EDGEPOINT®

# Responsible investing report

2021

# Foreward

Our purpose at EdgePoint since our founding has been to help clients reach their long-term financial goals by delivering long-term investment performance at the top of our peer group. We believe a key part of achieving these results is seeking to invest in businesses that make the world a better place. Sustainability is interlinked with financial results. A company's efforts to consider all stakeholders is undeniably positive for the shareholders of that business – and for the world.

While responsible investing is just one part of our much broader investment process, we recognize our duty to inform clients on how we incorporate these factors into our practice. As a result, we have produced this report to help explain our approach and, through relevant stories, highlight our thinking and process.

To enhance our investment prospects for the benefit of our clients, we seek a deeper understanding of the material issues at companies and encourage appropriate change to improve outcomes. With this ambition, we hope to make the world a better place while also delivering attractive returns.

In 2021, we took several significant steps to define and demonstrate how taking environmental, social and corporate governance (ESG) issues into consideration is an integral part of our investment process. With our first annual sustainability report, we hope to open the conversation with our partners about how we approach ESG and the solid foundation we are laying for the years ahead.

Although we're pleased with our progress to date, we acknowledge there's a long road ahead towards improving sustainability across our Portfolio companies and our own business as well. We believe the quality of our engagements and their impact should continue to grow. Having a seat at the table matters. We will continue to apply our edge and differentiated thinking to this space, just as we have in other aspects of our business.

**Geoff MacDonald**
CIO and Co-founder

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# Introduction

## In this section

# Who we are

*Investment-led*

In 2008, we launched EdgePoint with the distinct notion that we existed to grow our clients' wealth. Although this idea seems rather obvious, at the time it challenged the industry norm of shifting towards asset-gathering, sales and marketing-driven investment firms making decisions at the expense of investors' best interests. We went against the grain and set out to be business owners buying businesses, putting the investor at the forefront of all decisions. Since day one, putting investors first has meant investing their capital in the most responsible manner. To hold ourselves to account, we established firmwide principles that guide us in our efforts to achieve our long-term goal of enhancing the financial well-being of our clients. These commitments govern and encourage each EdgePointer to strive to do the right thing, for the right reasons.

We have three simple definitions of success:

1. Achieve investment results at or near the top of our peer group over 10 years
2. Remain an investment-led organization that has strong relationships with our investment partners
3. Maintain a company culture that inspires our employees to think and act like owners

Believing that culture begins squarely with the owners of a business, we offer each EdgePoint employee the opportunity to buy a stake in EdgePoint. We believe the best and brightest don't want to work for "the man." They prefer to work in their own businesses with like-minded individuals. We are proud to say that all of EdgePoint's employees are also EdgePoint owners. As owners, each employee believes in what we're trying to achieve and enjoys the "camaraderie of the crusade."

## EdgePoint in numbers

**10.75%**[i]
Avg. annualized since-inception return of EdgePoint investor accounts with a minimum 10-year holding period

**278,468**[ii]
Investors served

**$319 million**[iii]
Employee investments in EdgePoint products

**$130 million**[iv]
Investor fees saved since inception

**100%**
% of company employees that are EdgePoint owners

**$15 billion**[v]
Money made for investors since inception

**6.5 years**
Average tenure of an EdgePointer

**50**[vi]
Meaningful engagements

**40%**
% of Global businesses engaged with

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# Our investment approach

We pride ourselves on being business owners who buy businesses. This means we spend a substantial amount of time, potentially years, researching a business in order to grasp its competitive moat, market dynamics, management team expertise and competencies, and the sustainability of the company's business model. We believe the best way to buy growing businesses at an attractive price is to have an idea about the company that isn't widely shared. We call these proprietary insights. Uncovering proprietary insights requires the ability to think independently, a natural curiosity to search out new ideas and a commitment to thorough research to uncover opportunities the market doesn't fully appreciate.

Underpinning our analysis is a strong understanding of the material risks and opportunities that could impact the company's long-term growth prospects, including an assessment of relevant ESG issues. Evaluating ESG impacts is a logical extension of our overall process of evaluating all relevant risks and opportunities, and therefore is a critical component of determining a business's long-term resiliency and stability.

We believe that the businesses best positioned to thrive in the future are the ones that do right by their stakeholders: their employees, customers, shareholders and the environment.

# Highlights from 2021

In 2021, we were very encouraged by the increased interest from our end investors in learning more about our approach to ESG and what practical steps we have taken to integrate it in our investment approach. With this report we are excited to present our progress and initiatives to improve our ESG reporting, integration and engagement activities on behalf of our investors. Here are some examples of what we've been able to accomplish.

While we are constantly enhancing our knowledge in the space, we are pleased with the foundation we've established thus far, as it sets an ESG framework that naturally integrates into our investing approach. As we think about our goals for 2022, we remain focused on refining our ESG integration processes through improved training and review of best practices. We plan to build upon our momentum from 2021 to advance the depth and meaning of our ESG engagements.

## Oversight

*We established an ESG Committee*:

Chaired by our CIO, the committee meets quarterly with the mandate to set ESG objectives, establish policies and oversee our efforts to improve ESG integration and engagements

*An ESG team*:

We formed a group of dedicated resources responsible for ESG. This group works closely with the Investment team on ESG integration and engagement efforts

## Engagement

Formalized our ESG engagement process

Initiated **50** engagements

Across **20** businesses

Key topics that triggered engagement activity included sustainability disclosures, human capital, product safety, supply-chain management, improving nutrition and compensation

## Regulatory updates and industry participation

Became a signatory of the United Nations Principles for Responsible Investing (UN PRI), International Emissions Trading Association (IETA), International Corporate Governance Network (ICGN) and Responsible Investment Association of Canada (RIA)

Formally submitted our first UN PRI Transparency report and awaiting our results.

All our ESG policies are now publicly available on our website.

## Integration

*Training*:

Introduced formalized training for our Investment team on reviewing the latest ESG developments and communications

*Tools*:

Developed ESG investment tools to track ESG considerations at each stage of our investment process

## Offsetting our emissions

With the help of a third party, we formally calculated our EdgePoint carbon footprint

To offset our emissions, we purchased carbon credits totaling 605 tCo2e (tonnes of carbon dioxide)

## Incentives

*Tangible incentives*:

We linked our Investment team's compensation structure to include up to 15% of their bonus to their individual ESG integration and engagement contributions

## Climate integration

On a quarterly basis, we measure the carbon footprint of our Portfolios.

ESG reports now include a climate risk section for all new additions to our Portfolios.

# Overview

## In this section

# Responsible investing oversight

Our responsible investing framework is constructed in such a way that it promotes autonomy while facilitating collaboration and the sharing of best practices. In the past year, this was improved by formalizing a structure for ESG integration, creating oversight to govern our Investment team's responsible investing activities.

As part these improvements, we established an ESG Oversight Committee to spearhead our commitment to responsible investing. This committee includes wide representation from across EdgePoint, including our CIO, CEO, CCO and ESG team, who are ultimately responsible for setting and monitoring progress towards improving our ESG initiatives. On a quarterly basis, this group meets to review and set ESG objectives, establish policies and oversee progress relating to our ESG integration framework.

Broadly speaking, ESG oversight and accountability is distributed across the firm, with the Chief Investment Officer having ultimate accountability and oversight for the firm's sustainable investment policy, as well as for approval of all key engagements and collaborations.

All members of the Investment team are responsible for integrating and identifying ESG risks and opportunities, while conducting their analysis and monitoring of businesses.

To support our Investment team, we formed a dedicated ESG oversight team composed of two individuals. These individuals are members of EdgePoint's Investment Analytics & ESG Oversight team and are responsible for all routine ESG monitoring and reporting responsibilities, as well as directing ESG engagements alongside our Investment team.

We are also signatories of the UNPRI, whose guidelines reinforce transparency and accountability for investment managers integrating ESG into their investment processes. We submitted our first UNPRI transparency report in 2021 and are waiting for the results.

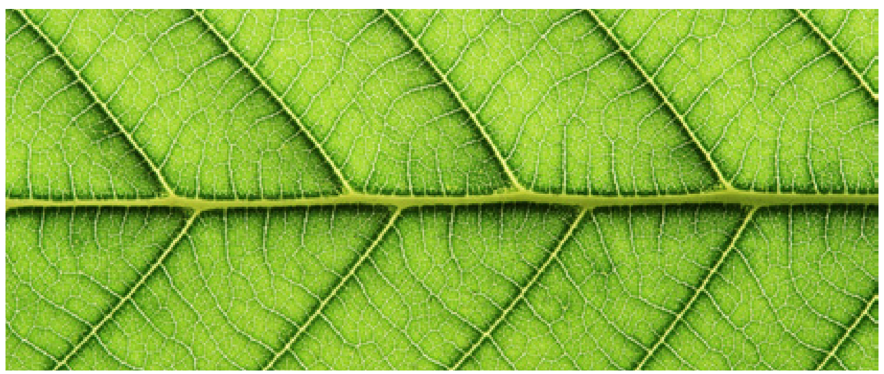
We also instituted a set of policies that outline our blueprint for how we view responsible investing and our framework for ESG integration, engagement and proxy voting activity.

- *Responsible investing policy*
- *Active ownership policy*
- *Proxy voting policy*

# Incentives

To promote accountability, we added ESG objectives to our Investment team's overall performance assessment. Each Investment team member's personalized objectives and compensation are tied to the quality of contributions towards ESG monitoring, reporting and engagements. This was implemented to ensure alignment and link their contributions to improving our efforts to incorporate and document ESG consideration throughout our investment process. Currently, 15% of their salary is linked to their ESG contributions.

We measure contributions based on the quality of their engagements and how they're integrating ESG into their overall investment due diligence, including modelling. The ESG integration section highlights our three-phased responsible investment structure, which helps to illustrate how our Investment team's contributions are measured.



# Training and resources

We continuously seek opportunities to improve our awareness around ESG best practices, including training sessions. We believe that regular training is an essential part of our commitment to ESG integration and staying abreast with the rapidly changing ESG landscape.

Our ESG team is given an open invitation to join any of our Investment team's bi-weekly investment meetings. This open door enables our ESG team to raise any pertinent ESG subjects to the Investment team when appropriate and as often as required.

Over the course of the year, our ESG team hosted several training sessions with our Investment team, covering topics including:

- Reviewing potential climate risks and opportunities within our Portfolios
- UN Sustainable Development Goals (SDGs), including materiality mapping of SDG alignment
- Reviewing of UNPRI principles for incorporating ESG issues into investment practice
- Portfolio carbon footprints and calculation methodology

We also streamlined our efforts using in-house tools and templates designed to improve how our Investment team documents ESG considerations during their lengthy research process. These tools help flag any important ESG concerns that may warrant further investigation. They also improve overall awareness of the relevant challenges and our engagement with firms to encourage best practices. These tools will be further discussed in our ESG integration section.

# Industry participation

In 2020, we became a signatory to the UNPRI, a leading global network for investors who are committed to integrating ESG considerations into their investment practices and ownership policies. Our responsible investment policies and approach to ESG integration are influenced by the UNPRI's objectives.

On an annual basis we report to the UNPRI, giving us the opportunity to explain our approach to areas like ESG integration and active ownership using a common framework. The annual assessment process also identifies potential opportunities to improve our approach.

In early 2022, EdgePoint became member of the IETA.

