares under a performance share plan and/or restricted share plan should not exceed 10% of the company's issued share capital and should expire at the next annual general meeting.

MEETING NOTIFICATION:

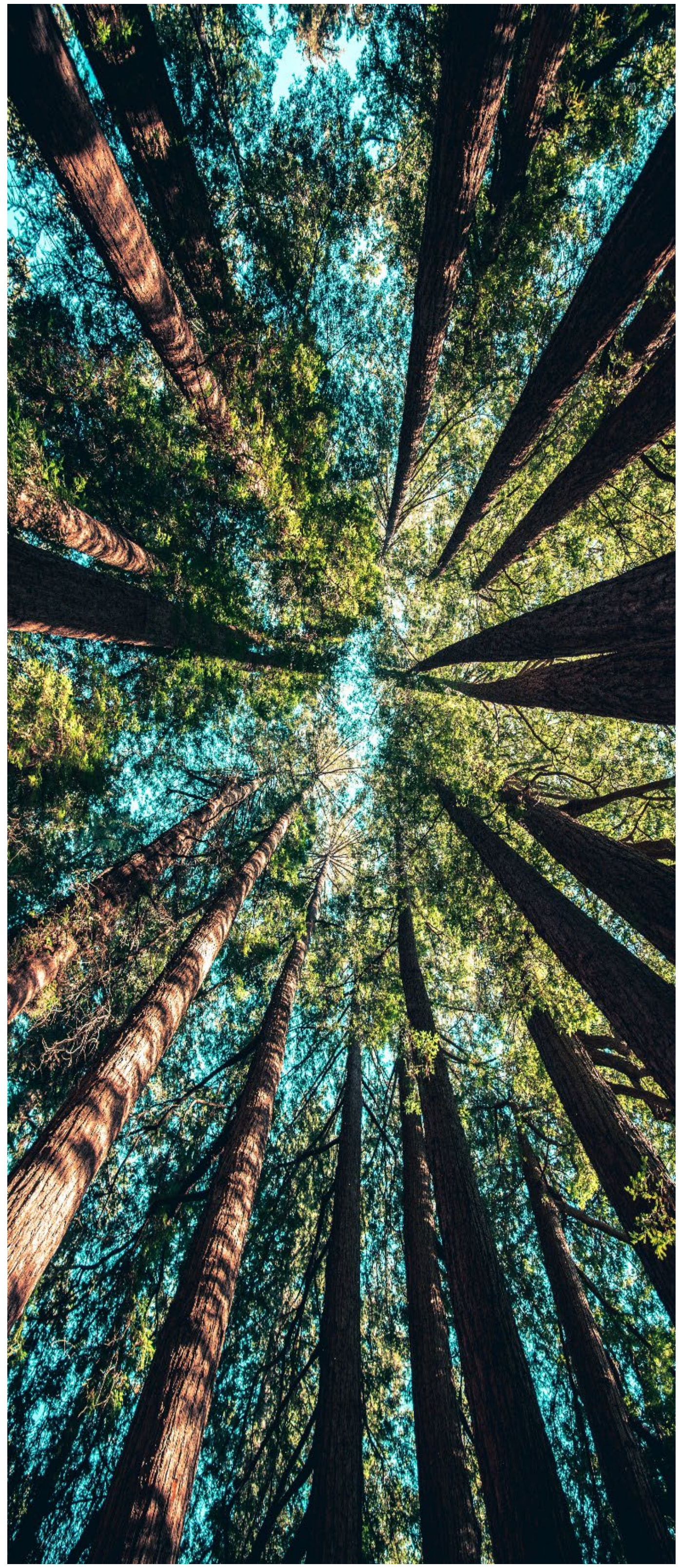
We consider where a meeting can be called in two (2) weeks' notice as an insufficient notice period. For example, a proposed two (2) weeks' notice to call a general meeting does not provide sufficient time for stakeholders to receive and evaluate all documentation. Thus, we consider where a meeting can be called in four (4) to eight (8) weeks as a more sufficient notice period. In those circumstances where we have either opposed or abstained on management proposals, we communicate the rationale for our voting with the company. This is increasingly fostering a stronger dialogue with our portfolio holdings encompassing not only our traditional financial review but also regarding their corporate governance, environment and social policies. Gaining insights from company boards and management responses is essential as it can impact our risk-adjusted return expectations.

