IMCO
Investment Management Corporation of Ontario

INSIGHTS. CAPITAL DEPLOYMENT. VALUE CREATION.

IMCO 2023 SUSTAINABILITY REPORT

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SECTION

1

ABOUT IMCO

DRIVING BETTER INVESTMENT OUTCOMES FOR ONTARIO

The Investment Management Corporation of Ontario (IMCO) was designed exclusively to invest on behalf of Ontario's broader public sector. IMCO manages

$77.4 billion

IN CLIENT ASSETS AS OF DECEMBER 31, 2023.

Led by an experienced management team and guided by a professional board of directors, we are an independent organization with a unique purpose. Our structure ensures that our decisions are based solely on meeting our clients' investment management, advisory and oversight needs.

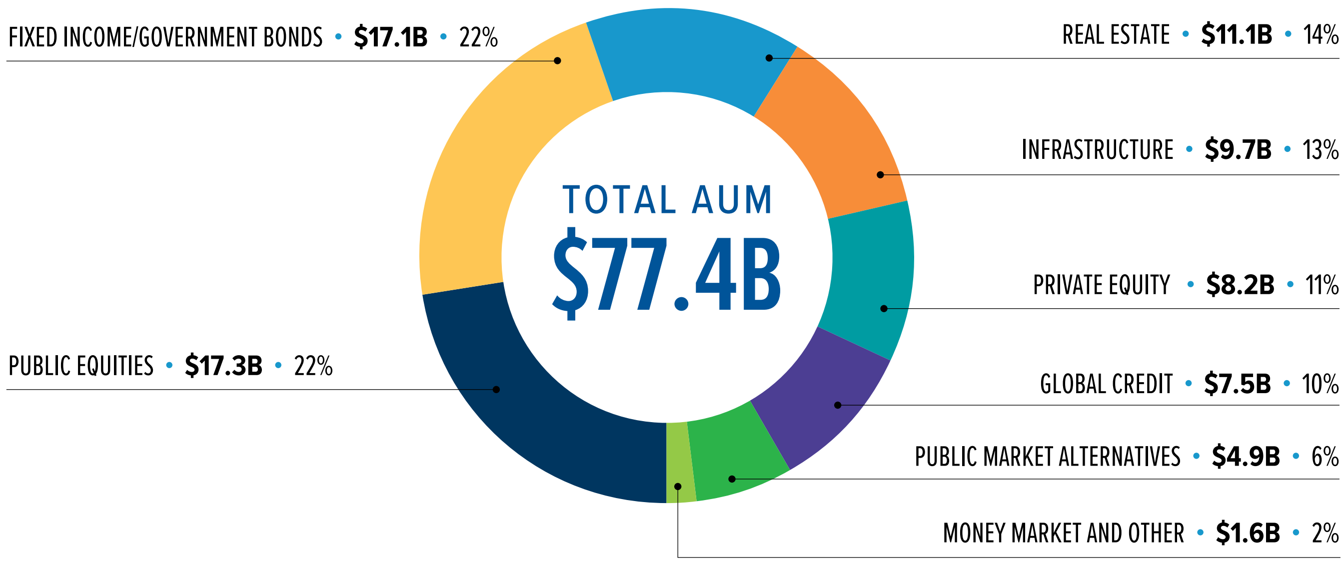
Our mission is clear: we work in partnership with our clients to help them meet their financial obligations on a long-term, sustainable basis. Our purpose, expertise and scale are at the heart of our value proposition to clients.

Sustainability considerations are fundamental to managing long-term returns and risks. We view sustainability as both a set of investable opportunities to pursue and as risks to evaluate, mitigate and improve. Therefore, we incorporate sustainability in decision-making across our entire investment lifecycle – from developing and disseminating insights, to deploying capital, to creating value hand-in-hand with our investee companies.

IMCO PORTFOLIO IN BRIEF

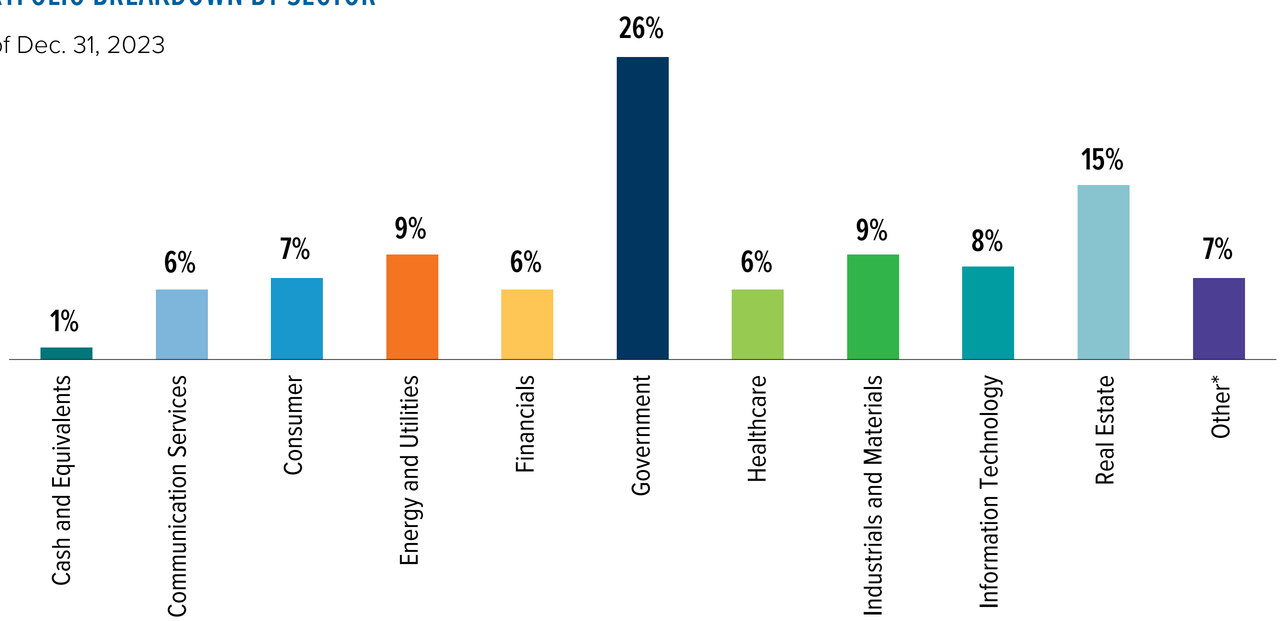
ASSETS UNDER MANAGEMENT BY ASSET CLASS

As of Dec. 31, 2023



PORTFOLIO BREAKDOWN BY SECTOR

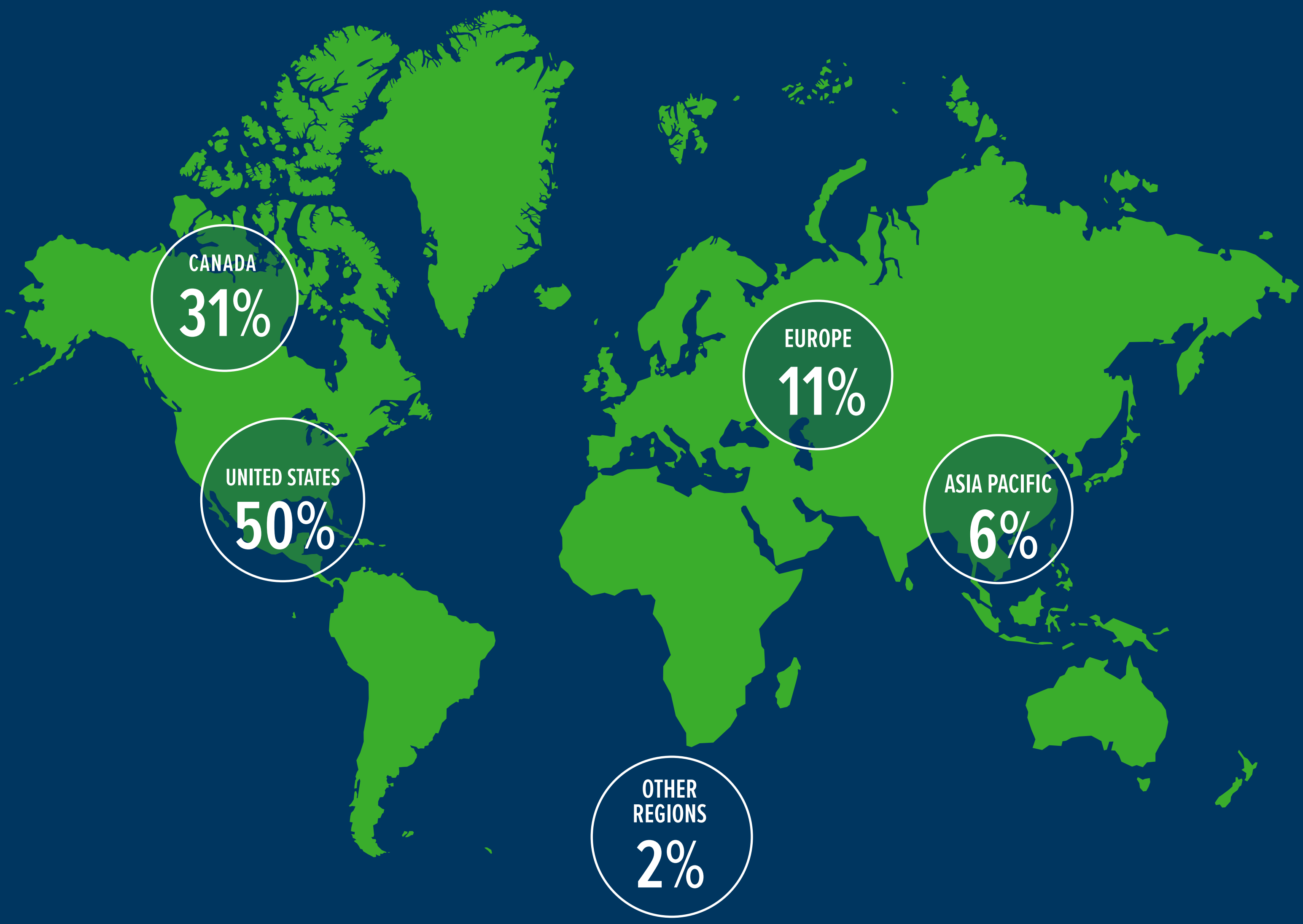
As of Dec. 31, 2023



* Other primarily includes public market alternatives and other diversified holdings.

REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

As of Dec. 31, 2023



2023 SUSTAINABILITY HIGHLIGHTS

Grew proportion of investments in climate solutions to 11.5% of portfolio, toward our 2030 target of deploying 20% of portfolio in climate solutions[1]

Approved over $1.6 billion in clean energy transition assets[2], bringing our running total to $2.1 billion, marking progress toward our goal of deploying $5 billion in clean energy transition investments by 2027

Participated in 10 long-term collaborative engagements with investee companies, external managers and coalitions seeking improved disclosures and practices on climate action, human capital and governance topics

Joined Ownership Works and committed to implementing broad-based employee ownership models at select portfolio companies

1 Climate solutions are companies or projects that derive most of their business from products and/or services that reduce emissions or otherwise mitigate climate change effects. Examples include renewable energy, alternative fuels, clean technology and transportation, recycling, pollution prevention, green buildings, and climate resilience and adaptation. Eligible assets are consistent with those defined in the International Capital Market Association's Green Bond Principles and Climate Bond Initiative taxonomy. Our total portfolio's assets under management are equivalent to $77.4 billion as of December 31, 2023.

2 Clean energy transition investments are a subset of climate solutions, namely solutions in categories such as i) renewable energy/alternative fuels, ii) energy efficiency/clean technology, iii) clean transportation, iv) circular economy/recycling, and pollution prevention and emission control. Eligible assets are consistent with those defined in the International Capital Market Association's Green Bond Principles and Climate Bond Initiative taxonomy.

Achieved an estimated 44% reduction in our portfolio's financed scope 1 and 2 greenhouse gas emission intensity[3] from 2019 baseline, toward our target of 50% reduction in financed emission intensity by 2030

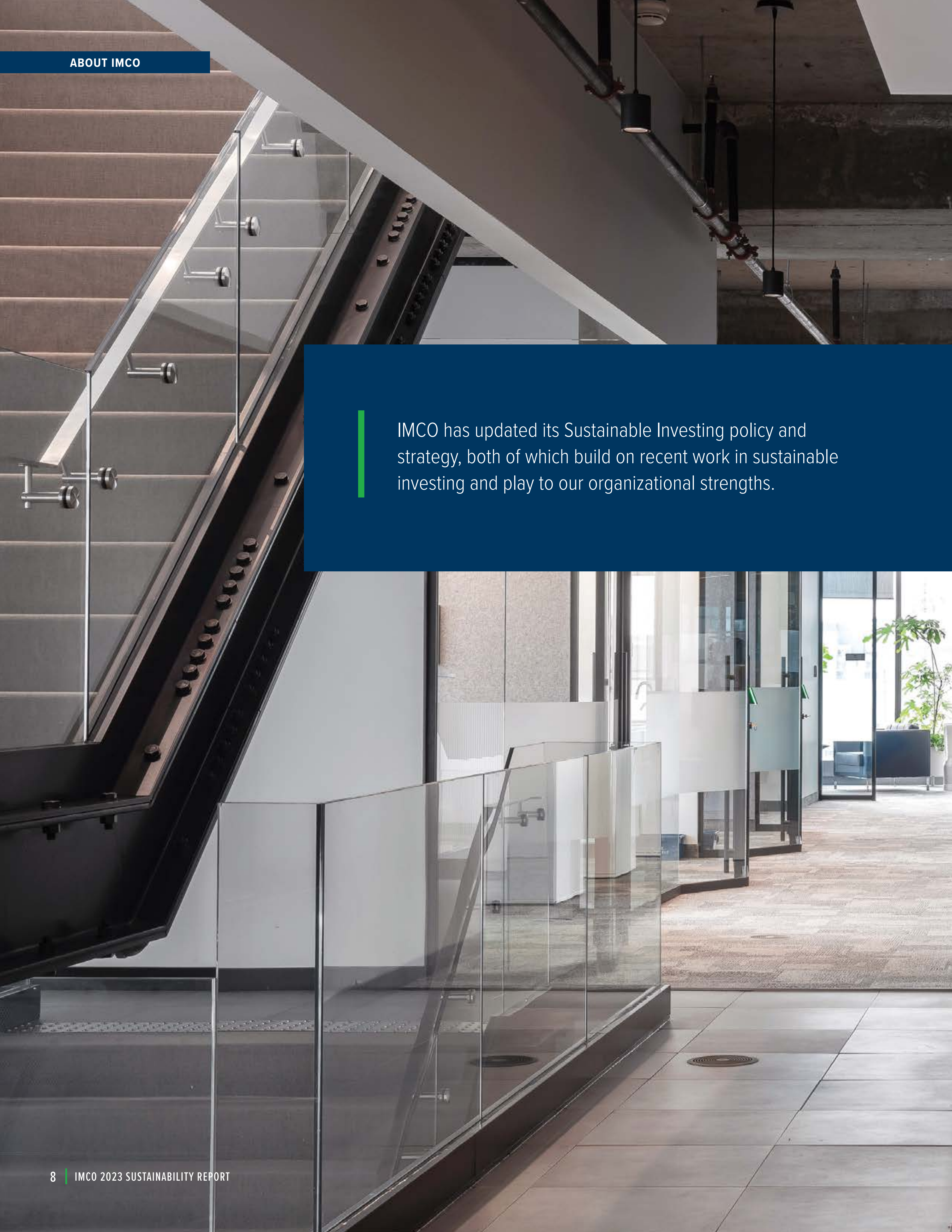
Voted on more than 25,000 items at 2,000-plus public company meetings

Named a Greater Toronto Top Employer for 2024 by Canada's Top 100 Employers

Supported 72% of environment-related shareholder proposals and 79% of social-related shareholder proposals at public company meetings

Published first modern slavery report

3 Financed emissions refer to the GHG emissions generated from the assets in our portfolio, proportionate to our debt and equity holdings. We calculated our financed emissions in accordance with the PCAF Financed Emissions second edition guidance and the GHG Protocol. Our portfolio's emission intensity is reported as tonnes CO2 equivalent (tCO2e) per $ million invested. Please refer to the Climate Action Plan section and Appendix B for additional detail on our results and methodology.



IMCO has updated its Sustainable Investing policy and strategy, both of which build on recent work in sustainable investing and play to our organizational strengths.

