SUSTAINABILITY REPORT

2025

SPRUCEGROVE
INVESTMENT MANAGEMENT

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Letter From the ESG Committee

To say that 2025 was an eventful year would be an understatement as the concept of Environmental, Social, and Governance (ESG) came under intense scrutiny. News headlines have highlighted political pushback, accusations of greenwashing, and questions about whether ESG is more about marketing than measurable results. The suspension of the Net Zero Asset Managers (NZAM) initiative at the start of the year only added to the sense of uncertainty, with some observers prematurely declaring the demise of the net-zero movement and even the green transition itself.

But those conclusions miss the larger story. While the terminology around ESG and the coalitions that aim to drive positive change may be evolving, the underlying transition to a low-carbon economy is far from dead. In fact, not only is it alive, but it is increasingly driven by the growing alignment between economic interests and environmental goals.

The shift we are witnessing is that environmental responsibility and economic competitiveness are converging. What once required subsidies, voluntary commitments, or regulatory mandates is increasingly being justified on commercial grounds alone. For example, coal production is in long-term decline. While political debates continue, the economic reality is that coal is no longer the cheapest or most reliable option in many regions. Renewable energy and natural gas are frequently more cost-effective and scalable, driving utilities and governments to pivot away from coal regardless of ideology.

In market after market, wind and solar are being installed at scale, making them some of the lowest-cost sources of new power generation. When combined with improved battery energy storage systems, renewable energy is beginning to achieve its long-held promise. For companies managing long-term operating expenses, choosing renewable energy is no longer just about reputation — it is about economics.

Despite tens of billions being invested in improved battery technology, range expansion, and a greater charging infrastructure, the market for electric vehicles (EVs) has gone in reverse. Multiple automakers have hit pause on fully electric ambitions as political headwinds and affordability concerns have dominated the conversation. For auto manufacturers, EVs are not just about sustainability; they are about competitiveness in a changing global market. EVs may be out of favor at the moment, but as is the case in most long-term transitions, it is often two steps forward, one step back.

Investing in efficiency pays for itself. From energy-efficient buildings to circular supply chain models, companies are finding that reducing waste, improving resource utilization, and cutting emissions can deliver tangible financial benefits.

These trends illustrate a critical point that while the language of ESG may have become politically charged, the fundamentals of the green transition are increasingly driven by market forces. Companies are not investing in clean energy, electric mobility, or efficiency to check a sustainability box. They are doing so because these decisions lower costs, reduce risks, and position them for growth in a rapidly evolving global economy. This is particularly true when considering a long-term investment horizon, the lens through which Sprucegrove views all the companies we consider for investment.

For Sprucegrove, we welcome the growing convergence between environmental factors and economic interests, and the increasing alignment this brings to various stakeholders. We continue to examine ESG issues from both a risk and an opportunity perspective. Risks from inaction could negatively impact reputation, result in a loss of relevance, or lead to challenges in recruiting talent to an organization. By contrast, management teams with the foresight to pursue innovation and invest the necessary capital today could benefit from a first-mover advantage and seize new market opportunities that reinforce competitive positioning over a long investment horizon.

Another tailwind of this alignment is that it helps simplify and guide our discussions and engagements with management teams of the companies in which we may invest. The overlap of priorities helps ensure that a single conversation can often cover topics ranging from strategy to sustainability without requiring a separate dialogue with a company's ESG team. ESG is not noise pollution; it just makes good business sense.

ESG Approach and Considerations

Since inception, our primary objective has been to generate above average investment performance for clients by investing in high-quality businesses trading at attractive valuations. Our assessment of a company's quality includes an analysis of its long-term record, its durable competitive advantages, its financial strength, growth opportunities, and management team. ESG considerations are also a part of our assessment. We believe that evaluating attractive long-term investments should include identifying potential ESG-related risks and opportunities. In our experience, companies with innovative and forward-thinking management teams tend to view changes to their business landscape as opportunities. In contrast, companies led by management teams lacking these qualities tend to view change as an obstacle.