SOCIAL & ENVIRONMENTAL GUIDELINES

In addition to Sprucegrove's Proxy Voting Guidelines, we have developed ESG guidelines. An essential part of our investment process is ESG, and we are dedicated to providing transparency with respect to our proxy voting. The purpose of the Sprucegrove ESG Guidelines is to serve as a guide for voting proxies and engaging with management.

Proxy Voting Continued...

CLIMATE-RELATED PROXIES:



We recognize that climate change has emerged as the most significant environmental threat to the planet to date. Scientists agree that gases released by chemical reactions including the burning of fossil fuels contribute to a "greenhouse effect" that traps the planet's heat and that in turn is leading to more extreme weather events due to atmospheric and oceanic warming. Companies are increasingly expected to adapt their business models to a lower carbon economy.

In 2022, we added a set of guidelines specifically for voting climate related proxies. Some of the new considerations include supporting shareholder proposals seeking information on the financial, physical, or regulatory risks a company faces related to climate change with respect to its operations and investments, and/or how the company identifies, measures, and manages such risks.

In addition, consistent with our Net Zero commitment, shareholder proposals calling for the reduction of greenhouse gas emissions and to commit to net-zero by 2050 with an interim target of 50% reduction in Scopes 1 and 2 will be supported.

Management proposals that request shareholders to approve the company's climate transition action plan, will be considered on a case by case based on the completeness and rigor of the plan.

ESG Partnerships

NET ZERO ASSET MANAGERS INITIATIVE:

Sprucegrove became a signatory to The Net Zero Asset Managers Initiative in 2021.

The Net Zero Asset Managers initiative comprises a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit global warming to 1.5 degrees Celsius, and to supporting investing aligned with net zero emissions by 2050 or sooner. The initiative will be managed globally by six Founding Partner investor networks, namely:

- Asia Investor Group on Climate Change
- CDP
- Ceres
- Investor Group on Climate Change
- Institutional Investors Group on Climate Change
- Principles for Responsible Investment

The initiative is also endorsed by The Investor Agenda, of which the investor networks are all founding partners.

Over the next 12 months, the firm will perform a complete evaluation of our strategies with the intention of setting our own specific targets to align our portfolios with net zero by 2050 or sooner.

For more information on the Net Zero Asset Managers initiative and the commitments made by signatories, please visit www.netzeroassetmanagers.org.

THE INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE:

Sprucegrove has been a member of The Institutional Investors Group on Climate Change ("IIGCC") since October 2022.

IIGCC is the European membership body for investors collaboration on climate change and the voice for investors taking action for a prosperous, low carbon future. IIGCC has more than 350 members, mainly asset managers and pensions funds, across 23 countries, with over €51 trillion in assets under management. IIGCC provides support and enables the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. IIGCC works to help define the investment practices, public policies, and corporate behaviours required to address climate change.

For more information, please visit www.iigcc.org.

PRINCIPLES FOR RESPONSIBLE INVESTING:

Sprucegrove has been a signatory of the PRI since 2016.

The PRI is the world's leading proponent of responsible investment ("RI"). It works to understand the investment implications of ESG factors, and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

RESPONSIBLE INVESTMENT ASSOCIATION:

In 2021, Sprucegrove joined The Responsible Investment Association ("RIA") to support the goal of increased responsible investing in Canada's institutional markets.

RIA Members include asset managers, asset owners, advisors, and service providers who support promoting responsible investment in Canada's retail and institutional markets. RIA's institutional members collectively manage over $20 trillion in assets.

Our partnership with RIA is one further step in the direction of positioning ourselves as a leader in RI and ESG investing in Canada. We look forward to engaging with peers and industry leaders to discuss the future of Canada's marketplace and to utilize the expertise and resources RIA offers to deliver the very best to our clients

For more information, please visit www.riacanada.ca.