EXECUTIVE MESSAGE

We are earning a reputation for investing in innovative and nimble ways, particularly in the clean energy transition. This report highlights some examples, along with IMCO's progress on our Climate Action Plan targets and other sustainability priorities, such as diversity, equity and inclusion (DEI) and strong corporate governance. It also discusses new opportunities to add value to portfolio companies, such as unlocking human capital through employee ownership and supporting companies on their decarbonization pathways.

Since inception, we have taken the view that sustainable investing – considering all material environmental, social and governance (ESG) factors in our decisions – both mitigated risks and offered opportunities. As the investment landscape becomes more complex, we believe that developing deeper knowledge on key sustainability topics relevant to our portfolio will give IMCO a competitive advantage.

Brian Gibson
Chair, IMCO Board of Directors

Bert Clark
President & CEO

FROM LEFT TO RIGHT: **Gayle Fisher**, Chief Corporate Officer; **Polina Sims**, Managing Director, Head of Investment Strategy, Sustainability and Asset Management; **Rossitsa Stoyanova**, Chief Investment Officer

LEADERSHIP IN SUSTAINABILITY

Q: WHAT IS IMCO'S OVERARCHING APPROACH TO SUSTAINABLE INVESTING?

ROSSITSA: To us, sustainability risks and opportunities are part of the underwriting process, like any other element of due diligence. We are in the business of generating long-term returns, so material climate and sustainability considerations are part of our investment processes across all asset classes. We are thoughtful in how we look for value creation opportunities in major global trends, such as the clean energy transition and electrification of the economy. We think that green investments, which are necessary to decarbonize our planet, make sense today and will sell at a premium in the future.

Q: WHAT PROGRESS DID IMCO MAKE IN 2023 TOWARD ITS SUSTAINABILITY GOALS?

POLINA: In terms of capital deployment, IMCO teams invested in Northvolt, an electric battery manufacturer, and NeXtWind, a wind-turbine platform, which has gotten us closer to our goal of investing 20% of the portfolio in climate solutions by 2030. We are getting smarter about emissions data insights and more sophisticated about the coverage and calculations of our portfolio carbon footprint.

We made solid strides in stewardship, where we focused on helping investee companies develop net zero plans, supported their other ESG initiatives and participated in collaborative engagements. We also expanded our Asset Management team, which brings a specialized skill set to support portfolio companies on value-creation initiatives, including sustainability-linked ones.

I'm proud of the work we did to refresh IMCO's sustainable investing strategy. In 2023, we carefully considered IMCO's strengths and goals, from which we developed a tailored strategy focused on value creation, with sustainability as a source of competitive advantage.

Q: WHAT ARE SOME KEY TENETS OF THE NEW STRATEGY? WHAT'S DIFFERENT?

POLINA: It is more of a natural evolution than a major shift. Ultimately, we have to ensure our portfolios are future-proofed so they are more resilient and deliver risk-adjusted returns to clients. We pick our focus areas based on long-term considerations: governance is foundational, our Climate Action Plan remains front and centre and we are building expertise in innovative areas such as human capital and employee ownership.

ROSSITSA: What's different is that we aspire to a state where every investment professional at IMCO is a sustainable investor, where our teams think about environmental outperformance, practices that enable human capital to thrive and good governance as core to protecting and enhancing investment returns.

Q: DOES IMCO HAVE THE RIGHT CULTURE TO INVEST IN THIS WAY?

ROSSITSA: Collaboration and innovation among internal teams and strategic partners are key to the sustainable investing strategy. We had some terrific examples of success in 2023 in deploying capital and engaging with portfolio companies to add tangible value. IMCO is still young. We are building a culture and hoping to attract people aligned with that culture.

GAYLE: We were thoughtful about culture when we developed IMCO's five-year strategy. Being a very caring and inclusive organization was a key strength of IMCO that we wanted to continue to build upon. That means we reward collaboration and partnership; we try to empower our teams to be innovative; we take a very broad view of diversity, equity and inclusion; and we offer progressive and flexible benefits. Developing a caring and inclusive culture with high engagement helps IMCO attract and retain investment professionals to execute our long-term strategies and enables us to provide excellent client service.

Q: HOW ARE CULTURE AND SUSTAINABILITY LEADERSHIP LINKED?

GAYLE: Many of the sustainability topics come up as elements that our corporate and investment teams want to learn more about. We are developing learning programs to meet that demand, equipping them with the knowledge to become strong leaders and contributing to their career growth.

Sustainability, and culture in particular, are part of our performance management process, which clearly indicates the importance of these areas to IMCO. We reward employees and senior executives for achieving results.

SECTION

2

SUSTAINABLE INVESTING

Sustainable investing is synonymous with responsible, long-term investing.

Our clients have long-term financial obligations and IMCO was created to meet their financial needs. A long-term focus is not only necessary to align with our clients' time horizon, it is one of our strategic advantages. Sustainability is therefore a lens on managing business risks and seeking opportunities to ensure long-term viability of an investment and improve its risk-return profile.

Sustainability considerations, including climate risks and ESG factors, cover diverse ecological, human, economic, financial and societal issues that are material today, as well as those that will matter tomorrow. We consider these factors to ensure our portfolios are resilient to change.

Factors that are material to an investment will vary by asset type and industry sector. Across public and private investments, we assess material sustainability factors for every transaction. Some examples are below.

ENVIRONMENTAL (E)

Issues relating to the quality and functioning of the natural environment and natural systems.

- Climate change
- Energy
- Water
- Waste and pollution
- Biodiversity

SOCIAL (S)

Issues relating to the rights, wellbeing and interests of people and communities.

- Diversity, equity and inclusion
- Health and safety
- Human rights
- Human capital
- Supply chain management

GOVERNANCE (G)

Issues relating to the governance of companies and other investee entities.

- Board structure, diversity and independence
- Business ethics
- Cybersecurity
- Executive compensation
- Accounting and audit quality

To identify material factors, we rely on our teams' expertise, experience and professional judgment, augmented by resources including the Principles for Responsible Investment (PRI), Sustainability Accounting Standards Board (SASB) standards, UN Sustainable Development Goals (SDGs), the Paris Aligned Asset Owners Net Zero Investment Framework (NZIF), Task Force on Climate-related Financial Disclosures (TCFD) and other governance and sustainability resources.[1]

1 TCFD recommendations were incorporated into the first two sustainability standards produced in June 2023 by the International Sustainability Standards Board (ISSB). The TCFD recommendations are considered a good entry point as companies move to adopt the ISSB standards, known as S1 and S2. The Canadian Sustainability Standards Board (CSSB) released draft proposals CSDS1 and CSDS2, which are aligned with the global baselines and contain suggested modifications for the Canadian market.

GOVERNANCE AT IMCO

Accountability and oversight for sustainable investing, climate action and corporate ESG matters are integrated in our governance and management structures, ensuring a firm-wide approach.

Every IMCO investment undergoes a review of material sustainability factors by our investment professionals that is commensurate with the transaction size and type. A discussion of sustainability risks and opportunities is included in every investment memo that goes to an Investment Department Committee (IDC) or the Management Investment Committee (MIC) for approval and our Sustainable Investing team is a voting member of these committees. This process is described in detail in the sustainable capital deployment section of this report.

We also consider the maturity of sustainability practices and performance in the evaluation, selection and ongoing monitoring of external managers.

Sustainability-related risks and opportunities, including climate and ESG factors, are ultimately overseen by IMCO's Board of Directors through our Board Investment Committee (BIC), which approves the Sustainable Investing policy and oversees progress on our commitments and strategy. In 2023, the BIC received updates on our work to refresh the sustainable investing strategy as well as updates on IMCO's progress toward our interim climate targets. The BIC endorsed the updated strategy in early 2024.

Progress on firm-wide ESG objectives is considered alongside other factors in determining senior executive compensation. This includes progress on Climate Action Plan commitments, human capital and governance indicators.

BOARD INVESTMENT COMMITTEE (BIC)

Approves Sustainable Investing Policy and oversees IMCO's approach to investment and corporate sustainability considerations. BIC consists of all Board members.

SENIOR EXECUTIVE TEAM (SET)

Provides strategic oversight of sustainable investing initiatives, objectives and strategy, as well as related commitments and implications. Responsible for integrating sustainability across corporate functions including Risk, Operations, Human Resources and Corporate Services.

MANAGEMENT INVESTMENT COMMITTEE (MIC) AND INVESTMENT DEPARTMENT COMMITTEES (IDCs)

MIC approves investment decisions or activities up to specific thresholds, and recommends Board approval where it is required for a decision or activity. It is composed of the Chief Investment Officer and Chief Risk Officer (co-chairs), the Chief General Counsel and other senior professionals. MIC ensures IMCO's alignment with sustainable investing policies and guidelines, such as quarterly reviews of adherence to screening guidelines, annual reviews of progress against Climate Action Plan commitments and stewardship activities including proxy voting.

IDCs approve investment decisions and activities up to specific thresholds. They are composed of senior members of Investments, Legal, Risk and Sustainable Investing teams.

INVESTMENT TEAMS

Implement IMCO's sustainability strategy and initiatives relevant to their asset classes, including review of key material factors specific to each transaction and investee company in due diligence and post-investment monitoring. Lead engagements with companies to protect and enhance value.

SUSTAINABLE INVESTING / ASSET MANAGEMENT TEAMS

Partner with teams across IMCO to incorporate sustainability considerations throughout the investment lifecycle, including mapping climate risk, gauging maturity of ESG practices and measuring performance of investee companies across key sustainability and financial indicators. Lead engagements with companies to protect and enhance value.

SUSTAINABILITY CHAMPIONS

Represent various IMCO teams in sustainability initiatives and serve as a sounding board to support and advance sustainability across the organization.

OUR EVOLUTION

As a relatively young organization, IMCO has integrated sustainability considerations into our work since inception.

We made important climate-related commitments to deploy 20% of our AUM in climate solutions by 2030 and reach net zero in our portfolio by 2050 or earlier. We began reporting in line with international disclosure standards and recommendations, such as the TCFD.

Our investment teams are passionate about sustainability topics. With our growing subject matter expertise, we aim to add value to portfolio companies and investment partners through the depth and rigour of our thinking.

IMCO's Sustainable Investing team with Rossitsa Stoyanova, Chief Investment Officer

OUR JOURNEY TO DATE: SUSTAINABLE INVESTING AT IMCO

2023

- Disclosed scope 3 emissions and included sovereign bonds in carbon footprint (for 2022)
- Updated proxy voting guideline
- Developed custom governance toolkit and training for IMCO board nominees
- Refreshed our ESG strategy, evolving from a broad foundation to a focused sustainable investing approach with value creation at its core

2022

- Published inaugural ESG and TCFD reports (for 2021)
- Released Climate Action Plan, set medium-term emission reduction targets and climate solution investment target
- Published stewardship, sustainable investing and screening guidelines
- Began publishing proxy voting records

2021

- Committed to net zero emissions by 2050 or sooner
- Published DEI Statement
- Became founding participant in Climate Engagement Canada and joined Ceres Investor Network
- Submitted first report to PRI for assessment

2020

- Developed IMCO's Responsible Investing Policy and ESG strategy
- Formally supported the TCFD
- Endorsed Canada's Investor Statement on Diversity & Inclusion
- Chaired Canadian Responsible Investment Working Group

2019

- Became a signatory to the Principles for Responsible Investment (PRI)

2018

- Joined Canadian Coalition for Good Governance

2017

- Joined CDP and 30% Club Canada Chapter

2016

- IMCO created through legislation

A NEW CHAPTER: DEFINING LEADERSHIP IN SUSTAINABLE INVESTING

Our inaugural Responsible Investing Policy and ESG strategy guided our integration activities and applied to every asset class. We are committed to evolving our approach over time, in line with IMCO's strategic progress and the industry's rapidly developing best practices.

We set out in 2023 to refresh our strategy, building on what we had learned and accomplished to date. In so doing, we consulted experts and benchmarked our progress and maturity with pension peers and strategic partners. We interviewed senior leaders at peer funds about their experiences. This informed our internal discussions, leading us to update our sustainability beliefs and develop our own view of leadership in sustainable investing.

OUR SUSTAINABILITY BELIEFS:

1. Sustainability issues affect investment risks and returns. Considering these issues leads to insights and better decisions about risks and opportunities, which safeguards the long-term viability of our portfolio.
2. We view sustainability as a vector for innovation. Organizations that embrace robust sustainability practices are more likely to thrive in the changing business landscape.
3. As an active owner, we engage with stakeholders to promote improved practices, focusing on material factors and interventions with the greatest impact.
4. Sustainability introduces complexity as standards, regulations and preferences change rapidly. Our ability to adapt and mine the future on emerging sustainability trends and insights will be a competitive advantage.

Our updated beliefs underpin our ambition and our view of leadership in this fast-evolving space. At IMCO, sustainable investing leadership means we:

- Use sustainability insights to drive returns
- Are all sustainable investors and sustainability is not something we do on the side
- Invest and deploy capital in sustainable solutions
- Are seen as a thoughtful and innovative partner in value creation
- Report in a way that meets evolving disclosure standards

FOCUSING OUR EFFORTS

We aim to be sustainability leaders in select topics. We will pick our spots carefully and prioritize quality initiatives that drive real outcomes in our portfolio.

As part of our strategy, we selected four broad areas of focus that are relevant across our portfolio, can have a significant impact on value-add or risk mitigation, and are aligned with IMCO's World View and our clients' priorities.

The four broad areas of focus are:

1. Aligning our portfolio to a net zero future. We have committed to invest $5 billion in the clean energy transition by 2027, and will keep the momentum going by incubating new sustainable investment themes
2. Unlocking human capital through priorities such as DEI, health and safety, and employee ownership that allow workers to fulfill their potential
3. Enabling strong governance through board effectiveness
4. Preserving and enhancing biodiversity

We have deep expertise already in the clean energy transition, DEI, health and safety and corporate governance.

We are growing our expertise in employee ownership, and plan to increase our knowledge of nature and biodiversity. The degradation of natural ecosystems and unprecedented species loss is an environmental emergency, and is becoming increasingly important to global policymakers. Investors, including IMCO, are recognizing that biodiversity and nature-related loss are potential systemic risks to society, business and the global economy.

OUR AMBITION: SUSTAINABILITY AS A COMPETITIVE ADVANTAGE

Our approach to sustainable investing aligns with IMCO's five-year strategy and our advantages as an investor. Our strategy will differentiate IMCO, and this is how we will gauge success in the medium term:

- **We have 100+ sustainability-minded investors:** Sustainability expertise resides across our organization, not in select pockets or teams. Every investment professional at IMCO understands relevant sustainability topics.
- **We produce impactful sustainability research and insights**: Clients and partners respect and recommend our approach, perspective and expertise on select sustainability topics. We help advance disclosure standards and policy in select areas.
- **We invest in sustainability themes:** We have made innovative, successful thematic investments.
- **We are a top-tier partner in value creation:** Portfolio companies and investment partners trust our advice on climate and other sustainability topics. We contribute to value creation and are sought after to join consortia.

BRINGING OUR STRATEGY TO LIFE

As we embark on our new strategy, sustainability is being woven more tightly into how we think, how we invest and how we steward our assets.

Across industries, sustainability can lead to innovation and value premiums, while also posing challenges for companies. With our expertise in the clean energy transition and our growing sustainability expertise in other topics, we are well positioned to help portfolio companies and partners navigate the rapidly changing landscape.

Three strategic pillars, linked to the investment lifecycle, guide our actions and ambition. The three pillars are interconnected and mutually reinforcing.

1. SUSTAINABILITY INSIGHTS

We will enable our investment teams to do their best work with decision-useful tools, data and insights. We will monitor and consider trends, emerging issues and leading-edge sustainability practices and translate them into portfolio initiatives.

2. SUSTAINABLE CAPITAL DEPLOYMENT

We will pursue and capitalize on long-term opportunities that contribute to investment returns while having a positive impact on society and our planet.

3. SUSTAINABILITY-LINKED VALUE CREATION

We will leverage our expertise and governance rights to drive progress, and support our portfolio companies and assets in embedding sustainability to create value. We will amplify our reach and voice through select partnerships, coalitions and policy engagement.

The remainder of this section discusses what we are doing in each pillar.

1

SUSTAINABILITY INSIGHTS

Today, we have pockets of expertise on climate and ESG topics in the organization. For example:

- Our Infrastructure team has deep expertise and relationships in the clean energy transition and power markets.
- Our Research team develops insights into global trends, augmented by commentary from senior professionals that are captured in IMCO's World View.
- Our Risk team analyzes the effects of physical climate risks and transition risks on assets and portfolios.
- Our Sustainable Investing team is a centre of excellence on key sustainability themes, including Paris-aligned business planning, human capital and governance best practices. The team works closely with deal teams and manages IMCO's stewardship activities, including proxy voting and company engagements.