Third-party service providers, including MSCI ESG®, Glass Lewis®, and ISS Governance®, supplement our internal research, and we regularly evaluate new service providers to ensure we have the right tools. Additionally, we regularly attend conferences and webinars, speak with subject matter experts, and several committee members have completed the CFA Institute® Sustainable Investing Certificate.

While we are not activist investors, we do aim to promote positive change at the companies in which we invest and encourage management teams to adopt and adhere to best practices. Engagement begins by communicating with management teams on ESG issues. Our reputation as long-term investors and our practice of maintaining an ongoing dialogue has facilitated fruitful and meaningful discussions regarding a broad spectrum of issues. Escalation, where necessary, is done through formal communication and proxy voting.

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

COMPANY ENGAGEMENTS

COMPANY NAME

Renishaw

SECTOR

Information Technology

COUNTRY

United Kingdom

ENGAGEMENT CATEGORY

Governance

SPRUCEGROVE ENGAGEMENT

We hold a position in Renishaw, a leading engineering and scientific technology company focused on precision metrology (measurement). The company's core products, which are used to assess the quality of manufactured goods, are also used in applications with extremely tight tolerances for deviations such as semiconductor manufacturing, aerospace, and the treatment of neurological conditions. In addition, Renishaw has a growing software platform and manufactures 3D metal printing machines. At the company's AGM held on November 29, 2023, Sprucegrove voted against the re-election of co-founders Sir David McMurtry and John Deer, who collectively hold ~53% of outstanding shares. Our vote against the co-founders led to an engagement with the Senior Independent Director on April 9, 2024.

ESG SUMMARY & CONSIDERATIONS

UK-listed companies with a controlling shareholder (or controlling shareholders) have a regulatory requirement to file a relationship agreement which covers several "what-if" scenarios, such as what if one of the shareholders die? It is a private agreement that never becomes public.

The Renishaw co-founders received regulatory approval not to have such an agreement in place. In 1983, they entered into a publicly disclosed voting agreement which states: (i) John Deer and his wife, Mrs. M. E. Deer will vote their shares in favour of any ordinary resolution if requested to do so by Sir David McMurtry; and (ii) Sir David McMurtry will vote his shares against any special or extraordinary resolution if requested to do so by John Deer. The agreement has been renewed every five years, with the most recent renewal taking place in 2023. The co-founders believed this agreement allowed them to vote in the best interests of all shareholders, and the Reinshaw board considers this voting agreement the same as if there were an individual controlling shareholder with a majority vote.

Our vote against the co-founders prompted a discussion with Lead Independent Director Sir David Grant, and company secretary Karen Atterbury. During that discussion, it became known that Sprucegrove was the only investor to vote against this voting agreement.

We communicated that while we continue to support the co-founders, our vote against them was unrelated to their expertise and ability to sit on the board. The reason for our vote against the agreement is that it disadvantages minority shareholders, which breaches our fiduciary obligation to our clients. With the agreement in place, there is no possibility of a beneficial outcome without the co-founders' influence.

CONCLUSION

Votes against the co-founders peaked during the 2023 AGM, with 31% and 28% of votes cast against Sir David McMurtry and John Deer, respectively. In July 2024, the UK listing authority removed the requirement for a relationship agreement and votes against the co-founders declined. Sprucegrove remained the primary dissenting voice as the continuation of the voting agreement breaches our fiduciary responsibility to clients. In November 2025, the families of the company's founders, established a joint family holding company to hold 50.25% of the issued share capital of Renishaw. The creation of a holding company facilitates a generational transfer of the business within the families and reaffirms their commitment to being long-term shareholders of the company. We continue to believe Renishaw is a leader in metrology, with a large and growing catalogue of software and solutions for quality control and precision manufacturing.

SOURCE: RENISHAW , SPRUCEGROVE, FACTSET | AS OF DECEMBER 31, 2025

COMPANY NAME

SBM Offshore

SECTOR

Energy

COUNTRY

Holland

ENGAGEMENT CATEGORY

Governance

SPRUCEGROVE ENGAGEMENT

We regularly engage with SBM Offshore on a range of ESG topics. This time, the primary topic was its executive remuneration policy, but we also discussed SBM's staggered board, talent acquisition & retention, and the Lead Independent Director's perspective on what makes SBM a high-quality company.

