

SUSTAINABLE INVESTING REPORT



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About this Report

Report Scope and Boundary

This report serves as Addenda Capital's annual sustainable investing disclosure and covers activities and performance during the 2024 calendar year (January 1, 2024 – December 31, 2024), unless stated otherwise. It provides updates on Addenda's sustainable investing practices and progress on our net-zero framework. All facts and figures are as of December 31, 2024, unless stated otherwise. Addenda Capital Inc. is referred to herein as "we", "our", "Addenda Capital", "Addenda" and the "company".

Reporting Frameworks

This report has been prepared with reference to recommendations from the International Financial Reporting Standards S2 Climate-related Disclosures (IFRS S2). A content index is appended for reference.

Currency

All dollar amounts are in Canadian currency, unless stated otherwise.

External Assurance

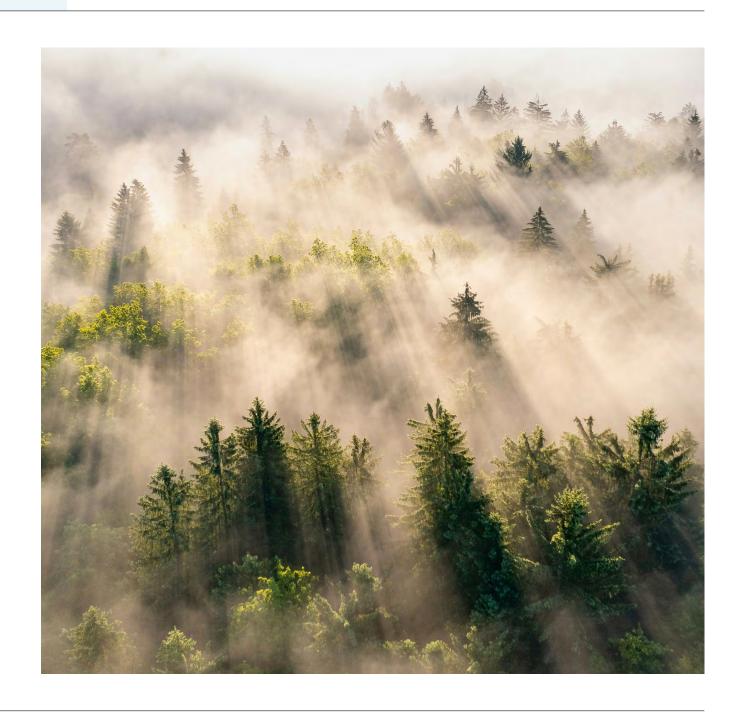
The environmental, social and governance (ESG) performance data contained herein have not been externally verified. We will explore opportunities to verify our data at a potential future date.

Please consider whether printing this report is necessary, as we strive to minimize paper usage for environmental sustainability.



Contact Us

We welcome questions and feedback on our report and initiatives. Please contact us by email at info@addenda-capital.com.



Carbon Emissions

Land Acknowledgment

Addenda Capital acknowledges that our Montreal office is situated on the unceded land in the traditional territories of the Anishinaabe, Wendat, and Abénaki Nations. Our Toronto office sits on the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabe, the Chippewa, the Haudenosaunee and the Wendat peoples, and is now home to many diverse First Nations, Inuit and Métis peoples. Our Guelph office is situated on treaty land and home to the Anishinaabe and Haudenosaunee peoples, and the Attawandaron people are also part of the archaeological record. Our Regina office is situated on Treaty 4 lands, which are territories of the Nêhiyawak (Cree), Anihšināpēk (Saulteaux), Dakota, Lakota, and Nakoda, and homeland of the Métis Nation.

Our organization exists in communities from coast to coast to coast. We recognize that the many places where we live and work are home to past, present, and future First Nation, Métis, and Inuit peoples who have cared for this land since time immemorial. We acknowledge this rich history as part of our journey, support for, and ongoing commitment to Truth and Reconciliation in Canada. We honour and thank the traditional custodians of these lands and are grateful for the opportunity to gather and work here.