Our future state is one where every investment professional at IMCO is a sustainable investor. That means all our professionals consider all relevant sustainability factors when making decisions and understand that strong sustainability performance at investee companies can be a material differentiator.

To get there, we are taking steps to enable our teams to do their best work with decision-useful tools, data and insights, such as our World View.

SUSTAINABILITY IN IMCO'S WORLD VIEW

IMCO's World View defines the key trends and themes that we believe will shape the investment landscape for years to come and, in turn, have the most impact on our clients' assets.

ESG & Climate Change, one of the six themes we have identified, recognizes the growing interconnection between ESG and investing in today's environment. This is driven by the urgency of climate change and its impact on physical assets, rising global tensions, better access to information and evolving societal values.

For example, the global push to decarbonize and achieve net zero is expected to play a significant role in driving the "Capital Investment Boom," the rapid scaling of "Disruptive Technologies," and "Addressing Inequality" resulting from climate-related events.

Rising ESG concerns are ushering in a new era of investing, where the real and reputational risks associated with holding certain assets extend beyond traditional financial variables and objectives. We will use our World View insights and sustainability expertise to monitor and manage these risks for the benefit of clients.

IMCO'S WORLD VIEW

THEMES

ADDRESSING INEQUALITY
The social discontent from rising inequality has spurred politicians to increasingly shape policy in ways that address the uneven distribution of income and wealth, potentially prompting more sustained inflationary pressures.

DEGLOBALIZATION
Increasingly protectionist policies from countries to restore domestic production of critical goods and resources has resulted in international economic integration headwinds.

POLICY INFLECTION
Economic policy in recent decades has been dominated by central bankers, but the policy stage looks set to shift over the coming years, with fiscal levers taking precedence over monetary policy.

ESG & CLIMATE CHANGE
Both the public and private sectors are increasingly adopting cleaner energy sources and technologies, creating climate "winners and losers."

DISRUPTIVE TECHNOLOGIES
Technological disruption and innovation will continue to shape value creation, investment opportunities and risks.

EVOLVING MARKET STRUCTURE
Private asset markets have grown dramatically as the rising popularity of index investing has also transformed public markets. These changes heighten the potential for unintended risk exposures.

IMPLICATIONS

END OF LOW FOR LONG
Deglobalization, decarbonization, and fiscal policy aimed at addressing inequality are among the factors likely to generate sustained increases in inflation and interest rates.

HEIGHTENED VOLATILITY & GREATER DISPERSION
Rising inflation and less accommodative monetary policy could lead to sharper and more frequent bouts of market volatility as well as greater dispersion.

CAPITAL INVESTMENT BOOM
Public priorities such as decarbonization and onshoring will require significant capital investments, both private as well as public.

GROWING ROLE FOR PRIVATE INVESTMENTS
Many promising business strategies will be financed in private markets, and the shift away from bank-based financing for private market players will create more high-quality private investment opportunities.

SCOPE FOR UNINTENDED EXPOSURES
Index investing can mask exposures to specific countries and ESG-related issues that are inconsistent with investors' goals and values. They can also present potential concentration risks.

NEED FOR INNOVATION & FLEXIBILITY
Investors that can innovate, identify, and integrate key insights, and adapt to changing risks and opportunities, will be at an advantage.

For further insights, see our World View 2024

SHARING KNOWLEDGE AND THOUGHT LEADERSHIP

In addition to our World View, we produce in-depth research studies on select trends and markets that could become sustainable investment themes. Internally, we have authored and disseminated perspectives on electric vehicles, the state of the global energy transition and the future of fossil fuels.

In 2023, we published "Generative AI: An Investor's View" about the investment and operational implications of generative AI. In the report, we compared our investment approach to that of successful entrepreneurs in the mid-nineteenth-century gold rush. It was often the people supplying prospectors with picks and shovels who prospered, rather than the prospectors themselves. IMCO takes a "picks and shovels" approach in different asset classes by investing in sectors that support the adoption and use of AI, such as digital infrastructure. For example, in 2023, our Fundamental Equities team invested US$150 million in CoreWeave, a company that provides the cloud infrastructure for generative AI.

DEVELOPING PROPRIETARY TOOLS AND TRAINING

It is important to empower all investment professionals with the right tools and training to become sustainable investors.

In 2023, our Asset Management team developed a comprehensive governance toolkit outlining director and board best practices, as well as customized training on governance issues, to enable IMCO employees to be constructive and effective non-executive directors on portfolio company boards.

In addition:

- We use an external manager assessment scorecard and developed an internal ESG dashboard for external managers;
- Our investment teams are actively engaged with our Risk team on climate scenario analysis, working to improve asset class coverage and develop more customized decision-useful models;
- We provide internal lunch and learn events on sustainability topics, such as our Climate Action Plan, and coaching for investment teams on ESG due diligence.

PROVIDING GUIDANCE ON CLIMATE AND NET ZERO TRANSITION

By sharing our insights about the road to net zero – whether based on our research, engagements, climate scenario analysis or our own transition planning – we can support our partners and investee companies with guidance on their own net zero commitments. This information exchange strengthens relationships and may help IMCO achieve our net zero ambition and add value to portfolio companies.

In 2023, we shared best practices on net zero transition planning with several directly held portfolio companies. Internally, we worked to enhance the mapping of climate solutions tagging for private assets (real estate, private equity, global credit private and infrastructure) to gain better visibility into how individual investments contribute to our target of investing 20% of our portfolio in climate solutions by 2030. In parallel, we are developing more robust models to assess investee companies' net zero alignment and to model the impact of investment decisions on our climate commitments.

2

SUSTAINABLE CAPITAL DEPLOYMENT

As a PRI signatory, we integrate key material sustainability factors into our investment due diligence, decisions and monitoring of assets. The degree of relevance, or materiality, of specific topics can vary across asset classes, investment size and type, industry and level of governance rights. Sustainability practices, maturity and performance are also considered when we evaluate, select and monitor external managers.

OUR POLICIES AND GUIDELINES

SCREENING GUIDELINE: Describes our process for determining which companies, sectors or activities are eligible – or ineligible – to be included in our portfolios. It applies to investments where IMCO controls the investment decision, and is amended periodically.

> In the first few years, we built the foundation by developing ESG-focused policies and guidelines, setting commitments and being on top of regulations. Now we are focusing on a few areas that matter, including decarbonization, human capital and robust governance, to really make an impact.
>
> **– Rossitsa Stoyanova, Chief Investment Officer**

INTEGRATION ACROSS THE INVESTING LIFECYCLE

INVESTMENT STAGE	OUR ACTIONS
PRE-INVESTMENT ESG DUE DILIGENCE	• We identify and assess material ESG factors for all potential investments, along with traditional financial analysis, to develop an investment thesis. Various teams collaborate to identify sustainability-related issues early in due diligence; • Process may include desktop research, ESG data provider assessments and insights, ESG questionnaires, third-party consultants on specific issues, site visits and interviews; • Before investing, we work to understand governance practices and alignment with our sustainability beliefs • We may abandon investment opportunities if we consider ESG risks too high to mitigate.
INVESTMENT DECISION	• We incorporate ESG due diligence findings into relevant investment process documentation for all potential investments; • We identify opportunities for value creation and develop asset class-specific engagement strategies; • The Management Investment Committee (MIC) or Investment Department Committee (IDC) reviews findings, alongside other financial considerations.
POST-INVESTMENT MONITORING	• We regularly review quantitative and qualitative information on material ESG risks and incidents; • We track ESG KPIs for Real Estate, Infrastructure and high-conviction public equity assets; • Additional analysis can include peer benchmark assessment, best practices/standards, certification assessment and external verification; • We engage with external managers and portfolio companies on sustainability initiatives that can protect and enhance value.

FLEXIBLE APPROACH

We strive to apply consistent sustainable investing principles and processes across IMCO while adapting our approach to each asset class.

For example, our Fundamental Equities team works closely with the Sustainable Investing team to identify material ESG considerations early in the due diligence process, and these form the basis for an engagement strategy post-investment. Due to the nature of public equities, the team puts additional focus on ensuring key governance gaps are addressed for long-term value protection and enhancement.

Our Factor Investing team in Public Equities, which manages our quantitative strategies with a focus on factors such as quality, value, momentum and low volatility, is working to integrate sustainability data more deeply across the factor set. Companies with strong corporate governance and other sustainability practices are linked with "quality" indicators. Exclusionary screening, climate considerations and sustainability data enable us to identify high-quality companies with attractive risk-return characteristics.

In private markets, our Asset Management team works alongside deal teams to determine and prioritize sustainability topics as we develop asset-specific value creation plans prior to making an investment decision. Furthermore, when making direct investments, we require governance rights so we can oversee our investment, control our capital and influence value creation.

Our investment in Northvolt is a prime example of how research, knowledge sharing and collaboration can lead to innovative capital deployment.

SELECTING AND MONITORING EXTERNAL MANAGERS

External managers are key to diversifying and delivering our investment strategies. They complement our in-house managers by filling gaps in our expertise or providing efficient exposure to certain sectors or markets.

For example, in Public Equities we partner with external managers who execute high-conviction, concentrated and actively managed equity strategies. In private markets, our strategic partners provide deal flow as well as sectoral, regional or operational and investment expertise.

IMCO partners with external managers that share our commitment to sustainability. In particular, we encourage managers to commit to net zero and to have strong DEI policies and practices, as well as measure and disclose ESG performance, targets and metrics. When selecting external managers, we evaluate such practices as:

- integration of material ESG-related issues in the investment process
- firm-level sustainability commitments
- dedicated ESG resources
- approach to stewardship
- available ESG reporting
- evidence of sustainability-related value creation

We recognize small firms may not have the same capabilities as large managers, but it is important that all managers are open to improving their sustainability practices.

For instance, we have used our external manager assessment scorecard to identify the top sustainability performers among a short list of prospective equity managers in India, and developed a separate dashboard to track external managers' indicators including climate risk, progress on reducing greenhouse gas emissions and maturity of sustainability practices. In 2023, 90% of newly onboarded managers signed side letters with ESG language.

> “There is a minimum level of sustainability integration we expect from managers and a mindset of partnership is important. We collaborate closely and often learn from each other.”
>
> **– Ken Bona, Portfolio Manager, Public Equities**

Of the many indicators we track for our external managers, we report annually on four foundational sustainability-related metrics, which include the percentage of our assets under management with external managers that have a responsible investing policy, are signatories of the UN PRI, have a DEI policy and have set net-zero targets. From 2022 to 2023, we have seen an improvement across three of the four metrics. The decrease in the percentage of IMCO's AUM allocated to managers with net zero targets is due to internalization of real estate assets and changes in asset allocation with a shift from public to private markets, which tend to have robust ESG policies but lag in setting climate targets for reasons including availability of data and the nature of investments.

EXTERNAL MANAGER ESG METRICS

Metric	External managers as % of AUM (as of December 31, 2022)	External managers as % of AUM (as of December 31, 2023)
ESG policy	75%	90%
UN PRI signatory	70%	84%
Net zero target(s)	44%	42%
DEI policy	73%	74%

CLOSER LOOK

CLEAN ENERGY TRANSITION

To avoid the worst impacts of climate change, there is an urgent need to rapidly scale cleaner, affordable and reliable energy to replace fossil fuels. Power generation is the largest source of global carbon dioxide emissions, but it is also the sector leading the transition to net zero emissions through the rapid expansion of renewable energy capacity.[2] Growth in renewables requires accelerated investment in power grids and system flexibility to ensure smooth integration.

IMCO is investing in the infrastructure required for the global clean energy transition, with a focus on electrification. We favour markets in geographies where political and regulatory regimes are supportive of the transition, such as Canada, Western Europe and Japan.

$5 BILLION BY 2027:

OUR GOAL FOR TRANSITION ASSETS THAT DECARBONIZE AND ELECTRIFY THE ECONOMY.

2 IEA Electricity 2024, https://www.iea.org/reports/electricity-2024

Q&A: INVESTING DIFFERENTLY IN THE CLEAN ENERGY TRANSITION

As the world pivots toward cleaner and greener energy sources, the investment implications are immense. Two of our infrastructure investment professionals, Matthew Mendes and Alex Side, describe the thinking that sets IMCO apart from other investors.

Matthew Mendes, Managing Director, Head of Infrastructure

Alex Side, Managing Director, Infrastructure

Q: HOW DOES THE CLEAN ENERGY TRANSITION TIE IN WITH IMCO'S INFRASTRUCTURE STRATEGY?

MATTHEW: Very directly – our three-pronged strategy in Infrastructure is to invest in decarbonization, digital infrastructure and regulated utilities. We identified the clean energy transition as a major theme several years ago.

We see the transition to net zero emissions beginning with the push to electrify transportation and heating. As part of this, we'll need to rethink and overhaul power grids, which will affect the utility sector. Electrification is the first step, and the second is making that electricity as green as possible by accelerating investments in wind, solar and energy storage.

ALEX: To reach net zero, new technologies and business models are required to decarbonize industrial and residential energy demand. Infrastructure can play a key role in decarbonizing industrial demand that can't be easily electrified (such as green hydrogen, green steel and green cement) and accelerating the electrification of residential demand (EV charging and the adoption of heat pumps, for example).

Q: HOW IS IMCO CARVING OUT A NICHE?

MATTHEW: IMCO is making progress towards its climate solutions goal by deploying up to $5 billion in the clean energy transition over five years, much of that directly and some through fund partners. That's a large target for our size, and because we have a younger Infrastructure program with more capital to deploy, we've been able to punch above our weight.

IMCO also has the expertise to invest directly and the patience to build businesses over time, rather than buying mature businesses that come with premium valuations.

Q: IN WHICH SECTORS ARE YOU FOCUSING EFFORTS?

MATTHEW: As renewable penetration reaches critical mass in certain markets, flexibility and storage will be key requirements, so we're taking bold steps to expand our investments in battery storage.

ALEX: We're also focused on investing in renewable energy in countries with a long history of supporting renewable generation, as well as regulated electric utility investments that can benefit from the clean energy transition and emerging sectors such as green hydrogen and renewable natural gas.

Q: HOW DO YOU NARROW DOWN THE OPPORTUNITIES?

MATTHEW: We start by screening for markets that support clean energy transition investments. This market-first approach allows us to develop targeted expertise and understand the unique growth opportunities in select sectors and geographies. We also work with strategic fund partners to find the right teams and companies in markets where there are additional barriers to entry, such as language, equity investment required and asset management expertise.

We teamed up with a great fund partner and now we're actively growing NeXtWind, which repowers wind turbines. For energy storage, we invest in markets with high renewable penetration and deep and liquid power markets, such as the U.K.

ALEX: Governments around the world see the energy transition as a rare chance to remake supply chains, attract business and capital, and scale up new technology. There are government targets, policies, incentives and tax credits for developing technology, locating electric vehicle and battery manufacturing plants and so on. We spend a lot of time in due diligence looking at the market and the design of markets and policies to assess their impacts on our investment theses.

Q: WHAT ARE SOME CHALLENGES AHEAD?

MATTHEW: The scarcity of capital for the energy transition worries me. Trillions of dollars will be required to actively transition to a clean energy world. That's why we focus on managing our dollars efficiently and building businesses, rather than paying for things that are already built. Collaboration rather than competition among investors will be essential.

ALEX: We are also seeing challenges getting equipment on time and on budget given the accelerated investment in clean energy technologies. To mitigate that, we try to identify bottlenecks well in advance, establish relationships with multiple suppliers, sign long-term supply contracts and standardize equipment design.

INVESTMENT CASE STUDY :

Collaborating across asset classes on clean batteries

About Northvolt AB

Sector: EV batteries

Headquarters: Stockholm

Website: https://northvolt.com/

Our Investment

Year: 2023

Amount: US$400 million

Aligns with: Infrastructure strategy, Climate Action Plan (capital deployment in climate solutions), $5 billion transition investment goal

Our commitment to support European clean battery champion **Northvolt AB** was a unique team effort.

Made jointly by our Fundamental Equities and Infrastructure teams, it was a novel case of “investing between the lines” in deals that don’t fit neatly into traditional definitions or distinctions.

Northvolt is a vertically integrated private company focused on the research and development, manufacturing and recycling of sustainable battery cells and systems.

As a European platform challenging Asian leaders, Northvolt has the backing of numerous investors. It also has US$55 billion in orders from customers, including major European automakers.