ESG SUMMARY & CONSIDERATIONS

While the primary purpose of this meeting was to discuss the remuneration policy, there were effectively no significant changes. SBM has already constructed a firm policy that includes short- and long-term incentives, profitability metrics, and ESG metrics. Historically, total management compensation has also been very reasonable at €2-4.5m per senior executive. In fact, with the ascension of Oivind Tangen to CEO in 2024, CEO compensation has declined compared to that of longtime CEO Bruno Chabas, who retired. Although there were no significant changes, we still discussed whether EBITDA was the best profitability metric and whether the compensation peer group was appropriate. The company states that EBITDA is a better reflection of its cash generation ability, which was acceptable, but an argument can be made for EBIT or other metrics. The capital-intensive nature of building floating production storage and offloading vessels (FPSOs) means depreciation can be a significant portion of expenses and, therefore, can create a substantial difference between EBITDA, EBIT, or net income. SBM's peer group of FPSO builders and energy services companies appears appropriate.

Given that remuneration was uncontroversial, we used the time to discuss other ESG topics. SBM operates with a staggered board, elected to four-year terms. This can be seen as a takeover defense as it makes it difficult to refresh the board. It is not in line with Sprucegrove policies or best practice of annual director elections. We also discussed talent retention as SBM is reliant on specialized skilled labour for engineering and managing its projects. As an indication of the value of its employees, SBM will keep them employed even if there are fewer projects as it can be hard to replace those skills. Talent retention is generally not a problem; however, some customers in Brazil and Guyana require local content and labour, which has presented a challenge to find enough skilled labour in the past.

Lastly, since it was our first time speaking with Lead Independent Director Allard Castelein, we thought it was a good opportunity to learn about why he joined the board and what he likes about the company. Castelein has been involved in the energy industry for 36 years, and he views SBM as a wonderful way for investors to gain exposure to a crucial global product while benefiting from an excellent operator with high safety standards. Additionally, SBM is addressing ESG issues within the industry. In May 2025, the company received approval for its design of a new "near-zero" emissions FPSO vessel. The new design incorporates low carbon technologies that collectively create a "near zero" Scope 3 carbon emissions profile. This is a significant step towards the company's goal of becoming net-zero by 2050.

CONCLUSION

Since SBM already has a well-designed remuneration policy, once we covered our questions on that topic, the meeting turned into a productive overall ESG discussion. The company was receptive to our commentary on the subjects we covered, particularly on the staggered board. SBM continues to make progress across other ESG areas as an industry leader. Mr. Castelein also appeared genuinely enthusiastic about working for the company and its long-term prospects.

COMPANY NAME

Sandoz

SECTOR

Health Care

COUNTRY

Switzerland

ENGAGEMENT CATEGORY

Environment

SPRUCEGROVE ENGAGEMENT

In 2023, Sandoz was spun off from its parent company, Novartis (Switzerland), as the latter opted to focus on the research and development of novel pharmaceuticals. Sandoz is a global leader in generic small molecule drugs and biosimilars. Throughout 2024, after completing our initial report, we held multiple in-person and virtual meetings with management, including the CEO and other senior officials. One of these meetings was focused on ESG.

ESG SUMMARY & CONSIDERATIONS

The objective of the meeting was to better understand how Sandoz thinks about long-term sustainability and to review existing governance structures and future plans.

We highlighted that certain sustainability targets established by Sandoz (as a newly public company) lag those of its former parent Novartis, such as its commitment to net-zero emissions by 2050 (Novartis has a 2040 net-zero target). In November 2025, Sandoz submitted its 2030 and 2035 decarbonization targets to the Science Based Targets Initiative for validation, and will announce the targets once they have been validated. This should provide an opportunity for a follow-up engagement.

We also discussed Sandoz's decarbonization strategy, specifically regarding energy consumption. Sandoz has been working to increase the share of renewable energy it uses across its global footprint. Management noted that in India, Sandoz has partnered with Sunsure Energy, a renewable energy producer, to acquire green energy. The current agreement covers 65% of the firm's in-country power needs and resulted in US$1m in annual savings. Sandoz continues to seek additional opportunities to increase its use of renewable power.

