



MACKENZIE
Investments

The Mackenzie Europe Team:

Our approach towards responsible investing



Philosophy: **A focus on risk and opportunity**

The team approaches the integration of Environmental, Social and Governance (ESG) in its bottom-up analysis and thematic research in order to avoid unfavorable investments and simultaneously generate attractive investment ideas. As such, ESG integration is valuable to mitigate risks and identify opportunities.

In our view, companies can be misunderstood by the market from an ESG perspective. Therefore, the team values proprietary analysis on top of external data to generate alpha opportunities, not least by assessing a company's ESG trajectory and forward looking ESG potential.

Active ownership practices - through engagement and proxy voting - are considered as a powerful tool to induce more robust value creation by the companies in our portfolios.

"How a company integrates environmental and social factors into their strategy is an important element of value creation and crucial for long-term sustainable growth. As active shareholders, it's our duty to not neglect such risks and to advocate the alignment of incentives among the management, investors and the wider stakeholder community."

Seamus Kelly,
*Senior Vice President,
Portfolio Manager,
Head of the Europe Team*



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How the Europe Team integrates ESG into its investment process

All of the team's portfolio managers and analysts have responsibility for ESG analysis, which is an integral part of the overall investment process.

Every company is subject to a bottom-up ESG evaluation with the aim to thoroughly understand the policies of companies on material issues relative to the company and the industry in which it operates. This evaluation is based on internal analysis and the use of third-party data (such as Sustainalytics and S&P Global Trucost), documented in proprietary company tear sheets. The ESG assessment aims to include forward looking information to identify a company's potential to create value or the risk to detract value that is currently not yet appreciated by the market.

The bottom-up ESG evaluation is integrated as a core component in the overall security selection model that is used to arrive to investment decisions, both in terms of including a company in the portfolio as well as the weight allocation. It is also used to feed into the team's engagements and to influence positive corporate behaviour.

The Europe Team's engagement process

Engagement with investee companies is an essential part of the team's investment process. The team prioritizes a risk-based engagement strategy which targets ESG laggards relative to industry peers and high carbon emitters. The team discusses noteworthy issues and raises these with a company's management in dedicated ESG meetings to encourage ambitious but feasible actions. These engagements are recorded within Mackenzie's engagement portal and are an input for the team's ongoing bottom-up ESG evaluations.

The Europe Team's ESG process in action

Case Study: Cloetta

Cloetta AB, based in Sweden, is a leading confectionary with a long-established brand and franchise in the Nordic countries. The team's analysis noted the quantity and quality of the company's ESG-related disclosures were below the standard of its industry peers. Through a series of engagements, including management meetings in both 2020 and 2021, the team emphasized several areas requiring improvement, such as supply chain management and carbon emissions reduction. Since those engagements, the company implemented a new supplier code of conduct in early 2021 and published carbon reduction targets, which envisage a 46% reduction in GHG emissions by 2030, which they have submitted to the Science Based Targets initiative for verification. This is considered to be an important milestone for the company to support the global ambition to mitigate climate change.

Learn more about the Europe team's funds [here](#).

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