

JANUARY 2023

Engagement Progress Report



MACKENZIE
Investments

Introduction

Welcome to our 2022 inaugural Engagement Progress Report, which highlights a few of the environmental, social and governance (ESG) engagements that have occurred to date. This report provides insights into conversations we are having with our portfolio companies to address major sustainability challenges and highlight our work towards a more sustainable future.

As responsible stewards of our clients' capital, and signatories to the UN-supported Principles for Responsible Investment (PRI), Mackenzie is committed to engaging with our portfolio companies and issuers to enhance our understanding of the key sustainability-related risks and opportunities they face. We believe that purposeful dialogue focused on material issues can drive transparency and influence positive change over the short and long term. By engaging with our portfolio companies regularly, we aim to improve disclosures and identify and mitigate risk and encourage positive change, while creating more sustainable outcomes for our clients, broader society and our planet.

We engage with portfolio companies holistically on a wide range of sustainability-related issues, covering all three pillars of ESG. Climate was a key focus of our 2022 engagement activity. We are in the midst of a critical decade – a time that demands urgent, ambitious action to tackle global

warming and decarbonize the global economy. Mackenzie believes that the climate crisis potentially presents significant business risk for our clients and that it is our fiduciary responsibility to assess and mitigate these risks. We also recognize that a changing climate can present opportunities for companies that can create the efficiencies and innovations needed to transition to a lower-carbon business model. As active owners, we are committed to engaging with our portfolio companies to better understand how they are navigating the climate risk landscape and seizing potential opportunities. We aim to promote sustainable value for our clients, drive real-world emissions reductions and support the transition to a just and low-carbon future.

We are proudly Canadian, and through our efforts, we seek to advance the decarbonization and resilience of the Canadian economy. With its wealth of natural resources and its role as a major energy

consumer, producer and exporter, Canada can be a leader, prospering, in the global transition to a low-carbon world. Mackenzie is proud to play a significant part in enabling this shift, safeguarding our investments against climate risk and positioning Canadian businesses as leaders on the global stage.

We trust you will find this review helpful in illuminating our approach to ESG engagement and the impact we have made, in partnership with our portfolio companies, as we move closer towards the transition to a green and inclusive future.

➤ **We acknowledge that change may be related to our engagement efforts, however, it may be the result of a broader effort encouraged by the global investment community.**



Our Engagement Process

As a multi-boutique asset manager, we approach our ESG-focused engagements through an Integrated Partnership Model defined by:

Collaboration	Transparency	Data-Driven Insights
<p>Across teams and functions, we share knowledge gathered through proprietary research and engagements, and build internal capacity and expertise on ESG stewardship.</p>	<p>We employ robust tracking and documentation procedures to chart our portfolio companies' sustainability progress and engagement outcomes and to report on our impact.</p>	<p>Engagement discussions are grounded in ESG research and analysis done using proprietary tools, such as Mackenzie's Net Zero Milestones Framework.</p>



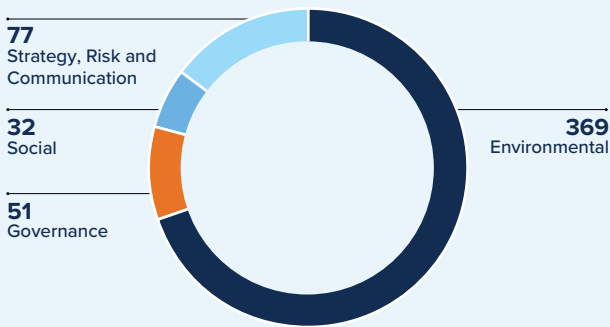
Our Engagements

The engagement highlights and case studies that follow show the type of impact that Mackenzie has been able to achieve through our efforts so far this year.