Right: Painting by Frank Polson, Algonquin Traditional Artist of Sacred Fire Productions, commissioned by Addenda

Letter from our President & CEO

The sustainable investing landscape continued to shift noticeably in 2024. As some companies pulled back from their environmental, social, and governance (ESG) commitments amid criticism south of the border, we remained true to our convictions. In our view, sustainability factors and engaging in sound stewardship underpin long-term value creation. As a proudly Canadian firm, rooted in the co-operative movement, our purpose is to drive sustainable wealth creation for Canadians and for a better tomorrow.

On behalf of Addenda's nearly 185 employees, I am pleased to present this report describing the progress that we made in developing solutions to meet clients' needs.

Building Sustainable Investment Solutions

Making sustainable investing "business as usual" is core to our approach. We continued building on this premise in 2024, expanding our Impact Fixed Income Fund with the addition of a water theme to our existing climate change, community development, health and wellness, and education themes. The Fund celebrated its sixth anniversary by exceeding the \$500M threshold and continuing to deliver benchmark outperformance and strong sustainability outcomes for Canadians and their communities. These outcomes included building and maintaining affordable housing, decarbonizing our economy through the expansion of rapid transit systems and supporting Indigenous economic development. Our Eco-Social Commercial Mortgage strategy also supports Canadian properties with climate and community focus, while driving investment performance.

Alongside improvements to our investing solutions, we reinforced our commitments and raised our ambitions on climate and diversity. For instance, we introduced several refinements to our Proxy Voting Policy, in the area of gender representation we expect 40% of

board members to identify as women. We raised our expectations of companies on the responsible use of artificial intelligence, human rights, Indigenous reconciliation, and biodiversity. We also revised our Stewardship Policy, a key part of our efforts to enhance long-term investment performance and positive sustainability outcomes for our clients.

Advancing Partnerships and Advocacy

Our penchant for collaborative stewardship led us to an unprecedented initiative. In October 2024, we joined the First Nations Major Project Coalition (FNMPC) and the First Nations Financial Management Board (FMB) to convene Indigenous leaders, debt issuers, asset owners, and sustainable finance leaders for a roundtable discussion on Indigenous financing realities. Participants explored whether developing an Indigenous bond framework could drive more interest and capital from investors, while ensuring that proceeds would be used to finance projects with endorsed benefits to Indigenous communities.

Further illustrating our commitment to Indigenous development, we supported SHARE's initiative encouraging 25 percent of Toronto Stock Exchange companies to voluntarily adopt reconciliation plans. We recognize and are deepening our capacity on the United Nations Universal Declaration of Human Rights and the United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP). Guided by the Reconciliation Strategy of our parent, Co-operators, we recognize that gaining greater awareness of the necessary efforts is a journey, but we remain committed to integrating economic reconciliation into our investment and stewardship activities.

Embracing Resilience and Opportunities

Turning to the climate transition, we were especially proud to support Co-operators as it took part in

developing a Climate Bonds Resilience Taxonomy, prepared by the Climate Bonds Initiative. As the need for climate adaptation and resilience investments increases, this classification system will speed up capital flows critically needed. Looking ahead, we will continue supporting change through advocacy activities on important issues such as the Canadian green and transition finance taxonomy.

Despite the headwinds that the Net Zero Asset Managers (NZAM) faced in 2024, we remain committed to helping clients seeking to transition their portfolios.

We are proud of our Climate Transition framework and strategies which help clients decarbonize their portfolios and invest and engage with companies that are committing to transition. Our unique Canadian Transition strategy drives a positive feedback loop, where we work with companies to understand the challenges and the opportunities for climate transition. This then helps us better engage with standard setters and policy-makers to drive a competitive advantage for Canada and make net-zero a reality. We don't do this alone but rather often with partners such as in Climate Engagement Canada and through our parent's participation in the Net Zero Asset Owner Alliance (NZAOA), a global coalition of over 80 asset owners, with a combined US \$9 trillion, committed to moving towards net-zero.

