

## ENGAGEMENT FACTSHEET

# Western Forest

### ENGAGEMENT RATIONALE

Commodity businesses can lack capital discipline, as governance is often focused on growth, rather than generating the best returns for the shareholders. To improve this, we engaged with the company to optimise its capital structure and return more capital to shareholders.

### BACKGROUND

We are invested in Western Forest through our Global Dividend and Global Small Cap funds. We regularly engage with the firm.

### THEME FOR ENGAGEMENT

- x Payout ratio and capital discipline

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### ENGAGEMENT OBJECTIVE

- x To improve awareness of capital allocation at board level and to raise the total payout ratio for shareholders. We want to ensure the company has a broad perspective on how to best allocate its investment resources.

### DEVELOPMENT



### MILESTONE



### ENGAGEMENT RESULTS

- x Kempen conveyed its thoughts on capital allocation in a letter that was shared widely with the board. We also discussed the topic at length with the Chief Financial Officer of the company.
- x The end result was an increase in the dividends paid to shareholders as well as the introduction of a share buyback programme. This is an important improvement in governance at the company and helps align the interests of the company and its owners.
- x It has put a greater focus on capital discipline and translates into a higher dividend and improved corporate communications.

### NEXT STEPS

- x We continue to engage with the company. A Senior Portfolio Manager from the Global Small Cap team, plans to visit the plants of Western Forest in the year ahead to offer any further potential improvements to return on investments.

### COMPANY

Western Forest is a Canadian company that harvests and process speciality cedar wood.

### COUNTRY

Canada

### SECTOR

Materials

### MARKET CAP

Small cap

### ISSUE

Sub-optimal capital allocation leading to low returns for investors and end customers.

### MATERIALITY

The issues are widespread within the industry and structural. High investment rates lead to sub-par returns

### MSCI ESG RESEARCH

UN Global Compact: Pass  
ESG Rating: A