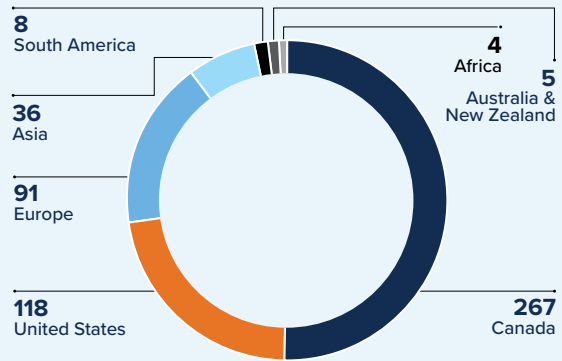
2022 ENGAGEMENT HIGHLIGHTS

MACKENZIE DIRECT ENGAGEMENTS <i>(Covering engagement activity undertaken from Jan. 1 to Aug. 31, 2022)</i>		
419	529	383
Total number of engagement meetings	Total number of engagement themes	Total number of companies engaged

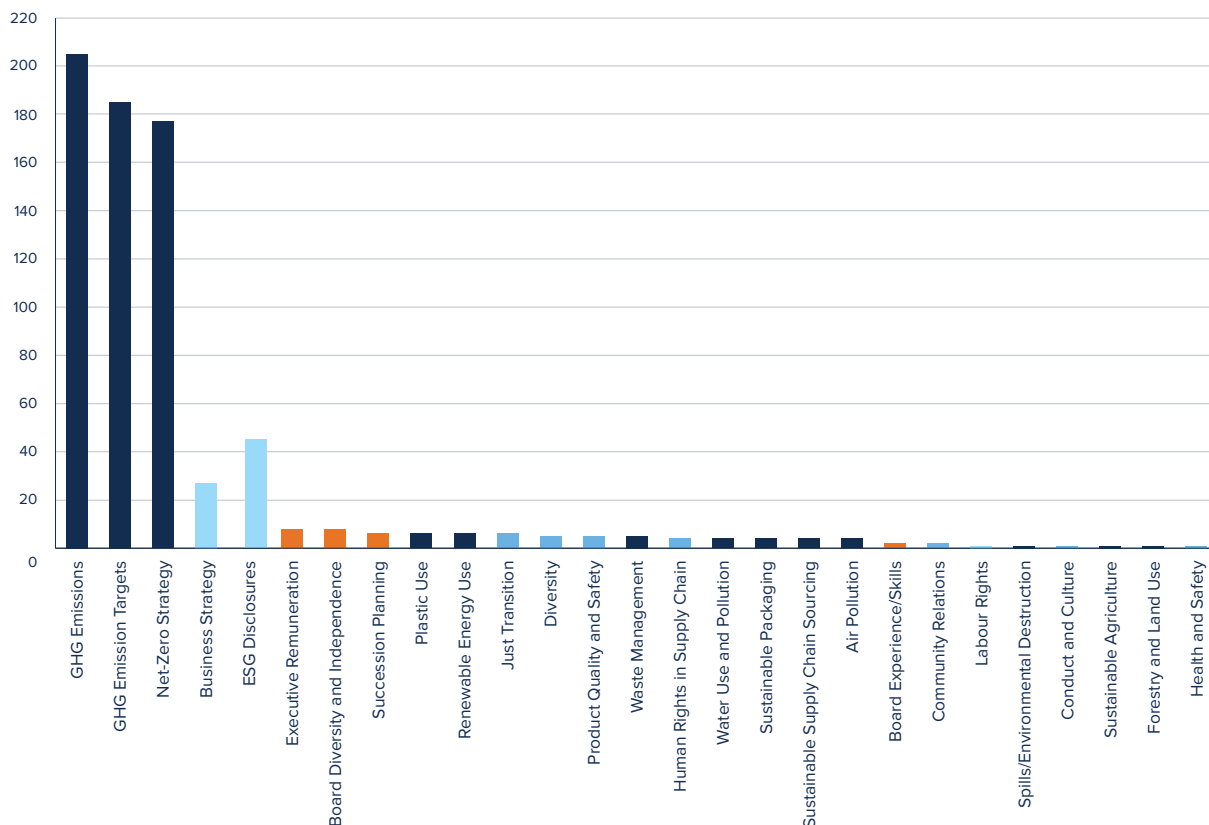
BY THEME



BY REGION



SUB-THEMES: NUMBER OF ENGAGEMENTS



ENGAGEMENTS COMPLETED BY OUR PARTNER, FEDERATED HERMES

(Covering engagement activity undertaken from Jan. 1 to Aug. 31, 2022)

