MACKENZIE
Investments

Mackenzie Investments' approach to proxy voting and our 2023 guidelines

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Introduction

As stewards of our clients' investments and as part of our fiduciary duty, Mackenzie Investments ("Mackenzie") has a responsibility to monitor and provide feedback to the management teams and board members of the companies we invest in. It is our firm-wide Policy to exercise the voting rights of the investments we manage in our clients' best interests, with a view to enhancing the long-term value of the securities held on their behalf. As such, proxy voting, alongside corporate engagement forms a central pillar of our "active ownership" responsibilities.

We use the voting rights attached to our shareholdings to provide feedback to companies on material issues, such as governance and sustainability. This allows us to communicate our views directly to company boards and to highlight what we value as investors.

As a multi-boutique asset manager with diverse investments and perspectives, our portfolio managers are encouraged to consider the unique circumstances of their investments but will generally vote according to the Glass Lewis ESG (environmental, social and governance) guidelines. When it comes to votes on shareholder proposals, we consider significant proposals on a case-by-case basis. The purpose of this document is to outline topics where Mackenzie generally has additional or differing views, which will override those in the Glass Lewis ESG guidelines.

Proxy voting process and governance

In addition to the proxy voting guidelines, Mackenzie retains an internal Proxy Voting Policy (the "Policy") which is designed to ensure that we vote the securities of companies held by the investment funds and separately managed Accounts for which we have proxy voting authority (collectively, the "Accounts").

The Policy states that portfolio managers shall take reasonable steps to vote all proxies. However, a portfolio manager may abstain or otherwise withhold their vote if, in their opinion, that decision is in the best interests of investors.

The portfolio manager has the authority to vote proxies under the management agreement for the account. As a result, there may be circumstances where two portfolio managers holding the same security in their respective portfolios vote differently on the same issue.

Mackenzie uses the Glass Lewis Viewpoint platform to administer and execute its proxy voting process. Glass Lewis receives and reviews proxy materials, completes their research process and generates a set of recommendations for each meeting. Recommendations are consistent with the Glass Lewis ESG voting guidelines and the Policy outlined in this document.

The principles underlying these guidelines are that a portfolio manager will exercise their discretion to vote in a manner they consider to be in the best interests of the account. Circumstances may occur where a portfolio manager may have a potential conflict of interest relative to their proxy voting activities. When this happens, Mackenzie has procedures to ensure the proxy voting decision is based on the guidelines and is in the best interests of the Accounts.

These Mackenzie guidelines are intended to be applied in Canada, the United States, the United Kingdom, the EU (European Union), Australia and New Zealand. As a global asset manager, we do have geographical expertise in other markets, but will rely on the local Glass Lewis ESG guidelines as a voting recommendation. These guidelines are divided into key themes for ease of reference. These themes cover issues that frequently appear on the agendas of annual general meetings and extraordinary meetings of shareholders and are as follows:

1. **Board tenure**
2. **Board oversight of sustainability risks and opportunities**
3. **Audit tenure**
4. **Climate change, climate risk disclosures and climate related lobbying**
5. **Indigenous rights**
6. **Workforce diversity, equity and inclusion**
7. **Trade association memberships and political contributions**

1. Board tenure

In considering succession planning and appropriate tenure of directors, Mackenzie believes the board needs to balance the objectives of maintaining sufficient continuity with ensuring that new and diverse perspectives are being regularly added to the board. We expect to see transparent succession and refreshment planning in place to ensure the highest standard of board governance.

Where the average tenure of a large public board is greater than 15 years and no new directors have joined in the past five years, we will look to the company to provide transparent and robust reasons for this and may consider voting against the nominating and governance committee if we are not satisfied with the reasons given.

2. Board oversight of sustainability risks and opportunities

In fulfilling its role as fiduciary, Mackenzie aims to safeguard the economic interests of investors. This includes considering material environmental, social and governance risks and opportunities. Sustainability risks and opportunities include, but are not limited to, those arising from climate change, a lack of diversity, equity and inclusion, or insufficient governance practices. Mackenzie believes that boards should have awareness, plans and oversight to overcome material sustainability risks that can negatively affect long-term investment returns and to capitalize on opportunities that can benefit investment returns. We expect explicit oversight of sustainability-related matters to be outlined either in the mandate of the overall board or in the mandate of one of the key board committees.

We will generally vote against the chair of a board's governance committee in the absence of explicit board oversight of sustainability issues.

3. Audit

Mackenzie recognizes that the audit role is essential to the corporate governance process. Along with providing a complete, transparent and accurate portrayal of the financial performance of a company, it can also identify deficiencies in internal control mechanisms. Independence is critical because the integrity of financial statements depends on the auditor effectively fulfilling its role. An independent audit committee should be established with the responsibility of appointing an independent auditor which should report directly to the committee and not to executive management.