Sustainable investing is not only about managing risk, it also presents opportunities. Where business practices or industries must shift to become more efficient and innovative, there is significant potential for investments and growth. We are proud of what we accomplished in 2024 and hope to drive even greater progress alongside our employees, clients, Canadian partners and communities in 2025.



Roger J. Beauchemin, CFA
President & Chief Executive Officer

2024 Highlights

In 2024, we achieved notable milestones and are enthusiastic about our momentum.

Leadership

- Assisted Co-operators supporting the development of Climate Bonds Initiative's.
 Resilience taxonomy and piloting work in this area. Addenda helped launch the work at New York's climate week
- Supporting Co-operators's Net-Zero
 Asset Owner Alliance (NZAOA) ongoing commitments including reporting on progress
- + Indigenous all staff training
- Philanthropic Foundations Canada partnership

Sustainable Investing Practices

- + Addition of freshwater in our Impact Fixed Income Fund
- + Improved our Climate Transition framework adding more due diligence and a higher level of transition expectations (Level 4)
- + Roundtable focused on developing an Indigenous sustainable bond framework

Stewardship

- + Updated Stewardship policy
- + Updated Proxy voting policy
- + Partnership with SHARE and support of Indigenous Reconciliation Action Plans (RAPs) campaign
- Public Policy and Standards Stewardship with a focus on methane emissions and Canadian Sustainability Standards



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Who We Are

Addenda is a privately owned investment management firm that looks after insurance, pension, private wealth, corporate, and foundation assets.

The majority of our shares are owned by the Co-operators and the remaining are held by our employees. Established by farmers to address their insurance needs when traditional options fell short, Co-operators embodies the cooperative ethos of supporting policyholders through all circumstances. This commitment to community remains integral to Co-operators' identity despite its growth to serve over a million clients nationwide. As an organization, we at Addenda stay true to embodying these principles.

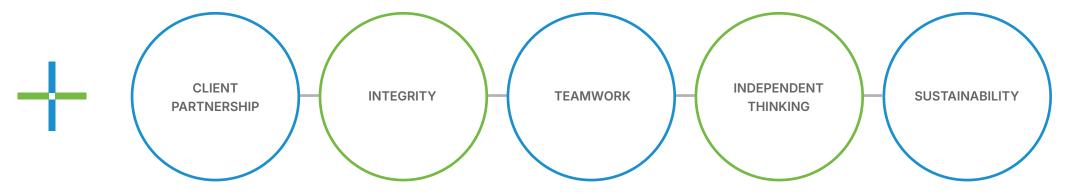
Now, Addenda is one of Canada's largest multi-asset investment firms, with over \$40 billion in total assets as at December 31, 2024.

We actively manage a wide range of asset classes, including fixed income, equities and commercial mortgages, which can be combined to develop tailored investment solutions that meet the evolving needs of our clients. We have over 180 employees working out of Montreal, Toronto, Guelph and Regina.

Our purpose is to achieve sustainable wealth creation in close partnership with our clients for a better future. Our vision is to surpass client expectations by delivering sustainable, leading-edge investment solutions.



Our Values



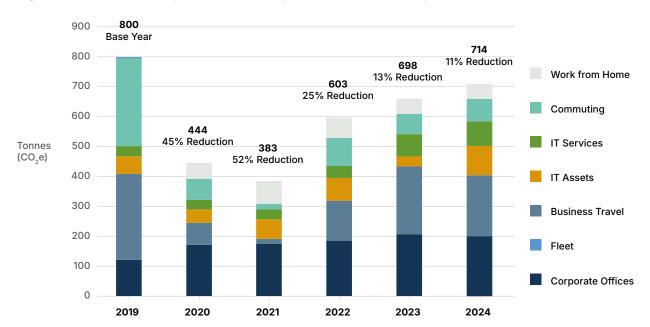
Culture of Sustainability

Addenda is part of its parent company, Co-operators, own net-zero operational goal. This is important to both reducing our environmental impact and transitioning alongside our clients and investee entities. The footprint includes the following sources of emissions:

- + Scope 1: On-site natural gas, fleet
- + Scope 2: Off-site electricity and steam
- Scope 3: Air travel, auto travel, Information Technology (IT) assets, IT services, employee commute, work from home electricity and natural gas

As shown in Figure 1, we have seen an overall reduction in our operational footprint since the 2019 baseline. Despite an increased number of clients and growth in staff, emissions associated with business travel have decreased, largely driven by the rise in virtual meetings. Emissions related to employee commuting have also decreased with an increase in those working from home and as a greater portion of commuting employees opt for subsidized public transit. The emissions associated with IT services have risen, driven by our need to replace laptops and monitors. Over this same period, corporate office emissions have very slightly increased due to the expansion of office space and a growing company headcount. To maintain our carbon neutral status, each year offsets are purchased to cover the full amount of our operational emissions.

Figure 1: Our Carbon Footprint - Addenda Operational Emissions by Source



Our Montreal office move: donated and recycled 18 metric tonnes of materials

Mitigating our environmental impact during the refurbishment of our head office space in Montréal was a priority.

- + 72% of the products from this initiative were recycled according to industry best practices
- + Refurbishment project diverted 87% of assets, including workstations, boardroom tables, and a variety of chairs, from landfill, totaling 18 metric tonnes.
- + Of the items diverted from the landfill, 15% were donated to a charitable organization.

Diversity, Equity and Inclusion

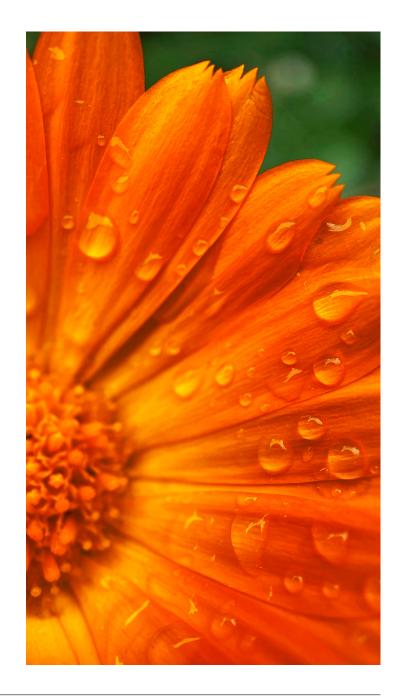
At Addenda, every person counts. We position people at the heart of our strategy by recognizing the unique value of every individual. We embrace our diversity and value the unique contributions of each individual and those with whom we collaborate. Diversity, equity and inclusion (DEI) informs the way we do business and is a driving force behind the evolution of our organization.

Our approach to DEI includes:

- + Adopting relevant policies and codes, such as the CFA Institute's Diversity, Equity, and Inclusion Code
- Promoting and maintaining a respectful and harmonious work environment, including a formal in-depth reinforcement training for Executive Committee
- Adopting an inclusive writing for communication with candidates and employees
- Reducing barriers for candidates by introducing a statement that highlights our openness to diverse career paths and profiles
- + Conducting exit interviews to identify areas for improvement, including those related to DEI
- Conducting an engagement pulse survey, including questions on DEI, as well as options for anonymous feedback on work-related and DEI topics
- Actively building bridges with various Indigenous educational institutions to deepen our knowledge and increase accessibility for candidates from these communities

- + Training for some employees on the fundamentals of DEI
 - Including Indigenous education and reconciliation training
- + Advocating for DEI best practices by:
 - Submitting <u>comments</u> to the Canadian Securities
 Administrators' consultation in support of board and executive-level diversity-related disclosures
 - Being a founding signatory to the Responsible Investment Association's <u>Canadian Investor Statement on Diversity</u> and Inclusion
 - Signing on to the <u>Investor Statement to support the</u>
 <u>United Nations Women's Empowerment Principles</u>
 - Partnering with Versify to promote women and genderdiverse individuals across the finance sector at all stages of their careers

This approach enables us to better understand and integrate our clients' needs, a responsibility shared by all team members.