THE BACK STORY

Through in-house research, we identified clean transportation as a key opportunity. Our Fundamental Equities team anticipates massive growth of the EV industry due to tightening emissions regulations, greater availability of models, and improvements in vehicles, pricing and charging options.

Meanwhile, the Infrastructure team knew the battery storage sector well. We established Pulse Clean Energy and worked with management on converting its diesel power generation plants to battery storage.

When the Northvolt opportunity arose, it did not fit neatly into a single asset class, but our teams developed an innovative investment structure. It touched on many key themes in the IMCO World View: disruptive technology, deglobalization and decarbonization. The company had also shown significant commercial, operational and financial capabilities.

> Northvolt’s mission to produce the industry’s most sustainable EV batteries is clearly aligned with the needs and wants of automakers, regulators and consumers.
>
> **– Michael Tsada, Managing Director, Fundamental Equity**

> Our agility and ability to invest between the lines is a competitive advantage. One way to scale sustainability across IMCO is to have our asset classes speak to each other frequently and learn from each other. Since the Northvolt investment, our Infrastructure, Fundamental Equities and Global Credit teams meet more frequently to share information.
>
> **– Youssef Aroub, Managing Director, Sustainable Investing**

INNOVATING ‘BETWEEN THE LINES’

Our Infrastructure team had battery expertise, and Northvolt had elements of an infrastructure asset, but it was at an earlier stage than the team would typically consider. The Fundamental Equities mandate includes taking significant stakes in public and pre-public companies. We therefore created a cross-functional deal team, combining sector expertise from Infrastructure and research insights and market underwriting experience from Fundamental Equities.

Our investment was made jointly by the two portfolios. By investing through a convertible debenture, we can lock in returns and manage risks today, with the ability to capitalize on higher valuations tomorrow.

Northvolt closely aligns with the goals in our five-year strategic plan and our Climate Action Plan. The investment represented about 11% of our goal of allocating $5 billion to new energy transition investments by 2027 and moves the needle on our target to have 20% of the total portfolio in climate solutions by 2030.

COMMITTED UP TO
US$750 MILLION
WITH PARTNERS

INVESTMENT CASE STUDY:

Rejuvenating wind power turbines

About NeXtWind

Sector: Renewable energy (onshore wind)

Headquarters: Berlin

Website: https://www.nextwind.de/

Our Investment

Year: 2023

Amount: Committed up to US$750 million with partners

Aligns with: Infrastructure strategy, Climate Action Plan (capital deployment in climate solutions), $5 billion transition investment goal

In German renewable energy, IMCO and our partners spotted a climate-focused opportunity: aging fleets of wind turbines nearing the end of their useful lives, which are ready to be overhauled and replaced with more-efficient equipment. A talented management team had started a company to do just that.

We partnered with Sandbrook Capital and PSP Investments to acquire **NeXtWind Capital Ltd.**'s portfolio of onshore wind assets in the process of being repowered and to support the founders' plans to grow to 1 gigawatt (Gw) of renewable projects under management.

Approximately 30% of Germany's installed wind capacity, or around 13,000 turbines, has been in service for more than 15 years. Ownership is highly fragmented. This presents an opportunity to acquire projects and replace the older turbines with larger models that can generate approximately three times as much clean power. Repowering also has lower development risk than developing a new onshore wind project.

The company's experienced founders have the expertise to manage the technical, development and other risks associated with acquiring older turbines and buying, installing and operating new turbines.

> Our path is clearly focused on building a green, independent energy supplier in Germany and the European market.
>
> **– Werner Süss, co-founder and co-CEO of NeXtWind**

OUR DUE DILIGENCE AND VALUE CREATION PLAN

Our Infrastructure team seeks long-term investments in attractive markets. Germany is the largest onshore wind market in Europe and the government offers 20-year power contracts for onshore wind projects that reduce price and default risk. In addition, it forms part of the larger, interconnected European power market.

> NeXtWind takes a collaborative approach when engaging with landowners and municipalities and bringing them onside when repowering wind turbines. We have seen the value of this approach and expect to repower NeXtWind's existing portfolio with more, and higher capacity, turbines.
>
> **– Alex Side, Managing Director, Infrastructure**

At IMCO we integrate sustainability factors into our due diligence and value creation plans prior to making investment decisions. Once we invest in an asset, the ESG-related concerns or opportunities that were identified in due diligence are raised.

After the NeXtWind transaction closed, we pushed for occupational health and safety improvements. This included developing a health and safety program for construction projects and hiring dedicated managers to oversee the program and contractors.

We asked for monthly climate and ESG performance indicators to be put in place, with robust data collection and reporting processes.

We also engaged with the company on the design and implementation of an employee ownership plan. The goals were to align employees' interests with long-term equity value creation and to enhance NeXtWind's ability to attract and retain talent. Employee ownership is not common in Germany, and we were able to assist when management raised questions about plan design.

In the case of NeXtWind, our seat on the board of directors allows us to influence corporate decisions and seek sustainability changes that will add value over time.

PARTNERSHIP CASE STUDY:

Working with Sandbrook Capital to transform energy

Financial returns and positive climate impacts go hand in hand, according to U.S. investment firm Sandbrook Capital. We couldn't agree more.

With likeminded entrepreneurs and investors such as IMCO, the firm is building companies that will transform the world's energy infrastructure. Collectively, its founders have decades of experience in private equity and renewable energy investment.

- Sandbrook, based in Stamford, Connecticut, focuses on five core areas:
- renewable power generation
- power transmission and storage
- energy use and efficiency
- low-carbon supply chain
- low-carbon services, applications and tools

"We're scaling proven technologies that can have a disproportionate and immediate impact on climate today, not in five or 10 years," said Ken Ryan, one of the firm's co-founders and partners. "Having an impact today is really material."

COMPETITIVE ADVANTAGES

Over 14 years, the team built nine world-class companies, including Pattern Energy, which was bought by the CPP Investment Board in 2020. They've learned a thing or two about creating value and have an extensive network of industry contacts.

"People bring deals to us because in many cases we've seen the movie before, we might know how it ends, and we can help them navigate issues," said Ken Ryan, co-founder and partner, Sandbrook Capital. "Our track record helps us avoid mistakes we've seen in the past."

Sandbrook's five focus areas are related, giving it an informational advantage. For example, its expertise in offshore wind power led to an investment in Havfram AS, a Norwegian company constructing two new turbine-installation vessels that will service the sector.

When researching market dynamics, "we try to look a few years ahead," said Chris Hunt, co-founder and partner. Some parts of the climate infrastructure supply chain are becoming oversupplied (e.g. solar panels and batteries), but in general, serious bottlenecks exist or are emerging, he noted.

Sandbrook's ability to interpret future needs, its experience in German wind power and industry relationships led it to the team creating NeXtWind. This opportunity became IMCO's first investment alongside Sandbrook.

> It has been a super partnership so far. It feels very collaborative.
>
> **– Ken Ryan, co-founder and partner, Sandbrook Capital**

OUR ROLE

In the NeXtWind deal, IMCO brought energy transition knowledge, a nimble decision-making process and long-term capital to the table. Alongside our partners, we visited sites in Germany, met the management team, and pushed for the inclusion of health and safety and governance changes at the company.

"One of the reasons we like working with IMCO is that it doesn't simply write cheques," said Ken. "The team is very experienced in the industry and understands the issues. That helps before a deal is done, and it helps when you're in the trenches, owning a company together."

When developing the incentive plan at NeXtWind, for example, "we wanted to ensure every employee would have a chance to participate. IMCO and Ownership Works were a big help in designing that."

> We work with strategic partners and we invest directly alongside GPs. We learn from them and hopefully they learn from us, it's a true partnership.
>
> **– Rossitsa Stoyanova, Chief Investment Officer, IMCO**

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SUSTAINABILITY-LINKED VALUE CREATION

We promote strong sustainability practices, whether through direct engagement with portfolio companies where we have influence, with our external managers, or through proxy voting and collaborative engagement with peers.

We believe in sharing our expertise and using our governance rights to drive progress and support our portfolio companies. On climate change matters and the net zero transition, we can contribute to long-term value creation at portfolio companies, while managing risks.

We amplify our reach and voice through select partnerships, coalitions and policy engagement.

OUR GUIDELINES

STEWARDSHIP GUIDELINE: describes our stewardship approach for engaging with entities in which we invest on material governance and other sustainability issues.

PROXY VOTING GUIDELINE: describes our governance and sustainability principles and provides a general indication of how IMCO votes on management and shareholder proposals at public company meetings.

ENGAGEMENT

Our engagement activities aim to encourage robust governance practices, promote transparency, support companies in building their internal ESG expertise and mitigate risks that could impact our clients' investment returns. We focus on real-world outcomes, such as greenhouse gas (GHG) emission reductions, that benefit society and can increase the value of our assets.

We have a partnership mindset, whether we're speaking with teams at a direct investment or a widely held public company.

Our Fundamental Equities team, which manages a concentrated portfolio of public and pre-public companies, emphasizes the long-term upside of working on issues together. Particularly with smaller public companies, which may be less advanced or well-versed in ESG issues, we offer to share our expertise and analytical skills to help the companies make changes that will be rewarded in the market.

Engagement takes time to show results and we believe it is most successful when we develop a constructive relationship. Our Sustainable Investing team supports IMCO investment professionals, portfolio companies and external managers by sharing best practices and other insights. Constructive conversations often focus on board governance and diversity improvements, the status of decarbonization plans and related data, and other sustainable business practices such as health and safety.

> We do not want to be viewed as just a provider of capital. We engage with the management teams of our investee companies and are viewed as long-term partners. We all win by creating value at the company.
>
> **– John Di Re, Managing Director, Fundamental Equity**

VALUE CREATION CASE STUDY:

Differentiation in ESG improves euNetworks' business

About euNetworks

Sector: Digital infrastructure

Headquarters: London

Website: https://eunetworks.com/

Our Investment

Year: 2018; 2020

Amount: Initial transaction terms not disclosed; €250 million in 2020

Aligns with: Infrastructure strategy, Climate Action Plan (portfolio management) euNetworks is a growing specialist in city and long-haul fibre networks that connect European data centres and hubs. With our support in recent years, it is making tangible progress on long-term sustainability goals.

We identified sustainability as a priority value lever for the company and encouraged this focus through ongoing dialogue. In recent years, euNetworks has committed to improving gender diversity, minimizing its environmental impact and contributing to local communities. It has introduced a decarbonization roadmap, set emission reduction goals and launched innovative carbon tools to evaluate new projects and help customers track their scope 3 emissions. These efforts have been recognized by customers.

GROWTH WITH A DIFFERENCE

euNetworks owns and operates dense fibre networks in 17 cities as well as a highly differentiated long-haul network spanning 17 countries. The company is growing, investing in new technologies and deepening its network.

We were initially attracted to the company's growth potential and high-quality customer base. As we gained expertise in digital infrastructure, we came to believe that an ESG leader would command premium value, in part due to increasing customer and investor interest in sustainable sourcing.

IMCO'S ROLE AS AN ENGAGED INVESTOR

We engaged with our co-sponsors and the euNetworks board, on which we have representation, to elevate the company's ESG agenda to create additional value.

The company developed a Sustainability Policy that was approved by the board in 2022 and published in 2023.

A management Sustainability Steering Committee is responsible for implementing the policy and monitoring its effectiveness, while a board-level Sustainability Committee ensures compliance and accountability. As part of the board committee, IMCO contributes insights on sustainable investment opportunities, climate and social solutions, as well as expertise in renewables, energy efficiency and climate change adaptation.

We also supported management's work on carbon footprinting. As part of the company's decarbonization roadmap, it set science-based emission reduction targets across scopes 1, 2 and 3, which have been validated by the Science-Based Target initiative (SBTi). It also worked with a third-party consulting firm on a comprehensive carbon footprint analysis.

We have also encouraged a deeper commitment to diversifying the company's talent base, including at the senior management level.

BUSINESS OUTCOMES

This approach has produced positive business results, including improved financing terms and customer recognition for developing new emissions calculators.

- The company secured a €760 million sustainability-linked loan in 2021 that includes annual sustainability targets based on gender diversity and emissions. Meeting these targets will contribute to lowering of the interest rate on the loan, reducing financing costs.
- In 2024, euNetworks refinanced its existing debt and raised new committed debt facilities, led by IMCO and Stonepeak, to fund the construction and development of critical bandwidth infrastructure. The financing extends the sustainability link established in the 2021 debt raise, reinforcing euNetworks' commitment to its ESG agenda.
- It has seen widespread interest from its enterprise and wholesale customers to run their services through its innovative Carbon by Service tool and incorporate the results in their own carbon measurement methodologies.

PROGRESS ON SUSTAINABILITY

euNetworks prioritized sustainability areas where it has meaningful influence and that are linked to business success. Tangible achievements to date include the following:

PLANET

- Committed to net zero emissions by 2040, with SBTi-aligned interim target of 62% emissions reduction across all three scopes by 2030
- Reduced scope 2 emissions substantially and achieved 98.8% renewable electricity procurement in 2022, ahead of 2023 target
- Launched Construction Carbon tool to evaluate project-level carbon impact, and Carbon by Service tool to quantify service-based emissions, helping customers track their scope 3 emissions

PEOPLE

- Increased board diversity to 30% female in 2023
- Executive team is 43% female, including women in CEO, CFO and president roles
- Targets 30% female workforce by 2026; as of December 2022, women were 26% of the workforce
- Strengthened its health and safety program
- Sponsors an apprenticeship program, which also supports diversity and talent attraction

PARTNERSHIP

- Updated Supplier Code of Conduct in 2023 to include social, climate-related and ethical standards
- Integrated sustainability metrics into sourcing decisions
- Engaged with suppliers on sustainable construction practices and emission reductions

> We see tremendous growth opportunities in the bandwidth infrastructure sector, driven by an ever-increasing demand for data transmission. IMCO is proud and excited to play a role in advancing euNetworks' leadership position in European connectivity.
>
> **– Matthew Mendes, Managing Director and Head of Global Infrastructure**

CLOSER LOOK

UNLOCKING HUMAN CAPITAL TO ADD VALUE

It seems intuitive that unleashing the full power and capabilities of people working at our portfolio companies, and keeping them healthy, safe and motivated, should lead to better business results.

We care about the people who work at investee companies. We believe improvements in talent processes and health and safety, along with innovative models that expand employee ownership, can have a material impact on companies' performance across our portfolio.

In 2023, IMCO became the first Canadian institutional asset manager to join Ownership Works as a founding investor partner. Ownership Works is a non-profit organization working to implement broad-based employee ownership programs.

> When employees are engaged and fulfilled, when they work in safe environments, they will be more productive and that's good for investors.
>
> **– Polina Sims, Head of Investment Strategy, Sustainability and Asset Management**

Anna-Lisa Miller

Q&A: EMPLOYEE OWNERSHIP

We asked Anna-Lisa Miller, executive director of Ownership Works, to describe the impact that well-designed shared ownership programs can have on employees and businesses.

Q: WHAT IS THE VALUE CREATION PREMISE OF SHARED OWNERSHIP?

A: Broad-based employee ownership can create significant opportunities for workers as well as companies and their investors. It enables employees to build wealth, particularly those in lower income brackets and under-represented groups who historically have not had access to corporate shared ownership. An ownership program can improve racial and gender equity, reinvigorate corporate culture and empower employees, which can translate into improved business performance.

BENEFITS OF SHARED OWNERSHIP

BENEFITS TO EMPLOYEES

- Provide **a better financial future**
- Strengthen **financial capability**
- Improve **employee experience**

BENEFITS TO EMPLOYEES

- Create a strong company **culture that cares about business performance**
- Improve **retention and recruitment**
- Improve **operational and financial performance**

BENEFITS TO EMPLOYEES

- Unlock **value creation**
- Increase **competitiveness** for acquisitions and talent
- Demonstrate **socially responsible investing practices**

SHARED OWNERSHIP ALIGNS INCENTIVES AND IMPROVES COMPANY PERFORMANCE

Q: WHAT IS OWNERSHIP WORKS?

A: We are a non-profit organization working with partners to expand shared ownership of businesses.

We provide support in program design and implementation, and we share data and best practices. When setting up a shared ownership program, we help company leaders and investors define their goals and develop action plans. We can also work with companies on employee education and help them develop a culture of ownership.

Q: WHAT RESULTS HAVE YOU ACHIEVED?

A: At one partner company where 2,100 employees became owners in 2021, there has been a 23% reduction in the voluntary quit rate, a similar rise in engagement scores and a double-digit increase in gross margin.

At another partner company, C.H.I. Overhead Doors, hourly workers received average payouts of US$175,000 after the company's pre-tax earnings more than tripled. Now, this isn't the norm, but it does indicate what is possible.