As Sandoz claims that sustainability is important to its future, our discussion helped us identify areas for improvement and establish the groundwork for future engagements on sustainability. The head of ESG stressed that as a newly independent company, Sandoz's ESG framework is expected to improve as the company develops a longer track record.

We also were able to engage with Ms. Clair Heppenstall, Sandoz's Head of Total Rewards, on aspects of the firm's long-term incentive plan. We discussed the use of return on invested capital (ROIC), rather than EBITDA margin, in the long-term incentive plan. As the long-term performance plan has a performance period of three years with an additional two-year shareholding obligation post vesting for the CEO and CFO, we suggested the use of a five-year average ROIC (rather than a three-year average ROIC) to bring the two metrics into alignment. Ms. Heppenstall said that our feedback would be taken into consideration as Sandoz builds a track record as an independent company.

CONCLUSION

As a spinout from Novartis, which historically had a good ESG policy, we expected Sandoz to have a similarly comprehensive and well considered ESG policy. In our view, the business is progressing in this direction, but has additional work to do, which will allow us opportunities to further engage with management. Overall, we felt the meeting was an engaged and productive discussion that covered multiple ESG topics, and that the company was receptive to our suggestions regarding its long-term incentive plan.

SOURCE: SANDOZ , SPRUCEGROVE, FACTSET | AS OF DECEMBER 31, 2025

PROXY VOTING

Proxy Voting

We are proud of our role as stewards of our clients' funds, and while generating above average investment performance over the long-run 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 research from third-party providers (ISS and Glass Lewis); however, all decisions rest with us.

Our guidelines are reviewed and updated annually, as required, to reflect evolving expectations for good corporate governance and to apply lessons learned from prior years' voting. A good example of the latter is assigning a member of the company's executive management to the role of Chief Sustainability Officer to demonstrate their commitment to ESG matters.

Recent changes to our proxy voting guidelines:

BOARD OF DIRECTORS

We consider any directors up for re-election with tenures of less than twenty years as appropriate. Any directors up for e-election with tenures of twenty years or more will be considered insiders. Directors on the board with such long tenures raise questions as to their ability to exercise objective judgment and opinion. However, we also factor in the overall board independence, the director's attendance, experience, and contributions to the board.

We revised the acceptable number of years a director can serve on the board because we believe long-tenured directors provide invaluable expertise, experience, continuity, and stability to the board.

A historical perspective can be helpful in determining a company's strategy. During the 2022 proxy season, the board's fifteen-year tenure led us to adopt a one-size-fits-all approach to corporate governance, as we often encountered board tenures of fifteen or sixteen years. We wanted to ensure greater flexibility during the 2023 proxy season to factor in board members who may have a tenure of eighteen years but check the boxes in all other areas (i.e., bring quality performance, skills, and expertise). If only one or two board members have long tenures; we prefer not to exclude them and will look at the overall board independence.

MANAGEMENT & DIRECTOR COMPENSATION:

For directors, holdings equal to at least one year's worth of salary are generally appropriate to be built within three years of joining the board. However, we encourage directors who are also executives to own such an amount of shares within one year of joining the board.

We encourage executives to own underlying shares in the company within one year of joining the board, for a minimum of one year's base salary.

The above was amended to have more explicit language, as we like to see incentives that promote long-term success. Compensation should be linked with the best interests of the shareholders, and we review it on a case-by-case basis.

In circumstances where we have either opposed or abstained on management proposals, we communicate the rationale for our vote to 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.

IN-PERSON OR MIX OF IN-PERSON AND VIRTUAL SHAREHOLDER MEETINGS:

We prefer in-person or a mix of in-person and virtual general meetings over virtual-only meetings, as they provide greater protection of shareholder rights. With virtual-only, there is concern about company-favourable filtering of meeting issues, as management has greater control over the meeting agenda. For companies requesting virtual-only meetings with adequate notice, we will consider the rationale provided, if any. As well as any disclosed safeguards, ensuring that shareholders have the same participation rights as at an in-person meeting.