1,125

Total number of engagement meetings

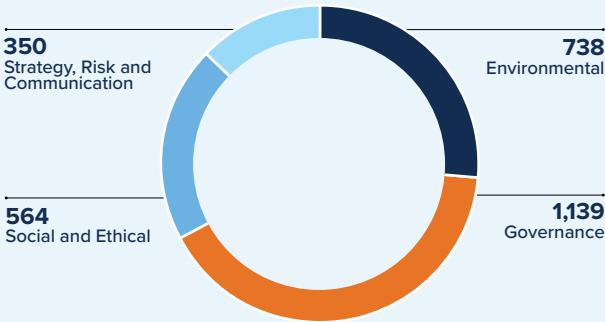
2,791

Total number of engagement themes

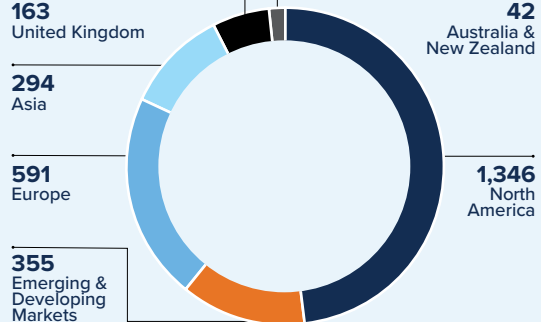
803

Total number of companies engaged

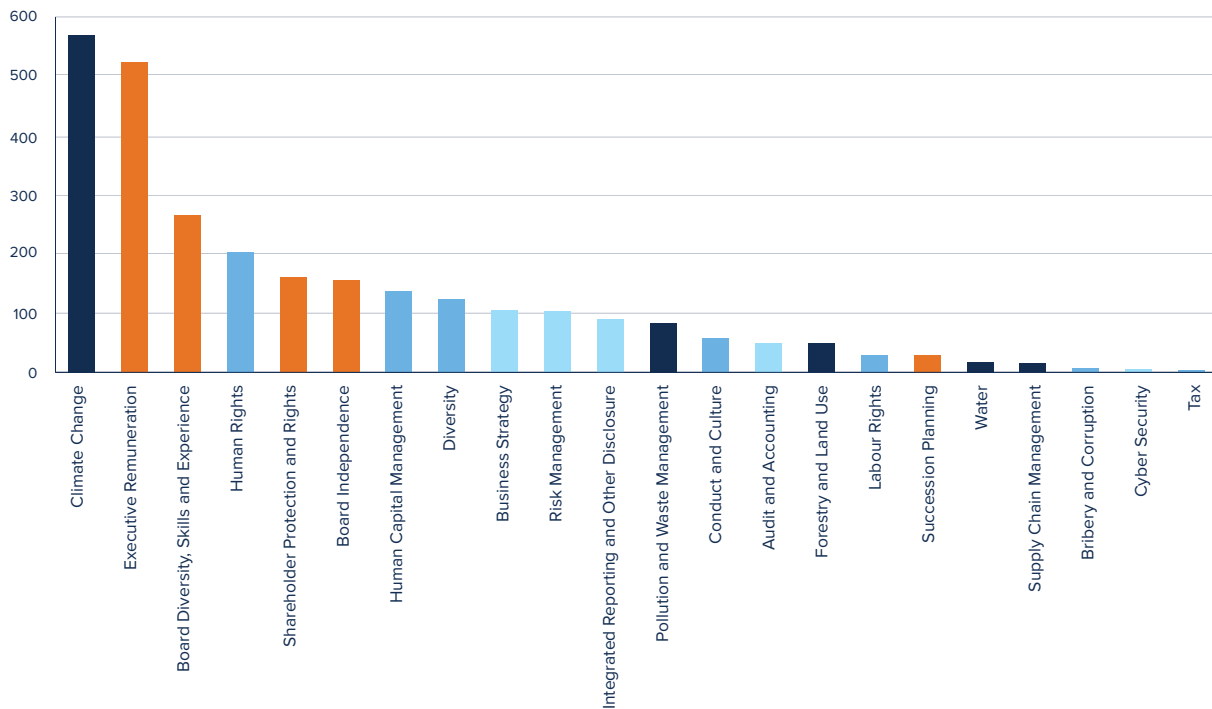
BY THEME



BY REGION



SUB-THEMES: NUMBER OF ENGAGEMENTS



Our Commitment to Climate Action

Mackenzie Investments was among the first asset management firms in Canada to sign the Net Zero Asset Managers (NZAM) initiative, a global consortium of 273 asset managers with USD\$61.3 trillion in assets under management (as of May 31, 2022). Being an NZAM signatory supports our goal of net-zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. Mackenzie's Sustainability Centre of Excellence draws on sustainability experts focused on climate science, research and stewardship to guide our efforts in this area.

We have identified the portfolio companies that contribute the most to financed emissions across our investment funds so we can prioritize further research and engagement. We engage with this group of companies throughout the year to better understand their decarbonization plans, targets and progress to date. In our conversations, we address many transition-related themes including GHG emissions, net-zero strategy, climate disclosures, the just transition and climate-related governance.




Mackenzie Firm-Wide Engagements

MACKENZIE FIRM-WIDE CLIMATE ENGAGEMENT PROGRAM


TC Energy


Sector:
Energy – Midstream


Engagement Topic:
Net-Zero Strategy and Disclosure



Contribution to the UN SDGs

7
AFFORDABLE AND
CLEAN ENERGY


12
RESPONSIBLE
CONSUMPTION
AND PRODUCTION


13
CLIMATE
ACTION


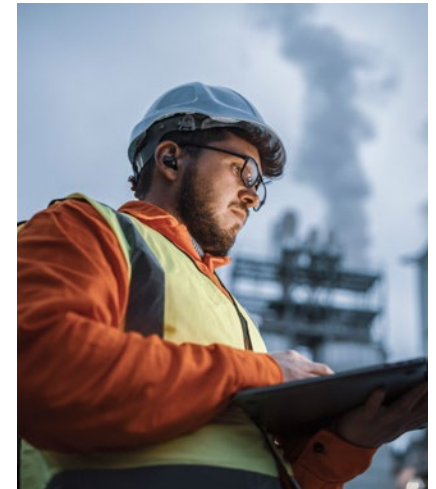
BACKGROUND

To help power a low-carbon future, the midstream sector provides the infrastructure needed to support a global energy transition across the entire energy value chain. As investors, it is important for us to understand how companies in this sector can navigate the risks and seize the opportunities presented by this transition. In early 2022, Mackenzie engaged with TC Energy, one of North America’s largest energy infrastructure companies.

TC Energy owns and operates an extensive network of gas and liquid pipelines and power generation facilities across the continent. Founded in Calgary in 1952 under the name TransCanada, the company has a rich history of supplying natural gas across the nation. Over time, TC Energy has expanded its business mix to include renewables (wind, solar), hydrogen, and a carbon-capture and storage grid.

OUR ENGAGEMENT

Mackenzie engaged with the company’s senior management in Q1 2022 to discuss its strategy for net zero, including how it is navigating the broader transition-related customer shifts that are shaping the midstream sector. We understood the company has been modelling these shifts for the past few years, conducting a scenario analysis in 2018, and reporting in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) since 2019. In addition, we learned that within TC Energy, emissions reduction considerations are deeply embedded into strategic planning. For example, the company has an internal energy transition planning group as part of the overall strategy function. In our meeting, we encouraged management to share additional public disclosures on their strategic positions on the transition.