We typically ask employers to target a payout to employees of between six months and 12 months of average annual salary. That is a significant amount. The payout goals have been met and exceeded in some programs.

Q: DOES SHARED OWNERSHIP WORK BETTER IN CERTAIN TYPES OF COMPANIES OR SECTORS?

A: Ownership Works has supported companies across 14 industries to date. We work a lot with private equity investors because we can maximize our impact through the companies in their portfolios. The model can also be applied to public companies, though in all cases, the program design must be tailored to the company and its industry.

Q: HOW ARE YOU WORKING WITH IMCO?

A: We have 32 private equity partners and our partnership with IMCO is unique.

As a member of Ownership Works' Limited Partner Leadership Council, IMCO advises us on partnering with limited partners to raise awareness of the model, and as a direct investor itself, IMCO helps us understand how the model might need to evolve to work for more general partners. IMCO understands both sides and we appreciate the guidance.

IMCO is helping us raise the profile of this movement outside the United States. That's important because financial insecurity and income inequality are global issues.

VALUE CREATION CASE STUDY:

Improving financial futures for workers and investors

Rising inequality is a key theme in IMCO's World View, and we are working to better understand the implications for society, markets and investors.

Through our research and networks, we recognize that broad-based employee ownership can create significant opportunities for employees to build wealth and improve business performance.

Shared ownership gives every employee the opportunity to become an owner, with a personal and financial stake in their company's long-term success. We expect that implementing the model will add value to our portfolio companies by unlocking human capital, which aligns with a key focus area in our sustainable investment strategy. When employees adopt an ownership mindset and culture, there is an alignment of interests that can drive superior company performance and greater economic opportunity.

OUR WORK ON SHARED OWNERSHIP

IMCO was approached to join the Limited Partnership (LP) Leadership Council at Ownership Works and then we began connecting the dots.

"While not a new concept, it hits the bullseye of our priorities, from the rising inequality theme in our World View to the focus on human capital in our sustainable investing strategy," said Polina Sims, IMCO's Head of Investment Strategy, Sustainability and Asset Management.

We collaborated with an infrastructure portfolio company on the concept of an employee ownership program and we are exploring ways to implement shared ownership models in our direct portfolio. As a member of the LP Leadership Council, we are also helping to bring the concept to our network of partners.

We speak with general partners (GPs) to raise awareness of the model and its benefits, and the support available from Ownership Works. We advocate for adoption of the employee ownership construct and several of our external partners have already committed to it.

As the first Canadian member of Ownership Works, we have sparked interest among our Canadian peers and engage with them on the topic regularly.

Internally, we are raising awareness so our investment leaders and deal teams are equipped to have informed discussions about employee ownership with management teams.

OUTLOOK

The shared ownership model makes sense for IMCO. One challenge is that our hold periods in portfolio companies are longer than the hold periods of many other private investors, so we think carefully about plan design. The pacing and trigger events for employee payments will be different in long-term investments. Ongoing education at portfolio companies will also be crucial to achieve the full range of potential benefits.

"We're just scratching the surface in terms of the model," Polina says. "Ownership Works is only two years old and as it builds the dataset from participating companies, we will better understand the impact and how it ties to return on investment. That's going to be more and more powerful."

ENGAGING PUBLIC COMPANIES THROUGH PROXY VOTING

Through proxy voting, public company shareholders exercise their rights and express their views on governance and other matters. Voting is a mechanism to hold company management accountable and influence a variety of decisions.

OUR APPROACH

We generally vote according to IMCO's Proxy Voting Guideline, which covers governance, compensation, shareholder rights and sustainability issues. While our proxy voting guideline is intended to apply globally, we acknowledge that procedural, cultural, legal and regulatory differences exist across various jurisdictions. We therefore evaluate management resolutions and shareholder proposals on a case-by-case basis.

We are transparent about our proxy voting activity. We make our voting intentions public ahead of annual meetings. Where we have concerns, we may raise issues and communicate our voting intentions to management ahead of meetings, or follow up afterward. We provide our rationale when we vote against management proposals, and our rationale for all shareholder proposals.

This section describes our general approach to select corporate governance issues.

BOARD INDEPENDENCE AND DIVERSITY

We believe that to effectively drive sustainable success for companies and shareholders, a board should be majority independent and have directors with diverse backgrounds and relevant skills.

- Board independence: IMCO will generally, subject to discretion, vote against or withhold votes for all non-independent nominees (except the CEO) if the board is less than majority independent. This includes directors with a tenure longer than 12 years, as we believe that long board tenure could potentially compromise the independence and objectivity of board members.
- Diversity, equity and inclusion (DEI): IMCO will generally, subject to discretion, vote against or withhold our vote for the nominating committee chair when female representation is less than 30% of the board. We will consider mitigating factors such as a policy with targets and timelines, where practical.

CASE STUDY: ARTHUR J. GALLAGHER & CO.

Arthur J. Gallagher & Co is an international insurance provider, based in Illinois.

Leading up to the 2023 AGM, the company's board was less than majority independent according to our guideline, mostly due to long-tenured directors. In addition, the company had a combined CEO/Chair role and gender diversity was 22%, below our 30% threshold. As a result, we voted against long-tenured directors and members of the nomination committee for lack of gender diversity. In early 2024, we sent a letter to the company expressing our concerns and rationales for our 2023 votes, as well as our intention to cast similar votes in 2024 in the absence of improvements.

In its 2024 proxy statement, the company noted that one long-serving director was retiring and it introduced a female director nominee. The company said it was committed to "disciplined board refreshment." In 2024 we supported most of the members of the nomination committee standing for election, as board independence was over 50% and gender diversity was over 30%.

DIRECTOR ELECTIONS AND SHAREHOLDER RIGHTS

We will generally not support proposals that limit the rights of shareholders or limit the ability to hold the board or management accountable. We therefore support proposals that call for annual elections (de-classified boards), and the removal of plurality voting for uncontested elections or supermajority voting standards.

CASE STUDY:

Elanco Animal Health Inc.

Elanco, based in Greenfield, Indiana, is a global animal health company developing products and services to prevent and treat disease in animals.

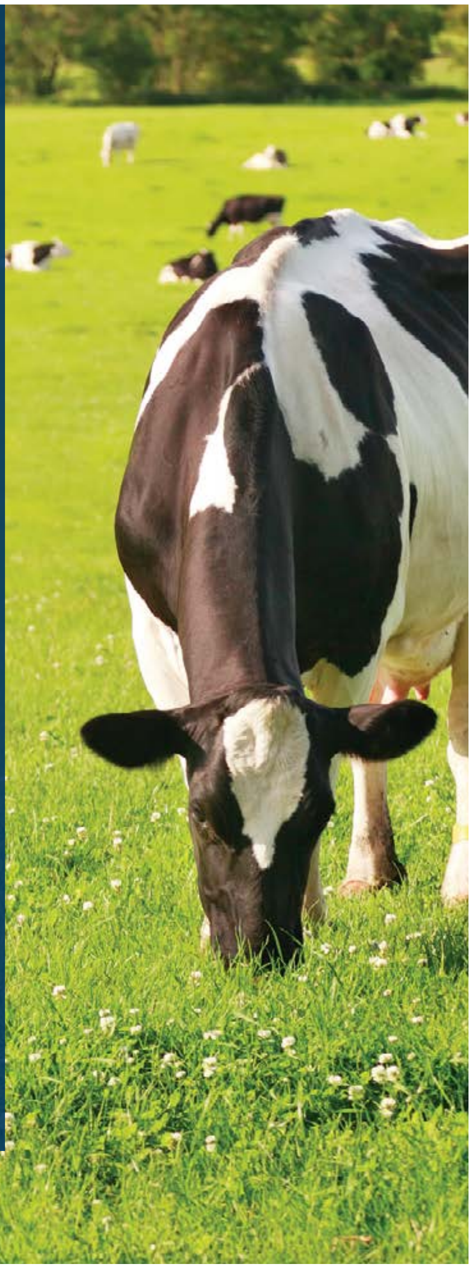
In our view, the company board did not adequately respond to numerous corporate governance issues over several years. Our concerns included a classified board structure with no sunset clause, plurality voting standard and restrictions on shareholder rights. Despite majority shareholder opposition to two directors at the 2022 annual meeting, the company allowed both directors to remain on the board for another three-year term.

To escalate our concerns, we voted against all four director nominees who stood for re-election at the company's 2023 annual shareholder meeting.

IMCO's Fundamental Equities team engaged with the company and expressed our concern about lack of adequate response or commitment to address the issues. Elanco responded to investor concerns in its 2024 proxy statement by proposing to:

- declassify the board, to allow directors to stand for re-election annually;
- allow shareholders to amend the company's bylaws and, under certain circumstances, enable shareholders to call special meetings;
- change the voting standard for uncontested director elections to a majority standard.

We supported these management proposals at the May 2024 annual meeting, as we believed the changes will enhance shareholder rights and increase board accountability. The proposals received majority support from shareholders.



2023 PROXY VOTING TRENDS, ISSUES AND IMCO VOTES[1]

According to ISS, the number of environmental and social proposals filed by shareholders in 2023 was 2% higher than in 2022; however, overall support for such proposals was lower. In North America, which accounted for over 81% of our AUM, the top proposals were related to climate change, DEI and political spending.

This section describes our views, expectations and voting record on these issues.

CLIMATE CHANGE

Climate change increasingly presents significant transition and physical risks for companies and investors, while climate change preparedness can also be a source of competitive advantage for companies. We expect companies to understand and manage these risks and opportunities. IMCO will generally support management and shareholder proposals that require:

- Disclosure of climate-related risks and opportunities, including how the company identifies, measures and manages such risks;
- The adoption of GHG reduction targets and disclosure of GHG metrics where relevant;
- The development of climate scenario analysis including disclosure based on the standards proposed by the ISSB;
- Disclosure of climate-related lobbying activities.

In 2023, we supported 64% of climate-related shareholder proposals, calling for companies to report on just transition issues, climate action plans and climate risks and opportunities. The proposals we did not support were either related to anti-ESG proposals or were overly prescriptive, where we believed companies' disclosures were adequate for investors to make informed decisions.

DIVERSITY, EQUITY AND INCLUSION

In addition to requiring at least 30% female representation on boards, we also believe that boards should consider all forms of diversity in the director recruitment process. IMCO considers diversity more broadly in line with the Responsible Investing Association's Canadian Investor Statement on Diversity and Inclusion.

We will generally support shareholder proposals requesting companies to conduct independent racial equity and/or civil rights audits, and enhance disclosures on broader DEI policies, programs and performance.

In 2023, 12% of our votes against management were related to lack of board diversity. We supported about 88% of DEI-related shareholder proposals, most of which called for more disclosures on gender pay equity and racial equity and/or civil rights audits. The proposals we did not support included counter-proposals (asking companies to not conduct racial equity audits) or cases in which we believed companies already provided sufficient information for investors to make informed decisions.

LOBBYING AND POLITICAL SPENDING

We will generally support resolutions requesting improved transparency in companies' lobbying and political spending activities, either directly or through Political Action Committees (PACs). In 2023 we supported 100% of shareholder proposals asking companies to increase disclosures of their direct and indirect lobbying expenditures, and related policies and procedures. Some of these called for greater transparency around how companies' climate-related lobbying activities align with their climate goals and targets.

1 Data as of the end of August 2023

2023 VOTING HIGHLIGHTS

IMCO voted on more than 25,000 items at 2,000-plus company meetings.

Breakdown of management proposals	Number of proposals assessed	Number of proposals voted against/withheld from management	% of proposals voted against/withheld from management	Rationale
Director related	12,966	2,808	22%	Votes against directors were mainly related to lack of board independence, lack of diversity and inadequate risk oversight.
Compensation	3,186	496	16%	We generally vote against compensation when the compensation plan is not aligned with performance.
Audit related	1,290	473	37%	We generally vote against long-tenured auditors (21 years +).
M&A, transactions, and restructuring	2,451	288	12%	Votes against were mainly due to a lack of disclosure on pertinent information.
Environmental and social related	110	18	16%	Votes against were mainly due to a lack of disclosure on pertinent information.

Breakdown of shareholder proposals	Number of proposals assessed	Number of proposals supported	% of proposals supported	Rationale
Social (human rights)	29	26	90%	Majority of the supported proposals called for human rights due diligence reports and improvement in human rights standards or policies. IMCO did not support proposals where we believed companies already provided sufficient information.
Social (labour rights)	41	35	85%	Supported proposals called for reports on racial equity, gender pay parity, worker safety and other labour rights. IMCO did not support proposals where we believed companies already disclosed sufficient information.
Social (other)	115	86	75%	Supported proposals related to lobbying, drug pricing and animal welfare. IMCO did not support 'anti-ESG' proposals or proposals where we believed companies already provided sufficient information.
Environmental	110	79	72%	Mainly related to climate change risks. We did not support proposals where we believed companies provided adequate disclosure and risk management practices.
Compensation	54	27	50%	IMCO generally supports proposals for greater disclosure on executive compensation. However, we supported only 50% of compensation proposals in 2023 (down from 67% in 2022) because companies were considered to have sufficient disclosures.

COLLABORATING WITH INDUSTRY PEERS

Partnering with fellow investors to engage companies, policymakers and the broader financial industry on sustainability matters is a key component of stewardship. We recognize the value of collective action on behalf of our clients – it amplifies our voice and is an efficient use of our resources.

IMCO is part of several coalitions and initiatives seeking to advance sustainability goals including climate change disclosure and action, greater diversity within companies and our industry, broad-based employee ownership, and other topics where we believe positive change can preserve or enhance long-term value for our clients.

See our collaborative initiatives here.

SUPPORTING GLOBAL DISCLOSURE STANDARDS, WITH CANADIAN CONTEXT

Reliable and transparent sustainability information from companies is critical for investors to make informed decisions that will shape our world for generations.

IMCO CEO Bert Clark and peers from Canada's leading pension plan investment managers, representing more than $2 trillion in assets under management, supported the International Sustainability Standards Board (ISSB) disclosure framework launched in June 2023. The 11 CEOs jointly called on companies to embrace the new sustainability standards, known as IFRS S1 and S2, to improve comparability, and to manage issues that are increasingly material to long-term value creation or erosion. Read the statement.

IMCO and nine of our Canadian peers also participated in the Canadian Sustainability Standards Board (CSSB) consultation in 2024 on proposed Canadian disclosure standards: Exposure Drafts General Requirements for Disclosure of Sustainability-related Disclosure Standard (CSDS 1) and Climate-related Disclosures (CSDS 2), collectively the CSSB Standards. We applaud the CSSB's effort to largely align with the ISSB's global baseline, which is essential for ensuring that Canadian entities can make informed decisions and meet the expectations of global and domestic investors.

CLIMATE ENGAGEMENT CANADA

Climate Engagement Canada (CEC) was created in 2021 and modelled on Climate Action 100+, an investor-led initiative focused on the world's top GHG-emitting companies. CEC is likewise led by financial institutions with a goal of engaging Canadian high-emitting public companies on climate risks and opportunities.

IMCO was a founding participant alongside other investors because we believe the transition to net zero requires collective action on a large scale and at a faster pace.

CEC's Focus List – 41 companies operating across industry sectors – can contribute to the transition to a low-carbon future and become sectoral and corporate climate leaders in Canada. They operate in the oil and gas, utilities, mining, agriculture and food, transportation, materials, industrials and consumer discretionary sectors.

In 2023, our Sustainable Investing team participated in CEC engagements with Capital Power Corp., Enbridge Inc., Fortis Inc., Tourmaline Oil Corp. and Waste Connections Inc.

In general, we engage with companies to improve climate-related disclosures (such as tracking emissions, setting credible reduction targets and disclosing progress against targets) and understand how their lobbying efforts align with their climate targets or the goals of the Paris Agreement.

Through the CEC, we engaged with Waste Connections to discuss aligning its climate disclosure with international standards, landfill gas mitigation opportunities and getting approval for its targets. Following CEC engagement efforts, the company initiated a process for SBTi approval of its targets and doubled its target for absolute scope 1 and 2 GHG emissions reductions.

Visit https://climateengagement.ca/ for more about the initiative and its participants.

SECTION

3

CLIMATE ACTION PLAN

We recognize the urgency of climate change. As a steward of client capital and a global investor, IMCO is committed to playing our part in the transition to a net zero economy.

This transition offers a range of sustainable, long-term investment opportunities that we expect will deliver strong investment returns for IMCO clients. We also carefully consider climate-related risks from the transition, including physical and transition risks, to protect and enhance returns across all investments. Risks can be systemic or particular to certain geographies, sectors or assets.

