

2020

Stewardship Report



MACKENZIE
Investments

Mackenzie Investments Europe Limited

About This Report

We are pleased to present this stewardship report, which provides investors, analysts and other stakeholders with a better understanding of Mackenzie Investments Europe Limited's ("MIEL", "Mackenzie Europe", "we" or "our") and our parent company, Mackenzie Financial Corporation's ("Mackenzie Investments", "Mackenzie" or the "group"), approach to Responsible Investing (RI).

This report focuses on the stewardship activities of Mackenzie Europe and its wholly-owned subsidiary Mackenzie Investments Asia Limited ("MIAL" or "Mackenzie Asia").

Our MIEL Shareholder Engagement Policy describes how Mackenzie Europe, operating within the broader Mackenzie Investments, engages with investee companies in accordance with the requirements of the EU Shareholder Rights Directive and Mackenzie's own Responsible Investing initiatives.

Meeting the Challenge of Climate Change

As part of our larger commitment to addressing climate change, Mackenzie actively supports the following initiatives:



TCFD

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures. With our parent company, IGM Financial, we support the recommendations of the TCFD.



TPI

Transition Pathway Initiative is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. Mackenzie leverages the tools available through the TPI to understand transition risk and to facilitate engagements with investee companies.



Climate Action 100+

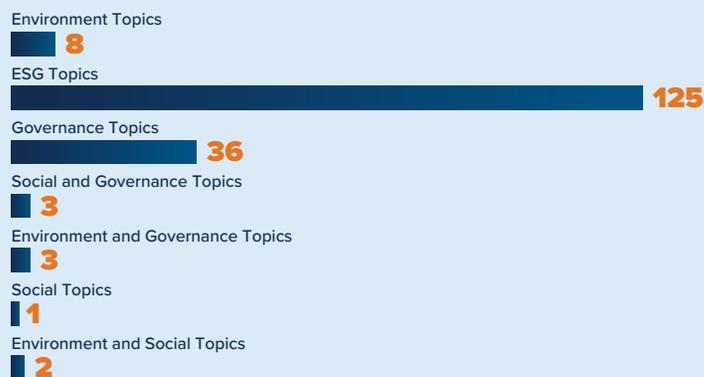
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Mackenzie participates in direct engagements.

Engagement in Action

Mackenzie Europe is committed to thoughtful engagement with the companies we invest in as a method to create positive impact. In 2020, we conducted 178 distinct engagements on environmental, social and governance (ESG) matters with companies in Europe, Asia, Australia and New Zealand. Over 90% involved direct communications, by phone or in person. Approximately one-third resulted in positive outcomes.

Engagements by theme

Total number of engagements held on:



Results of engagements



Engagements

178 Total Number of Engagements

Mackenzie Europe engaged with the companies we invest in through **email, letters, telephone calls and in-person meetings.**

About Mackenzie Investments

Founded in 1967, Mackenzie Financial Corporation (“Mackenzie Investments” or “Mackenzie”) is a leading Canadian global asset manager, headquartered in Toronto with additional investment teams and affiliates in Winnipeg, Boston, Dublin and Hong Kong. As part of IGM Financial Inc., a subsidiary of Power Corporation with a history dating back to 1926, Mackenzie benefits from the financial stability of a deep corporate structure while maintaining a boutique investment management profile. Mackenzie Investments Europe Limited (“MIEL” or “Mackenzie Europe”) was founded in 1993 and is a subsidiary of Mackenzie Investments.

Mackenzie’s distinct and experienced investment teams offer both fundamental and quantitative approaches with expertise across traditional and non-traditional asset classes, including equities, fixed income, alternatives, currency and multi-asset strategies.

Our group is committed to delivering strong investment performance and offering innovative, relevant solutions to our clients by drawing on the experience and unique perspectives gained over 50+ years of investing on behalf of clients.

Message from the Chief Investment Officer, Equities

Everywhere Mackenzie Investments operates, our first objective and our primary obligation is to provide innovative, high-performing investment options to help investors reach their full potential.

Considering ESG factors when making investment decisions offers a vital part of a sound investment process.

Guided by this understanding, we are active stewards of our investors' assets and vote 100% of our proxies. We actively engage directly with the companies we invest in – using our influence as shareholders, trusted business partners and the impact of our proxy votes to help companies strengthen their governance procedures, improve their environmental performance and contribute to positive social outcomes.

We've learned through experience that understanding ESG factors and their possible impacts makes us better at measuring a business's sustainability, earnings, risk and return potential.