Charitable Initiatives

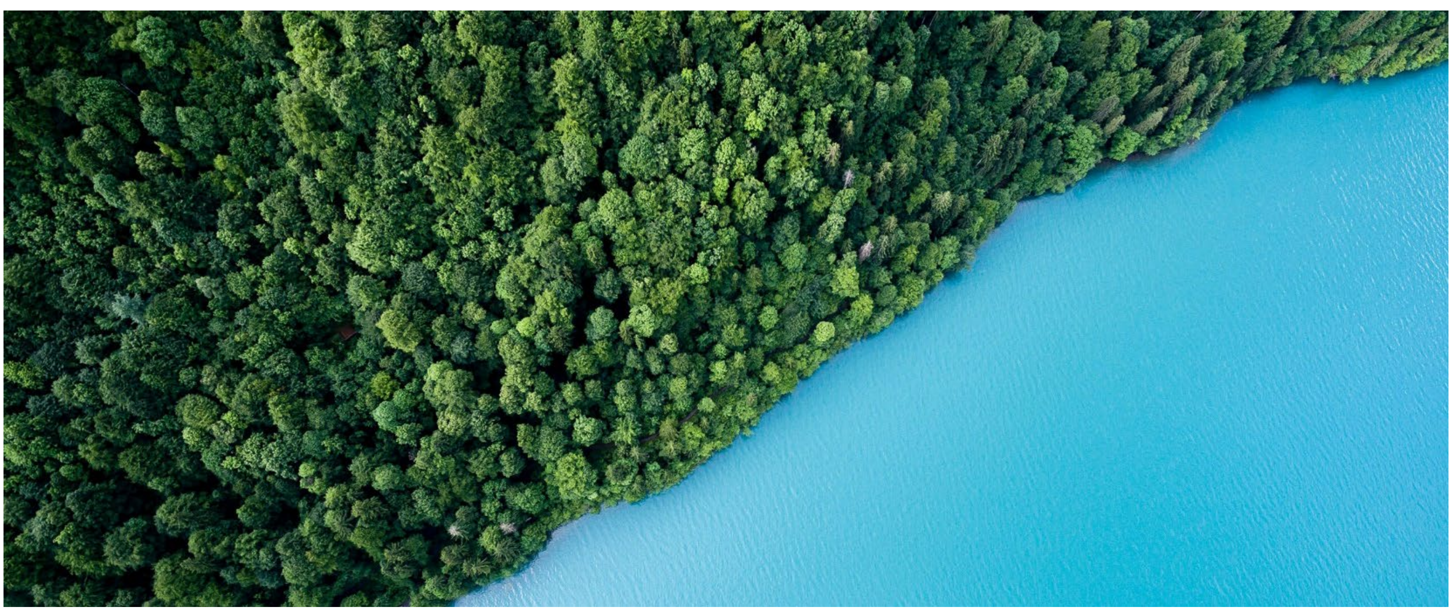
Sprucegrove is privileged to have enjoyed the success it has for nearly 30 years and the ethos of 'Giving back to our community' was strongly encouraged by our founders. The company has supported its employees in contributing their time – through paid days – at numerous charities and organizations over the past 20 years. Some of the numerous organizations that have benefitted from our employees' involvement are Habitat for Humanity, Fred Victor, Bloorview Children's Hospital, Food Share, Dixon Hall, and Meals-on-Wheels, amongst others. The pandemic has temporarily suspended our volunteer work, but our team is eagerly awaiting the opportunity to resume their community involvement.

An exciting development occurred in November 2021 when our application to establish a charitable foundation, The Sprucegrove Foundation, was approved by the Canada Revenue Agency. The aim of the Foundation's work will be to work closely with a limited number of local charities that 'fly below the radar' and are in need of funding and that can also benefit from our staff volunteering. The task of identifying and selecting the charities is being spearheaded by our Charitable & Social Committee which is eliciting the input of the entire company. We look forward to sharing more information about our foundation's work in next year's Sustainability report.