In 2022, we committed to reach net zero emissions in our portfolio by 2050 or sooner, and published a Climate Action Plan that set an interim target for emission reductions and a target for investments in climate solutions. Our interim targets for 2030, discussed below, are consistent with science-based net zero pathways aimed at achieving the 1.5°C temperature goal of the Paris Agreement.[1]

OUR POLICIES AND GUIDELINES

CLIMATE ACTON PLAN: Describes our climate strategy, our commitment to achieve net zero by 2050 or earlier, as well as interim 2030 targets and definitions.

The four tenets of our climate strategy and related targets are:

1. **CAPITAL DEPLOYMENT:** We pursue climate-positive and transition investment opportunities, emphasize low-emission investments and support companies in preparing for the net zero transition.

   INTERIM TARGET: 20% of the total portfolio to be invested in climate solutions by 2030. These are defined as companies or projects that derive most of their business from products and services that reduce emissions or otherwise mitigate climate change effects. Examples include renewable energy, alternative fuels, clean technology and transportation, recycling, pollution prevention, green buildings and climate resilience and adaptation. Eligible assets are consistent with those defined in the International Capital Market Association's Green Bond Principles and Climate Bond Initiative taxonomy.

2. **PORTFOLIO MANAGEMENT:** We integrate climate-related risks and opportunities into our investment decision-making processes, and continuously monitor climate risk across our portfolio. We will prioritize partnerships with external managers that have made, or plan to make, net zero commitments and increase investment in companies with net zero commitments.

   INTERIM TARGET: a reduction in portfolio carbon emissions intensity of 50% by 2030, as measured against our 2019 baseline. This target is consistent with science-based net zero pathways in line with the 1.5°C temperature goal of the Paris Agreement. We calculate financed emissions in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard.

3. **ASSET OWNERSHIP:** We engage with external managers to encourage reporting on emissions and progress toward net zero alignment of portfolios, prioritizing heaviest-emitting sectors. Where we have governance rights at the asset level, we work with co-shareholders to encourage portfolio companies to establish Paris-aligned business plans and reduce emissions. We vote at shareholder meetings to encourage companies to manage climate-related risks and opportunities and collaborate with like-minded investors and policymakers to drive collective climate action.

4. **CLIMATE GUARDRAILS:** We mitigate risk using climate guardrails, which limit our exposure to investments that are incompatible with a net zero future. Where IMCO can meaningfully influence or control investment decisions, we will phase out new investment commitments in development of new unabated fossil fuel assets, in line with appropriate global, science-based scenarios, and limit exposure to investments in thermal coal mining and Arctic drilling.

We need to know what actions our external managers and investee companies are taking – or plan to take – to be aligned with net zero. Our due diligence and engagement activities include questions on climate risks and opportunities, assessing alignment with science-based targets and metrics, and encouraging reporting in line with latest international standards. We understand that partners and companies are at different stages of maturity but achieving our commitment of a net zero emissions portfolio by 2050 requires an understanding of how each investment aligns with this objective.

1 Our interim climate targets are aligned with science-based net zero pathways developed by the Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA), Network for Greening the Financial System (NGFS), and One Earth Climate Model (OECM).

2023 PROGRESS

DEPLOYING CAPITAL IN CLIMATE SOLUTIONS

With **11.5%** of the IMCO portfolio invested in climate solutions in 2023, up from 11% in 2022, we made progress toward our 2030 target of 20%.

The increase was driven by new deals in the clean energy transition, such as investments in Northvolt and NeXtWind.

IMCO approved an investment of up to US$300 million in Blackstone Green Private Credit Fund III, a fund formed by Blackstone Alternative Credit Advisors to provide capital to companies and assets in renewable energy, the energy transition and climate change solutions.

MEASURING PORTFOLIO CARBON EMISSIONS

We define and measure our portfolio GHG emissions in line with the PCAF standard, a global industry standard for GHG accounting for investment portfolios. We calculate financed emissions of the following asset classes covered under PCAF guidance: public equities, real estate, infrastructure, global credit, private equity, and fixed income/government bonds. The asset classes covered in our financed emissions calculations represent 92%[2] of total assets under management as of December 31, 2023, compared to 91% of total AUM covered in our 2022 calculation.

Our net-zero target covers scope 1 and 2 emissions intensity in the portfolio, which decreased to 42 tonnes CO2 equivalent (tCO2e) per $ million invested in 2023, down 44% from 75 tCO2e/$ million in 2019.

In 2023, significant effort went into improving the data quality of our portfolio emissions in private asset classes. A growing number of investee companies and assets measure and disclose emissions. We also engaged with external managers to obtain asset-level financial and emissions data, which led to an increase in reported data and a migration away from a predominantly proxy and estimate-driven approach. We encourage our external managers to gather more emissions data from their companies because having proper data, rather than estimates, improves measurement and allows us to model emission pathways and develop engagement strategies.

We note that our portfolio's carbon footprint may fluctuate in the short term, even as it improves in the long term, for several reasons:

- **ASSET ALLOCATION:** strategic asset allocation decisions may lead to fluctuations in emissions due to changes in portfolio exposure to sector and industries with different carbon intensity profiles.
- **MARKET VALUE CHANGES:** IMCO's carbon intensity metrics are affected by the carbon emissions reported by portfolio companies as well as their market value, which fluctuate.
- **IMPROVED DATA QUALITY:** improving emissions data coverage and quality, from estimated to measured and verified, will provide a better picture of our portfolio emissions.
- **METHODOLOGICAL ADVANCEMENTS:** as emissions measurement methodologies improve to better reflect actual emissions, it may become difficult to compare our portfolio carbon footprint over various time periods.

We plan to continually improve the quality of our input data through engagement with companies, external managers and data providers, and we also plan to enhance our analytical capabilities.

2 This percentage is representative of the total AUM of all asset classes covered under PCAF guidance and for which we measure emissions, across scopes 1, 2 and 3, as well as sovereign emissions, totalling $70.9 billion as of December 31, 2023 divided by IMCO's AUM of $77.4 billion as of December 31, 2023. These asset classes are Public Equities, Global Credit, Private Equity, Infrastructure, Real Estate and Fixed Income; we exclude PMA and money market asset classes, which PCAF methodology does not currently cover. Within asset classes, we exclude cash and derivative positions and for fixed income, we remove sub-sovereign bonds to arrive at the in-scope AUM for financed emissions calculations, which stands at $51.9 billion for Public Equities, Global Credit, Private Equity, Infrastructure and Real Estate as reported in Tables 1, 2 and 3, and $10.6 billion for sovereign debt, which is reported separately from other portfolio emissions in Table 4.

TABLE 1. SCOPE 1 AND 2 PORTFOLIO EMISSIONS

(As of December 31, 2023)

	2019	2020	2021	2022	2023	2023 vs 2019
Total financed emissions (tCO2e)	3,223,480	2,324,864	2,351,913	2,070,359	2,008,153	(38%)
AUM in-scope for financed emissions ($ million)	46,942	49,694	55,150	50,541	51,938	11%
Financed emissions intensity (tCO2e/$ million)[3]	75	54	47	45	42	(44%)

3 Emissions intensity is calculated by considering the portion of our AUM in-scope for which we are able to measure financed emissions. The measurable portion is a subset of the total in-scope AUM; thus intensity cannot be derived from the simple division of the above rows.

SCOPE 3 METHODOLOGY CHANGE

In 2022, IMCO reported scope 3 financed emissions for the first time, with absolute emissions totaling 11.1 million tCO2e and emission intensity of 243 tCO2e/$ million invested. We are restating our 2022 absolute emissions to 5.6 million tCO2e and associated emission intensity to 122 tonnes tCO2e/$ million invested.

The original 2022 values were estimated using scope 3 emission factors derived from the subset of data that was reported by our holdings and applied these factors to estimate the scope 3 emissions of holdings that did not report. At the time we chose not to use the estimates produced by our carbon accounting platform as these numbers were quite low compared to publicly reported data for companies in similar sectors. Leveraging the reported scope 3 emissions gathered from MSCI's public asset database, we generated emission factors at the sub-industry level. These factors were then used to generate proxy estimations as a basis for our 2022 reporting, as this method produced the most conservative results at the time.

In 2023, our carbon accounting platform updated its factor set. This factor set is aligned with PCAF guidance and results were validated using a second carbon accounting platform, giving us greater confidence in the underlying data and results. Therefore, we recalculated our 2022 emissions using this new factor set to ensure a comparable, transparent reporting of scope 3 emissions and to use the highest quality data available to achieve the best possible carbon accounting accuracy in accordance with the PCAF Financed Emissions second edition guidance and the GHG Protocol.

The improvement from 2022 to 2023 was mainly driven by higher proportions of our portfolio reporting scope 3 emissions. Approximately 41% of the holdings in our portfolio by market value reported scope 3 emissions in 2023, up from 29% in 2022. This limited disclosure is indicative of the low data quality and coverage for scope 3 emissions, affecting the quality of the final figure. Given the nascency of scope 3 emissions measurement, estimation of these values are more conservative, especially for high-emitting sectors. Engaging with our external managers and investee companies to collect directly reported scope 3 emissions has reduced our reliance on conservative estimates. We continue to encourage companies to disclose scope 3 emissions where material and plan to continually improve the quality of our input data.

TABLE 2. SCOPE 3 PORTFOLIO EMISSIONS

(As of December 31, 2023)

	2022	2023
Total financed emissions (tCO2e)	5,578,154	4,753,548
AUM in scope for financed emissions ($ million)	50,541	51,938
Financed emissions intensity (tCO2e/$ million)[4]	122	100

4 Emissions intensity is calculated by considering the portion of our AUM in-scope for which we are able to measure financed emissions. The measurable portion is a subset of the total in-scope AUM; thus intensity cannot be derived from the simple division of the above rows.

TABLE 3. PORTFOLIO EMISSIONS BY SECTOR[5]

(As of December 31, 2023)

	Scope 1 and 2 financed emissions	Scope 3 financed emissions
Communication Services	5%	5%
Consumer	7%	25%
Energy & Utilities	56%	34%
Financials	1%	2%
Healthcare	1%	2%
Industrials & Materials	21%	26%
Information Technology	2%	5%
Real Estate*	7%	1%
Total	**100%**	**100%**

* Only scope 1 and 2 emissions are measured for the Real Estate asset class except for REITs. All three scopes of emissions are measured for assets in the Real Estate sector held in other asset classes

As per the PCAF methodology and guidance, we calculate and disclose financed emissions from sovereign bond investments separately from the Total Fund calculations. The carbon emissions intensity of our sovereign bond investments decreased from 287 tCO2e/$ million in 2022 to 244 tCO2e/$ million in 2023. The calculation quantifies each country's emissions by considering all emissions generated within the country's territorial boundary.

TABLE 4. SCOPE 1, 2 AND 3 EMISSIONS FROM SOVEREIGN BONDS

	2022	2023
Total financed emissions (tCO2e)	2,279,060	2,595,428
AUM in scope for financed emissions ($ million)	7,954	10,615
Financed emissions intensity (tCO2e/$ million)	287	244

5 The values in the following table correspond with our portfolio financed emissions. They exclude emissions associated with sovereign bonds, which are shown in the Table 4. All emissions percentage values in this table are rounded, except for scope 1 and 2 financials and scope 3 Real Estate. The values for these sectors have been rounded to sum to 100%.

CLIMATE CASE STUDY:

Engaging to support DataBank's net zero planning

About DataBank

Sector: Digital infrastructure

Headquarters: Dallas

Website: https://www.databank.com/

Our Investment

Year: 2022

Amount: > US$450 million

Aligns with: Infrastructure strategy, Climate Action Plan (portfolio management)

The growing use of artificial intelligence, machine learning and cloud platforms require ever-increasing data centre computing capacity.

We gain exposure to these trends through DataBank, a fast-growing U.S. developer and operator of data centres across major cities. Its facilities help global enterprises, technology and content providers ensure their data and applications are always running, secure, compliant and ready to scale. Several leading AI-related businesses are partnering with DataBank, leveraging its wide footprint.

We've been a supportive investor as the company took positive ESG steps: it improved reporting and external benchmarking, hired new sustainability, energy, and health and safety personnel, and crafted new sustainability policies.

EMISSIONS REDUCTIONS AS A BUSINESS PRIORITY

Data centres present both climate opportunities and risks.

AI and other high-performance computing applications require facilities with much greater density and power consumption, which produce more GHG emissions. The facilities' ability to source clean power is highly dependent on the grid providing electrical service.

The opportunities to add sustainable value lie in decarbonizing operations. Policymakers as well as customers want reduced emissions. By providing clean power, DataBank can increase its value proposition to clients, such as Alphabet, Apple, Meta and Microsoft, that have pledged to reduce their value-chain emissions.

Business risks that could hurt data centres' credibility, revenue and value include:

- falling behind peers on emissions reductions
- being unable to meet customer requirements or win new contracts
- being unable to adapt to regulatory requirements or meet public climate commitments

IMCO'S ROLE AS THOUGHTFUL PARTNER

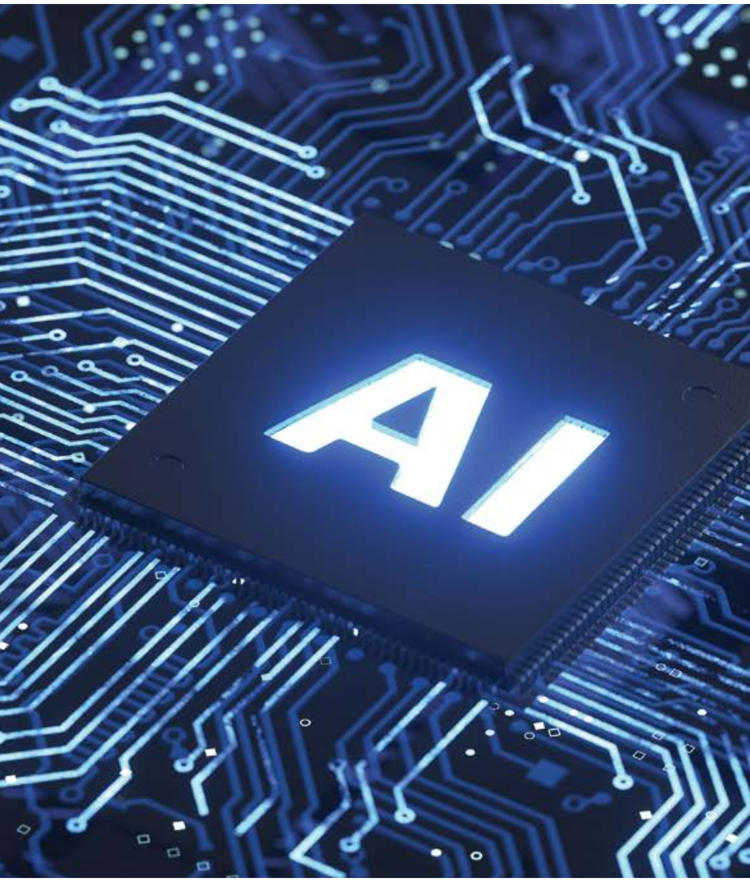
We engaged with the company when it embarked on net zero emissions planning. We conducted deep industry research and engaged with management in two main areas: the net zero target itself, and a governance structure that would set the company up for success.

In dialogue with management, we probed whether the target was achievable, whether costs were thoroughly understood and whether the target should be aligned with SBTi. We asked whether the target-setting exercise was narrowly led by the ESG team or included experts from across operations, engineering and finance.

Decisions related to climate targets are intertwined with major growth, project financing and operational decisions, so we advocate for a hands-on approach from key functions at executive levels.

We wanted to ensure the company had a strong governance structure to shepherd and oversee its net zero commitment. We communicated our recommendations to fellow shareholders and the company's ESG team and were pleased that key elements were included in the company's climate policy (see "Business outcomes" section below).

DataBank plans to mitigate 100% of scope 1 and scope 2 emissions by 2030 through energy efficiency, renewable power, lower-carbon fuels and materials, new technology and high-quality carbon removal credits. We introduced DataBank to renewable energy procurement partners for options to eliminate scope 2 emissions.



> For net zero transition planning to succeed, it needs to be considered within every business decision that a company makes. Net zero planning is business planning, full stop.
>
> **– Youssef Aroub, Managing Director, Sustainable Investing**

BUSINESS OUTCOMES

Our suggestions were integrated into DataBank's climate policy, which strengthened overall accountability in the following ways:

- creation of a board-level ESG committee to oversee initiatives consistent with its climate policy;
- quarterly reporting of energy consumption and annual emissions metrics to the board;
- incorporation of environmental metrics into management compensation.