Indigenous Reconciliation

We are guided by Co-operators' Reconciliation Strategy and are committed to integrating economic reconciliation into our investment and stewardship activities through ongoing learning, unlearning and internal capacity building. As part of this journey, we partnered with SHARE to provide Indigenous training for all staff, focusing on how we, as investors, can become more aware of Indigenous issues and more effectively engage our investee companies on the importance of best practices and upholding United Nations Declaration of Rights on Indigenous Peoples (UNDRIP). In addition, we incorporated Do No Significant Harm (DNSH) principles, including consideration of Indigenous community concerns into our climate transition strategy framework, following a similar update to our Impact Fixed Income strategy the previous year.

We were proud to be a partner and supporter of SHARE's campaign to encourage TSX companies, especially those with deep interconnections with Indigenous Peoples to develop Reconciliation Action Plans (RAPs) see the press release.

Addenda Capital, the First Nations Major Project Coalition (FNMPC), and the First Nations Financial Management Board (FMB) convened Indigenous leaders, debt issuers, asset owners, and sustainable finance leaders for a focused roundtable discussion chaired by our strategic partner Geordie Hungerford. Participants learned, engaged, and shared ideas on how to leverage the success of the sustainable bond market to support the financing needs of Indigenous Peoples. The roundtable explored whether developing an Indigenous sustainable bond framework could attract investor interest and capital, while ensuring that proceeds would be used to finance projects with authentic benefits to Indigenous communities. For more information about the critical issues facing Indigenous communities and the recommendations related to an Indigenous sustainable bond framework, see our thought leadership paper.

While we acknowledge the need for further action, we remain committed to advancing reconciliation efforts, supporting opportunities for Indigenous participation and economic benefits, and nurturing lasting partnerships.



Fostering Investor Awareness of Indigenous Perspectives & Reconciliation

Addenda hosted guest speakers from SHARE to conduct a training session aimed at raising investor awareness of Indigenous Peoples' perspectives in Canada. The session focused on how investors can more proactively engage on Indigenous issues and contribute to reconciliation efforts.

Topics explored

- + The importance of understanding Indigenous Rights and Legal frameworks such as the global United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and Canada's Truth and Reconciliation Commissions <u>Call to Action 92</u>
- + The importance of understanding Canada's National Indigenous Economic Strategy
- + The different types of Indigenous Rights and how to be more aware and engage on these issues with investee companies
- Best practices and resources for investors on advancing
 Economic Reconciliation and ways to continue our journey

SHARE speakers



Kevin Thoma



Joseph Bastien Associate Director, Inclusive Economy



Sarah Couturier-Tanoh Director, Shareholder Advocacy

Governance and Oversight

Maintaining strong governance practices is paramount in fulfilling responsibilities to our clients and stakeholders. We continue to refine our governance approach to effectively monitor and address sustainability and climate-related risks and opportunities as we move to a net-zero world. Figure 2 details our sustainable investing governance structure, which supports the achievement of our sustainability and climate commitments with accountability built through ownership and oversight by the Board of Directors.