Auditor tenure

Mackenzie believes that auditors and/or the audit partner should be rotated on a reasonably regular basis. Research shows that companies in the top quartile of earners have auditors with an average tenure of 20-25 years and we will use this as a baseline when considering auditor tenure. We will generally seek to engage companies on the benefits of auditor rotation and to understand the auditor relationship where tenure is greater than 25 years. Mackenzie views excessive audit tenure as potentially impairing auditor independence and believes that it can lead to potential conflicts of interest.

Mackenzie may consider voting in favour of an auditor tenure of greater than 25 years where a company either:

1. Clearly discloses their intention to change their auditor within a time bound programme of rotation.

or

2. Can demonstrate a clear and reasonable rationale for retaining an audit firm beyond 25 years, such as the lack of availability of skilled audit firms in the jurisdictions where they operate.

Additionally, we will generally vote in favour of rotating partners at audit firms every five to seven years.

4. Climate change: climate risk disclosures and climate related lobbying

Climate risk disclosures

Mackenzie supports climate disclosures across all regions and expects to see comprehensive disclosures of climate risk in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) or other internationally accepted frameworks. Climate disclosures should include information on how the company's strategy will address the growing risk associated with climate change.

We will generally vote against the chair of the committee that oversees sustainability-related risks if relevant climate disclosures are not available and there are no plans to make them available. It is understandable that small and mid-sized companies may have limitations in producing such disclosures, accordingly we'll rely on the company's climate risk when voting.

Say-on-climate proposals.

Many companies are now seeking advisory votes from shareholders on Net Zero transition and climate action plans by putting these forward to shareholders via a" Say-on-climate" proposal. Mackenzie believes that one of the fundamental responsibilities of the board is to provide oversight on management initiatives related to strategy and risk within a company, including those related to climate change and global warming. Mackenzie also believes that the role of shareholders is to hold board members accountable for fulfilling their executive duties. We do this by using our right as shareholders to vote on director nominations, rather than casting a direct vote on company strategy.

However, as investor concerns about the systemic risks of climate change continue to rise, we will generally vote in favour of advisory "Say-on-climate" proposals, where a proposal requests additional disclosure on climate plans which supplement appropriate disclosures, such as TCFD.

Climate-related lobbying

Mackenzie believes that adequate disclosure of climate-related lobbying leads to increased transparency, minimizes misunderstandings, mitigates reputational risk and helps investors to understand how lobbying activities align with the company's publicly stated Net Zero strategies and climate action plans.

We will evaluate the merits of shareholder proposals on climate lobbying on a case-by-case basis but will generally support shareholder proposals requesting disclosure of lobbying activities as they relate to a company's climate-related ambitions.

5. Indigenous rights

Indigenous Peoples have specific rights, such as those set out in the United Nations Declaration on the Rights of Indigenous Peoples (UN DRIP), which includes free, prior and informed consent (FPIC). While there is no universally accepted definition of Indigenous Peoples, Mackenzie relies upon the definition and direction provided by the International Finance Corporation (IFC) Performance Standard 7.

We will generally support shareholder proposals requesting disclosures on a company's policies relating to the rights of Indigenous Peoples, including how those policies are reflected in their internal operations and how they are prioritized and balanced with commercial decision making.

6. Workforce diversity, equity and inclusion (DEI)

Mackenzie believes that workforce diversity improves talent retention, brand reputation and innovation across companies and can be considered a key catalyst for the long-term growth of a company. Mackenzie encourages companies to set the tone from the top when it comes to diversity among its workforce and to publicly disclose their Policy on DEI and other relevant diversity information. We expect this disclosure to include DEI information with respect to their board, executive officers, senior management and employees.

We will generally support public disclosure on gender, racial and ethnic diversity statistics aligned with the relevant laws and regulations in local jurisdictions and will support shareholder proposals requesting enhanced disclosure of these statistics as well as public policies pertaining to DEI.

7. Trade association memberships and political contributions

Engagement with trade associations, can provide a forum for companies to share sectoral expertise with Policymakers which can help shape well-rounded, fact-based public Policy.

These activities can also serve to advance the economic interests of companies to the ultimate benefit of shareholders. However, these activities may also expose companies to material reputational and legal risk, if:

1. They are misaligned with their publicly stated and disclosed corporate values;

or

2. They contradict their publicly stated policies, positions or company strategy.

Mackenzie expects companies to provide transparent disclosure of lobbying, political contributions and trade association memberships, and to outline board and/or committee oversight responsibilities of these activities.

We will generally vote for proposals that seek to enhance disclosure and board level oversight of these activities.