Our team also reviewed DataBank's development of a near-term budget for the net zero plan.

> Powering the digital world should not come at the expense of our physical one…we have a responsibility to lead data centres in managing our impact on power usage and carbon emissions.
>
> **– Jenny Gerson, Senior Director of Sustainability, DataBank**

CLIMATE CASE STUDY:

Collecting real-time energy data at WPT industrial properties

As part of our regular dialogue and interaction with WPT Capital Advisors, a key U.S. partner, IMCO's Real Estate team shares our sustainability goals. These range from IMCO's net zero commitment to our need for more granular data collection and tenant engagement on sustainability practices.

To date, we have committed US$445 million in 30 investments with WPT, totaling approximately 13 million square feet in various U.S. logistics markets. The company has been receptive to change and took a pragmatic approach to evaluating its sustainability options and offering.

One of the broader initiatives focused on accurate data collection at each of the operating portfolio assets. Building owners in the industrial sector have historically faced barriers in collecting and tracking tenant utility data, since utility costs are the tenant's responsibility.

CONSUMPTION DATA DRIVES EFFICIENCIES

After vetting several energy monitoring solutions, WPT partnered with Redaptive to install cellular-enabled electric, gas and water meters in 2022 through all its income-producing properties to obtain real-time consumption data used to identify capital expenditure projects. This model has provided insights into whole building performance. In addition, greater awareness of individual assets' energy and water consumption allows building owners to establish benchmarks, develop strategies to reduce energy and emissions, optimize costs and increase the durability and resilience of our sites.

Within the first few months, the meters flagged sites where leaks or faulty equipment caused a spike in consumption, allowing WPT to readily address issues and drive reduction strategies. The tool's insights into building performance helps WPT communicate efficiency improvements and cost benefits to tenants. Evaluating year-over-year data can pinpoint specific efficiency updates for tenants and project accumulated cost savings once efficiency measures are put in place.

The data run through Redaptive's platform is also uploaded to an industry platform that stores performance data, calculates metrics and gives a detailed and transparent review of consumption habits.

WPT's approach to decarbonization prioritizes data management, renewable energy and sustainable building design to help benchmark and reduce carbon emissions. It is deploying renewable energy across our portfolio through rooftop solar projects and exploring more widespread use of EV charging stations and battery solutions.

WPT has committed to certifying 100% of new development projects to LEED standards and is exploring the feasibility of net zero development. Some challenges to achieving net zero in the industrial real estate sector include location of portfolio assets and tenants' energy usage.

98% of the IMCO portfolio managed by WPT pulls real-time data on gas, water, and energy consumption through a portfolio-wide monitoring program.

CLIMATE RISK MANAGEMENT

Managing climate-related risks is a top priority for IMCO, and we use the latest models and tools in the evolving climate risk space to inform strategic planning and risk management decisions with the goal of protecting our clients' assets from potential losses.

We integrate physical and transition risk considerations in due diligence, considering such risks as fires, drought and flooding and those arising from policy, legal, technological and market changes driven by the shift to a low-carbon economy. Climate change also presents opportunities to invest in low-carbon products, energy efficiency, adaptation measures and cleaner energy sources.

For example, with real estate assets, understanding physical risks is critical, so we review flood maps and topography and ensure structures and systems engineering can withstand extreme weather and have adequate insurance. Or take an infrastructure team-led investment in data centres, for example: reliable power for heating and cooling is critical to the business, so we seek to understand how a facility's operating costs and equipment could be affected by a dramatic increase in the number of extreme hot days. In public markets, our Fundamental Equities, Risk and Sustainable Investing teams jointly look at a company's transition planning to evaluate risks and opportunities for improvement.

SCENARIO ANALYSIS AND STRESS TESTING

Climate scenario analysis enables investors to explore possible future environments, the underlying assumptions and actions that could lead to those future environments, and the potential risks and opportunities of each scenario. Climate scenario analysis provides a quantitative and qualitative assessment of how different climate pathways and trends might produce different economic and financial outcomes, with different portfolio implications. It can pinpoint areas for further research.

We conduct scenario analysis and stress testing quarterly on public equities and real estate holdings in our portfolio, where data allow, to determine impacts of physical and transitions risks under different warming scenarios (e.g., 1.5°, 2°, 2° late and 3°C scenarios) and different time horizons (e.g., 2050, 2100). For example, for real estate we use a bottom-up model that analyzes inputs from each building, updated quarterly, and generates different views and top risks across geographies or other categories. From there, we discuss what is driving physical risks and possible responses to avoid future losses.

In general, the results continue to show relatively small losses across our portfolios compared with benchmarks across our scenarios and underscore our portfolio's resilience to climate risks. Our portfolio would be more resilient, however, in an immediate and orderly transition to a 2°C future than it would be in a delayed and disorderly transition.

Climate risk assessments are integrated into an ESG risk assessment dashboard and shared with our investment teams to give them a high-level risk snapshot. By looking at the overall results, comparing performance versus benchmarks, and drilling down into the main drivers, we raise awareness of potential concentrations and vulnerabilities.

CHALLENGES AND OPPORTUNITIES

Some inherent challenges and opportunities in scenario analysis include the following.

Challenge	Mitigation / Opportunities
Lack of coverage in some asset classes	Expand coverage where possible; e.g., infrastructure and private equity Collaborate with our investment teams to improve and customize conditional value-at-risk (CVaR) models
Sub-sector data sometimes not available or data not classified appropriately	Ask external managers to collect more data from their portfolio companies Encourage strategic partners to provide more accurate inputs, e.g. for green buildings Collaborate with vendors to improve model capabilities Develop methodology to proxy non-covered securities Seek vendors with desired coverage
Lack of transparency and standardization across models	Collaborate with vendors and peers to improve consistency and model capabilities

CLIMATE CASE STUDY:

Expanding sustainability data coverage in real estate

Historically, the availability of sustainability performance indicators within our real estate portfolio was limited due to various external manager data collection standards, investment structure (fund, co-investment) and competing priorities.

As IMCO's ESG and sustainability commitments evolved, the Real Estate team has outlined to portfolio managers our need for accurate and up-to-date metrics about water consumption, waste management and reduction, energy intensity and GHG emissions at each property. Having this information means we can establish, monitor and take steps to meet sustainability commitments in our real estate portfolio.

IMCO conducted an initial data collection project to gather 2020 and 2021 data. In 2024, our focus shifted to 2022 and 2023 data collection. Through the initial data collection exercise, we identified gaps in manager reporting, and engaged with managers to underscore the importance of this data to IMCO to help us achieve our sustainability goals. Managers are making greater efforts to provide this information, where feasible.

We are planning to expand data coverage within the portfolio to obtain accurate actual emissions data in place of the proxy information used today. Having a higher proportion of actual data will allow us to make better climate-related decisions. For example, we'll be able to determine the impact of capital projects/improvements on building emissions and what steps are required to contribute to IMCO's net zero goals.

SECTION

4

CORPORATE SUSTAINABILITY

At IMCO, we aspire to lead by example. We use our purpose-driven and inclusive culture to empower our teams and contribute to a sustainable future.

One of the ambitions in our five-year strategic plan is to continue building a culture that is nimble, empowered, innovative and caring. For us, embracing sustainability and inclusivity is not just the right thing to do, but an organizational imperative we believe will help serve our clients better.

This section describes how our culture, our environmental and social commitments and our operational decisions make us better stewards of client assets.

CARING AND INCLUSIVE CULTURE

We are committed to our people and to creating a culture that attracts, retains and inspires world-class talent.

IMCO has a public purpose that inspires our teams and excites our new recruits. In our day-to-day interactions however, the ultimate impact of our work may not be readily apparent. As a result, we look for different ways to bring our purpose to life, such as inviting executives from our largest clients to all-employee meetings to talk about the impact of IMCO's work on their beneficiaries.

We are also creating a culture of caring for our people. IMCO offers generous benefits to support employee wellness, from comprehensive parental leave to gender affirmation and fertility benefits, to flexible options that allow employees to select the benefits most important to them. We recognize that conventional benefits were built on traditional notions of family which may no longer apply or meet employees' needs.

GTA TOP EMPLOYER

We prioritize employee wellbeing and strive to cultivate an environment that supports our team members' growth and development. We were proud in 2023 to be named a Greater Toronto Top Employer for 2024. IMCO was recognized for our innovative work environment, progressive employee benefits plan, wellness initiatives, professional development opportunities, and inclusive and caring culture.

EXECUTIVES EMPOWER SENIOR TEAM OF TOMORROW

Our senior executive team (SET) believes IMCO will only unlock the full potential of our bright, motivated people if everyone is empowered to contribute. Our executives sought ways to put this belief into practice.

> Empowerment begins with executive support and alignment across the organization. Our leaders are equipped with critical investment, operational and HR data to make informed and meaningful decisions on culture and people development. The SET and our direct reports come together as a team regularly to discuss big ideas and set strategic directions. From there, the key decision makers have full authority to lead important initiatives, like our client service model. This approach required a shift in our traditional management process but will ultimately deliver ongoing benefits to IMCO and our clients.
>
> **– Bert Clark, President & CEO**

DIVERSITY, EQUITY AND INCLUSION

DEI are an integral part of our corporate values and underpin our business activities. We believe a work environment that encourages inclusion and fosters diversity brings out the full potential of our workforce, stimulates innovation and enables organizational growth.

DEI AT IMCO IN 2023

33%

of IMCO's board of directors is female (3/9) – unchanged from 2022

45%

female employees (166) versus 47% in 2022

29%

of IMCO's senior executive team is female (2/7) – unchanged from 2022

36%

females in senior leadership positions, defined as senior manager and higher

32%

females in Investments

We began reviewing and updating our HR policies in 2023 to ensure they fully reflect inclusion and equity for all employees. We developed and provided new resources for employees to help mitigate unconscious biases and exclusionary practices, while conducting education through our leadership foundations, respect at work and DEI programs.

Events and activities facilitated by third party experts augment our programs. This included VersaFi (formerly Women in Capital Markets), the largest network of female professionals in Canadian finance, and the Canadian Centre for Diversity and Inclusion. We also provided support to Indspire, an Indigenous national charity investing in the education of First Nations, Inuit and Métis people, as well as Disability:IN, a non-profit that works to expand opportunities for people with disabilities in business.

We made efforts to be more inclusive in our recruiting processes by expanding the number of universities in our campus programs, working on specific initiatives with some of the organizations named above and introducing a new employee referral program to reward existing employees who help to attract diverse new candidates.

Each year, IMCO provides several internships with a focus on diverse education, backgrounds and experiences. These internships provide valuable experience to students, including technical training, formal learning, and executive leadership and mentorship sessions. The program improves access and opportunities for students from a variety of backgrounds and contributes to improving the diversity of Canada's financial sector.

> "We take a broad view of diversity and inclusion – not simply gender or racial but socio-economic as well. Historically, we and our peers have been fishing from the same pond and I'm a big believer that we have got to make this pond bigger. We continue to broaden our internship program and we will continue to look at how to expand the program."
>
> – Gayle Fisher, Chief Corporate Officer

EMPLOYEE ENGAGEMENT

IMCO conducts an annual employee survey to better understand staff sentiment across a range of topics, as well as two to three shorter “pulse” surveys each year that provide snapshots of employee opinion on specific topics. In 2023, with a new survey provider, Peakon, we have been able to obtain deeper analysis of engagement results and a dashboard showing results by team. This enables senior leaders and staff to better understand strengths in engagement and areas for improvement.

The survey results help us delve deeper into employee sentiment, improve employee wellbeing and continue to execute our DEI roadmap.

2023 SURVEY PARTICIPATION RATE: 93%

TOP RESULTS (SCORES OUT OF 10):

8.7	Management Support
8.3	Non-Discrimination, Accomplishment, Social Wellbeing, Goal Setting
8.2	Peer Relationships, Meaningful Work, Strategy

Our Employee Engagement Committee supports enterprise action planning. We develop enterprise-wide plans to respond to areas that employees identify as opportunities for improvement, including through reviews of existing programs, benefits and educational opportunities.

IMPACT AWARD WINNERS

The IMpact Awards celebrate unsung heroes in our midst – our peers who get things done every day.

Employees can nominate their peers for an award, based on the IMCO pillars of respect, integrity, client focus, partnership and innovation. Our executives are not eligible for nomination but play an integral role as the decision committee. This is to help remove bias and ensure employees at all levels have the opportunity to be recognized and rewarded. In 2023, we received almost 70 nominations. Winners were selected by a volunteer committee comprised of individuals across the organization.

TALENT MANAGEMENT

IMCO developed its original talent strategy in 2019, which focused on building foundational HR components to ensure quality hires, talent engagement and retention, and leadership development.

IMCO kicked off work on our next-generation talent management strategy in 2023 to refresh and prioritize initiatives, in line with the objectives and culture aspirations laid out in IMCO's Five-Year Strategic Plan. We engaged more than 120 internal stakeholders through focus groups and workshops, and gathered insights through monthly employee meetings.

Our refreshed talent management strategy has three key pillars: to attract, grow and inspire our employees. The proposed initiatives and programs will enable IMCO to attract top talent, foster career growth and inspire employees. It aims to position IMCO as an employer of choice by offering recognition, work-life flexibility, and a culture of partnership and inclusivity. Through the strategy, we aim to enhance investment success, adapt to changing market dynamics and enable employees to grow.

Implementing our talent strategy is a priority for 2024 and beyond. It will include a range of initiatives and programs. Some examples include the following:

ATTRACT: strengthening our campus connections and broadening campus recruiting; rewarding employees for sourcing high-quality candidates through a referral program; standardizing and applying a DEI lens to hiring.

GROW: developing new competencies (core and leadership) through career planning and training, voluntary development plan clinics for all full-time employees, sustainability learning and our Leadership Foundations program.

INSPIRE: promoting employee wellbeing through events, spaces and healthy snacks; encouraging employees to reserve Fridays for individual work, innovation and reflection.

Natalie Ho, Associate, Total Rewards, Human Resources

From summer intern to full-time employee, Natalie appreciates IMCO's focus on investing in our people

"My internship was a highly rewarding and transformative experience. I was given plenty of opportunities to work on meaningful projects that had a tangible impact on the organization, such as refining our job evaluation process. I gained hands-on experience and expanded my skillset in ways that were not possible at school. I was excited to be offered a full-time role at the end of my internship, and knew I was joining a world-class organization that would continue to provide valuable experience and growth opportunities."

ENVIRONMENTAL AND SOCIAL COMMITMENTS

We support the transition to a low-carbon future and are committed to net zero by 2050.

Although IMCO's operational emissions are much smaller than our portfolio carbon footprint, it is still important to measure and disclose the environmental impact of our operations. We strive to minimize the environmental impact of our business and encourage environmental awareness in key stakeholders and employees.

IMCO's headquarters is at 16 York St., Toronto, a new building that was designed to meet the highest LEED standard, platinum, as well as the international WELL certification for health and safety. Our energy-efficient office helps us to minimize our greenhouse gas emissions and waste output.

IMCO'S OPERATIONAL EMISSIONS[1]

We estimate our operational emissions using the GHG Protocol. We present emissions associated with IMCO's headquarters at 16 York St, which is certified as LEED Platinum as well as emissions resulting from corporate travel and lodgings. Our scope 1 and scope 2 emissions reflect our portion of the electricity and gas consumed at our office, while scope 3 emissions reflect IMCO's travel and lodgings as well as waste produced from our operations at 16 York St.

IMCO'S OPERATIONAL CARBON FOOTPRINT

	2020	2021	2022	2023
Scope 1 and 2 emissions (tCO2e)[2]	396	263	88	139
Scope 3 emissions (tCO2e)	172	10	522	402
Total operational emissions (tCO2e)	568	273	610	541

COMMUNITY PARTNERSHIPS AND PHILANTHROPY

We are committed to making a difference in the communities where we live and work. We organize "Days of Giving" events to contribute to various charitable causes. For instance, IMCO held a food drive for the Parkdale Community Food Bank and partnered with Kits for a Cause to support The Native Women's Resource Centre of Toronto.

IMCO was recognized as a local leader by United Way Greater Toronto. From our CN Tower Climb to a superhero-themed pancake breakfast, our team raised and donated more than $210,000 for the important work United Way does throughout our city.

We also participated in The Princess Margaret Ride to Conquer Cancer for the second year. In total, our riders have raised more than $77,000 in support of critical cancer research, treatment and care that help patients from around the world.