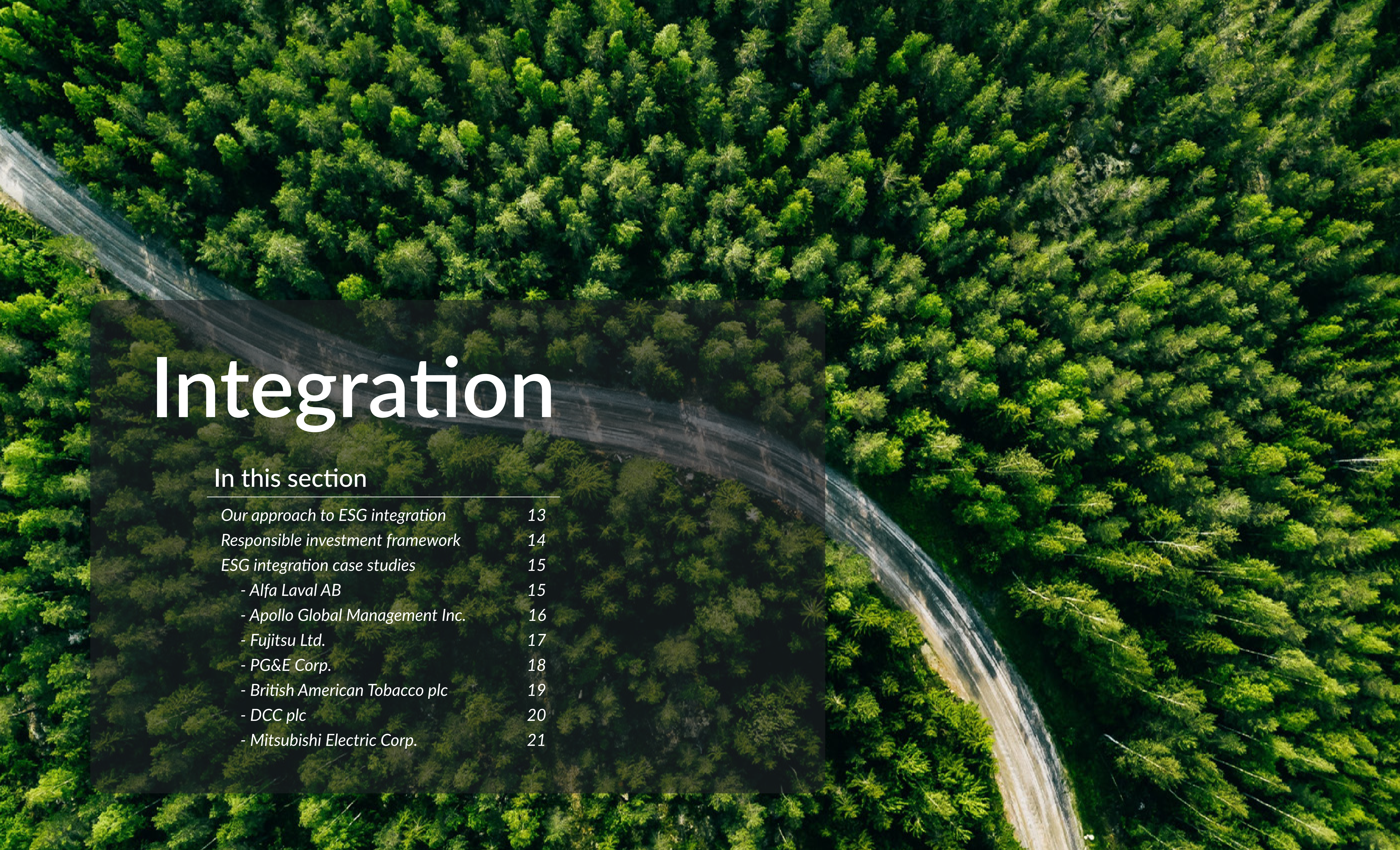
The IETA is a non-profit organization created in 1999 to establish a functional international framework for trading in greenhouse gas (GHG) emission reductions. IETA's 200+ members globally seek to develop an emissions trading system that results in real and verifiable GHG emission reductions, while balancing economic efficiency with environmental integrity.

As members, we have the opportunity to participate in IETA's various working groups that develop proposals to increase efficiency, transparency, stability and effectiveness of carbon markets.

EdgePoint is a member of the RIA. The RIA is a membership-based organization composed of various financial and investment organizations who practice and support responsible investing in Canada. The RIA is focused on education and supporting the development and integrity of responsible investment in Canada.

EdgePoint is a member of ICGN, which is an investor-led organization of governance professionals. ICGN's mission is to enhance corporate governance and investor stewardship standards, in order to promote market efficiency and more sustainable businesses.

EdgePoint supports the Task Force on Climate-Related Financial Disclosures (TCFD), which provides guidelines for better climate-related disclosures to help stakeholders understand their exposure to climate-related risks. We're currently assessing TCFD recommendations in greater detail, with the aim of publishing a formal TCFD report.



# Integration

## In this section

# Our approach to ESG integration

Over the last few years, investment flows have continued in the direction of ESG-labelled funds and ETFs. The buzz around sustainable investing has even led some fund managers to repurpose their existing funds into ESG funds. In many of these situations, funds were renamed and select language was tweaked in the fund prospectuses to claim ESG as the core fund objective, with the goal of attracting investors.

Our investment approach is well aligned with our views on ESG. We believe businesses that are making improvements to the state of the world are run by principled management teams that take a thoughtful and proactive approach to the broad range of ESG issues. These businesses constantly look for new growth opportunities and strive to develop products in ways that improve sustainability. They innovate to solve environmental problems or reduce the negative social impacts of existing products. Each of these businesses understands that sustainable solutions require a long-term commitment.

We believe that by integrating ESG factors into our decision-making, we can uncover opportunities that are not fully appreciated by the market. These businesses may or may not be the "ESG leaders" today as defined by rating firms, but through our in-depth research have the potential to make a significant contribution as they develop new technologies, services, and direct capital to help drive positive change. Our job is to identify these businesses and support them as they take reasonable steps to improve and communicate their ESG practices.

*Responsible investment framework*

While ESG considerations have always been fundamental to our investment approach, we continue looking for ways to improve how we integrate and document ESG throughout our investment process. We believe we have made significant progress. In 2021, our ESG team and Investment team reviewed our approach to ESG integration to determine which ESG best practices would complement our current investment approach.

Throughout the year, we learned that this process was iterative as it involved testing and tweaking as we discovered more about what worked best for our teams. The main tangible output from this exercise was the formation of our three-phased responsible investment framework, which we believe strengthens how we track and apply ESG considerations.

This framework, which is described in full on the next page, is intended to demonstrate how ESG considerations may influence our investment decisions during the pre-investment, new-purchase, and ownership stages of our investment process. Did ESG risks and opportunities, for example, change our Investment team's expectations about the company's growth rate, capital expenditure predictions, or terminal value? This framework is designed to capture these considerations from our investment team.

We understand that businesses are highly complex and, therefore, will have their own unique ESG risks and opportunities. At each phase, our investment team steps back to assess how ESG factors may be impacting their Investment analysis or modelling assumptions. Our Investment teams' in-depth understanding of each firm uniquely allows them to make the most informed determination of which ESG issues are most relevant to each investment.

# Responsible investment framework

*Each phase of our framework is meant to improve our ability to communicate how ESG aspects are interlaced in our investment process.*

## PRE-INVESTMENT

For all prospective investments, the Investment team will identify whether there are any ESG-related risks or opportunities within the business or externally.

If ESG issues are identified, the Investment team initializes internal discussions with the ESG team to determine whether risks can be mitigated, or further assessment including engagement is required.

To streamline this process, we formed an pre-investment ESG questionnaire designed to identify and assess how each business is mitigating ESG risks or addressing potential ESG opportunities. This questionnaire assists our investment team in documenting ESG factors early in their investment research and whether ESG may have influenced their decision not to invest in a business.

In most circumstances, ESG issues are not the fundamental cause, but we want to note if and when they may impact our decisions.

## NEW INVESTMENT

For new investments, we prepare a complete ESG summary report that highlights the main ESG risks and opportunities relevant to the company.

This report is then reviewed by our Investment team, where they can provide additional feedback on how ESG considerations influenced their overall investment analysis. This may include how ESG factors impacted their modelling estimates, such as revenue growth, operating costs and increases or decreases in future capital expenditures.

The goal is to document any material ESG findings and their potential effect on company's future performance, and then incorporate them into the ESG summary report.

Each ESG report is specific to each new business but will include the key sections below:

i. Material ESG risk and opportunities
ii. Management of ESG risks and opportunities
iii. Climate and environmental assessment
iv. Recent controversies
v. Engagement considerations
vi. Investment team comment
   - Modelling impacts
   - Additional ESG considerations

Our ESG team will review company public disclosures and established sustainability resources including SASB, CDP, TCFD and GRI.

## OWNERSHIP

Information gained during our ESG due diligence informs our understanding of each business's exposure to material ESG factors while in the ownership phase.

During the ownership phase, our Investment team, together with the ESG team, works to promote effective ESG practices among our Portfolio companies. We believe this is essential to achieving meaningful change and driving performance.

On a case-by-case basis, we will work with Portfolio companies and recommend certain actions to reduce ESG risks and maximize ESG opportunities.

Progress with respect to each Portfolio companies' efforts to apply these recommendations is continuously monitored by our ESG team.

Each quarter, we will report on our engagement efforts and any investment decisions that were made with ESG factors in mind.

# ESG integration case studies

*In this section, we've compiled a list of real-world examples to demonstrate how we practically apply ESG considerations into our overall investment assessment. Each example depicts how positive or negative ESG factors were critical to our investment decision to buy or sell each business.*

## Alfa Laval AB

*Accelerating the energy transition*

***Alfa Laval is a leading manufacturer of equipment, primarily in the areas of separation, heat transfer and fluid handling used by customers in the food and water, energy and marine industries.***

While integrating ESG considerations as part of our investment process, we uncover companies that are actively contributing to developing sustainable solutions globally.

Alfa Laval is a strong example as the company's environmental innovations are accelerating the shift towards more efficient, cleaner energy solutions. We first purchased Alfa Laval in June 2021 in EdgePoint Global and EdgePoint Global Growth and Income Portfolios, and ESG considerations represent a significant part of our thesis.

### *Sustainable solutions*

Electric heat pumps: Alfa Laval provides equipment (mainly heat exchangers) to heat pump manufacturers like Nibe, Daikin and Carrier. Many governments have come out with plans to incentivize or mandate switching from gas boilers to electric heat pumps over the next 10 years.

**Biofuels:** Alfa Laval provides pre-treatment systems for biodiesel and renewable diesel refineries, using its decades of experience in similar technology from edible oil production. U.S. production capacity for renewable diesel is expected to jump almost sixfold by the end of 2024 as federal and state subsidies are incentivizing investments to switch to renewable diesel.

**Carbon capture:** Alfa Laval is a leading supplier of the exchangers used in most existing carbon capture technologies today. Carbon capture is an emissions reduction technology that is expected to play a key role in the path to net zero. Installed carbon capture capacity is projected to grow at a 40%-50% compound annual growth rate over the next 10 years, owing to rising carbon prices and government policy support for carbon capture and sequestration (CCS) projects. Alfa Laval has provided critical heat transfer components to over half of the carbon capture projects currently in operation globally, and has a dominant market share in the space.

**Green Hydrogen:** Alfa Laval has a leading market share in the heat exchangers used in the production, distribution, transportation, storage and distribution of green hydrogen. Based on 90 years of development, it has a broad portfolio of thermal and separation technologies needed to enable the green hydrogen economy, a journey which the Energy Transitions Commission projects will require up to US$15 trillion of investment between now and 2050.

We had several calls with management about their energy transition and sustainability-linked revenue prior to making the investment. Management was reluctant to be too specific on the extent of their exposure to the energy transition initially, but through our extensive due diligence, we gained confidence that its portfolio of products was uniquely positioned to benefit from several secular growth ideas related to the decarbonizing heavy industry. Since our purchase we have witnessed a meaningful change in the way management is communicating their clean energy exposure to investors. Management believes that over 50% of sales today is linked to sustainable solutions and has seen such an increase in interest for its green technologies over the last year that it recently announced a doubling of its capital expenditures to meet the higher demand.

# ESG integration case studies

## Apollo Global Management Inc.

*Improved governance structure*

***Apollo Global Management is a publicly owned investment manager.***

APOLLO

Before making an investment, we often follow a company for years, waiting for the right opportunity. This was true for Apollo as, years prior to making our investment, we were aware of the business's strengths and weaknesses. Despite certain strong points, we always had concerns surrounding Apollo's foggy corporate governance practices, including sub-standard shareholder rights and board accountability, and a lack of board independence. In addition to these concerns, there were various alleged executive indiscretions that occurred throughout the years. Their poor governance structure and reputational damage from lawsuits were major ESG issues that would not go away until their governance practices were completely overhauled.

Over the years, we continued to monitor the business with a keen eye on any signs that would lead to improved governance practices. In 2021, we placed our first investment in the EdgePoint Global and EdgePoint Global Growth and Income Portfolios. Both ESG and non-ESG factors were integral in our eventual decision to invest. One of the key ESG considerations was their dramatic shift towards enhancing and improving transparency in their corporate governance practices. For example, Apollo announced that the conflicts committee of its board approved changes to simplify its corporate structure, with a single class of common stock and a one share for one vote policy. These changes, which are now in place, ensure that the voting rights of shareholders directly align with their economic interests.

Another key change that was critical to our ESG review was the addition of safeguards against future reputational damage. In the past, missteps by board members and executives led to severe public image concerns for Apollo. If no new measures were undertaken to address these issues, Apollo would continue to be un-investable.