POSITIVE ENGAGEMENT OUTCOME

In Q2 2022, the company held an inaugural ESG forum for investors with a section on climate transition. In its presentation, the company, inspired by our engagement discussion, communicated its strategic plan for decarbonization over the next two decades. This included details on anticipated GHG reductions across the different pillars of its decarbonization strategy and further insight on how TC Energy would seize business opportunities presented by the low-carbon transition.

We continue our dialogue with TC Energy to encourage additional disclosures on its strategy to achieve its targets, including further details on emissions up- and downstream of its operations and their inclusion in existing climate targets.

COLLABORATING TEAMS

Mackenzie Sustainability Team:



Natasha Stromberg
AVP, Head of Sustainable Stewardship



Rebecca Francolini
Environmental, Senior Analyst

Mackenzie North American Equities Team:



Dean Highmoor
AVP, Investment Research

Mackenzie GLC Team:



Ben Fawcett
Vice President, Portfolio Manager

Mackenzie Fixed Income Team:



Josh Palamattam
Director, Investment Research

➤ The following Mackenzie Funds are holders of TC Energy:*

[Mackenzie Canadian Dividend Fund](#)

[Mackenzie Strategic Bond Fund](#)

[Mackenzie Canadian Concentrated Growth Equity Fund](#)

* Other Mackenzie Funds also hold TC Energy.

MACKENZIE FIRM-WIDE CLIMATE ENGAGEMENT PROGRAM (CONTINUED)

Fortis Inc.

Sector:
Utilities

Engagement Topic:
Net-Zero Strategy and Targets



Contribution to the UN SDGs



BACKGROUND

Utilities face a growing demand for clean electricity along with increasing climate-related threats to infrastructure and service reliability. Consequently, for companies in this sector, building a new, clean energy future depends on both *greening* and *hardening* the grid – that is, delivering low-carbon energy while also investing in resilient infrastructure that can adapt to climate change. Mackenzie engaged with Fortis to understand how the company was meeting these challenges in order to continue delivering affordable, reliable and cleaner power.

Fortis is a leading regulated electric and gas utility that owns and operates transmission and distribution assets across North and Central America and the Caribbean. The company was established in 1885 on the Canadian East Coast and is now one of North America's most geographically diverse utility businesses. Fortis employs a local (or decentralized) business model with management teams on the ground in each of the 17 different regulatory environments in which it operates. As a leader in energy delivery and low-carbon generation, Fortis is well positioned to move the energy sector in Canada, and across the continent, towards a green and just energy future.

OUR ENGAGEMENT

In March 2022, Mackenzie engaged with Fortis to better understand the company's climate transition plan and emissions abatement goal. At the time of our engagement, Fortis had not yet committed to a net-zero goal nor had it set interim (2030) GHG reduction targets in line with the Paris Agreement.

Focusing our discussions on the company's vision for net zero, we learned that Fortis was planning to release their inaugural Task Force on Climate-related Financial Disclosures (TCFD) and Climate Assessment Report by mid-2022. We also found that in developing this report, Fortis had modelled various scenarios for its transition towards a low-carbon future – and away from coal – while balancing the need for service reliability and customer affordability. The company also described how it prioritizes considerations around a just transition to ensure the continued well-being of the communities it serves, including First Nations communities on settlement lands and traditional territories.

Although the company had no plans to release a net-zero commitment at the time of our engagement, we did learn about their long-term goal to reduce the company's direct emissions by retiring coal-fired electricity generation and introducing a larger share of renewables into their business mix.



