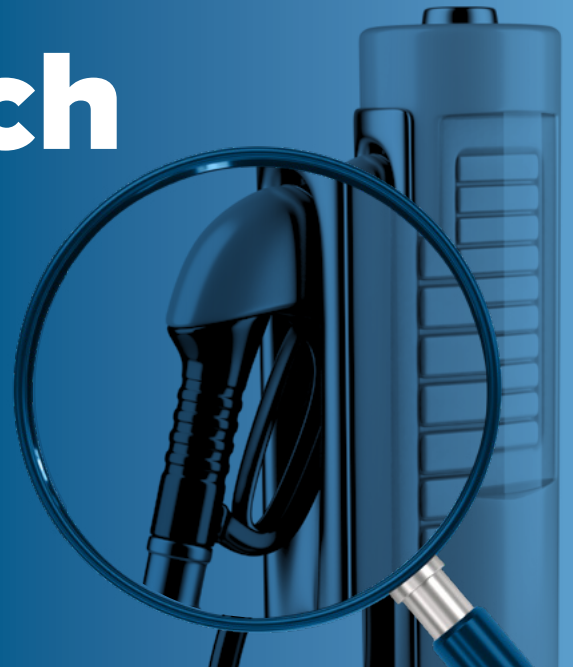




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The Mackenzie Resource Team:

Our approach towards responsible investing



Philosophy: ESG factors key to sustaining cash flow

The Mackenzie Resource Team believes that future returns are driven by the sustainable free cash flows a company can generate. Responsible management of environmental, social and governance (ESG) factors is key to the sustainability of future cash flow, and ESG analysis is therefore an integral part of the team's work. The team believes that society will only reward companies that manage their social and environmental license to operate and contribute to improving society by providing products with a reduced carbon footprint.

ESG factors influence return expectations both at the industry and company level. On the industry level, the team believes that ESG factors will differentiate the future prices of commodities, as consumers will prefer more sustainable products and avoid polluting commodities. At the company level, the team specifically targets ESG improvers, which are

“Through active engagement with the companies we invest in, we’re able to help them improve their ESG performance, which we believe will in turn lead to more sustainable cash flows and profitability.”

***Benoit Gervais,**
Senior Vice President, Portfolio
Manager, Head of Resource Team*



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companies that are contributing to an improvement of society at an accelerated pace relative to their peers, which, in the team's view, should be rewarded by superior returns over time and reduced investment risk.

A team effort in ESG analysis

All members of the Resource Team are responsible for conducting ESG analysis as part of their research process. Resource Team members have a science background with a deep fundamental understanding of industry fundamentals and all are responsible for ESG benchmarking and engagement.

The Resource Team's in-depth process

1

ESG research

The Resource Team's ESG research is fundamental and data-driven, based on company disclosures, specialist consultant estimates, engagements with executive and operational management of investee companies, and proprietary estimates. Specifically, the ESG process establishes the potential financial impact of externalities, such as carbon emissions, water and land use, and benefits for local communities.

2

ESG integration

From a top-down industry perspective, the team looks for subsectors that might benefit from increased demand trends and changing societal expectations, while underweighting subsectors that it believes are underpricing externalities (for example, greenhouse gas emissions) or facing secular demand destruction.

Key ESG themes reflected in the portfolio:

- Natural gas is a lower-carbon power generation alternative to coal and is an essential stabilizer of power grids that are rich in renewables.
- Sustainable lumber is a renewable carbon sink and a superior alternative to cement in construction.
- Copper is an enabler of a greener, electrified society fuelled by renewable energy and batteries.

From a bottom-up company perspective, the team looks for ESG improvers, which are expected to not only outperform their respective industry peers, but also global targets for ESG impact reductions. **Examples are:**

- Canadian lumber producers that adhere to leading sustainable harvesting standards and active community engagement. Lumber is a renewable carbon sequestration resource which will likely benefit from growing demand as homebuilders adopt sustainable design and construction.
- Natural gas producers and distributors that outperform peers on controllable greenhouse gas emissions and community engagement, while supplying the growing market for natural gas, a fuel we believe is essential for taking society towards a lower-emission future.

3

ESG engagement

Our process relies on strong corporate engagement with the executive suite of investee companies to drive execution, capital allocation, and environmental and social performance. Portfolio managers are responsible for proxy voting, but frequent in-person engagement is believed to be a more effective process to achieve alignment between management, shareholders and societal goals.



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The Resources team's ESG approach in action

Interfor - Case study

1

Direct engagement:

The Resource Team engaged with Interfor to discuss communication of sustainability practices, with a focus on carbon accounting of operations.

2

Company response:

The Resource Team and Interfor collaborated to document and increase transparency around the corporate carbon footprint, inclusive of calculating operational emissions as well as those sequestered in product and forest land.

3

Outcomes:

Benefits were realized on both sides: The Resource Team obtained improved quantitative data of carbon abatement while Interfor improved sustainability communication with stakeholders and shareholders.

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

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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