



RESPONSIBLE INVESTING

ESG integration approach

At EdgePoint, our primary definition of success is achieving investment results at or near the top of our peer group over a 10-year period. Investors count on us to build wealth for them over the long term, and we believe that investing responsibly helps us meet that expectation.

We define responsible investing as integrating environmental, social and corporate governance (ESG) factors into our fundamental research on a business, in order to identify potential risks and opportunities from our stake in that business.

We are committed to integrating ESG factors systematically in our investment approach. Overlooking ESG issues would interfere with our ability to compound wealth for our investors over the long term, which is our ultimate fiduciary duty.

The investment approach at EdgePoint is based on thorough research. The managers do not view their jobs as buying pieces of paper to be traded, but rather, taking an ownership stake in a business that will be owned for the long term. Prior to purchasing a business, a tremendous amount of research is performed. We typically interview a company's management to get an understanding of their ability to steer the business. This meeting often includes various levels of management to gain insight into employee engagement. We also frequently interview competitors and suppliers in an effort to gain more insight into our potential investment.

We use these opportunities to pose questions on ESG matters. Throughout this rigorous process, our portfolio managers, investment analysts and dedicated ESG oversight team look for any signs that ESG issues could pose material long-term implications to our potential investment.

Responsible investing and taking a long-term view on a business go hand in hand.

Examples of ESG factors identified:

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

Integrating ESG is not only an ethical imperative as we believe sustainability is interlinked with financial results. Generally good companies with ethical management teams often have a well-constructed approach to business sustainability and make strong considerations toward ESG issues as part of their approach. We believe this is evident in many of the businesses we own and is reflected in their efforts to increase their positive impact environmentally, socially and economically.

The process of tying a portion of the Investment team's compensation to their continued contribution and development of the firm's approach to incorporating ESG, as well as to their contribution to the firm's stewardship activities, leads to a win/win solution for stakeholders.



Governance structure

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

EdgePoint has an ESG-dedicated specialist and two other individuals involved in ESG oversight. These three individuals are members of the Investment Analytics & ESG Oversight team. Among the monitoring and reporting tasks of the dedicated ESG specialist, is the responsibility for engaging with Portfolio companies to track ESG progress. Our ESG specialist is also in constant communication with Investment team members. This ongoing due diligence is incorporated into our company research reports.

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

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

Our approach to stewardship

Proxy voting

Voting proxies is an important a way that we reflect our views on management compensation, board composition and ensuring responsible capital allocation. We subscribe to Institutional Shareholder Services Inc. (ISS), a leading provider of corporate governance and responsible investment solutions. We leverage their services for proxy research and vote recommendations. The ultimate decision is made by EdgePoint's Investment team and our proxy voting records are published on our [website](#).

Relevant policy: [Proxy voting](#)

Direct engagement

Engagement is an important part of our stewardship. We encourage each company's leadership team to enhance their policies and procedures as required, and to provide timely disclosure of their progress. We believe this ongoing engagement of company management is an effective way to maintain and improve corporate responsibility in the businesses we invest in. If our research reveals that a lack of adherence to one or more ESG factors may negatively impact the business, which in turn may erode future valuation prospects for a given security, these findings may inform our decision to purchase or continue to hold the security.

Relevant policy: [Active ownership](#)

Industry participation

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



External reporting

As PRI signatories, we have committed to reporting on ESG matters on an annual basis, and to publicly report on our activities and progress towards implementing the PRI principles.

On a quarterly basis we report to our institutional clients details on our ESG integration, as well as case studies and our engagements with Portfolio companies.

Exclusion policy

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

Portfolio asset allocation

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

Sustainability outcomes

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

Conflicts of interest

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

Review of policy

Annually, or more frequently if needed.