Proxy Voting Continued...

POLITICAL DONATIONS:

We are against political donations. In the past, we have given some discretion to companies that make either nominal political donations or that have no history of political contributions. However, in the interest of simplifying our guidelines, we now consistently oppose political contributions.

SOCIAL & ENVIRONMENTAL GUIDELINES:

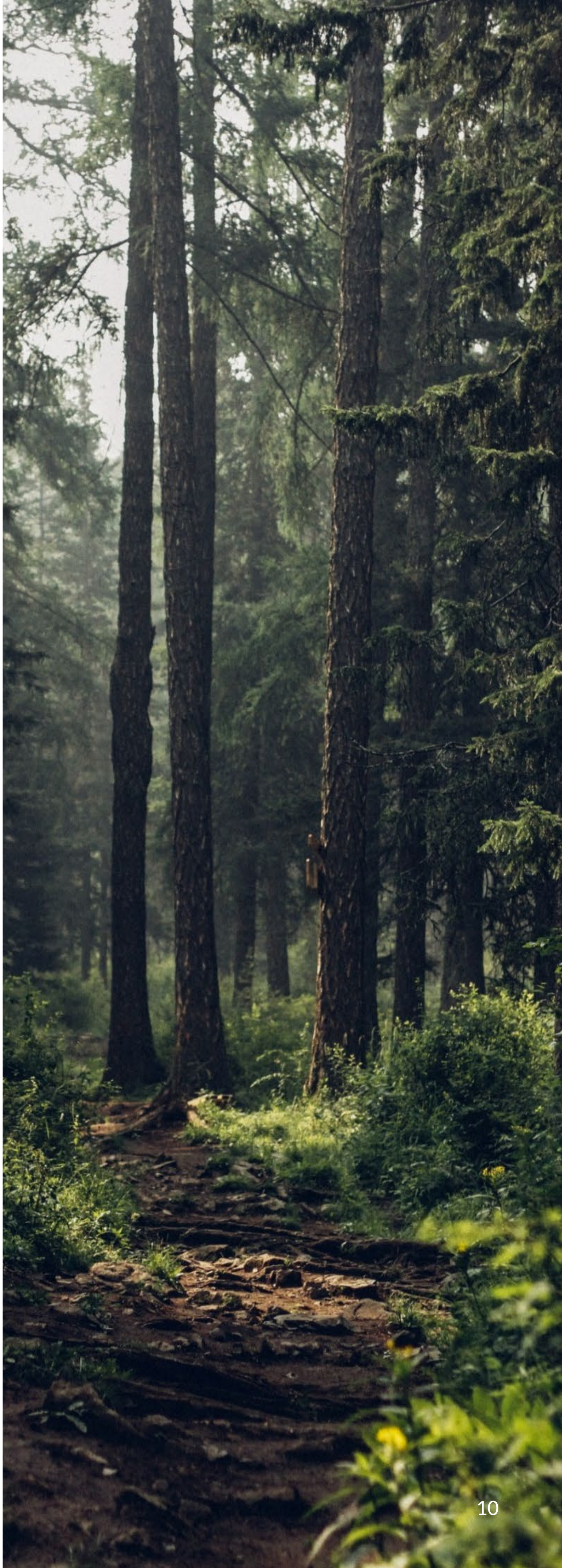
In addition to the Sprucegrove Proxy Voting Guidelines, we developed the Sprucegrove ESG guidelines. An essential part of our investment process is ESG, and we provide transparency into our proxy voting. The purpose of the ESG Guidelines is to serve as a guide for voting proxies and engaging with management.