Historically, Apollo has fallen short of shareholder expectations, resulting in financial loss, litigation, regulatory investigations and even criminal inquiry. In late 2020, Apollo appointed an independent law firm to evaluate and propose crucial recommendations to improve Apollo's monitoring of reputational risks moving forward. Apollo has since committed to following all recommendations contained in the external audit report and making them public.

Since our initial purchase, we have held two ESG-focused engagement meetings with Apollo management. During these meetings, we made it clear that we are keenly focused on their continued progress to improve governance practices.

# ESG integration case studies

## Fujitsu Ltd.

*Reforming HR practices and employee rights*

***Fujitsu is a Japanese multinational information and communications technology company.***

With Fujitsu, a key piece to our initial thesis was centred around new management's aspirations to bring about transformational change in the company's culture and hiring practices.

We had already witnessed the benefits this type of change can bring with another core holding, Shiseido.

Our experience with Shiseido helped us understand the potential with Fujitsu, which at the time was in the early stages of restructuring. This restructuring included a new management team with the stated goal of transforming the company's culture and introducing a new HR strategy that based hiring and promotion on skill level, ability and experience, rather than the traditional Japanese seniority approach. To incentivize management to execute on these reforms, Fujitsu even tied non-financial metrics directly linked to the promotion of Fujitsu's revamped HR strategy.

In our mind, these restructuring efforts were extremely positive as they added conviction to our main thesis with Fujitsu.

For many years, Japanese banks, governments and companies neglected to upgrade their information technology (IT) infrastructure, which led to Japan falling behind the rest of the world in terms of overall IT infrastructure. This was termed the Japanese "digital cliff," as Japan was now requiring businesses to replace their outdated IT systems. Fujitsu, as Japan's leading IT solution provider, stands to benefit as Japanese businesses began to upgrade their IT systems, requiring Fujitsu's services.

These reforms at Fujitsu should help the company attract superior talent and retain key employees, strengthening its competitiveness in the Japanese IT services industry.

In 2020, Fujitsu started to implement their new HR strategy by rolling out skilled-based hiring at manager-level positions. In early 2022, we learned that these HR reforms and hiring practices were now being adopted for all positions.

# ESG integration case studies

## PG&E Corp.

*New leadership with a clear focus on safety*

***PG&E is an integrated utility corporation that sells and delivers energy to 10 million consumers in northern and central California. PG&E provides some of the cleanest energy in the U.S., with about 85% of the electricity delivered being emissions free. In addition, 35% of their energy mix comes from renewable sources, including solar, wind, geothermal and various forms of bioenergy. PG&E is also three years ahead of their 2030 target to reach 60% renewable energy production.***

Unfortunately, much of this progress towards clean energy had been dampened through their involvement in large-scale wildfires in 2017 and 2018, and a smaller fire in 2019. These fires were triggered by a combination of weather, aging infrastructure, inadequate safety measures and management missteps. The community and environmental harm caused by these wildfires has been a serious ESG risk for PG&E.

PG&E was found responsible for the two large wildfires in 2017 and 2018, prompting the business to declare bankruptcy. Under new leadership, PG&E resurfaced in 2020 with large-scale plans to restore confidence in the community and among shareholders. The restructuring emphasized an operational and strategic transformation. Their aim was to completely overhaul the company's fire mitigation program with advanced safety measures and environmental monitoring.

This clear shift in the company's direction motivated us to conduct further research and ultimately formed the basis of our investment thesis.

Next are just three of the many examples of the key fire mitigation improvements:

- Enhanced Vegetation Management – This work focuses on clearing and pruning vegetation along PG&E overhead powerlines in high-risk zones. In 2021, PG&E crews exceeded their target by addressing nearly 2000 miles of powerlines. They are expected to exceed this figure again in 2022.
- Advanced monitoring systems - PG&E has installed more than 1,150 advanced weather and more than 400 high-definition cameras to monitor weather and respond to wildfires more quickly.
- Undergrounding Program - A long-term goal for PG&E is to underground roughly 10,000 miles of electric transmission wires. Undergrounding lines not only prevents utility-equipment-caused wildfires, but also allows for greater power continuity to residents. PG&E intends to underground 3600 miles of powerlines by 2026.

Along with technological improvements, PG&E implemented a range of governance reforms. In June 2020, 11 new directors were appointed, bringing a breadth of experience in safety, regulatory affairs and risk management to the board.

Prior to our investment, we met the entire management team, which further strengthened our view that they are on track and committed to their transformation plan. We have continued to engage with management since our investment, and remain confident they will meet their stated objectives.

# ESG integration case studies

## British American Tobacco plc (BAT)

*Replacing cigarettes with smoke-free alternatives*

***Historically, we have never invested in tobacco companies as we are aware of the known underlying harm that traditional cigarettes cause. We continued to have this view up until recently, as we began to witness a game-changing shift occurring in the industry.***

The largest players in the tobacco industry, including BAT, are beginning to shift from selling traditional cigarettes towards Reduced Risk Products (RRPs), which are shown to be significantly less harmful. This industry shift formed the basis of our thesis with BAT, who we believe is playing a critical role in leading this transition. We would not have invested in BAT if we didn't believe that transformational change was taking place in this industry.

What are RRP's? RRPs primarily consist of vaping devices, heated tobacco products (HTP) and modern oral products. Multiple studies have confirmed that these alternatives are 95% to 99% less harmful than traditional cigarettes. Every year, millions of cigarette users switch from traditional cigarettes to RRPs. The success of this transition is largely driven by dramatically improved quit rates when compared to the "cold turkey" method.

Studies show that 74% of cigarette users who switch to certain RRPs don't go back to cigarettes. This compares to the cold turkey method, where only 7% of cigarette users successfully quit.

Government health authorities in the U.S., U.K. and Canada strongly support RRPs as a means for traditional cigarette smokers to quit smoking and/or improve their overall health.

With over 1.3 billion tobacco users globally, we believe that reducing the negative health effects attributed to tobacco cigarette smoking is one of the biggest interventions that can improve public health in the decades ahead. BAT is a market leader in RRPs and thus plays an important role in the shift away from traditional cigarettes.

As long-term shareholders of companies, we can influence the business practices of companies through ongoing dialogue with company management.

As engaged owners in BAT, we believe we can drive greater positive outcomes by holding management accountable to their targets that directly address the problems associated with traditional smoking. Through engagement, we can ensure the transition to RRPs remains a top priority. Working alongside the Investment team, the ESG team held two ESG-focused engagements with BAT upper management in early 2022. Kicking off our discussion, we made it clear that we're committed to being involved owners and maintaining regular dialogue with the BAT team.

# ESG integration case studies

## DCC plc

*Sustainability risks around decarbonization*

***DCC PLC is an international sales, marketing and support services company operating across four divisions: LPG, Retail and Oil, Technology, and Healthcare.***

Our initial purchase of DCC was in the first half of 2020, during the early parts of the COVID-19 pandemic. At the time, our view was that homes still need to be heated and cooled, pandemic or not. This business came into the pandemic with absolutely no debt, which positioned it well to acquire market share going forward. We also saw the management team had a long history of completing acquisitions that have benefited shareholders, and now the company had the perfect environment and balance sheet to complete even more acquisitions. We were confident that management would continue to execute, as evidenced by its ability to increase profits for the last eight years.

In 2021, as part of our ongoing research, we started to identify long-term sustainability risks around decarbonization. These concerns ultimately led us to sell our position in DCC as we believed that clean technology innovation in heat pumps would displace DCC's home fuels heating business. Globally, heat accounts for nearly half of all energy consumption and 40% of energy-related CO2 emissions. In the U.K., household energy use accounts for more than 20% of GHG emissions. The global imperative to decarbonize presented a significant risk to DCC as the company is dependent on fossil fuels in their energy services business.

In our view, DCC is simply on the wrong side of a very large shift in the energy transition. They were initially converting many commercial customers from oil to propane, and that was helping customers reduce carbon emissions. Though that was a great step in the right direction, there was – and is – a growing threat that heat pumps will displace all forms of home and small-business heating and cooling via any type of fossil fuel.

Certain critics argue that heat pumps are more costly overall, more expensive to run and are unsuitable for poorly insulated homes. While there is some truth to these claims, analysis suggests that over a 10-year period, heat pumps would deliver CO2 savings of 60%-70% versus the conventional liquid petroleum gas boiler. The growing threat of displacement from clean technology advancements in heat pumps prompted our decision to sell the company in August 2021.

# ESG integration case studies

## Mitsubishi Electric Corp.

*Seniority system contributed to unethical behaviour*

***Mitsubishi Electric is a global leader in electronics and electrical equipment, including industrial heating and air conditioning units.***

In July 2021, we reached out to Mitsubishi Electric after an announced controversy surrounding falsified inspection data related to their air conditioner compressor systems. Mitsubishi Electric's CEO also resigned when this news was released, as this incident was just one of many quality-related issues that have occurred in recent years. We quickly arranged a meeting with the Mitsubishi Electric CFO to learn why improper quality-related conduct continues to take place at the company and what new measures are being taken to ensure this conduct didn't persist.

Our meeting began with the CFO reviewing the root causes and the timelines around when they learned about the falsified inspection data. The CFO also explained how they planned to remedy the situation. We recommended that they use an outside investigator, as this will encourage more internal staff to report any further misconduct.

We also raised a broader concern around Mitsubishi Electric's culture. Employee misconduct or quality issues will continue to occur until Mitsubishi Electric commits to overhaul their corporate culture. We explained to the CFO that this starts with the appointment of a CEO who has the freedom to deliver this foundational change. We recommended that the Board of Directors at Mitsubishi Electric hire and incentivize a new CEO to do well by the shareholders. The status quo would not be a viable solution for Mitsubishi Electric.

The management team and CFO at Mitsubishi were highly attentive during our call and explained their plans to bring our recommendations back to their Board.

Following our meeting, Mitsubishi released a detailed report outlining their quality, organizational and governance restructuring plans and also steps they will take as a company to improve employee culture and accountability. While we believe these are positive steps to improve their ESG practices, we still had concerns that the newly appointed CEO would not be the change agent needed to lead this reform effort. This ultimately led to our decision to sell the business in early 2022.

# Climate considerations

## In this section

# Climate considerations

*One pivotal factor that has the potential to impact future returns is the increasing concerns around climate change. We believe the scope and long-term significance of climate risk and opportunities merits specific attention as part of the ESG framework.*

From an investment perspective, we believe that climate change presents a mix of positive and negative outcomes for each business. It has the potential to destroy value for businesses that fail to recognize or incorporate climate impacts into their long-term strategic planning, but it also presents significant opportunities for businesses that plan appropriately or develop products and services that address impending environmental problems or societal needs. We believe that the businesses best positioned for the future do not ignore climate risks or dismiss their own environmental impact. Instead, they strive to minimize their impact and seek opportunities to develop more sustainable solutions.

There is no question that, over time, the value of a firm may be influenced by physical climate risks like extreme weather events, but also climate transition risks like new regulations, emissions taxation, government policies or legal liability. Each of these risks has the potential to drastically raise the cost of running a business, especially for those industries that are most affected. This could slow growth or even lead to a business's demise. We recognize that climate risks must be accounted for in our investment process as it is our fiduciary duty to our clients. Our approach to climate risk is no different than how we consider any other ESG or business risks. We aim to invest in companies that can both reduce climate risks and capitalize on climate-related opportunities.

For every Portfolio company, we consider their exposure to climate risks with a specific focus on transitions risks, as we believe the transition to a low-carbon economy will be complex and unpredictable. Every company we look at as a potential investment will be impacted in its own unique way. Some businesses may have higher exposure to the physical impacts, while others might be more impacted by the policy changes. It is our responsibility as investment managers to understand and manage these risks, as well as to identify ways to connect them to the unique investment opportunities emerging from the transition. As we look through our Portfolio companies, we find that the majority are actively implementing measures to improve their energy efficiency and monitor their carbon emissions, thereby preparing them for potential impacts of climate risks.

In 2021, we also took several steps as a firm and at the Portfolio level to improve our monitoring and understanding of potential climate impacts.

One of our first developments was adding a specific climate section in each ESG report for all new investments. This section describes how each prospective business manages its emissions and what climate risk and opportunities are most material to that business. This is prepared by our ESG team, leveraging company sustainability publication, including CDP and TCFD submissions, and other environmental publications where appropriate. As a second step, we began monitoring the carbon footprint for our equity Portfolios on a quarterly basis. This has helped us understand Portfolio and company-level emissions and identified new avenues to engage with companies. These engagements have mostly focused on encouraging stronger emissions disclosures (targets, external verification) or discussion around plans to improve the sustainability of their products.