By design, our responsible investment choices and solutions are intended to bring about positive change, whether by promoting better ESG practices, playing a part in the fight

against climate change by supporting innovative green technologies, or working toward a more diverse, equitable and inclusive workplace. Backed by continuous engagement with investee companies, our approach helps mitigate risk and deliver attractive financial performance.

Matched with committed stewardship, strong relationships, clear goals and shared values, we believe in the power of Responsible Investing to help create a world that is more sustainable, equal and prosperous for everyone.

That's a future we can all invest in.



Lesley Marks
Chief Investment Officer, Equities
Mackenzie Investments

“We’ve learned through experience that understanding ESG factors and their possible impacts makes us better at measuring a business’s sustainability, earnings, risk and return potential.”

Lesley Marks Chief Investment Officer, Equities



The Imperative of Climate Change

Human-made climate change is an existential threat, and Mackenzie believes that by addressing environmental risks and pursuing sustainable investment opportunities, we can help address that threat by encouraging change and supporting both environmental and long-term financial objectives. Sustainable investing uses the levers that influence companies, including access to capital, engagement and proxy voting, to drive positive change and long-term sustainable earnings.

Across global markets, we are moving to a less carbon-intensive world. In many jurisdictions, this change is being encouraged through regulation and taxation, which makes being in a carbon-intensive business increasingly risky and unattractive. By contrast, innovative businesses and sectors that are transitioning to a carbon-reduced future are seeing this reflected in their valuations and lower cost of capital.

But it is not just a matter of “out with the old, in with the new”. For example, the world still relies on the energy, metals and minerals produced by the extractive sectors. Our mission is to find and support those companies that are essential to the energy transition and are putting practices in place to reduce their carbon footprints.

Climate change has significant implications for how we invest and for our understanding of risk across various industries and related companies. The material impacts

of climate change or climate change action will vary from company to company, driven by factors that include access to capital, changing regulatory requirements and technological obsolescence.

At a basic level, we can break our investment universe of companies into three classifications from an ESG perspective:

- 1. Laggards:** Companies whose business models are most at risk from ESG-related threats, and whose management has failed to recognize and adapt to change.
- 2. Adaptors:** Businesses that are proactive in making ESG positive adjustments to their business, or where the business model has an inherently low carbon footprint.
- 3. Leaders:** Beneficiaries and solution providers, including companies whose business models facilitate or benefit from energy transition/decarbonization.

China Targets Carbon Neutrality by 2060

China currently accounts for 28% of global emissions.

Source: climateactiontracker.org/countries/china/

Integrating Climate Change into Investment Decisions

When we consider an investment sector, we look for companies whose plans for reducing their carbon footprint are both ambitious and realistic. We are also interested in companies that provide products and services that support energy efficiency and, by design, help their customers achieve their own decarbonization goals.

We actively engage with the companies we invest in, continually emphasizing the importance of increased disclosure around climate-related issues, including around management incentives and the need for clear goals and timelines. Our conversations are guided by whether companies are committed to the Paris Accord and have realistic strategies to reach their energy transition targets.

We invest in developed and emerging markets, as well as countries with commodity-focused economies and/or strong industrial bases. As we engage with companies, as an international investor we must keep in mind that circumstances will vary on a country-by-country basis, and that is factored into our expectations and decision making.

Engagement in Action

In Japan, we looked at investing in a major copper and nickel miner and smelter, knowing that these metals are essential for lithium-ion batteries and for building a viable electric vehicle sector. At the same time, we recognize that mining and smelting can have significant environmental impacts.

After investigating the company's track record of working with communities near its operations and reviewing its safety and environmental standards, we were confident in making the investment. Its performance in these areas remains a central focus of our regular engagement with the company.

By contrast, in Europe, we engaged with a cement company that was a more significant CO₂ producer than many of its peers. We looked at the company's solution for addressing this problem, which was largely based on leveraging an existing surplus of EU CO₂ allowances. To us, this was a short-term fix. In the absence of a credible and sustainable long-term solution, we exited our position.



When investing, we look for companies whose plans for reducing their carbon footprint are both ambitious and realistic.



Martin Fahey
SVP, Portfolio Manager,
Head of Team
Mackenzie Europe



Seamus Kelly
Vice President, Portfolio Manager
Mackenzie Europe

Diversity Drives Opportunity

We believe companies that incorporate Diversity, Equity and Inclusion (DEI) into their day-to-day operations have greater potential to generate shareholder value. This belief shapes both our investment strategies and the way we think about our own company.

From an investor perspective, the benefits of DEI are compelling. According to **Catalyst**, a number of research studies found that women need to hold at least three board seats to create a “critical mass”, which can lead to better financial performance. Once critical mass is reached, boardroom dynamics change substantially, creating an environment in which innovative ideas can spring from gender diversity.

