



MACKENZIE
Investments

Betterworld Engagement Series: June 2022 update

A better approach for a Betterworld

How engaging with companies can make an impact



How Betterworld makes a difference

- 1** We prioritize investing in companies with progressive ESG practices and behaviours.
- 2** Our experienced Betterworld ESG team sets itself apart by putting sustainability first in its stock-selection process.
- 3** We actively engage with the companies we invest in to help them improve their ESG performance and reach sustainability goals.



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Advocate with active engagement

Three principles that drive our Betterworld engagement strategy:



Voice our values:

We use shareholder rights to advocate for issues that are important to responsible investors.



Manage risk:

We aim to protect company value from existing and emerging ESG risks uncovered by its proprietary analysis.



Create impact:

We encourage companies to align with the UN SDGs (Sustainable Development Goals) to create a better and more sustainable future for everyone.

A summary of company engagements by topic, as of June, 2022.

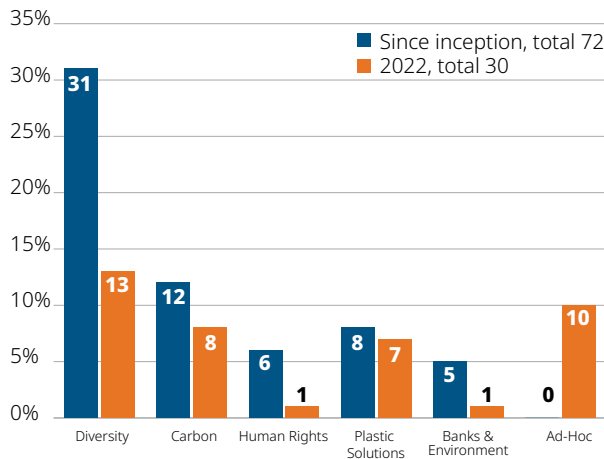


Figure 1 | United Nations Sustainable Development Goals (UN SDGs)¹



We seek to invest in companies that are supporting the UN SDGs through their products and services or operations.

We believe companies who advance positive impact not only get us closer to achieving the SDGs but are also better positioned to manage emerging social and environmental risks before they negatively impact financial results.



Gender diversity update

The under-representation of women and racialized groups in leadership and decision-making is a common phenomenon in advanced economies². Due to recent global events, including the COVID-19 pandemic, the Black Lives Matter movement, the Me-Too movement and the Indigenous school findings in Canada³, companies are facing increasing pressure from investors to understand how they are addressing inequity within their operations.

In Canada, women represent nearly 50% of the workforce⁴, yet account for only one in four senior managers in Canada⁵ and approximately one in five corporate board directors. Improvements in the representation of women in top jobs or high-income groups is critical for moving towards gender equality.

The Betterworld approach

We believe in promoting a top-down approach, where we generate impact by pushing for increased gender diversity within the senior leadership of a company. We consider this to be the most effective strategy to see improved diversity within the rest of the organization and the advancement of under-represented groups.

Every year, we conduct a 'diversity sweep' of our holdings, which entails a review of the company board of directors and diversity ratios. We engage with firms with less than 33% females on their board of directors to improve their board gender diversity. In addition, we use our proxy voting privileges to vote against company boards with inadequate gender representation by voting against the chair of the nominating committee. We also withhold votes for board of director members that do not improve gender or racial diversity ratios of the company.

Stewardship in action

Company: Brookfield Renewable

Brookfield Renewable operates one of the world's largest publicly traded, pure-play renewable power platforms. The company's portfolio spans across hydroelectric, wind, solar and storage facilities in North America, South America, Europe and Asia.

In April 2022, we filed a shareholder proposal on behalf of the Betterworld funds, asking the Brookfield Renewable board to establish a public board gender diversity policy, with a target of at least 30% female representation with a minimum of three women.