CLIMATE-RELATED PROXIES:

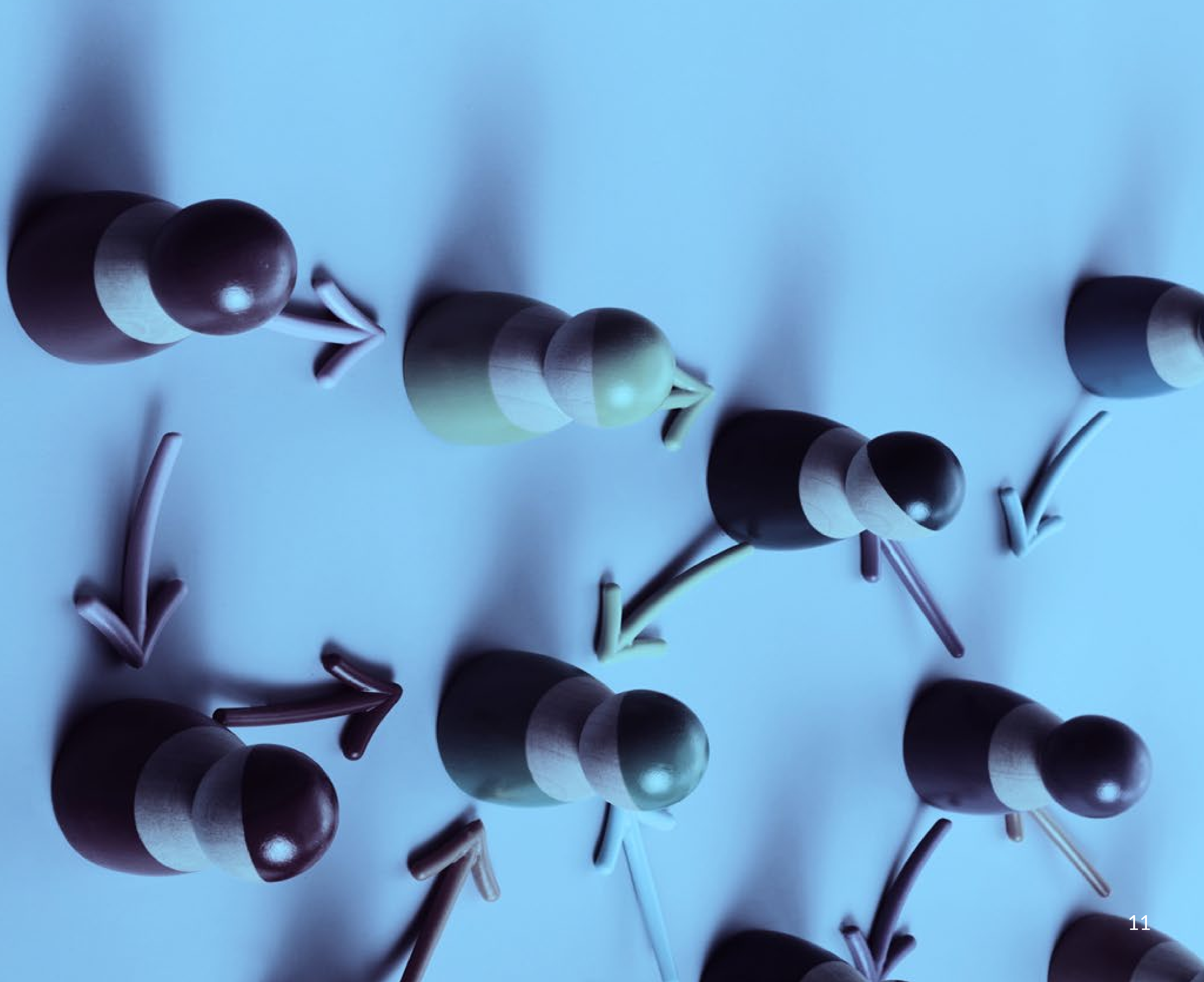
We recognize that climate change has emerged as a significant environmental threat to the planet. Scientists agree that gases released by chemical reactions, including the burning of fossil fuels, contribute to a "greenhouse effect" that traps the planet's heat and that, in turn, is leading to more extreme 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.

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



PARTNERSHIPS AND INITIATIVES



ESG Partnerships:

PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

PRI is the world's leading proponent of Responsible Investment. 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. Sprucegrove has been a signatory of the PRI since 2016, with a slight pause in 2025.