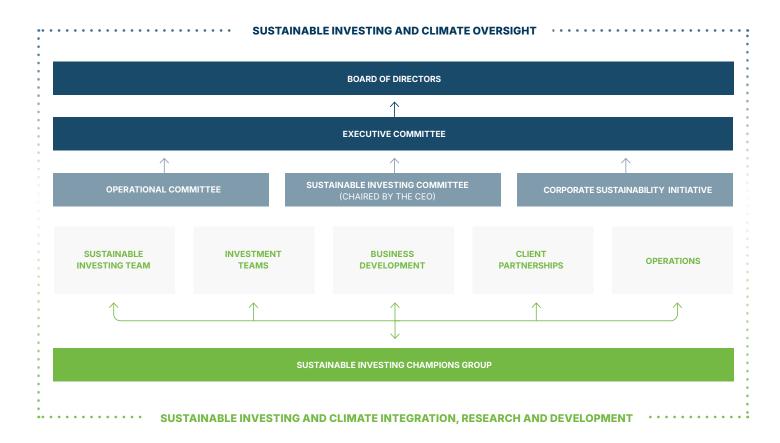
Board Oversight

The Board of Directors is responsible for overseeing the firm's climate and sustainable investing approach. The Board has ultimate oversight and responsibility for sustainability and climate related activities, including firmwide climate strategy, major climate-related commitments. The Board regularly reviews Addenda's Sustainable Investing Policy. Addenda's President and CEO, Roger Beauchemin, serves as Chair of the Sustainable Investing Committee (SIC) and provides a direct line of contact to the Board on sustainability and climate-related matters.

Climate Expertise and Capacity Building

Our Board of Directors benefits from the expertise of Co-operators, our majority shareholder and parent company, whose executives and directors bring knowledge in climate policy, food and agriculture, credit unions and communities, as well as emerging industry trends. The Board is committed to staying up to date on rapidly evolving sustainability and climate trends that are relevant to the investment management industry. The Board receives regular updates from Addenda's Executive Committee on strategic developments and progress on climate and sustainable investing goals.

Figure 2: Sustainable Investing Governance Structure



Management Oversight

Together with Addenda's Board, the Executive Committee oversees the firm's strategic direction, as well as our sustainability and climate change ambitions. The SIC is responsible for making key strategic recommendations to the Executive Committee. It comprises members of Addenda's senior management team and is also responsible for monitoring, approving and overseeing the advancement of Addenda's sustainable investing activities. For more details on the SIC, please visit our <u>website</u>.

The SIC also oversees our Stewardship, Proxy Voting, and Controversial Weapons policies, as well as other important internal guidelines related to sustainable investing and sustainability-themed strategies. Additionally, the Committee monitors our public sustainability and net-zero commitments, including collaborative initiatives, evolution of our impact themes and processes, and government and industry submissions. The Committee meets quarterly to discuss sustainability and climate-related matters and set priorities.

Remuneration

We have made significant strides in integrating sustainability criteria into executive and employee compensation structures. This initiative commenced with the CEO in 2019, expanded to include the entire executive committee in 2021, and encompassed all employees by 2023. Presently, employee compensation packages may incorporate some or all of the following sustainability factors depending on their role and responsibilities:

- + Employee turnover rate
- Employee engagement
- Governance and strategy
- + ESG integration and internal systems
- Advance climate scenarios and net-zero plan
- + Corporate sustainability

- Principles for Responsible Investment (PRI) score
- Promotion of sustainable markets and stewardship
- Shared services, leadership and organizational growth

Implementation and Support

Sustainable Investing Team

The Sustainable Investing Team consistently communicates with the SIC to share insights and provide guidance on policy positions and other initiatives. It also leads Addenda's sustainability and climate engagement and stewardship efforts in close collaboration with the Investment Management Teams. In addition, they help execute Addenda's sustainable investing and climate policies within our proxy voting guidelines.

The Sustainable Investing Team conducts analysis and decisions related to Addenda's sustainability-oriented strategies, such as qualifying securities as impact or climate-transition aligned. They also provide strategic recommendations to various other teams and committees across the organization.

Addenda holds a Sustainable Investing Champions meeting regularly, a working group where members from each Investment Management Team, Client Partnership, Operations and Compliance share their latest findings and updates on improving ESG and climate analytics. The Sustainable Investing Team also shares the latest news and best practice trends.