We see tracking our carbon footprint as a useful tool for understanding our Portfolio from a carbon standpoint, but we don't set targets because we recognize that the individual Portfolio footprint figure will fluctuate over time as Portfolio positions change. Fluctuations do not reflect an improvement or deterioration in Portfolio companies' carbon efficiency.

# Portfolio carbon footprint

Typically, a Portfolio's carbon footprint is calculated using the weighted average of the carbon intensity of portfolio holdings. Carbon intensity is the total GHG emissions produced by the business per dollar of revenue. For accounting and reporting purposes, GHG emissions are separated into Scope 1, 2, and 3. Scope 1 emissions are "direct company emissions" resulting from company operations, including emissions from combustion of company owned boilers, furnaces or vehicles. "Indirect company emissions" fall under Scope 2, which are emissions generated from purchased electricity consumed by a company. Scope 2 emissions physically occur at the plant where electricity is generated. The last segment of emissions is Scope 3, which are classified as "Other indirect company emissions." These are emissions that result from activities not controlled by the company, such as those that occur indirectly along the companies' value chain.

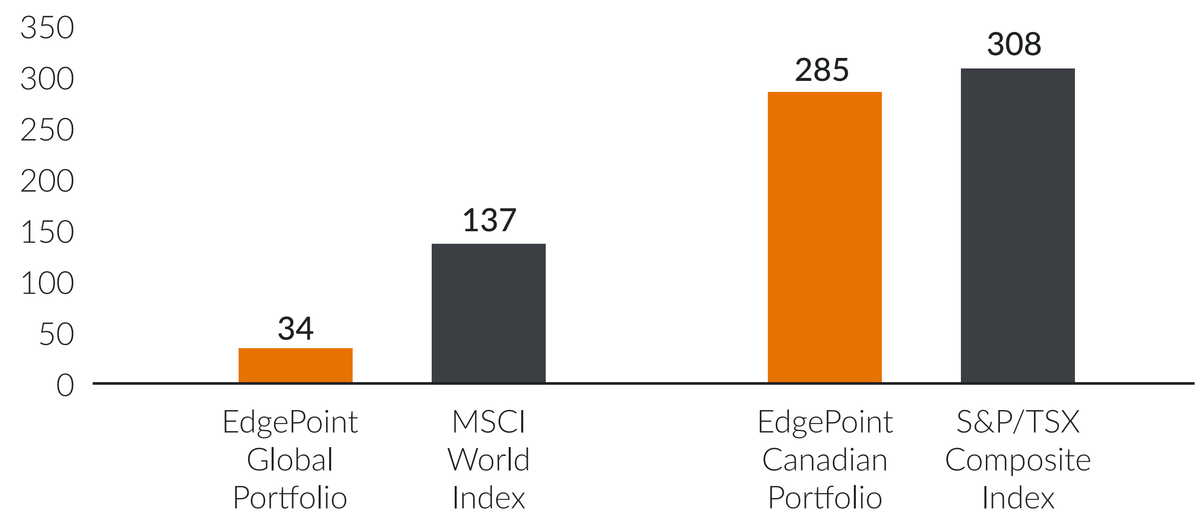
Scope 1 and 2 emissions are usually regarded as accurate and are disclosed by the majority of publicly listed companies. For Scope 3 emissions, the data remains inconsistent and almost entirely estimated. Until Scope 3 reporting improves, Portfolio-level carbon intensity only covers Scope 1 and Scope 2 emissions.

In the chart is the weighted-average carbon intensity for both the EdgePoint Global Portfolio and EdgePoint Canadian Portfolio against their respective benchmarks, as at December 31, 2021.

As we look ahead, we realize there is more work to do to shape our understanding of climate risk and opportunities. We will continue to educate ourselves and invest in tools that will enable our teams to strengthen their assessment of the risks and possibilities associated with climate issues in their investment decisions.

**Weighted-average carbon intensity (Scope 1 +2)**

*Tonnes of CO2e/$M sales*[i]




i Emissions data as at December 31, 2021. Carbon Intensity = Scope 1&2 tCO2e/US$M revenue. Portfolio and benchmark emission data is sourced from the third-party data provider, Sustainalytics. Sustainalytics individually collects company level carbon data from public sources. For companies that do not report emission data, Sustainalytics uses a proprietary statistical estimation model to calculate an estimated emissions figure. Limitations of the emission data are subject to Sustainalytics coverage of publicly traded companies. The MSCI World Index is a broad-based, market-capitalization weighted index comprising equity securities available in developed markets globally. The index was chosen for being a widely used benchmark of the global equity market. The S&P/TSX Composite Index is a market-capitalization-weighted index comprising the largest and most widely held stocks traded on the Toronto Stock Exchange. The index was chosen for being a widely used benchmark of the Canadian equity market. We manage the EdgePoint Portfolio independently of the indexes. Differences including security holdings and geographic/sector allocations may impact comparability.

# Examples of sustainable innovation

*From our experience, the most well-managed and responsible businesses understand their impact and will adjust their operations to reduce their footprint, but also develop more sustainable products and services. Most often these businesses make a very compelling investment case, but also provide products and service that benefit society.The following are a few examples of companies in our Portfolios and how they are leading the way in creating a more sustainable world.*

## TE Connectivity Ltd.

*Advancements in medical and aerospace*

TE is a global manufacturer of electronic sensors, connectors and wireless systems, enabling advancements in areas like auto, aerospace, medical, energy, data communications and home. Below are three applications proving the indispensability of TE's sustainable innovations.

In automotive, TE connections and sensors are integral in the automation and electrification of the industry. To put it simply, TE's connectors and sensor components have made cars safer and more fuel-efficient, and now they are enabling the electric vehicle movement.

In medical, TE sensors enable life-saving medical care. For example, TE sensors are integrated into dialysis blood flow technologies, blood pressure monitoring, and ventilator pumps that monitor patient temperatures or CO2 levels. TE sensors reduce medical costs, improve patient outcomes and enable better data analytics, enhancing future patient experiences.

In commercial aviation, TE sensors keep most of the world's most complex planes in the sky, monitoring engine performance and alerting pilots when systems need attention. The average commercial airplane requires 8,000 connectors, 140 miles of wiring and 5,000 sensors to transmit over 10 gigabytes of data every second. TE's solutions ensure the reliable transmission of data for the 70,000 landings and takeoffs.

## Berry Global Group Inc.

*Leading the way in plastic innovation*

Berry is one of the world's leading suppliers and innovators of plastic packaging. Although not widely known, the unmatched durability, flexibility and lightweight properties of plastic have transformed the way we transport, preserve and store goods. In the developing world, plastics are vital given their lower cost and lighter weight when compared to traditional materials like glass and metal. For developing countries in hot climates, plastics make more goods accessible to more people living outside of the main city centres. Glass and metal bottles, for example, require 40% more energy to transport than comparable plastic bottles. The greater weight of these alternatives causes higher emissions and increases the cost by up to five times.

Another key benefit of plastics is the extended shelf life of food items. For example, Berry's flexible packaging film extends the shelf life of sweet peppers from four days to 20 days, and cold-stored beef from four days to 30 days. Extending the life of food greatly reduces transportation costs due to less frequent trips and the total amount of food waste.

Over the next three years, Berry has committed to increasing its use of recycled material by 40%, to nearly 600 million pounds per year of recycled plastic material, with a goal to achieve 30% use of circular plastics by 2030.

Berry also stepped up during the pandemic, ramping up its production of key personal care goods, including cleaning wipes, face masks, medical vials and vital filtration.

# Examples of sustainable innovation

## Mattel, Inc.

*Carbon-neutral toys*

While some toy makers eliminate plastics, Mattel has prioritized the innovation of plastics through the use of recycled and bio-plastics. Over the next eight years, Mattel has committed to making 100% of its toy products and packaging from recycled or bio-based plastic materials. In 2022, 30% of Mattel's plastic carton packaging will be made from recycled plastic. This is a 50% increase from 2020.

In early 2022, Mattel also released the first-ever line of carbon-neutral toys, including Matchbox Tesla models made from 100% recycled materials.

Also announced was Mattel's Mega Bloks Green Town Line, which is certified carbon neutral. To reach carbon-neutral status, Mattel purchased carbon offsets from the Darkwood Forests Conservation project in British Columbia, which protects 156,000 acres of forest. In addition to these offsets, these toys are made of plant-based materials, further lowering their footprint.

## Badger Infrastructure Solutions Ltd.

*Safe excavation services*

Badger is North America's largest provider of non-destructive excavating services. Their trucks break up earth using a high-powered pressure washer and vacuum. This may sound simple, but their state-of-the-art technology has been finetuned over the last 25 years, with the goal of improving safety and efficiency, while minimizing the impact on the environment and for its customers.

Their key technology is the Badger Hydrovac, which is used primarily for safe excavation around critical infrastructure in urban settings where safety is critical. In these dense urban areas, there is a high concentration of underground electrical, communication, water, gas and sewer lines. Their solutions ensure the safety of both their workers and the installed infrastructure, as there is less chance to break electrical wires or other infrastructure equipment.

Badger emphasizes that safety is at the heart of everything they do. Management has even linked safety standards to a percentage of compensation.

## International Flavors & Fragrances Inc.

*Proprietary green chemistry*

International Flavors & Fragrances (IFF) is the largest specialty ingredient provider to the food, beverage, home care and personal care end markets. IFF operates under two categories, their scent and taste businesses. To many, IFF may seem like just an ingredients business, but in reality, they play a crucial role in identifying and designing new more sustainable food ingredients and fragrance compounds for an endless number of applications for their customers end products.

IFF's taste business is composed of flavour compounds used in a variety of applications, from savoury soups to specialty nutrition ingredients used in dietary supplements or organic infant formulas.

IFF's scent business develops fragrance compounds and mixtures used in the perfumes and consumer care products. Consumer fragrances include products like laundry detergents, household cleaners, air fresheners, hair care and toiletries products. As of 2021, IFF has achieved 100% biodegradable ingredients for all new ingredients in its scent business which means each ingredient is designed to biodegrade back into the ecosystem. IFF calls this "Green Chemistry," which is centered around energy efficiency, the use of renewable raw ingredients and the avoidance of hazardous materials. These principles are integrated into IFF's R & D practices at the earliest stages of design.

IFF has also managed to lower firmwide GHG emissions by 25% over the last three years, while expanding operations and increasing sales.

# Investing in the energy transition

When assessing the effects of the transition to low carbon energy solutions, we must examine both the impending threats and opportunities. By extension this also means we must stay grounded in the fact that worldwide energy demand is projected to increase for decades to come. Global demand for alternative energy like renewables is growing, but conventional oil and gas sources will remain a significant part of the global energy mix for some time.

From an investment perspective, we believe it is important to navigate the global transition to support the use of alternatives like renewables, but we also firmly believe there is a significant opportunity to accelerate the transition by directing capital towards transition leaders in the conventional oil and gas industry.

In recent years, the combined forces of new technology, shifting policy and changes in consumer spending are accelerating the global energy transition faster than anticipated. Arguably, this shift has been most evident in Canada, where investment in clean energy solutions is led almost entirely by the oil and gas industry. Over the last few years, 75% of Canada's clean energy investments has been made by oil and gas companies.

Canadian government regulation, carbon taxes and threats of divestment all accelerated their increase in investment towards cleaner methods of oil and gas production. This has led to their investment in solutions like carbon capture, improved energy storage, renewables and hydrogen technologies that are now playing a significant role in reducing emissions from carbon-intensive energy sources.

In 2019, we launched the EdgePoint Go West Portfolio to capitalize on an investment opportunity in the Canadian energy industry. Our investment focused on Canadian energy companies in a period where they were highly unfavoured and had difficulty accessing capital to increase production and advance their innovation efforts towards cleaner production methods. The industry's unfavoured status was a result of years of being subject to well-funded campaigns against the industry and a slew of new regulations, including clean fuel standards and carbon taxes. All these factors meant uncertainty, leading the industry to be highly undervalued. In our view, we saw an evolving industry, transforming to advance more efficient and cleaner conventional energy at a time when the world was only demanding more energy.

In our minds, it was only a matter of time before "Death" to oil and gas would shift to "Transition" from oil & gas.