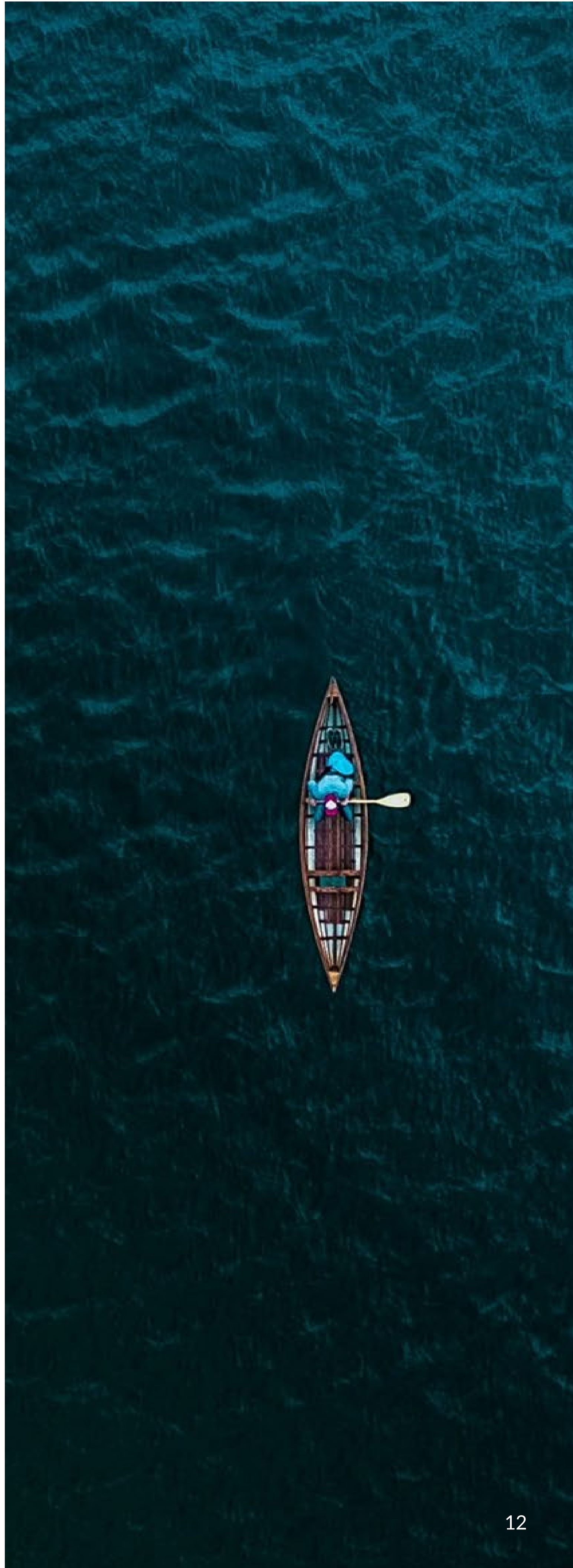
Alignment with:

SUSTAINABLE DEVELOPMENT GOALS

In 2023, we evaluated our alignment with the Sustainable Development Goals ("SDGs") and found that our business practices align with five SDGs. We financially support our employees' pursuit of continuing education and provide comprehensive pathways for career development. Additionally, we have implemented workplace flexibility initiatives. We strive to promote equality and foster an inclusive environment.

Our commitment to sustainability extends to our business activities through the management of carbon-related operational efficiencies (i.e., transition to energy-efficient equipment) and our partnership with a carbon credit corporation to neutralize our overall carbon footprint.