Carbon Offsets

While the world's attention is keenly focused on addressing the greatest public health emergency in over a century, the other central issue overhanging the world is the Earth's climate. We are witnessing new extremes in terms of drought, forest fires (recently dubbed 'forever' fires), weather-related events, extreme temperatures, tropical storms and hurricanes. There is a broad-based acceptance that meaningful action needs to be taken and most industrialized and developing nations have agreed to some form of 'Net zero' target, whether that be in 2040 or 2060. Furthermore, over 100 nations have agreed to The Global Methane Pledge under which methane emissions will be reduced 30% by 2030 compared to a 2020 base.

Our firm does not own its own commercial office building but rents space in a Toronto building tower. We have recently undergone an office renovation which entailed the purchase and installation of energy-efficient kitchen appliances, IT equipment and lighting. Recognizing that one of our most prominent impacts on the environment relates to our business travel, we are now offsetting the carbon emissions associated with our air travel through offset programs with Ostrum Climate (Vancouver) in the Great Bear Rainforest in British Columbia.

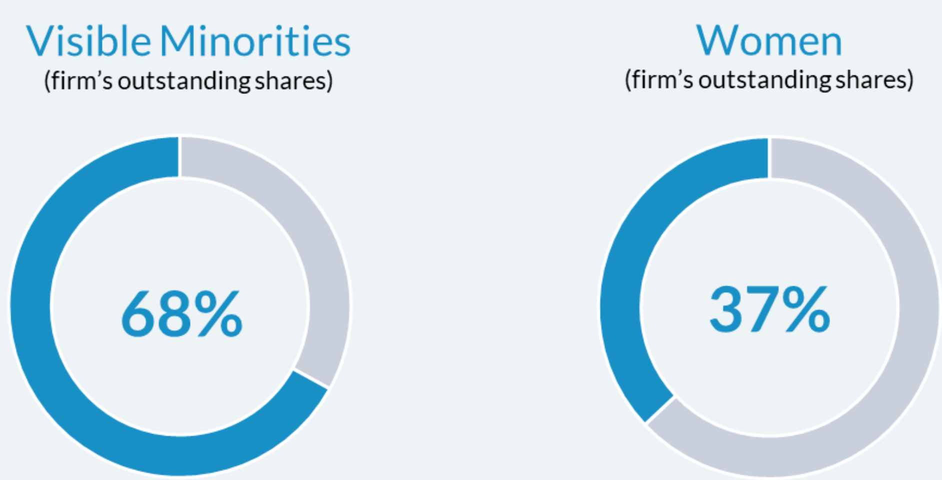


Diversity and Inclusion

Sprucegrove is based in the province of Ontario, Canada. We are governed under provincial legislation and comply with the Ontario Human Rights Code. We are located in one of the world's most cosmopolitan cities, Toronto, which provides a diverse talent pool and which is reflected in our employee population. While we recruit and select our people based on skills, knowledge and abilities rather than cultural or ethnic background, we are proud of our diversity.

Sprucegrove has been certified as a minority-owned business by the Canadian Aboriginal and Minority Supplier Council (CAMSC) and in the United States by the National Minority Supplier Development Council (NMSDC). Our company is also an Employer Partner with the Canadian Center for Diversity & Inclusion (CCDI).

APPROXIMATELY 77% OF THE FIRM'S OUTSTANDING SHARES ARE HELD BY WOMEN, MINORITIES OR BOTH.



44%	% of Shareholders	31%
68%	% of Ownership	37%

Pensions&Investments [4]
2022 RANKING #1
LARGEST MINORITY & WOMEN-OWNED ACTIVE EQUITY MANAGER
RANKED BY AUM
SPRUCEGROVE INVESTMENT MANAGEMENT LTD.