POSITIVE ENGAGEMENT OUTCOME

A few months after our engagement, Fortis published further disclosures on their net-zero planning through their 2021 Sustainability Report. The company announced a commitment to achieve net-zero GHG emissions by 2050 for its direct operations (Scope 1 and 2), in line with the goals of the Paris Agreement. Fortis also announced interim targets for 2030 and 2035, to reduce emissions by 50% and 75%, respectively, without using carbon offsets.

By 2035, once the interim target has been achieved, Fortis will have reduced its emissions by 9.2 million tonnes CO₂e, which is equivalent to the GHG emissions from two million gasoline-powered cars.

Although Fortis' net-zero commitment was under development during our engagement, the company did confirm that our discussions reinforced investor demand for additional climate disclosures and helped inspire the company's strategy to announce a longer-term net-zero aspiration target. We will continue engaging with Fortis to advocate for additional disclosures on their net-zero strategy in the future.

COLLABORATING TEAMS

Mackenzie Sustainability Team:



Natasha Stromberg
AVP, Head of Sustainable Stewardship



Rebecca Francolini
Environmental, Senior Analyst

Mackenzie North American Equities Team:



Dean Highmoor
AVP, Investment Research

Mackenzie Fixed Income Team:



Josh Palamattam
Director, Investment Research

➤ The following Mackenzie Funds are holders of Fortis Inc.:*

[Mackenzie Global Green Bond Fund](#)

[Mackenzie Global Sustainable Bond Fund](#)

[Mackenzie Canadian Dividend Fund](#)

* Other Mackenzie Funds also hold Fortis Inc.

Mackenzie Investment Team Direct Engagements

MACKENZIE BETTERWORLD TEAM

Intact Financial

Sector:
Financial

Engagement Topic:
Board Diversity



Contribution to the UN SDGs



BACKGROUND

Driven by events such as the Covid-19 pandemic, Black Lives Matter, The #metoo Movement and Indigenous school findings in Canada, companies face increasing pressure from shareholders to act on gender and racial inequity. Women and racialized minorities remain under-represented in key leadership and decision-making roles, including at the Board of Directors' level. These negative trends were compounded by the Covid-19 pandemic, which saw accelerated workforce exit rates for women, outpacing the exit rate of men for the first time in seven years. Mackenzie believes that true gender diversity at the board level correlates with improved financial performance and with robust gender diversity within the rest of the organization.

Recognizing this, the Mackenzie Betterworld team conducts an annual 'Diversity Sweep' of the Betterworld portfolio companies. In line with the latest research, the Betterworld team engages with firms with less than 33% females on their Board of Directors to encourage greater gender and racial diversity and representation on their boards and in senior management roles. As part of this effort, the team met with board members of Intact Financial.

OUR ENGAGEMENT

Intact Financial Corporation is Canada's largest provider of property and casualty insurance, a top provider of specialty insurance in North America, and a market leader in the UK and Ireland, with over \$20 billion in total annual premiums. The company offers a multi-channel service delivery model for its insurance products and, through subsidiaries, provides repair and restoration services to damaged homes and businesses.

The Betterworld team met with Intact's Board and senior management in Q4 2021 to understand how the company is addressing racial and gender diversity within its operations.

The team learned that in early 2021, the company set new diversity targets for the Board of Directors and Executive Committee. The goal is to have 10% of the Executive Committee and at least one director who identify as a member of a visible minority group, Indigenous peoples, persons with disabilities and/or LGBTQ+ by 2025. The company has also adopted a target of 30% representation of women on the Executive Committee, which it currently exceeds with 34.5% women. We also found that Intact recently added a new board member who identifies as female and a visible minority, which has brought female representation to 40%.

In our discussion, the Betterworld team encouraged Intact to look beyond the 30% female representation in top leadership roles and aim for gender balance across the Board and Executive Committee.



POSITIVE ENGAGEMENT OUTCOME

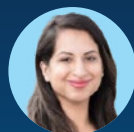
Several months after our engagement with Intact, the Betterworld team was happy to hear that during its 2022 Annual General Meeting (AGM) (Q2 2022) the company proposed an unprecedented number of female board director candidates. Furthermore, the outcome of the AGM was a board with 6 out of 12 (or 50%) female representation.* As a team, we are happy to see this positive movement and look forward to continuing our ongoing dialogue with Intact on diversity issues in the future.

