

## RESPONSIBLE INVESTING

### Our approach

Our definition of success is achieving investment results at or near the top of our peer group over a 10-year period. We strive to build long-term wealth for investors and believe investing responsibly is one of many factors that helps us meet that goal.

We approach responsible investing by considering environmental, social and governance (“ESG”) factors in our fundamental research on a business, to identify potential risks and opportunities from our stake in that business. Overlooking ESG issues would hamper our ability to compound wealth for our investors over the long term, our ultimate fiduciary duty.

### ESG Consideration Fund

EdgePoint’s investment funds do not have ESG-related investment objectives. When making investment decisions, ESG-related factors are one of many considerations. They are not determinative to our investment decision-making process and are only considered to a limited extent. We take a holistic approach and don’t employ a hierarchy of investment considerations. As a result, our investment approach is not exclusionary and we will not exclude a potential investment from a portfolio solely on the basis of an ESG factor. Funds that consider ESG factors in this manner are considered “ESG Consideration Funds” and not “ESG Funds” or “ESG Strategy Funds” as described in the Canadian Securities Administrators (“CSA”) Staff Notice 81-334.

### Investment approach

EdgePoint’s investment approach is based on thorough research. Prior to making an investment, a tremendous amount of research is performed. We typically interview a company’s management to get an understanding of their ability to steer the business. This meeting often includes various levels of management to gain insight into employee engagement.

We use these opportunities to pose questions on ESG matters. Throughout this rigorous process, we look for any signs that ESG issues could pose material long-term implications to a potential investment.

Responsible investing and taking a long-term view on a business go hand in hand. Examples of ESG factors considered:

- Environmental – relating to a company’s environmental footprint (e.g., carbon emissions, climate impact, waste, pollution prevention, water conservation, site restoration, etc.)
- Social – relating to a company’s impact on society (e.g., consumer and employee health, wellness & safety, employee satisfaction, benefits & pay, child labour, etc.)
- Governance – relating to board and executive level governance (e.g., compensation, shareholder rights, capital allocation, diversity of corporate leadership, forced labour, etc.)

Considering ESG is not only of ethical importance. We believe ESG factors are interlinked with financial results. Generally, good companies with ethical management teams often have a well-constructed approach to their



business' longevity and make strong commitments toward ESG issues as part of their approach. We believe this is evident in many of the businesses we own and is reflected in their efforts to increase their positive impact environmentally, socially and economically.

A portion of the Investment team's compensation is tied to their continued contribution to incorporating ESG factors in decision-making, as well as to their contribution to the firm's stewardship activities, which we believe is beneficial for stakeholders.

## **Governance structure**

Governance oversight and accountability shared across the firm. The Chief Executive Officer (CEO) and Chief Investment Officer (CIO) have ultimate accountability and oversight for the firm's responsible investment policy, as well as approval of all key associations and collaborations.

EdgePoint has an ESG-dedicated specialist involved in ESG oversight. Among the monitoring and reporting tasks of the ESG specialist, they are responsible for engaging with Portfolio companies to track ESG progress. Our ESG specialist is in constant communication with Investment team members. This ongoing due diligence is incorporated into our company research reports.

Implementation of responsible investing resides across the firm, including investment analysts, portfolio managers, CIO, CEO and the ESG Oversight team.

On a quarterly basis, the CEO, CIO, Chief Compliance Officer (CCO) and the ESG Oversight team discuss updates and progress as part of the ESG Oversight Committee meeting. As part of this meeting, we assess the responsible investment capabilities and training needs of our Investment team.

## **Our approach to stewardship**

### **Proxy voting**

Voting proxies are an important way that we reflect our views on management compensation, board composition and ensuring responsible capital allocation. Decisions are made while considering ESG factors but are not determinative to our proxy-voting process. We subscribe to Institutional Shareholder Services Inc. (ISS) and Glass Lewis, leading providers of corporate governance and responsible investment solutions. We leverage their services for proxy research and vote recommendations. The ultimate decision is made by EdgePoint's Investment team and our proxy voting records are published on our website.

Relevant policy: *Proxy voting*

### **Direct engagement**

Engagement is an important part of our stewardship. We encourage each company's leadership team to enhance their ESG policies and procedures, as required, and to provide timely disclosure of their progress. We believe this ongoing engagement of company management is an effective way to maintain and improve corporate responsibility in the businesses we invest in. If our research reveals that a lack of adherence to one or more ESG



factors may negatively impact the business, which in turn may erode future valuation prospects for a given security, these findings may inform our decision to purchase or continue to hold the security.

Relevant policy: *Active ownership*

### **Industry participation**

We collaborate and are members of industry organizations such as International Corporate Governance Network (ICGN), Responsible Investment Association (RIA), International Emissions Trading Association (IETA) and we are signatories of the Principles of Responsible Investment (PRI).

### **External reporting**

As PRI signatories, we have committed to reporting on ESG matters on an annual basis in our PRI report.

### **Exclusions**

In addition to legally required exclusions, clients with segregated accounts may not want to invest in securities of companies with certain business interests. The criteria for the exclusion of securities are discussed with the client during onboarding. Our compliance and trading systems have been designed to permit segregated accounts to avoid excluded securities.

### **Portfolio asset allocation**

To generate ideas, our investment approach is based on a bottom-up fundamental approach that is consistently applied to each potential investment. However, along with other factors, we also consider long-term ESG trends in our strategic asset allocation to identify opportunities while mitigating risks.

### **Sustainability outcomes**

We map our investments against the United Nations Sustainable Development Goals and identify the most important outcomes from our investments and our engagement activities. At the ESG Oversight Committee meetings, we discuss how we can reduce negative outcomes and increase positive ones.

### **Disclosures**

#### **Sales communications**

ESG Consideration Funds may include statements about the fund's consideration of ESG factors as part of the investment process but such statements:

- i. must be clear about the limited role that the consideration of ESG factors and/or use of ESG strategies play in its investment process, including the weight given to ESG factors and the impact that ESG factors will have on the portfolio selection process; and
- ii. are only permitted if such disclosure is also included in the prospectus.



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### **Management Report of Fund Performance ("MRFP")**

The results of operations section in the MRFP of an ESG Consideration Fund may discuss how the composition and changes to the composition of the investment portfolio relate to the fund's consideration of ESG factors or use of ESG strategies. There is no requirement to do so given the limited consideration of ESG factors. Disclosure should only be included if relevant.

### **Conflicts of interest**

We recognize conflicts of interest may arise within the context of responsible investing. For example, we may face conflicts of interest when we're engaging or voting against the management of a company who is also a client. Any conflicts not identified by our policies are considered by the CIO and ESG Oversight Committee. Any material conflicts are escalated to the CCO.

### **Policy review**

Annually, or more frequently if needed.

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