Investment Teams

Responsibility for ESG integration into investment decision making is distributed to each team per their asset class responsibilities. Each Investment Management Team determines material ESG factors and includes them in their investment process, and when relevant, in their corporate engagements. They are also responsible for broader portfolio performance and ongoing assessment of sustainability and climate-related risks and opportunities in existing portfolios, supported by the Sustainable Investing Team. For more details on roles and responsibilities of various teams please refer to the Scope section of our Sustainable Investing Policy.



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Approach to Sustainable Investing

We define sustainable investing as an approach that integrates ESG matters into investment and stewardship activities to enhance long-term investment performance for our clients.

Our approach also includes developing innovative investment products and solutions related to climate change, impact and the United Nations Sustainable Development Goals (SDGs), which coupled with our stewardship activities, aim to provide both financial and positive sustainability outcomes. In addition to our sustainable investing solutions, we offer our clients with segregated accounts the ability to develop custom portfolios with sustainable investments most suitable to their needs and goals.

Stewardship is a core component of our effort to enhance long-term investment performance and positive sustainability outcomes. We actively work with public policy and standard setters to promote sustainable financial markets, engage with investee entities and exercise proxy voting rights. These efforts are integrated to promote the sustainability of the economy, society, and investment performance. Please refer to the <u>Stewardship</u> section for more details.

Our investing approach is grounded in scientific, evidence-based research and in collaboration with our clients to craft investment strategies that harmonize their financial objectives with their sustainability goals. By integrating sustainable investing practices, we not only gain insights into a broader spectrum of sustainability and climate-related risks and opportunities but can also tailor solutions that align with our clients' values.

Figure 3: Addenda Capital's Approach to Sustainable Investing



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Sustainable Wealth Creation in Partnership with our Clients for a Better Future

In 2011, Addenda embraced the practice of sustainable investing that encompassed promoting sustainable financial markets, integrating the consideration of ESG factors into investment decisions, and active stewardship through proxy voting and engagement. Our long history and approach have helped us progress toward our goal of helping our clients achieve their sustainability and climate goals, such as net-zero emissions targets.

We work with our parent company, Co-operators, on meeting their ambitious impact and climate commitments through our sustainable investing solutions. These commitments include investing 50% of their invested assets in either impact or climate transition investments by 2026, and increasing that proportion to 60% by 2030.* Addenda is a Net Zero Asset Manager (NZAM) serving Co-operators as a Net Zero Asset Owner Alliance (NZAOA) member and is committed to being at the forefront of climate transition best practices and discussions globally. Our portfolios for segregated accounts and sustainable investing solutions, such as the Climate Transition Equity Pooled Funds, the Impact Fixed Income Pooled Fund, the Eco-Social Commercial Mortgages Pooled Fund and the Fossil Fuel Free Global Equity Pooled Fund, along with other fund strategies and asset owners partnerships provide our clients with opportunities to make impactful progress.

Principles

We embrace our Canadian roots, including the diverse languages, peoples, and voices. We acknowledge that continued economic success happens within planetary boundaries where climate, biodiversity and natural systems are stable and resilient. Addenda is therefore committed to be at the forefront of providing innovative, sustainable investing solutions to help make the world better, healthier, and more prosperous for all. The following principles therefore guide our approach to sustainable investing:

- + Good sustainable investing policies, practices, and performance will help us fulfill our duty to protect and enhance the long-term value of investments for our clients.
- + Our approach strives to be science-based and draws on global best practice frameworks related to governance, climate change, biodiversity, and natural capital management. In line with the best available science and our intent to remain at the leading edge of international standards and regulatory requirements related to climate change, we recognize the urgent need to accelerate the transition towards global net-zero emissions. Our approach strives to adhere to the United Nations Universal Declaration of Human Rights (UDHR)¹ and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)² and we are committed to building our awareness of Indigenous issues and reconciliation.
- + We are committed to our clients, which involves partnering with those who have both financial and sustainability goals. This includes offering innovative investment strategies that provide market returns, while aligning with the United Nations Sustainable Development Goals (UN SDGs), impact or climate transition, and net-zero ambitions. We have a duty to proactively contribute to the advancement and promotion of sustainable investing practices in Canada and globally. We plan to achieve this through our stewardship activities, which focus on promoting sustainable financial markets. Cooperation with other investors and stakeholders can help us expand our knowledge, refine our strategy, and increase the effectiveness of our activities.
- + We are committed to transparency and disclosure of our climate and sustainability goals and progress, and to sharing our sustainable investment approach and results with our clients.