* In July 2022, the subsequent addition of a seventh male board member changed the female representation on the Board to 46%.

Mackenzie Betterworld Team:



David Frazer
Director, ESG Research



Shelly Dhawan
Director, ESG Research

➤ The following Mackenzie Fund holds Intact Financial:*

[Mackenzie Betterworld Canadian Equity Fund](#)

* Other Mackenzie Funds also hold Intact Financial.

MACKENZIE FIXED INCOME TEAM

Capital Power Corporation

Sector:
Utilities

Engagement Topic:
Green Financing



Contribution to the UN SDGs



BACKGROUND

Capital Power is an Alberta-based electricity producer that builds, owns and operates utility-scale generation facilities across North America. The company currently operates a portfolio of 27 generation assets, including renewables, natural gas and thermal coal.

In 2020, Capital Power made a commitment to achieve net-zero GHG emissions by 2050 and disclosed a transition pathway to reach this goal. As part of its plan, the company will eliminate coal-fired electricity production by 2023, several years ahead of Canada’s federal 2030 phase-out deadline. In addition to its plan of going off coal, Capital Power’s net-zero strategy includes the development of renewables to help decarbonize the energy sector and support a broader transition to a low-carbon future.

OUR ENGAGEMENT

In recent years, Mackenzie engaged with Capital Power to better understand their decarbonization pathway. We learned that, in 2021, Capital Power was one of the first Canadian Independent Power Producers to transition its existing debt to sustainability-linked credit facilities (SLCs). The SLCs are structured around one climate-related key performance indicator, with annual sustainability performance targets aligned to Capital Power’s 2030 emission reduction goal.

During our Q2 2022 engagement, we talked to senior management about their plans to issue green and sustainability-linked bonds. We also affirmed that we would support future ESG-labelled debt, including green bonds, issued by the company.



POSITIVE ENGAGEMENT OUTCOME

In Q3 2022, Capital Power published its first Green Financing Framework, developed in accordance with the International Capital Market Association’s Green Bond Principles 2021 and the Loan Market Association’s and Loan Syndications and Trading Association’s Green Loan Principles 2021.

Soon after releasing the Framework, Capital Power priced its first green bond offering. The company issued CAD\$350 million with proceeds going to finance or refinance renewable energy (wind, solar and storage) projects, in support of its goal to be carbon neutral by 2050. This offering was the first green hybrid bond priced in Canadian dollars.

We look forward to continuing our dialogue with Capital Power on future green debt transactions as the company works towards its goal of carbon neutrality by 2050.

Mackenzie Fixed Income Team:



Jonathan Ennis
Vice President,
Investment Research



Josh Palamattam
Director, Investment
Research

➤ **The following Mackenzie Funds are holders of Capital Power Corporation:***

[Mackenzie Global Green Bond Fund](#)

[Mackenzie Global Sustainable Bond Fund](#)

* Other Mackenzie Funds also hold Capital Power Corporation.

MACKENZIE RESOURCE TEAM

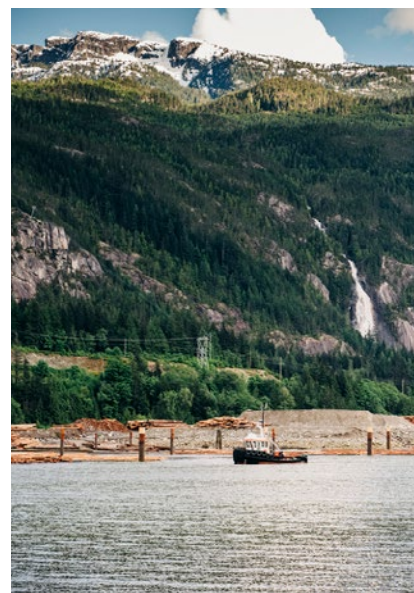
Western Forest Products Inc.