Canadian oil and gas companies are leaders in ESG standards, and when paired with Canada's abundant energy resources, have positioned the Canada to be the most responsible global energy supplier in the world.

Next are some facts about the Canadian energy industry and why the world needs more Canadian energy.

- Canadian oil and gas companies rank first in the world for ESG practices.
- Canada first implemented stringent emissions regulation in 2007. Today, 80% of countries that export oil and gas still do not have any form of emissions management.
- Canada is home to the world's third-largest proven oil reserves, after Saudi Arabia and Venezuela. In 2020, Canada imported $1.5 billion of oil from Saudi Arabia.
- On average, a Canada-based liquid natural gas (LNG) operation produces 50% less GHG emissions than a global LNG operation.
- Between 2000-2018, the emission intensity in Canada energy industry decreased by 36% owing to technological and efficiency improvements. IHS Markit predicts this to drop another 23% by 2030.
- According to the International Energy Agency, global demand for LNG is expected to double by 2040, and traditional oil demand won't peak until 2040.

Since launching the EdgePoint Go West Portfolio, the overall investment environment has changed but our investment approach remains the same. We continue to find quality opportunities with attractive long-term investment prospects, while recognizing that global demand for efficient conventional energy sources and supporting infrastructure will only grow.

For more of our thoughts on this sector, refer to our Q1 2022 EdgePoint Go West commentary by Geoff MacDonald. (en) (fr)

# Canadian energy leaders

*Below are examples of businesses owned in our EdgePoint Go West Portfolio. These businesses include leaders who are enabling the energy transition through advanced technologies like CCUS (carbon capture, usage and storage), hydrogen, biofuels, offshore wind and battery storage.*

## Advantage Energy Ltd.

*Net zero by 2025*

Advantage is a leading Canadian energy business known for supplying some of Canada's cleanest and most reliable and sustainable energy for Canada and the world. Advantage is one of the first-known companies in the oil and gas sector to announce plans to achieve net-zero emissions by 2025 utilizing Entropy, post-combustion CCS technology.

Advantage helped bring to fruition its innovative technology through the creation of Entropy. This breakthrough carbon-capture and storage technology will allow Advantage to achieve "Net Zero" Scope 1 and 2 emissions by 2025. Advantage's Entropy technology has plans to be replicated and commercialized to serve as the solution to lower carbon emissions for the world's largest GHG emitters. Currently, Advantage's emission intensity remains the lowest among peers, at 0.017t$CO_2$e per barrel of oil equivalent.

## Tourmaline Oil Corp.

*Leader in methane abatement*

Despite being Canada largest natural gas producer, Tourmaline's GHG emissions remain a small fraction relative to similar peers. This was achieved by replacing 3,400 methane-venting pneumatic devices with low- or zero-bleed devices. Some other key achievements have been:

- Reduced total methane emissions by 25% in just two years (three years ahead of their target)
- 35% reduction in $CO_2$ emission intensity since 2013
- 95% of completion water recycled from gas operations

## Secure Energy Services Inc.

*Services minimize environmental impacts*

This is an energy infrastructure and environmental services business that provides a range of solutions from site remediation and reclamation, bio-remediation, water treatment & recycling, emergency response and meta recycling services, as well as fluid management for drilling. In the last year:

- Recycling services recycled 150 million kg. of scrap metal (11 Brooklyn Bridges)
- Reclamation services restored over 3.5 million square metres of land
- Excavated and processed over 163,000 tonnes of contaminated soil

Secure Energy Services has committed to reduce carbon intensity by 50% over the next eight years.

# Canadian energy leaders

## Canadian Natural Resources Ltd.

*Global leader in GHG-reduction research*

The company is a strong supporter of Canada's role in the Paris Agreement. Canadian Natural Resources has invested $3.9 billion since 2009 in GHG research and carbon-reduction projects. It is Canada's largest owner of carbon-capture capacity with a combined capacity of 2.7 megatonnes of CO2 emissions/year (the equivalent to taking 576,000 passenger vehicles off the road per year).

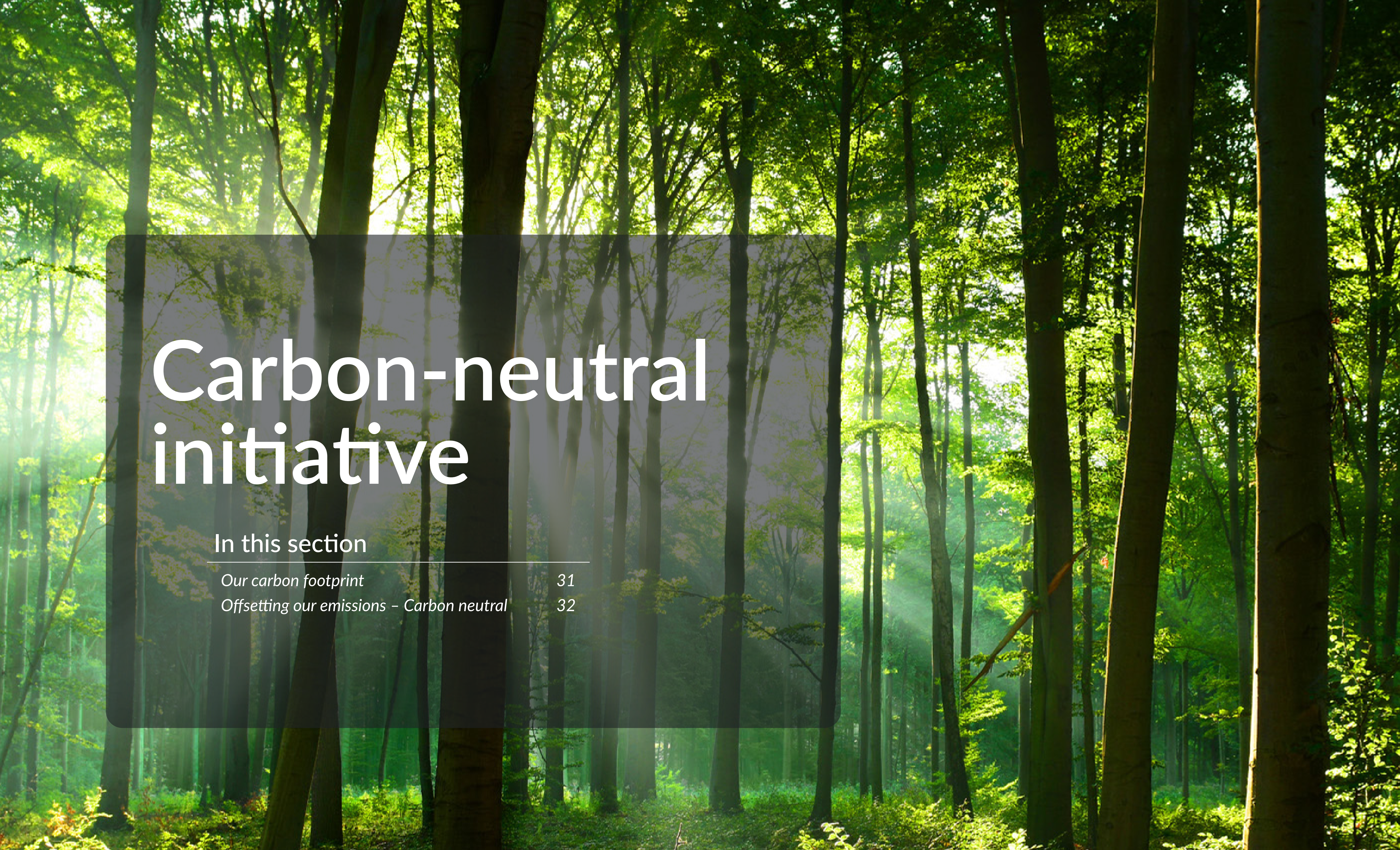
## PrairieSky Royalty Ltd.

*Leases mineral rights*

As a leaser of mineral rights, PrairieSky has no direct exposure to oil and gas operations. It's committed to:

- Renewable energy projects and promoting energy transition opportunities on its land base
- A 50% reduction in absolute GHG emissions by 2025, as their lease agreements incorporate requirements for reducing methane and other GHG emissions

In 2022, PrairieSky announced that it is partnered with Bison Low Carbon Ventures Inc. (operator), Enerflex Ltd. and IRC Enterprises Inc. (Indian Resource Council of Canada) on the Meadowbrook CCUS Hub Project. This project was recently selected by Alberta Energy as one of six applicants for carbon storage tenure in the industrial heartland near Edmonton, Alberta.



# Carbon-neutral initiative

## In this section

# Our carbon footprint

In 2021, EdgePoint formally undertook steps to quantify our environmental footprint through the calculation of our Scope 1, 2 and 3 GHG corporate inventory. With the assistance of external GHG calculation consultants, we identified all direct and indirect emission sources of our firm. The main motivation for undertaking this exercise was to improve our understanding of our firm's environmental impact and strategize targets and commitments to reduce our GHG inventory in the years ahead.

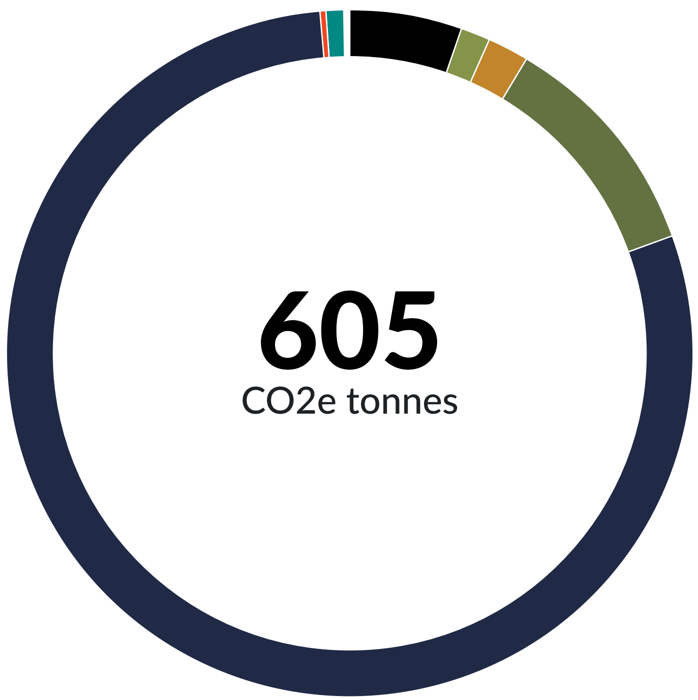
A formal EdgePoint GHG inventory report was produced that captures EdgePoint's 2019 emissions levels. The 2019 calendar year was chosen as EdgePoint's base year for corporate inventory emissions as both 2020 and 2021 were impacted by the effects of the COVID-19 pandemic. Therefore, using the 2019 calendar year allows for analysis of a "typical" operating year.

EdgePoint's GHG inventory was conducted in accordance with the International Organization for Standardization (ISO) 14064-1 standard "Greenhouse Gas Protocol". This standard sets out requirements and guidance for organizations to develop a comprehensive GHG inventory. It stipulates that certain greenhouse gas types be included in the organizational inventory.

Within greenhouse gas reporting, there are three scopes of emissions that should be considered.

For the purposes of defining our greenhouse gas inventory, all Scope 1 and 2 emission sources were reported, along with selected Scope 3 emission sources determined through a facilitated workshop exercise with our ESG team and the external GHG consultants. The following table outlines the sources of our emissions.

## EdgePoint's emissions




**Scope 1 - On site consumption**

| | |
|---|---|
| Natural gas usage | 5.5% |
| Refrigerants | 1.2% |

**Scope 2 - Generation of electricity**

| | |
|---|---|
| Nuclear power | 2.0% |

**Scope 3 - Indirect emissions**

| | |
|---|---|
| Staff commuting | 10.9% |
| Business travel | 79.3% |
| Paper consumption | 0.2% |
| Waste from operations | 1.0% |

# Offsetting our emissions – Carbon neutral

At EdgePoint, we try to hold ourselves to account in the same way as our Portfolio companies. One of our initial steps was to identify ways to minimize our environmental impact, with the goal of being carbon neutral. This was a key motivation for establishing our carbon footprint as we wanted to understand our emissions and look for ways to reduce our impact through a mix of energy-efficiency improvements and carbon-offset projects.

With our first annual responsible investment report, we are excited to introduce a new initiative at EdgePoint to fully offset our carbon footprint. We at EdgePoint have committed to offsetting emissions on an annual basis, but for the purpose of this report, we have offset our 2019 base year emissions. We will look to offset future years' emissions in the coming year as we finalize emission inventories for those respective years.