A review of 2021 constituents of the MSCI ACWI Index found most listed Canadian companies had at least three women on their board and at least 30% gender diversity. By contrast, Brookfield Renewable lagged its Canadian peers with only two women on its board of directors. We believe increasing gender diversity on its board is a strategic investment in the company and Brookfield Renewables will benefit from establishing a clear plan, policy and target to increase the representation of women on its board.

Our team met with Brookfield Renewable representatives to discuss the proposal and request the changes. We were informed in June that Brookfield Renewable added Dr. Sarah Deasley to its board, increasing gender representation to 33%.



Circular economy: plastics update

Plastic waste is one of the greatest environmental challenges of our time. According to a study by the University of California Santa Barbara's **National Center for Ecological Analysis and Synthesis**⁶, a minimum of 4.8 million metric tons of plastic ends up in the ocean every year. A 2016 Ellen MacArthur Foundation study⁷ suggested that the world's seas will contain *more plastic than fish* by 2050, in the absence of more proactive policies by corporations and governments.

According to the United Nations Environmental Programme (UNEP), plastics account for 85% of marine litter. Plastics in the ocean raise levels of toxins affecting marine life, corals, mangroves, seagrass beds and human health.

International regulations are being introduced around "extended producer responsibility", a policy approach where the producers of a product are responsible for its entire life cycle, from production to disposal. The intent of these policies is to advance the concept of a circular economy by creating mechanisms which force companies to consider the impacts of their products from production to disposal. Companies which use plastics and lag in efforts to create products which are recyclable risk facing regulatory action and monetary penalties. The UNEP projects that by 2040, businesses could face a US\$100 billion annual financial penalty to cover waste remediation costs if these policies are implemented.

The Betterworld approach

To address the risks associated with plastic use, the Betterworld Team joined As You Sow's Plastics Solutions Investor Alliance, a non-profit foundation leading work on creating a plastic-free ocean for the future.

We also signed a **declaration citing plastic pollution as a clear corporate brand risk**⁸, along with 25 other institutional investors that have a combined \$1 trillion of assets under management. We have pledged to interact with leading companies to find solutions through new corporate commitments, programs and policies

Our primary goal is to encourage companies to take progressive action on plastic use and to improve their disclosures related to operational plastic use and how they are managing plastic waste and related risks. This would be the first step in the journey to mitigate the damage plastic waste causes to our environment. To date, we have engaged with eight of our holdings, both Canadian and global companies, on the issue of plastic waste.

Stewardship in action

Company: Costco

Operating a wholesale membership model, Costco is the world's third-largest retailer, with just over 800 warehouses worldwide, carrying a relatively concentrated 4,000 SKUs (distinct items for sale). Costco's strong pricing power over suppliers enables the company to pass savings on to their membership while maintaining gross margins in the low teens. We believe Costco's business model offers a sustainable competitive advantage that enables the company to generate above-industry growth through market cycles.

We met with Costco's investor relations and sustainability team to encourage the company to improve its disclosures on plastic waste and set targets to reduce it. We followed up with a letter to its board of directors, outlining the best-practice disclosures regarding plastics use and waste management. We also explained the financial and societal risks associated with inaction on plastic waste. We are currently considering next steps, including escalated shareholder action, and intend to follow up with a meeting in early 2023, to monitor progress on this issue.



Sources:

¹ <https://sdgs.un.org/goals>

² World Economic Forum's Global Gender Gap Report (2020).

³ www.blacklivesmatter.com & www.metoomvmt.org & National Centre for Truth and Reconciliation.

⁴ Statistics Canada, "Table 14-10-0327-01: Labour Force Characteristics by Sex and Detailed Age Group, Annual," (2020).

⁵ Source: MacDougall, A., Valley, J. & Jeffrey, J. (2021). Diversity disclosure practices. Osler.

⁶ <https://www.news.ucsb.edu/2015/014985/ocean-plastic>

⁷ <https://ellenmacarthurfoundation.org/the-new-plastics-economy-rethinking-the-future-of-plastics>

⁸ <https://www.asyousow.org/our-work/waste/ocean-plastics/declaration-on-plastic-pollution-citing-plastic-pollution>

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