Diversity allows for greater insight and understanding across markets. It helps to ensure that an organization’s employee base reflects, to a larger degree, its customer base. As noted, it supports varied perspectives and

fresh thinking, which drives innovation and opportunity. These elements work together to create more successful companies, which leads to our seeking out these companies as targets for investment. Those companies that have yet to embrace the importance of diversity in their corporate priorities and objectives are natural subjects for greater engagement.



Fate Saghir

Head, Sustainable Investing
Mackenzie Investments

“From a social and governance perspective, from an investment perspective, and even from a talent identification and development perspective, it’s important for organizations to represent the populations they serve. It is increasingly clear that embracing Diversity, Equity and Inclusion is a sustainable source of competitive advantage. That’s what makes it so important to Mackenzie.”

Fate Saghir Head, Sustainable Investing



Established by UN Global Compact and UN Women, the Women’s Empowerment Principles are informed by international labour and human rights standards and grounded in the recognition that businesses have a stake in, and a responsibility for, gender equality and women’s empowerment. Mackenzie became a signatory in 2018 as part of its commitment to gender parity.

Our Focus on Governance

Governance is the foundation of strong companies and responsible investment. In our ESG analysis and integration, we put a special focus on governance, using proprietary research, active engagement with management and years of experience to evaluate an organization's commitment to good governance.

Good governance ensures that a company operates with integrity and has policies and procedures that minimize risk exposure and effectively represent stakeholders' interests. It also helps ensure that a company is well-positioned to address environmental and social challenges, which differ by industry and need to be considered in terms of location and competitive landscape. Experience has shown us that the best board and management teams take a long-term view on risks and opportunities for their business, which typically results in good practices and performance when it comes to environmental and social issues.

Among the first things we consider in making any potential investment is the target company's governance approach. Where possible, our preference is to meet with every company we invest in, and discussion around governance is a key focus for our engagement.

- What is the quality and composition of the board?
- Is the board truly independent?
- What is its track record in terms of oversight?
- Does it ensure that executive compensation is aligned with the company's stated objectives?

We will only invest when the answers to these and similar questions confirm that a sound governance structure is in place.

In some cases, we will put lower-earning and cash-flow multiples or discounts on our valuation for companies or management teams with a history of poor governance. When governance goes below our threshold, we will not consider an investment at any valuation. At the same time, we can reevaluate and adjust our valuations when we see tangible and sustainable improvement in a company's approach to governance.

The best board and management teams take a long-term view on risks and opportunities for their business, which typically results in good practices and performance when it comes to environmental and social issues.



100%

We vote 100% of our proxies as a matter of policy.

76

In 2020, we voted on 76 Shareholder Proposals.

Our focus on governance (continued)

The Power of Proxy Voting

Mackenzie Europe retains two third-party service providers: Glass Lewis to provide proxy recommendations or guidelines, and Proxy Edge to cast votes, to respond to client requests for information, and to keep and maintain records required under our Proxy Voting Policy. A record of our proxy voting is available on the Mackenzie Investments [website](#).

We took part in 8,591 proxy voting agenda items over the course of 2020.

Total number of Shareholder Proposals: 76

Key Category of Proposals

Proposal category	Number of proposals	For proposal
General Shareholder Proposal	40	4
Report on Equal Employment Opportunity	1	0
Health Issues	1	0
Eliminate Supermajority Vote	1	1
Proposal – Add Women & Minorities to Board	1	1
Political/Government	6	6
Tobacco	1	0
Corporate Governance	11	8
Environmental	4	0
Adopt Conservation Policy	1	0
Establish Independent Chairman	2	2
Create a Non-Discriminatory Sexual Orientation Policy	4	1
Shareholders Be Given Access to Proxy	1	0
Human Rights Related	1	0
Proxy Process/Statement	1	0
Total	76	23

Significant Proxy Votes in 2020

Media Company: We voted against a media company's management in relation to what we saw as excessive management compensation. The KPI for the CEO's and CFO's annual bonuses was 100% based on EBITDA targets, which can incentivize management to undertake capital increases and acquisitions that may not be in the long-term interests of equity shareholders;

Life Assurance Company: We voted against the proxy advisor's recommendation and in favour of management's proposal to pay a dividend during the COVID period. While recognizing the need for prudence during these unprecedented circumstances, management made a strong case for continuing the dividend, effectively demonstrating its overall soundness and showing that it had a strong surplus (£4 billion) under Solvency II;

Health Care Company: Following discussions and against our proxy advisor's recommendation, we voted for the firm's ability to increase its authorized share capital as management effectively argued for greater flexibility to pursue acquisitions. However, in line with our proxy advisor's recommendation, we voted against its ability to issue convertible debt. Market research showed significant opportunities for the company to complete accretive acquisitions in attractive end markets, supporting the request for flexibility in raising equity capital. Still, we did not feel that raising convertible capital was in the best interests of equity shareholders.