We acquired carbon credits generated by certified carbon offset projects to offset our Scope 1, 2, and 3 emissions. The American Carbon Standard and the Verified Carbon Standard both verified these projects.

Verified Carbon Standard

## Landfill Gas Capture

**Type:** Landfill Gas Capture

**Highlight:** Methane gas is being captured from decomposing landfill waste and converted into energy

**Location:** Fulton County Mud Road

Capturing methane gas from a landfill in New York using underground gas wells and converting it into energy.

The Fulton County Mud Road Sanitary Landfill is located in the town of Johnstown, New York, and is composed of 30 acres of active landfill, with an additional 8.5-acre constructed expansion available for refuse in the future. In 2007, major upgrades and expansions to the existing landfill gas collection system were undertaken in order to produce enough landfill gas of sufficient quality for sale to a landfill gas to energy (LFGTE) plant that consists of two engine gensets. Fulton County's energy partner, IES, began construction of the LFGTE plant in July 2009 and began operating the plant in June 2010. In addition to the significant GHG emission reductions from the destruction of methane that would otherwise have been released to the atmosphere, the project lowers methane levels in groundwater, increases safety by avoiding methane migration, and reduces emissions of VOCs and other local pollutants.

American Carbon Registry

## Improved Forest Management

**Type:** Improved Forest Management

**Highlight:** Conserves local biodiversity and habitats

**Location:** Northern Minnesota

Improving the management of over 175,000 acres of forest in northern Minnesota to increase carbon storage levels

The UPM Blandin Paper Company is conducting improved forest management practices on 187,876 acres of land in northern Minnesota, 173,386 acres of which is covered in native hardwood forest. The project area land were acquired and consolidated progressively over the past century, with significant acquisitions in the 1950s through the 1990s. The most recent acquisition occurred in 2008 via a land exchange between UPM Blandin and Itasca County. Parcels of the Blandin forest have been harvested for timber since early in the 20th century, when spruce bogs were considered the key element for wood supply. There is evidence on the property of old logging camps dating back to 1880-1920. In 2010, UPM Blandin recorded a perpetual conservation easement that formalizes and ensures the continued application of Blandin's Smart Forestry practices. Significant areas of old growth forest and watercourse buffers are excluded from active management, which increases carbon sequestration and provides critical habitat for rare species like the northern long-eared bat and the golden-winged warbler.

# Engagement

In this section

# ESG Engagement

We believe it's our duty to be active and engaged owners of the companies we invest in. Through our engagement, we seek to improve transparency and resilience and share insights from our ownership experiences across our Portfolio companies.

At EdgePoint, we have never shied away from engaging with management teams on important issues where we believe our voice can make a difference. In the past, we may have brought up ESG issues during our routine management meetings with Portfolio businesses, but more recently we have increasingly discovered the necessity to undertake separate ESG engagements.

Recognizing our ability to influence change, we decided we could add value with separate dedicated ESG engagements. In 2021, we took more steps to strengthen and widen our engagement activities with a specific focus on ESG. With the support of the Investment team, the newly formed ESG team was tasked with formalizing a process around ESG engagements with Portfolio companies.

With this perspective, our approach to ESG engagement begins by identifying and prioritizing the most critical ESG concerns for Portfolio companies. In many cases, the most obvious ESG concerns were simply a lack of basic disclosures on important ESG matters affecting their company. Disclosure varies for each business but could include the failure to include a basic human rights policy, workplace health and safety policy, employee code of conduct, or key environmental policies.

Without basic disclosures, we found it difficult to bridge the gap to other more complex ESG matters. In these instances, we strongly encouraged management teams to improve transparency through establishing key ESG disclosures. We outlined specific steps to improve disclosure, which ultimately allowed our ESG team to gain the trust and relationships needed to tackle more complex ESG challenges.

This brings us to our second key insight from 2021: the significance of quality over quantity in our ESG activities. Through our discussions, we discovered that most management teams are already dealing with an overflow of ESG requests for meetings and questionnaires. Some have even noted that ESG engagements have been more burdensome than useful for their company.

To avoid contributing to the "noise," we believed that a more constructive, ownership-minded engagement approach was needed to increase our hopes of seeing positive change. We do not want to burden businesses with hollow requests, but rather to give an outsider's view on areas where we believe improved ESG practices will positively impact the value of their business and, more importantly, facilitate positive change.

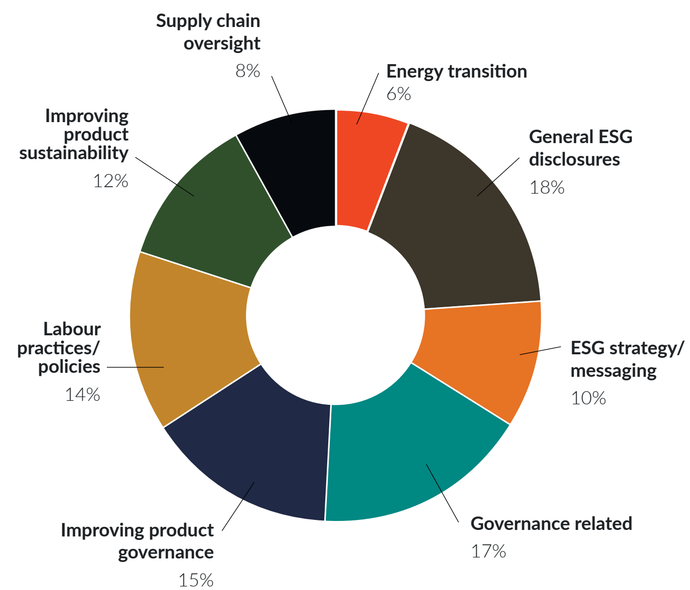
Another key takeaway from our 2021 engagements was learning the benefits of relationships with companies. From the majority of our ESG-focused engagements, we discovered that our Investment team had previously developed trusting relationships with management teams from their frequent interactions over the years. With this trust already in place, we were able to bridge the dialogue to critical ESG issues, which we feel makes our ESG engagements more productive

## 2021 Engagement Snapshot

**40%**
Percentage of EdgePoint Global Portfolio holdings we engaged with in 2021

**50**
Engagements with portfolio companies on ESG issues

### Engagements by topic



# Engagement case studies

## PriceSmart Inc.

*PriceSmart is a U.S.-based company that operates the largest warehouse club in Latin America, the Caribbean and Colombia. PriceSmart sells high-quality merchandise at low prices and currently serves over three million members at its 49 warehouse clubs.*

**Topic:**
In October 2021, we held our first ESG-centred engagement with PriceSmart. During this meeting, we focused the discussion on PriceSmart's overall sustainability strategy and the steps they were taking internally to address material ESG risks facing their business. On the call, they reviewed their ESG strategy and explained that the recent pandemic amplified and changed how they considered ESG factors impacting their businesses. Their revised ESG approach will be detailed extensively in their new sustainability report that is scheduled for release in early 2022.

**Discussion:**
Following this broad overview, we then concentrated the discussion on PriceSmart's supply-chain management practices, labour practices, and food quality and safety standards. In our review, these ESG categories were most material to their business, but for the purpose of this summary we will just review our discussion on PriceSmart's supply-chain management practices. Supply-chain management is a key component to large and diverse retail operations like PriceSmart, and we believed they lacked key policies addressing their approach to supply-chain management.

Through the lens of ESG, supply-chain practices focus on a company's management of raw material inputs, including a supplier's environmental performance and quality standards, as well as addresses any human rights issues occurring throughout the supply chain. We explained to PriceSmart that these issues are gaining importance to investors and are separate from the traditional supply-chain considerations like cost-effectiveness, speed of delivery and reliability. PriceSmart can manage human rights issues and supply-chains disruptions by outlining and enforcing compliance with a comprehensive set of supplier standards. Supplier compliance to these standards should be monitored by regular audits and through ongoing supplier engagement and training to ensure best practices.

**Outcome:**
Our discussion on PriceSmart's oversight of its supply chains gave us additional comfort that the company is working with its suppliers to ensure proper standards are upheld. The main takeaway was that PriceSmart needed to formalize its supply-chain oversight to ensure consistent compliance to a set a comprehensive supply-chain standards. PriceSmart agreed with our assessment, and we have since had another focused engagement to review this subject in greater detail.

# Engagement case studies

## Fairfax Financial Holdings Ltd.

*Fairfax Financial offers reinsurance and property and casualty insurance in Canada, the U.S. and other international markets. About 25% of insurance premiums come from reinsurance activities, and almost 30% of premiums are generated from outside Canada and the U.S.*

FAIRFAX
FINANCIAL HOLDINGS LIMITED

**Topic:**
We engaged with Fairfax to get a better understanding of their current approach to ESG and to see if there were opportunities for our team to help them understand the key ESG reporting standards for financial insurance businesses. Following the completion of our ESG review, we discovered several deficiencies in their ESG practices that would not be regarded as "table stakes" for financial insurance businesses like Fairfax.

**Discussion:**
Our ESG team, along with members of the Investment team, met with Fairfax's executive team in November 2021 with the overall goal of providing guidance on improving their ESG disclosures. To begin our engagement with Fairfax, we narrowed the conversation to a few key areas that, in our opinion, would make the most significant impact towards improving their ESG initiatives. Based on our assessment, we believe that data security & privacy, climate change vulnerabilities and, lastly, ESG integration in their underwriting standards and investment criteria were the key areas that impacted their business from an ESG lens.

For the purpose of this report, we highlight our discussion on ESG integration in their underwriting standards and investment criteria. Insurance companies like Fairfax are responsible for investing capital to ensure the preservation of premiums are equivalent to planned policy payouts. Just like investment firms, there is an increasing need for insurance companies to explain how they consider and incorporate an ESG framework in the management of investments. During our conversation, we discovered that Fairfax does use some ESG criteria in its investing decisions but has yet to publicly disclose their efforts. As a first step, we recommended that Fairfax publish a Responsible Investing Policy, which would serve as a vehicle for promoting their attempts to include ESG considerations. The following are the critical components we outlined that would serve as a framework if they opted to implement our suggestions.

- Commitment to integrate ESG factors in the investment approach
- Managerial responsibility for and oversight of responsible investment
- Dedicated staff responsible for analyzing ESG issues
- Training on ESG for investment professionals

**Outcome:**
In early 2022, Fairfax released a new sustainability report. This report included many of the missing ESG disclosures we had recommended from our 2021 conversations. Fairfax specifically contacted our team to highlight how our discussions helped in identifying key components of their newly released sustainability report.

# Engagement case studies

## Mattel, Inc

*Mattel is a leading global children's entertainment company that specializes in the design and production of quality toys and consumer products. Mattel's portfolio of owned and licensed brands include well-known names like Barbie, American Girl, Fisher-Price and Hot Wheels.*

**Topic:**
In June 2021, we examined Mattel's product safety protocols, testing and marketing methods. As a result of reports of four newborn fatalities, Fisher-Price baby rockers were recalled, prompting this increased vigilance. Baby rockers manufactured by Mattel have historically been connected to newborn fatalities when not used in accordance with the manufacturer's recommendations. As part of our assessment of Mattel's product safety procedures and objectives, we looked for any inadequacies in their safety policies and testing procedures.

Given insufficient public disclosure in this area, we engaged with Mattel to request more information on their safety policies and procedures, product testing and marketing practices. We also wanted to hear about improvements they've made and initiatives they've taken to ensure product safety concerns are addressed more effectively going forward. Mattel worked on a Corporate Citizen Report that disclosed most of the information we had requested. When the report was published, we held a one-on-one ESG engagement with Mattel to review this issue in greater detail.

This formal ESG engagement took place in December 2021. Our ESG team, along members of the Investment team, led the discussion with Mattel.

**Discussion:**
Leading into this engagement, Mattel understood our concerns and stated that they planned to release a new Corporate Citizen report by the end of 2021. Mattel did follow through and released their annual Corporate Citizen report in August 2021, with a large section dedicated to addressing our concerns around their product quality and safety improvements.

We emphasized to the Mattel executives on the call that this new process is something we will continue to track closely as they execute on these much-improved product safety practices.

In addition to these enhanced safety measures, we also recommended that they adopt SASB reporting standards on ESG metrics. We explained that SASB outlines specific reporting metrics for companies in the "Toys & Sporting Goods" category. We explained that the majority of companies we speak with are reporting using the SASB framework, including all of Mattel's peers.