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES | 13 CLIMATE ACTION



Diversity

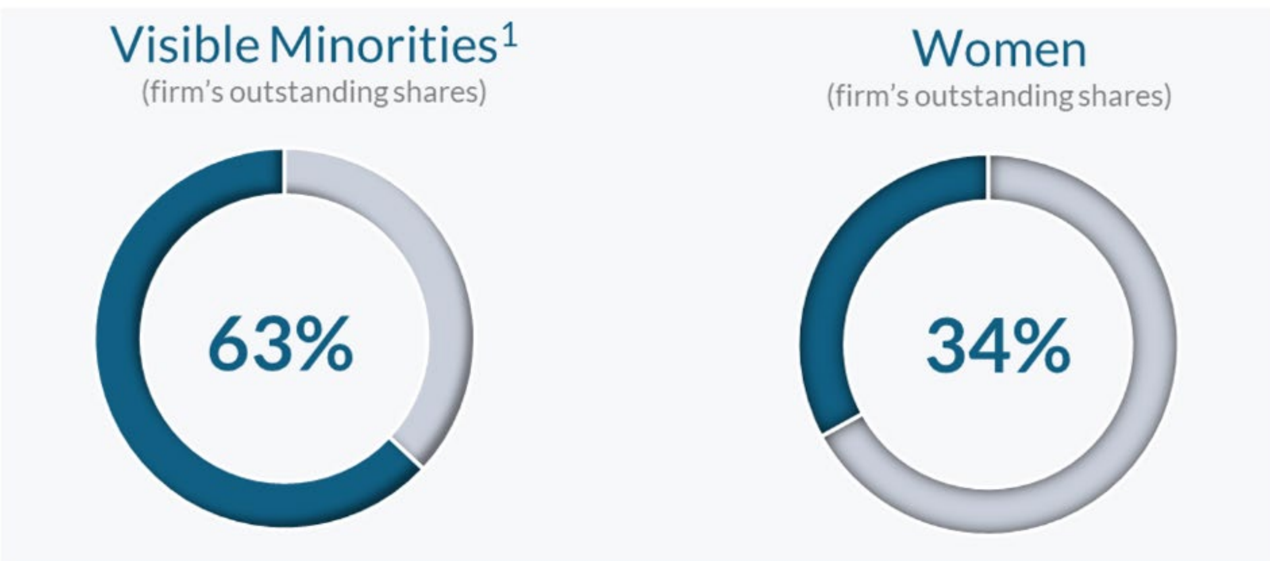
Our firm is based in the province of Ontario, Canada. We are governed under provincial legislation and comply with the Ontario Human Rights Code. We are in one of the world's most cosmopolitan cities, Toronto, which provides a diverse talent pool reflected in our employee population. While we recruit 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").

Inclusion

We have engaged with Diversio, a women-owned, diversity, equity, and inclusion company that collects and analyzes qualitative data through their inclusion survey questions to improve diversity and inclusion in the workplace. Information is collected through Diversio's data collection tools and is based on voluntary, anonymous, and confidential employee self-identification submissions. Diversity and Inclusion data can be provided upon request.

Inclusion metrics are measured through Diversio's annual survey and focus on five key factors: Inclusive Culture, Fair Management, Career Development, Workplace Flexibility, and Workplace Safety. Inclusion efforts are measured by progress made, as reflected in employee feedback.



Visible Minorities		Women
50%	% of Shareholders	26%
63%	% of Ownership	34%

[1] In accordance with its procedures, CAMSC independently verified and certified that 51% or more of the outstanding 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.

All figures presented above are based on self-identification and tabulated by Diversio. All data as of June 30, 2025.

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.

Scope 2 Emissions: Covers all other indirect emissions, such as material used and waste generated, staff commutes with vehicles not owned or controlled the company, and business travel.

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.

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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.

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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 representation of our approach to incorporating ESG in the research process.

In accordance with its procedures, CAMSC independently verified and certified that 51% or more of the outstanding 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.

All diversity and inclusion figures presented are based on self-identification and tabulated by Diversio as of June 30, 2025. Percentages are approximate.

SPRUCEGROVE
INVESTMENT MANAGEMENT

FOR MORE INFORMATION PLEASE CONTACT:

Tasleem Jamal

Executive Vice President, Head of Marketing & Client Services
tjamal@sprucegrove.com
Phone: (416) 257-5117 | Mobile: (647) 381-2373

Sebastien Roy

Vice President, Marketing & Client Services
sroy@sprucegrove.com
Phone: (416) 257-5157 | Mobile: (416) 318-0255

Elizabeth Taverna

Vice President, Marketing & Client Services
etaverna@sprucegrove.com
Phone: (267) 603-6699

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

+1 416.363.5854

info@sprucegrove.com
www.sprucegrove.com