IMCO employees spent a day volunteering at the Parkdale Food Pantry

1 Due to an error in reporting 2022 operational emissions in its 2022 ESG Report, IMCO has chosen to recast published 2022 values. IMCO reported 2022 corporate travel and lodgings from the perspective of the hotel and rental companies used and categorized those emissions into scopes 1, 2 and 3, leading to the erroneous categorization of those emissions and the exclusion of building emissions. Corporate travel should have been reported as IMCO's scope 3 emissions in accordance with the GHG Protocol. The categorization of these emissions was corrected and is presented in this table as a single scope 3 value. Building emissions have also been included, leading to an increase in 2022 operational emissions from 515 tCO2e as reported in the 2022 ESG Report to 610 tCO2e as recast in this report.

2 For fiscal year 2022, IMCO completed the move to its current offices, located in a LEED Platinum Certified building, which contributed to lower scope 1 and 2 emissions compared to the two preceding years.

OPERATIONAL INTEGRITY

In our governance and operations, IMCO adheres to industry-leading practices and standards to steward the business and deliver results for clients over the long term. We operate with integrity and transparency, and are committed to sustainability oversight and accountability.

SAFEGUARDING IMCO INFORMATION

Cybersecurity is essential for achieving IMCO's strategic objectives in a resilient, safe and secure manner.

Cyber attacks and data breaches can have a huge impact on people and business, making it a material sustainability risk. Implementing good governance and using appropriate tools and metrics make organizations more resilient and sustainable.

IMCO combines proactive measures, layered defenses and adherence to industry standards to safeguard our data, staff and systems.

IMCO created a new role of Vice President and Chief Information Security Officer in 2023 to strengthen our ability to identify, prevent and respond to cyber incidents. By continuously evaluating our systems, we stay ahead of potential threats, ensuring timely detection and mitigation.

We collaborate extensively with partners and vendors to share information and create a robust ecosystem that actively guards against the ever-evolving landscape. Regular reports on emerging risks allow us to adapt our defences accordingly.

We provide cybersecurity education to employees at all levels. Regular training programs cover a range of topics, including phishing awareness, secure practices and incident response. We have increased the frequency of education to increase employee awareness of phishing.

In 2023, IMCO focused on data loss prevention technology, policies and controls, and began maturing our approach to identifying and classifying sensitive information. We established a dedicated Data Enablement function in early 2024 to promote data governance practices, standards and guidelines for data-related activities.

MODERN SLAVERY AND OUR SUPPLY CHAIN

Forced labour and child labour are illegal and a violation of fundamental human rights. IMCO addresses the risks of forced labour or child labour as part of our activities and supply chains through responsible, risk-based practices.

IMCO assessed our activities and supply chains in 2023 and produced a report to comply with a new federal law, *Fighting Against Forced Labour and Child Labour in Supply Chains Act*.

Due to the nature of our business and operations, we believe there is low risk that forced labour or child labour are used in IMCO's activities and supply chains.

We have several risk-based policies and practices to minimize the risks of forced labour and child labour in our activities, including procurement and vendor risk management policies and processes, due diligence procedures, an employee code of conduct, and our sustainable investing policy and guiding principles.

Our full report is available here.

APPENDIX

A

CLIMATE DISCLOSURES

We align our disclosure with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, recognizing that these have been incorporated into the first two sustainability standards produced in June 2023 by the International Sustainability Standards Board (ISSB).

With TCFD recommendations at the heart of the new standards – IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures – the work of the TCFD was formally completed. We supported the new ISSB standards because they help consolidate existing frameworks and standards, including the SASB standards.

Companies can choose to continue using the TCFD recommendations for climate disclosures, and some companies may still be required to use them. Using the TCFD recommendations is considered a good entry point as companies move to adopt the ISSB standards over time.

IMCO is studying the first proposed standards from the Canadian Sustainability Standards Board (CSSB). The Canadian proposals are aligned with the IFRS S1 and S2 global baselines, with suggested modifications for the Canadian market. The CSSB is consulting on the proposed Canadian standards.

We believe in the value of consistent, decision-useful information about climate-related risks and opportunities. Below is a cross-reference to where the TCFD-recommended disclosures can be found in this report.

	TCFD DISCLOSURE FRAMEWORK	SECTION
Governance	a) Describe the Board's oversight of climate-related risks and opportunities	Governance at IMCO, page 14
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Governance at IMCO, page 14
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	2023 Progress, page 54 Climate Action Plan, page 52
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	2023 Progress, page 54 Climate Action Plan, page 52
	c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	Climate Action Plan, page 52 Climate Risk Management, page 61
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks.	Bringing Our Strategy To Life, page 20 Integration Across the Investing Lifecycle, page 24 Climate Action Plan, page 52 Climate Risk Management, page 61
	b) Describe the organization's processes for managing climate-related risks.	Governance at IMCO, page 14 Bringing Our Strategy To Life, page 20 Integration Across the Investing Lifecycle, page 24 Climate Action Plan, page 52 Climate Risk Management, page 61
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate Action Plan, page 52 Climate Risk Management, page 61
Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2023 Sustainability Highlights, page 6 Sustainable Capital Deployment, page 23 Climate Action Plan, page 52 2023 Progress, page 54
	b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks.	Climate Action Plan, page 52 Measuring Portfolio Carbon Emissions, page 54
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2023 Sustainability Highlights, page 6 Sustainable Capital Deployment, page 23 Climate Action Plan, page 52

APPENDIX

B

CARBON FOOTPRINT METHODOLOGY

METHODOLOGY

Financed emissions refer to the GHG emissions generated from the assets in our portfolio, proportionate to our debt and equity holdings. Financed emissions are sometimes referred to as a portfolio carbon footprint. Intensity is financed emissions for the portfolio, normalized by millions of dollars of investment.

We support the need for standardized and transparent carbon emissions accounting and reporting. We calculated our financed emissions in accordance with the PCAF Financed Emissions second edition guidance (2022) and the GHG Protocol. The general approach to calculate our financed emissions is illustrated by the following PCAF formula:

$$\text{Financed emissions} = \sum_i \text{Attribution factor}_i \times \text{Emissions}_i$$

(with i = borrower or investee)

$$\text{Attribution factor}_i = \frac{\text{Outstanding amount}_i}{\text{Total equity + debt}_i}$$

We include financed scope 1, scope 2 and scope 3 emissions in our financed emissions calculation. Scope 1 emissions are direct emissions that occur from sources controlled by a company (e.g., company facilities) and scope 2 emissions are indirect emissions associated with the company's purchase of electricity, steam, heating and cooling. Scope 3 emissions include all other indirect emissions, such as emissions associated with the use of sold products. For 2023, financed scope 3 emissions are included in our portfolio carbon footprint but are calculated utilizing an EXIOBASE model aligned with emissions measurement standards. Scope 3 emissions are reported for different sectors and stated separately from scope 1 and 2 emissions in accordance with PCAF guidance.

We calculated 2023 financed emissions for sovereign bonds separately. The definitions of emission scopes differ for sovereign debt emission calculations. Scope 1 refers to domestic GHG emissions from sources located within the country/territory, scope 2 refers to GHG emissions occurring because of domestic use of grid-supplied electricity, heat, steam and/or cooling imported from another country/territory, and scope 3 refers to emissions attributable to non-energy imports as a result of activities taking place within the country/territory. Sovereign debt emissions are calculated using the following approach:

$$\text{Attributed Emissions} = \frac{\text{Exposure to Sovereign Bond (CAD)}}{\text{PPP–Adjusted GDP (CAD)}} \times \text{Sovereign Emissions } (tCO_2e)$$

This is representative of a production-based approach to measuring the emissions of a sovereign. An alternative approach is to measure the consumption-based emissions of a sovereign, which are the domestic emissions adjusted for trade. This involves taking the production approach and then subtracting the emissions associated with exported goods. IMCO has opted to take a more conservative production-based approach rather than a consumption-based approach and therefore, has not subtracted exported emissions.

Sovereign bond emissions intensity is calculated by summing the production-based emissions for each sovereign and dividing by the total ownership amount of those bonds, using the following formula:

$$\text{Intensity} = \frac{\text{Financed Emissions}}{\text{(Outstanding Amount/\$1,000,000)}}$$

PORTFOLIO COVERAGE

We calculate the portfolio emissions of the following IMCO asset classes covered under PCAF guidance: public equities, fixed income/government bonds, real estate, infrastructure, global credit and private equity. Combined, these portfolios represent 92% of IMCO's assets under management as of December 31, 2023. Most of the remainder comes from public market alternatives and money market[1], which PCAF methodology does not currently cover.

We strive to measure emissions for all investments where PCAF publishes guidance and where we have sufficient data availability. We will update our financed emissions calculation over time as data quality, coverage and methodologies improve.

1 Money Market includes other assets and strategies for portfolio rebalancing and asset allocation purposes and are included in the total return.

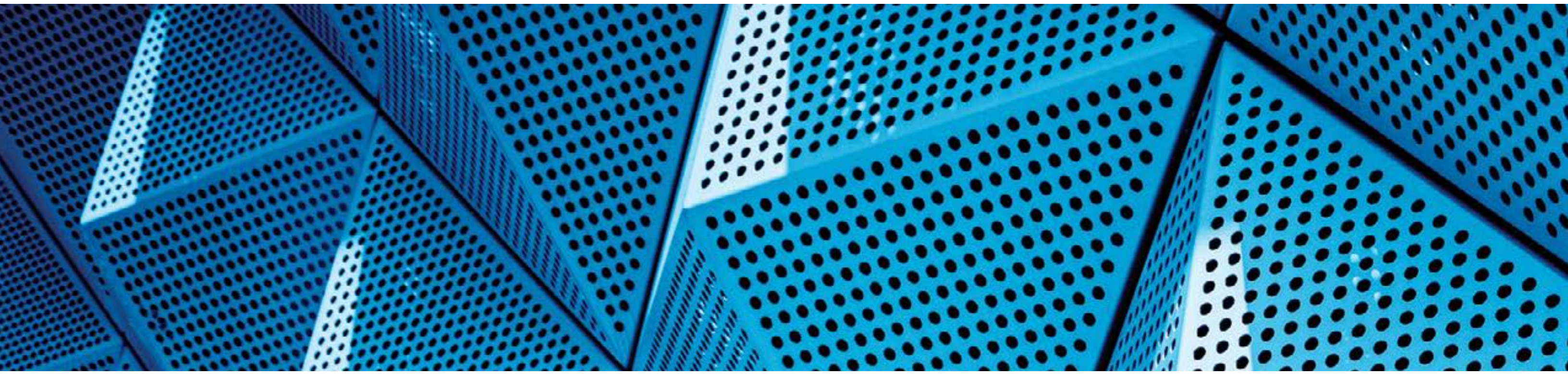
DATA QUALITY

We align the data quality of our portfolio emissions data with the PCAF guidance, which assigns a data quality score from 1 to 5, where 1 is for verified reported emissions, 2 is for unverified reported emissions and 3-5 is for physical activity-based emissions or economic activity-based emissions of varying accuracy.

Reported emissions data is sourced directly from public company disclosures or third-party service providers. IMCO data for reported emissions now distinguishes between verified and unverified emissions resulting from improved data quality. Where reported emissions data is not available, we estimate emissions based on sector and regional emission factors. IMCO has seen an improvement in data quality with 86% of our public holdings by market value reporting emissions data, and 55% of private holdings by market value reporting emissions data, resulting in 66% of total holdings by market value reporting emissions data. Private assets depend to a greater degree on estimated emissions derived from region and sector averages due to the continued limitations in collecting private data. We strive to increase the share of reported emissions in our calculation of financed emissions over time.

Score	Emissions type	% of AUM			% of scope 1 and 2 financed emissions		
		Public	**Private**	**Total**	**Public**	**Private**	**Total**
1	Reported emissions, verified by a third party	1%	3%	4%	1%	1%	2%
2	Reported emissions, unverified by a third party	30%	32%	62%	25%	31%	56%
3	Estimated emissions based on physical activity[2]	0%	0%	0%	0%	0%	0%
4	Estimated emissions based on economic activity	3%	22%	25%	8%	18%	26%
5	Estimated emissions based on economic activity with only sector information	2%	7%	9%	6%	10%	16%
	Total	36%	64%	100%	40%	60%	100%

2 IMCO does not have access to the physical activity data at this time.



LIMITATIONS

Measuring portfolio emissions is still an emerging field, and several limitations in our measurement approach should be kept in mind when interpreting results. As noted, we measure our portfolio carbon emissions in line with the PCAF standard, and our methodology has several limitations across various asset classes, which have been noted by PCAF itself.

PCAF attributes emissions across total equity and debt of the underlying asset. Market value fluctuations and changes in capital structure can impact financed emissions, even if total asset emissions remain consistent. Given this fluctuation, objectives to reduce financed emissions can become a moving target.

Estimates by nature can have varying degrees of accuracy and are driven by the underlying emission factors.[3] Emission factors are generally updated on an annual basis. If updates are applied to emission factors, there would be year-over-year variations in estimated emissions. In addition, scope 3 emissions are not widely reported, and estimates vary widely. Companies may also use different approaches on scope 3 emission categories and coverage and may further expand their carbon footprint boundaries.

Private assets generally have lower quality of emissions data. We depend more on assumptions and approximations derived from region and sector averages. However, we have observed a marked improvement in private asset data quality and we expect that data availability for private assets will evolve in the future. We will continue using the highest quality of data available for our portfolio carbon footprint calculations.

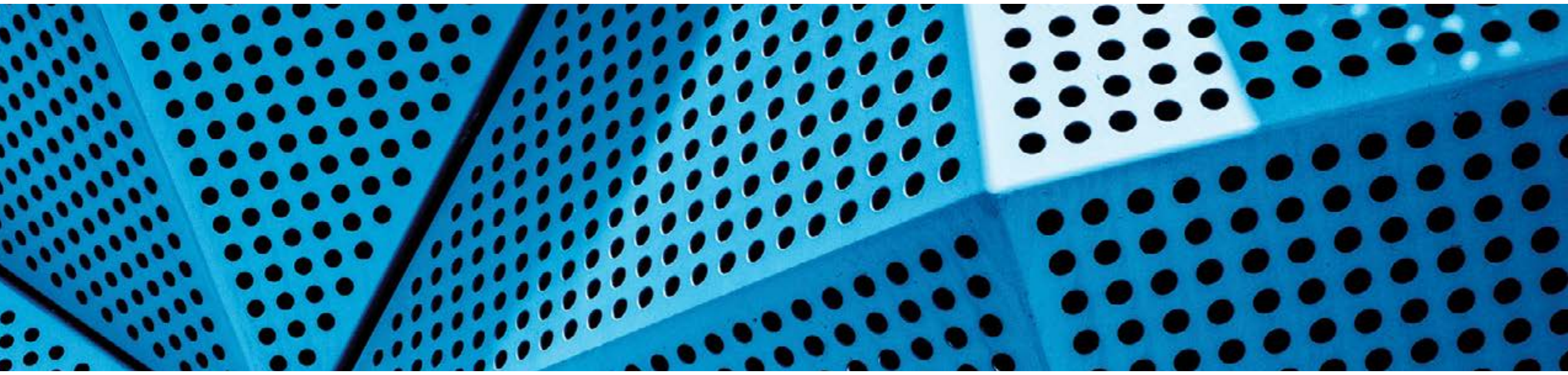
Double counting can occur between different scopes of emissions. This form of double counting cannot be avoided but we are transparent by reporting scope 1 and 2 emissions separately from scope 3 emissions and sovereign bonds.

The approach to classify scope 1, 2, and 3 emissions of sovereign bonds is an attempt to mirror the approach developed and adopted for corporates and cities. Despite the attempt to mirror the approach of corporate emissions measurements, Sovereign emissions scopes differ in calculation methodology and therefore cannot be compared 1:1 with corporate emissions. Double counting can occur in two dimensions:

1. Double counting of emissions of non-sovereign sectors (e.g., corporates) due to accounting of emissions at sovereign territorial level.
2. Double counting of emissions of other sovereigns when accounting for emissions beyond scope 1.

Additionally, purchasing power parity-adjusted GDP (i.e., the value of a country's output as a proxy for the 'value of the country') has its limitations as the attribution factor, as it is a flow metric averaging annual sovereign spending while investments in sovereign debt occur on a more frequent cadence. Scope 1 emissions are sourced from the United Nations Framework Convention on Climate Change with the most recent data available from 2021. Scope 2 and 3 emissions are sourced from the Organization for Economic Cooperation and Development.

3 Emission factor is a value that relates the quantity of GHG emissions with an activity (physical or economical) that causes its release.



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