As a final point, we also suggested that Mattel consider incorporating relevant ESG metrics into individual and executive compensation objectives. We suggested compensation could be linked to Mattel's future product safety performance and it would further incentivize management and demonstrate to shareholders that product safety is their top priority.

**Outcome:**
They explained in detail their new five-phase safety process. This included a global quality, product safety & regulatory team, as well as a medical and scientific safety council (MSSC) made up of pediatricians. This process is also now detailed extensively on their website.

# Engagement case studies

## Shiseido Co., Ltd.

*Shiseido is a Japanese cosmetic company. The company's product categories consist of skin care, makeup, body care, hair care and fragrances. Being founded in 1872, Shiseido is also one of the world's oldest cosmetic companies.*

SHISEIDO

**Topic:**
After completing our review, we found Shiseido was a leader on ESG issues. We also learned that the cosmetic industry is well ahead of most industries on ESG practices. Through an ESG lens, Shiseido was a very strong relative performer in the EdgePoint Global Portfolio but relatively weak when compared to leading peers in the cosmetic industry. This is what led our ESG team to engage with Shiseido. We determined that Shiseido was missing a few key elements in their ESG reporting.

**Discussion:**
In June 2021, we held our first engagement with Shiseido's CEO and Head of Sustainability. Our engagement mostly focused on policy enhancements that, in our view, would provide more transparency around the companies under human capital management and product-testing procedures. Below are some examples of our recommendations to Shiseido.

- Disclosing managerial responsibility for product safety
- Disclosing gender pay equality program Enhancing Freedom of Association policy, Working Hours policy and Discrimination policy

While the business is doing great things, it's a matter of communicating better to the public. As long-term shareholders of Shiseido, we will continue to inform the company of opportunities to narrow the gap relative to its competitors from an ESG perspective.

**Outcome:**
Since our initial discussion, Shiseido has informed our team that they plan to introduce our recommendation in their next iteration of policy updates. Shiseido has also released their 2021 Corporate Sustainability report, which includes our proposed suggestions.

# Engagement case studies

## Restaurant Brands International Inc.

*Restaurant Brands International (RBI) is one of the world's largest quick-service restaurant companies, operating well-known brands including Tim Hortons, Burger King and Popeyes. Large-scale restaurants chains like RBI can be a regular part of people's lives by providing everything from a single coffee to a full meal.*

restaurant brands international

**Topic:**
From an ESG perspective, quick-service restaurants generally have higher levels of exposure to ESG issues than a typical company. For example, they must effectively manage the quality and safety of their food products, health and nutrition levels, supply-chain practices, raw material sourcing, packaging and larger labour forces. Given their higher exposure to ESG issues, they must also provide greater detail on how they manage each of them.

Our engagement with RBI was part of our ongoing ESG review, which led to our belief that RBI could improve in several key areas of ESG disclosure. Kicking off the meeting, we explained to the RBI team that there is no clear ESG leader in their industry, and that an opportunity existed for RBI to take this leadership position. We brought to their attention RBI's initiatives in nutrition and health, and also some areas where we believe RBI could improve its food safety practices. Based on our assessment, RBI has taken several measures to improve but still does not adequately address all required disclosures.

Restaurant operators like RBI bear the brunt of reputational damage triggered by food quality issues or false product claims. They must also manage a significant number of food suppliers and distribution points, which present additional challenges in monitoring food safety. Next are some examples of our recommendations following our discussion on food safety practices:

- Disclosure of food testing procedures. It is considered best practice to have in-house testing.
- Disclosure of frequency of supplier training on quality assurance. We recommended training take place annually.
- Clearly defined managerial responsibility over food quality and safety at RBI.
- Monitoring of product/service safety performance and setting targets.

**Outcome:**
This initial engagement addressed some of our questions and helped us better understand RBI's commitment to be a sustainability leader amongst its peers in the quick-service restaurant industry. We see this as an added driver to the company's competitive advantage. Since our first engagement, we have held follow-up meetings to discuss their progress and plans to address these topics in 2022.

# Engagement case studies

## The Middleby Corp.

*Middleby is recognized as the global leader in the production of commercial and residential kitchen and industrial food processing systems. As the world's largest manufacturer of commercial kitchen equipment, Middleby's customers include Burger King, Domino's, Five Guys, Kroger and McDonald's. Innovation and product sustainability are key selling points for Middleby, as they allow their customers to become more sustainable and reach their goals.*

THE MIDDLEBY CORPORATION

**Topic:**
Middleby's product innovation efforts are focused on solutions that reduce energy consumption, lessen water usage and food waste, minimize emissions, and carbon footprint, and enhance safety in the kitchen and at home.

**Discussion:**
During our ESG review, we determined that Middleby's reporting on ESG practices was well behind industry standards. In our assessment, Middleby was not fully identifying the key material ESG risks impacting their business and, as a result, were also failing to make clear public disclosure on how they intended to manage these risks. One of our key areas of focus was their product safety management as we found inadequate disclosure regarding the company's product safety policies. As the world's largest commercial equipment manufacturers, product safety is considered vital to their business continuity.

During our first engagement meeting with Middleby's senior management, we provided formal recommendations on improvements. This included updating the company's product safety and quality procedures, disclosure of product safety targets and performance, and a commitment to disclose all product safety incidents.

**Outcome:**
Since our initial engagement, Middleby has arranged five subsequent meetings with our ESG team to review their progress and expand our dialogue into other areas of potential improvement.

# Proxy rights and responsibilities

## In this section

# Proxy rights and responsibilities

Exercising our voting rights in the firms in which we invest is a critical component of our investment strategy and a means of promoting sound corporate governance. We exercise our voting rights and responsibilities across all of our funds, where we are permitted to do so by our clients, regardless of geography.

We believe that the voting of proxies should be undertaken by the same team that manages the investment.

EdgePoint's Investment team is responsible for reviewing proxy proposals and, prior to the proxy voting deadline, will decide how to vote on each proxy proposal based on his or her analysis. The ultimate decision as to the way a proxy will be voted rests with the Investment team member responsible for the company held by the Portfolio.

In most circumstances, voting is routine and in accordance with management's recommendation.

Non-routine voting items, including proposals raised by shareholders of the company, are addressed on a case-by-case basis with a focus on the potential impact of the vote on the business value and whether the decision is in the best interests of our clients. For non-routine matters, our Investment team may consider information from several sources, including management of the company and from our service provider, Institutional Shareholder Services ("ISS"). Depending on the proxy item under consideration, members of the Investment team may consult with EdgePoint's CIO or our ESG team for additional guidance.

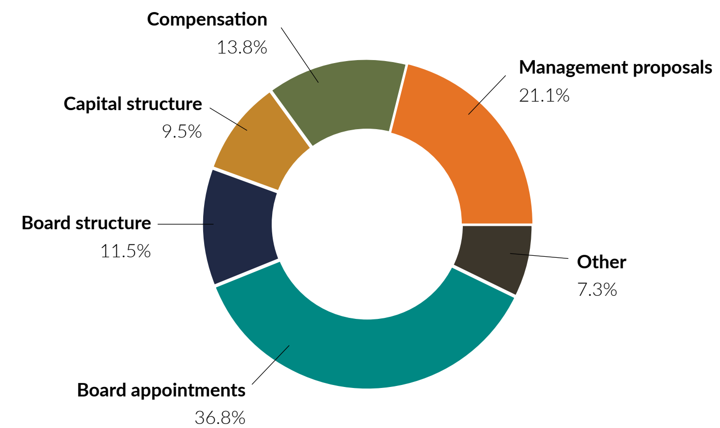
This approach is the same across all EdgePoint Portfolios and is in accordance with our Proxy Voting policy. A certificate certifying conformity with our proxy voting policy in respect of the Portfolios is issued semi-annually. Proxy voting records are posted on EdgePoint's website.

In 2021, like in prior years, our voting covered a range of topics, including board appointments, compensation proposals, omnibus stock plans, capital expenditures, management proposals, and shareholder resolutions. All in all, we cast 6,421 votes across our Portfolios, with roughly 6% against management recommendations.

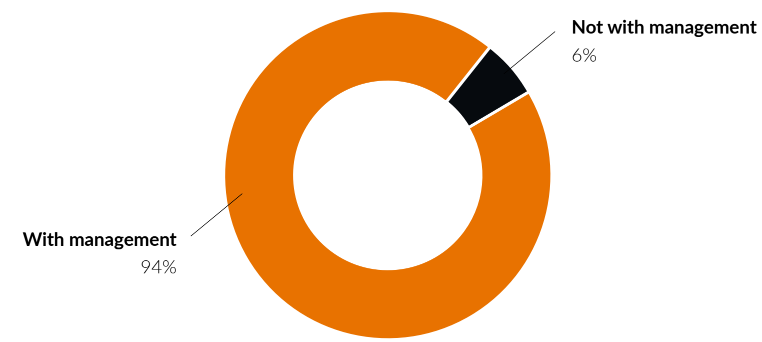
## 2021 voting snapshot

**6,421**
votes across our Portfolios

### Votes against by issue




### Votes for/ against management



# Proxy voting case studies

## Bureau Veritas SA

**Item:** Approve compensation
**How we voted:** Against

We voted against the Bureau Veritas compensation proposal. Our main reason for voting against was the board's decision to deviate from previously set performance conditions that were meant to vest in 2020. This performance condition was tied to shareholder return. They instead extended its vesting period to 2021 and cancelled the performance condition for 2020, as it previously did on the long-term incentive plan granted in June 2018 and 2019. They provided little justification for this change other than the unexpected and significant impact of the COVID-19 pandemic on performance.

## Badger Daylighting Ltd.

**Item:** By-law approval
**How we voted:** Against

We voted against by-law provisions as they contained an advance notice provision (ANP) that is considered offside of best practices within the Canadian market. We view this provision change a limiting to us as shareholders. This provision would require any shareholder proposing to nominate a director for election to the board to submit any such request to the company within a clear timeframe and with appropriate information pertaining to any proposed nominees and the nominating shareholder. The provision gives the board the authority to determine what other information or disclosure may reasonably be required by the company to determine the eligibility of the proposed nominee. The determination of what is reasonably required is in the hands of the board and could be used by the existing board and management to prevent or delay proposed nominations, thereby hindering shareholders' ability to nominate directors for election to the board.

## Gildan Activewear Inc.

**Item:** Executive Compensation
**How we voted:** Against

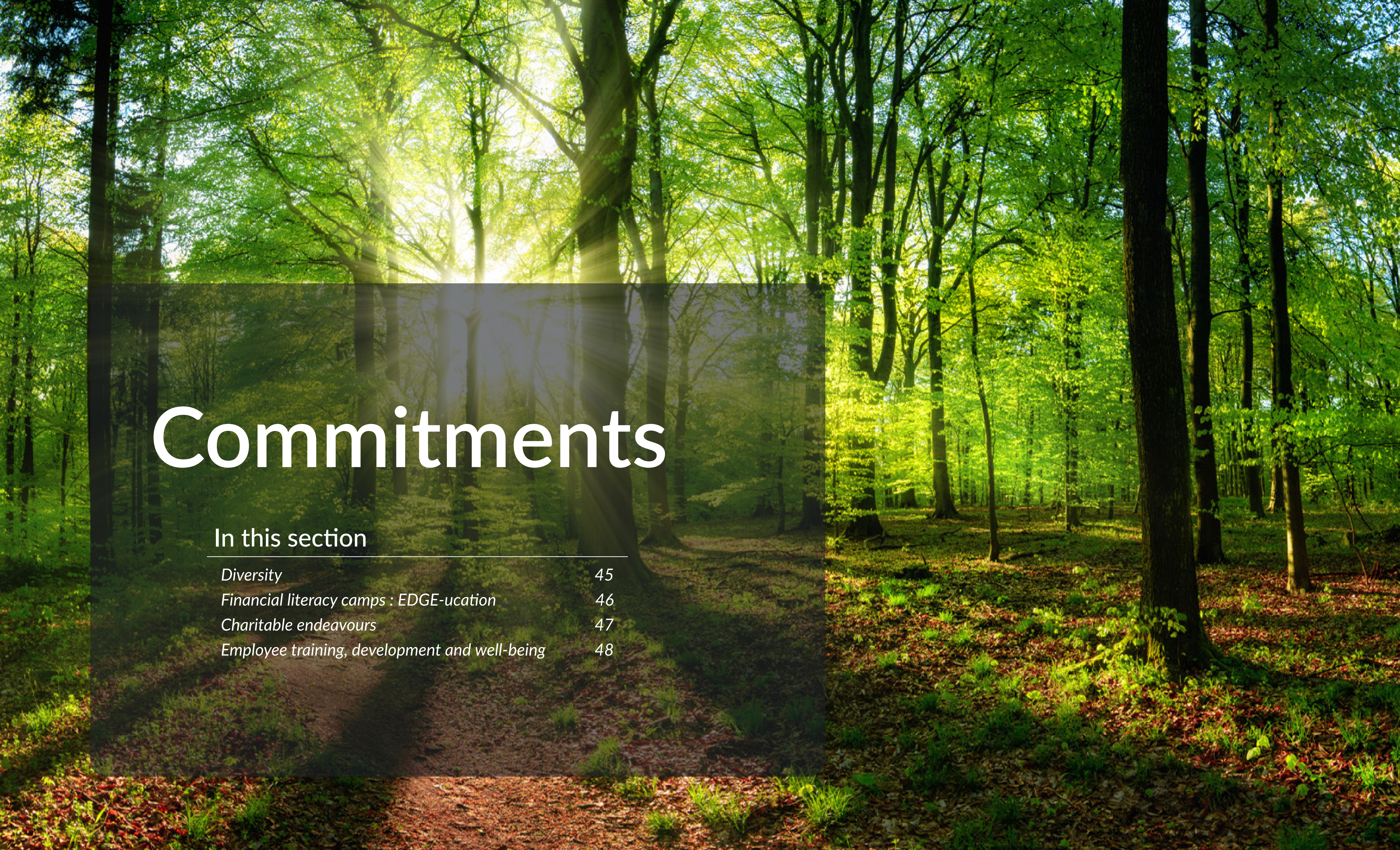
We voted against the non-binding advisory vote on executive compensation. In our view, the size of the grant was large and the strike price of the options was only 13% out of the money. It did have a vesting schedule based on the stock price, but the options did not expire for seven years. The CEO is a founder of the business with material shareholding, and is well compensated for his work. In addition, the company granted time-based awards to two Named Executive Officers and a performance-based special award to the CEO, which in our view was excessive. We question the appropriateness of the company's decision to grant these one-time awards, specifically during such a challenging time for the business given the pandemic effects.