Sector:
Wood Products

Engagement Topic:
Indigenous Relations; Biodiversity



Contribution to the UN SDGs



BACKGROUND

Western Forest Products Inc. (“Western”) is a specialty wood products company operating in British Columbia and Washington State that manages and invests in 1.7 million hectares of forested land. Western seeks to define a higher standard by managing its leased lands according to a sustainable 250-year cycle incorporating seeds, growing seedlings, replanting, habitat planning, conservation, harvesting and manufacturing wood products. The company also looks to balance old growth conservation, biodiversity, replanting and species optimization for climate change, First Nations engagement and employment, and safety. Western is a leader in building mutually rewarding First Nations relations through Integrated Resource Management Plans and shared interest in forest licenses and operations.

OUR ENGAGEMENT

In late 2021, British Columbia’s provincial government announced that it intended to defer the harvest of 2.6 million hectares of forest to protect old growth, pending consultation with affected First Nations. Mackenzie’s Resource team met with senior management and the head of forestry at Western to discuss the impact of this proposition on harvesting income, rights, economic benefits, First Nations relationships and reputational risk. Western already had agreements in place with several First Nations to support conservation and deliver sustainable economic benefit. Recognized as an industry leader, Western is far advanced in similar discussions with First Nations across most of their forest licenses. In addition, the Resource team met with the Ministry of Forests to express its views on the potential socioeconomic impacts of the proposed policies and to represent the interest of Mackenzie’s unit holders.

POSITIVE ENGAGEMENT OUTCOME

Mackenzie encouraged Western to pursue further consultation on partnerships with local First Nations communities regarding their forest licenses. After our engagement, in January 2022, Western announced an agreement with the Nanwakolas Council on a joint venture approach to forestland development using an Integrated Resource Management Plan. As long-term shareholders of Western, we believe that equitable land agreements and management plans benefit shareholders, provide economic employment opportunities to First Nations and local communities, and have a positive impact on climate through sustainable forest management.

Mackenzie Resource Team:



Benoit Gervais
Senior Vice President,
Portfolio Manager



Onno Rutten
Vice President,
Portfolio Manager



Sarah Pupovac
Senior Investment
Analyst

➤ **The following Mackenzie Fund holds Western Forest Products Inc.:***

[Mackenzie Global Resource Fund](#)

* Other Mackenzie Funds also hold Western Forest Products Inc.

Industry Collaborative Engagement

To amplify our engagement impact and help drive and evolve best practices across the industry, Mackenzie collaborates with global peers on investor-led engagement initiatives so we can speak with companies through a unified investor voice. Mackenzie is currently participating in collaborative engagements alongside investor participants from across the globe through two investor engagement initiatives, Climate Action 100+ (CA100+) and Climate Engagement Canada (CEC).



In 2021, Mackenzie joined CA100+, a global investor-led initiative that engages with the world's most carbon-intensive companies. With over 700 investor members, representing more than USD\$68 trillion in assets under management, CA100+ is focused on improving climate-related governance, emissions performance and climate disclosures.



Mackenzie is a founding member of CEC, a Canadian investor-led initiative that aims to align Canada's financial system with a low-carbon future by engaging with Canada's largest and most carbon-intensive companies to take action on climate change. CEC is led by the Responsible Investment Association (RIA), the Shareholder Association for Research & Education (SHARE) and Ceres, and is supported by PRI.

The Power of ESG Engagement in Driving Financial Returns

According to original research conducted by the Mackenzie Betterworld team and published by RIA, engaging with public companies can not only enhance ESG performance but also drive higher returns in both the medium and longer term.

READ MORE:

For more on how ESG engagement creates value, visit:

<https://www.riacanada.ca/magazine/can-active-engagement-bolster-investment-performance/>



MACKENZIE
Investments

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