Our Governance Expectations

As an international investor with a global scope, we recognize that expectations around governance are different from region to region. Our standards are clear everywhere we invest and so is our approach – we prefer to support and encourage companies to adopt widely recognized best practices in governance.

When we identify shortcomings in a board, in management, in strategy or performance, we engage companies to understand their position. And, when we believe it's productive, we work with the company to put together a plan to address the issue over an appropriate time frame.

On occasion, we have asked companies to improve the independence of their boards by increasing the ratio of external board members. We also watch to ensure that the people they bring in have demonstrable expertise in areas critical to the company. Whenever changes have been made, we look for results in a reasonable time.

In some cases, companies fail to meet our expectations and, again, our first response is engagement. We look to understand their position, while also making our

position clear. Typically, we reach an agreement and help drive positive change, but on rare occasions, when that is not possible, we will exit our position and revisit when we see improvement.

Good governance ensures that a company operates with integrity and has policies and procedures that minimize risk exposure and effectively represent stakeholders' interests.

Why Good Governance Matters

The choices and actions that companies take can drive positive social and environmental change. That's one of two primary ideas that drive sustainable investing. The other is that companies with a commitment to ESG tend to outperform their competitors and provide investors with better returns over the long run. Both these ideas depend on effective corporate governance, which supports a culture of integrity and accountability; this ensures that a business's activities are consistent with its stated principles and objectives and aligned with stakeholders' interests.



Nick Scott
SVP, Portfolio Manager
Mackenzie Asia



Ryoichi Hayashi
Senior Investment Analyst
Mackenzie Asia

Our governance expectations (continued)

Extending Our Reach



We supplement our internal engagement through our partnership with a leading stewardship service provider, Federated Hermes Equity Ownership Services (EOS). Working with Federated Hermes EOS enables us to extend our reach and influence, as well enhancing our market insight.

On our behalf, looking at firms across a range of sectors and engagement themes, Federated Hermes EOS has conducted:



370+
Engagements on executive remuneration



200+
Engagements on climate change

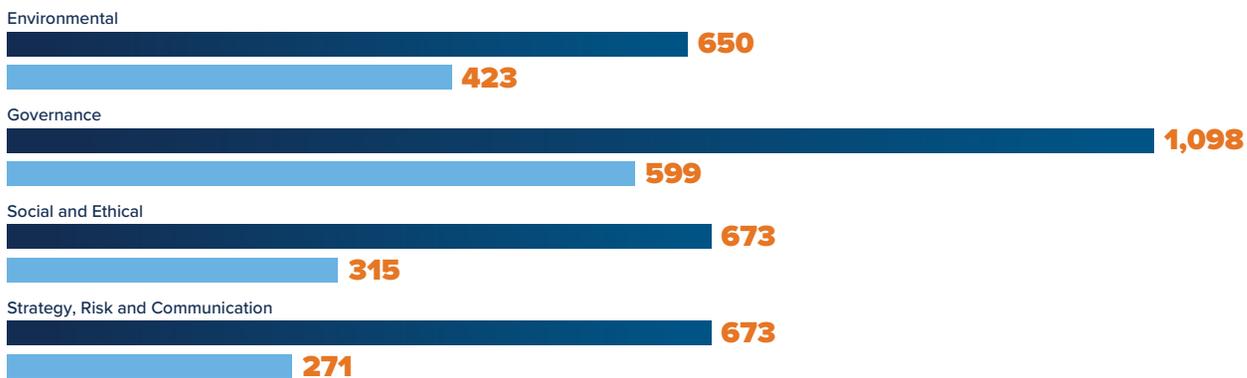


170+
Engagements on diversity

Companies engaged	Companies engaged across themes				Total companies engaged
	Environmental	Governance	Social and Ethical	Strategy, Risk and Communication	
GIC Sector					
Communication Services	1	3	1		3
Consumer Discretionary	12	25	15	11	26
Consumer Staples	12	16	8	8	18
Energy	3	5	1	1	5
Financials	30	41	23	24	51
Health Care	2	7	4	7	9
Industrials	5	16	7	1	21
Information Technology	6	17	5	6	18
Materials	10	15	8	5	17
Real Estate	1		1	1	1
Unknown		1		1	1
Utilities	1	3	1		3
Total companies engaged across themes	83	149	74	65	173

Engagement themes

■ Total engagements ■ Engagements with action



Total: 3,094 Total engagements and 1,608 Engagements with action



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