CAMSC [1] Certified

NMSDC [2] MBE Certified

CCDI EMPLOYER PARTNER [3]

[1] In accordance with its procedures, CAMSC (Canadian Aboriginal and Minority Supplier Council) independently verified and certifies that 51% or more of the outstanding common shares of Sprucegrove are held by Aboriginal peoples and/or visible minorities. For the purpose of CAMSC certification, visible minority status is based on ethnic origin and not gender.
[2] The NMSDC (National Minority Supplier Development Council) defines a minority business enterprise as at least 51% minority-owned, managed and controlled.
[3] The CCDI (Canadian Centre for Diversity and Inclusion) is a registered not for profit organization that focuses on diversity and inclusion, and human rights and equity,
[4] Sprucegrove is the largest minority & women-owned active equity manager for internally managed U.S. institutional, tax-exempt assets, as of December 31st, 2021.
All figures presented above are based on self-identification and tabulated by Diversio and Sprucegrove. All data as of November 1, 2022.

Important Information

ESG considerations are part of Sprucegrove's investment process, however we do not address ESG by exclusion nor do we mandate specific ESG restrictions through established investment guidelines.

Scope 1 Emissions: Covers direct emissions from owned or controlled sources.

Scope 2 Emissions: Covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

The opinions and views expressed are on behalf of Sprucegrove as of the date of this document (unless otherwise stated) and constitute Sprucegrove's best judgement and are subject to change at any time. Sprucegrove does not guarantee the accuracy, adequacy or completeness of any third-party data. Any predictions, opinions, and other information contained in this report are subject to change and without notice of any kind and may no longer be true and accurate after the date this report was first completed and disseminated.

Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. In addition, any forecasts are based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place or may never do so. While the information set out in this document has been prepared in good faith, no representation or warranty is given, and no responsibility is accepted, by Sprucegrove in relation to its accuracy or completeness.

The information provided herein should not be considered a recommendation to purchase or sell any particular security. The securities discussed herein are examples of Sprucegrove's ESG approach but do not represent an entire portfolio or the performance of a fund or strategy and in the aggregate may represent only a small percentage of portfolio holdings. It should not be assumed that any of the securities discussed herein were or will prove to be profitable, or that the decisions made by Sprucegrove in the future will be profitable.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Sprucegrove. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Sprucegrove or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third-Party Data. Neither the Owner nor any other third-party sponsors, endorses or promotes the portfolio or product to which Third Party Data relates.

This material is for informational purposes only to provide general information and is not meant to be legal or tax advice for any particular investor, which can only be provided by qualified tax and legal counsel. Please read the constating documents carefully prior to investing. Parties should independently investigate any investment strategy or manager, and should consult with qualified investment, legal, and tax professionals before making any investments.

The examples of engagements contained in this report are selected by Sprucegrove's investment team among a list of engagements/meetings held in the past year, based on materiality of ESG issues and what are believed to reflect the best represents of our approach to incorporating ESG in the research process.

In accordance with its procedures, CAMSC (Canadian Aboriginal and Minority Supplier Council) independently verified and certifies that 51% or more of the outstanding common shares of Sprucegrove are held by Aboriginal peoples and/or visible minorities. For the purpose of CAMSC certification, visible minority status is based on ethnic origin and not gender.

The NMSDC (National Minority Supplier Development Council) defines a minority business enterprise as at least 51% minority-owned, managed and controlled.

The CCDI (Canadian Centre for Diversity and Inclusion) is a registered not for profit organization that focuses on diversity and inclusion, and human rights and equity, specifically in Canada's workplaces and schools.

Sprucegrove is the largest minority & women-owned active equity manager for internally managed U.S. institutional, tax-exempt assets, as of December 31, 2021.

FOR MORE INFORMATION PLEASE CONTACT:

Tasleem Jamal

Executive Vice President, Head of Marketing & Client Services
tjamal@sprucegrove.com
+1 416.363.5854 ext.487

Sebastien Roy

Vice President, Marketing & Client Services
sroy@sprucegrove.com
+1 416.363.5854 ext.225

Elizabeth Taverna

Vice President, Marketing & Client Services
etaverna@sprucegrove.com
+1 416.363.5854 ext.261

Sprucegrove Investment Management
181 University Ave. Suite 1300
Toronto, Ontario
M5H 3M7
Canada

+1 416.363.5854

info@sprucegrove.com
www.sprucegrove.com