MACKENZIE
Investments

Sustainability-related disclosures required under regulation (EU) 2019/2088

Mackenzie Investments Europe Limited (MIEL) considers Sustainability Risks as a qualitative metric in its investment decision-making process. For these purposes, a "Sustainability Risk" is an environmental, social or governance ("ESG") event or condition that, if it occurs, MIEL currently considers could have an actual or potential material negative impact on the value of one or more investments held in portfolios managed by MIEL. MIEL's investment evaluation framework considers various factors where climate and other ESG risks have an influence on the analysis, including structural outlook, company returns, profit & loss risk, balance sheet risk, macro risk and regulatory effects.

MIEL does not currently consider principal adverse impacts of its investment decisions on sustainability factors at entity level, as it does not consider this to be proportionate to its size, the nature and scale of its activities and the types of financial products it makes available. MIEL continues to keep this position under active review. Even so, with MIEL being part of Mackenzie Investments, a signatory to the Principles for Responsible Investment (PRI), it incorporates ESG monitoring into its investment analysis. The team actively disqualifies investments in potential investee companies that it concludes have Sustainability Risk that may be difficult to resolve or address. With respect to the latter, MIEL will not knowingly invest in companies involved in the production, use or distribution of anti-personnel land mines or cluster munitions as part of a commitment to the Anti-Personnel Landmines Convention and Convention on Cluster Munitions.

With respect to the screening process, MIEL currently uses leading third-party ESG ratings/research providers such as Sustainalytics, Bloomberg and S&P Global Trucost to help assess and monitor investee company and portfolio risks and opportunities through environmental, social, and governance lenses. As part of the investment analysis, the MIEL team considers both third-party rankings and research where available on potential/existing investee companies prior to making an investment decision. MIEL may, however, invest in companies with below average ESG ratings in situations where it forms the view, after appropriate research, that the existing rating does not fully capture real-time positive ESG-related operational developments at the investee company. Furthermore, where investee companies have disclosed specific sustainability-related targets, MIEL monitors their progress against these metrics. Investment decision making is based on a holistic assessment of relevant quantitative and qualitative factors, including Sustainability Risks and sustainability factors.

The thematic aspect of MIEL's investment process is in part aimed at identifying secular shifts which may have long-term consequences for exposed companies either positive or negative. For example, the environmental problems caused by the global dependence on the use of plastics is evident and plastic substitution is a theme likely to have significant implications across a range of industries.

MIEL's Engagement Policy, available on its section of the Mackenzie Investments website, identifies the factors against which it monitors investee companies, conducts dialogue with investee companies, exercises its voting rights and manage conflicts of interest.

Mackenzie Investments Proxy Voting Policy, which is largely in line with Glass Lewis ESG guidelines, describes the general principles guiding how it exercises voting rights on securities held by the portfolios that it manages. Recognising that the integration of Sustainability Risks is in the long-term interests of investors, MIEL leverages voting rights to highlight material ESG and other issues that may risk future long-term returns and hence impact investor returns. MIEL retains a third-party service provider to provide proxy recommendations or guidelines, but it reviews all recommendations before exercising voting rights.

MIEL's Remuneration Policy is designed to align portfolio manager incentives with the long-term interests of its clients. Employee bonuses are subject to the achievement of a range of objectives, including the integration of Sustainability Risks and, where relevant, specific ESG-related objectives, rather than being wholly reliant on short-term investment performance.