## Apollo Global Management Inc.

**Item:** Director appointment
**How we voted:** Against

We voted against managements proposal to elect Josh Harris.

As a co-founder of the firm, Josh Harris owns a sizable economic interest at roughly 10%. Despite his economic interest, his actions have shown that he is not aligned with Apollo's go-forward strategy. In addition to his frequent selling of Apollo's stock, the media has reported that he plans to start a mid-market private equity firm outside of Apollo Global. In most cases, we trust companies to select the best and most appropriate individuals to serve on their boards. In this case, we felt strongly that the best action was to vote against this appointment.



# Commitments

## In this section

# Diversity

We think that a large part of EdgePoint's success depends on each person being valued for their unique abilities, experience and perspective. Contrasting viewpoints, in our opinion, encourage innovative thinking and decision making, which in turn strengthen our business.

At EdgePoint, we are dedicated to creating a diverse and inclusive workplace for all partners. We feel it is critical to retain, promote and encourage diversity at all levels and areas of our company, and believe that true diversity stems from a diversity of experience and thought. We recognize that leveraging our differences helps everyone and frequently generates a more productive and rewarding atmosphere for all EdgePointers.

Overall, of our 81 partners, 35% are female and 65% are male. Of the 81, 20% are part of minority groups.

The leaders of our Operations, Compliance, Trade Operations, Inside Relationship Management and Analytics and ESG Oversight teams are all female. Ongoing internal coaching is provided to ensure leaders are set up for success across the organization.

The Investment team currently consists of 15 investment professionals (two women, 13 men). Four team members are minorities. The Investment team members have different levels of experience and diverse backgrounds. We believe that diversity across the organization promotes the inclusion of different perspectives and ideas, helps mitigate against groupthink and ensures we have the opportunity to benefit from all available talent.

When assessing candidates, we consider (among other criteria) diversity of skills, qualifications, experience, personality and how they may complement or contrast with existing members of the Investment team.

It's also important to note that the structure of the company (i.e., private and investment led), combined with how we define success, has made us an attractive alternative for talented professionals who may have become disenchanted with the more common asset-gathering model prevalent in the industry.

We believe fostering a culture of cognitive diversity is essential in security selection and portfolio construction. The ongoing culling process within the Portfolio and diversification by idea depend on it. In our experience, cognitive diversity is the result of past experiences, a natural intellectual honesty, and a culture of constructively challenging ideas in a collegial manner to ensure sound decision making.

# Financial literacy camps : EDGE-ucation

We know the importance of a long investment horizon, which is why we started running financial literacy camps for kids starting in 2013. These one-day events are aimed at kids aged 13 to 18, and cover the foundations and importance of investing and building long-term wealth. Our hope is that the program helps future generations make good financial decisions and become financially independent.

Our last full year of hosting these camps was back in 2019 before the COVID-19 pandemic. In that year we hosted 11 of our EDGE-ucation camps across nine Canadian cities for 360 people.

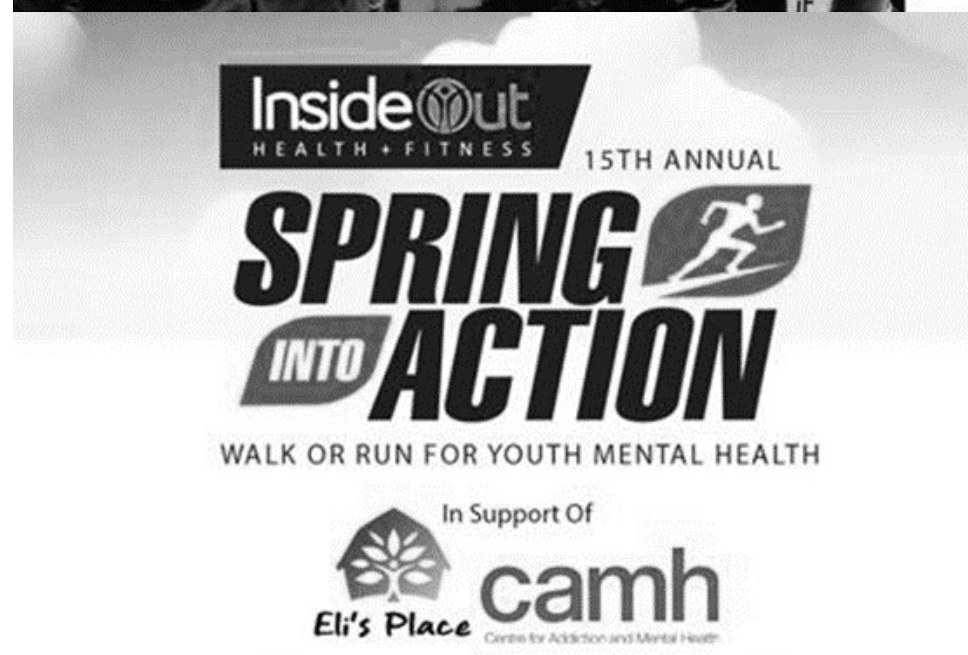
For us as EdgePointers, these camps have always been an incredibly rewarding experience as we get to see the positive impact we're having on young minds. We are looking forward to re-launch these camps across Canada in the coming months.

# Charitable endeavours

We believe volunteering is a great way to foster a sense of purpose and collective pride among employees. Below are some recent examples that the EdgePoint Charitable Committee has spearheaded in recent years.

- As part of EdgePoint's charitable initiatives, we have organized multiple team fun run/walk on events. These aim to raise funds to support youth mental health awareness.
- In B.C., we participated in several charity events, including Spring for Action's Walk or Run for Mental Health.
- Annually, we sponsor a family through Holiday Helpers "adopt a family" program. In 2021, we supported a family of 11 with cash donations and gifts including winter clothing, toys and laptops, along with household items of bed sheets, comforters, a toaster, instant pot, food processor, iron, towels, dishes and drinking glasses.

Formalizing our charitable initiatives is a goal we're aspiring to complete in 2022.

# Employee training, development and well-being

*The success of EdgePoint ultimately comes down to the culture, wellness and commitment of our internal partners. They are our most valued resource. We strive to provide a work environment that is stimulating, rewarding and supportive for our internal partners.*

## Well-being and benefits

Our employees are offered a competitive benefits package.

Health benefits are covered 100% by EdgePoint for all employees and their dependents. We also offer each employee an assistance program in times of need, which includes a full suite of services like counselling, wellness sessions, online resources and coaching. In addition to these benefits, we cover the full cost of comprehensive private health assessments for each employee based on age.

Our office is also equipped with an on-site fitness centre and workspaces have the option for standing desks. We believe physical and mental health go hand in hand.

## Ownership and compensation

As a company, we are committed to a compensation plan that recognizes and rewards our employees based on their performance.

We offer salaries benchmarked with the market, as well as strong, competitive benefits and a discretionary bonus scheme based on company and individual performance.

We also offer employees the opportunity to buy a stake in EdgePoint Wealth Management. To truly align our interests, we believe employees should purchase their shares rather than be given stock or options. This increases the commitment to our company and eliminates any sense of entitlement.

## Training and development

At EdgePoint, we embrace a growth mindset through continuous learning.

Over the last few years, we have initiated programs to further the professional development of EdgePoint employees including professional certification reimbursements, and lunch-and-learn sessions where EdgePoint employees share relevant topics across departments. For example, in 2021, EdgePoint employees held four sessions covering a range of topics including:

- Effective public speaking
- Excel macros
- Data science
- Cyber awareness

## Internships

Our efforts to support career development also include internships for students interested in pursuing a career in the investment industry. In 2021, five interns joined EdgePoint. In the past two years, three internships led to full-time positions.

As we look ahead, one of our key objectives for 2022 is to continue building out our internship program with the goal of fostering diverse talent across EdgePoint.

# Looking ahead

We hope that this report has provided a detailed and comprehensive overview of how we have been putting our commitment to ESG into practice. While ESG has always been a part of EdgePoint, in 2021 we took several important steps to improve our efforts to document and report how sustainability factors are considered throughout our investment processes and engagements. This upcoming year will bring new challenges and opportunities on the ESG front, but we believe the building blocks we have laid thus far will support the steps we'll take to improve and reach our goals.

As we look ahead, we will continue to deepen our engagement efforts, building on the relationships formed in 2021. We understand that meaningful improvement takes time and requires long-term commitments.

We thank you for your trust.

# Important information

i Source: Average EdgePoint investor returns: CIBC Mellon. Average EdgePoint investor returns represent the average money-weighted returns (net of fees) across accounts in EdgePoint portfolios with a minimum account history of 10 years as at December 31, 2021. Money-weighted returns represent the investor's personal rate of return taking into account their decisions regarding the timing and magnitude of portfolio cash flows. Average EdgePoint investor 10-year return excludes investor account transfers and switches.

ii As at December 31, 2021. Investor totals are based on unique identifiers based on a combination of names and broker codes. Starting in 2020, totals were validated using identification methods with duplicates removed.

iii As at December 31, 2021. Co-investment includes all investments by active company founders and employees in company-related products such as EdgePoint investment funds or Cymbria.

iv Source: Strategic Insight, Morningstar Direct. Fee savings calculated using an average of monthly assets under management (AUM) for Series A and A non-HST for years 2009 to 2017 and series F and F non-HST from 2018 onwards. Due to the shift in assets towards fee based, we believe using Series F and F non-HST MERs starting in 2018 is more relevant. Series F is available to investors in fee-based/advisory fee arrangement and excludes trailing commissions. Category average MERs provided by Strategic Insight as at calendar year-ends from years 2009 to 2017. MERs since inception to end-of-year 2008 not included. Morningstar Direct used from year 2018 onwards. Category average MERs of fee-based series funds in the following categories: Global Equity Category, Canadian Equity and Canadian Focused Equity Category, Global Equity Balanced, Global Neutral Balanced and Global Fixed Income Balanced Category, Canadian Equity Balanced, Canadian Neutral Balanced and Canadian Fixed Income Balanced Category. For funds that have not reported 2021 MER by March 1, 2022, the 2020 MER was used. Fee savings are an approximation.

v Includes since inception total returns from all investments managed by EdgePoint, net of fees and taxes charged directly to the respective portfolios. Excludes fees and taxes paid directly by investors.

vi Engagement figure represents a single interaction with a Portfolio company in the form of in-person or video meetings. EdgePoint defines an engagement as a constructive discussion with a portfolio firm on critical environmental, social, and governance (ESG) aspects that might enhance their business.



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