We are dedicated to working closely with our clients. As part of our communication efforts, we provide our clients with a snapshot of sustainable investing developments at Addenda and in the market, our portfolio emissions³, progress achieved within our climate transition equity and impact pooled funds and thought leadership pieces.

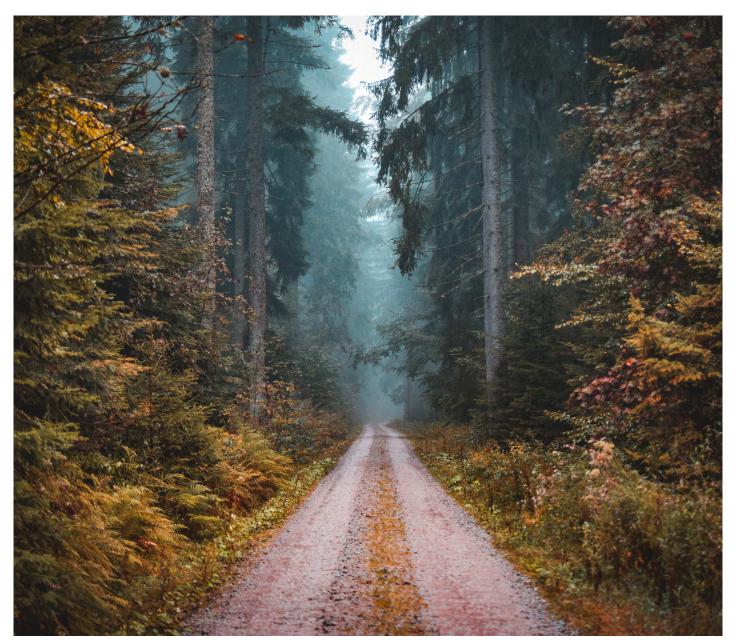
^{*} Co-operators Sustainable Investing and Impact Investing Policy

¹ LIDHR

² UNDRIP

³ We disclose our portfolio emissions on <u>page 28</u> and <u>page 29</u> of this report

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Policy

Our <u>Sustainable Investing Policy</u> sets the tone for Addenda's commitment to sustainable investing and provides a framework for applying our principles to our investment decision-making, investment strategy development, and stewardship practices. As we mark the 10th anniversary of our Policy, we renewed and deepened our commitment to critical issues such as climate change, human and Indigenous rights, and reconciliation. Where consistent with our fiduciary responsibilities and based on the principles established by the PRI, we commit to the following:

- Identify the ESG issues that could have a material impact on investment performance and incorporate these considerations into investment analysis and decision-making. Part of these considerations includes recognizing the systemic nature of the transition and physical risks and opportunities related to climate change
- + Monitor our investee entity ESG practices and update our research or views in cases where ESG practices materially change. Part of monitoring will also include, for example, cases with risks of extreme and potentially widespread violations of human rights and global norms
- + Exercise voting rights and engage in a dialogue with our investee entities in accordance with our Stewardship and our Proxy Voting Policies
- + Promote acceptance and implementation of sustainable investing, including the actions required for the transition to net-zero greenhouse gas emissions and support for enabling policies and or standard-setting initiatives
- + Collaborate with other investors to promote and enhance sustainable investing
- Support and partner with those clients that have sustainability goals including those related to climate, net-zero, Sustainable Development Goals (SDGs), and impact, among others, through the development of investment solutions that strive for market returns and positive sustainability outcomes

ESG Integration

Consideration of Financially Material ESG Information in Investment Decisions

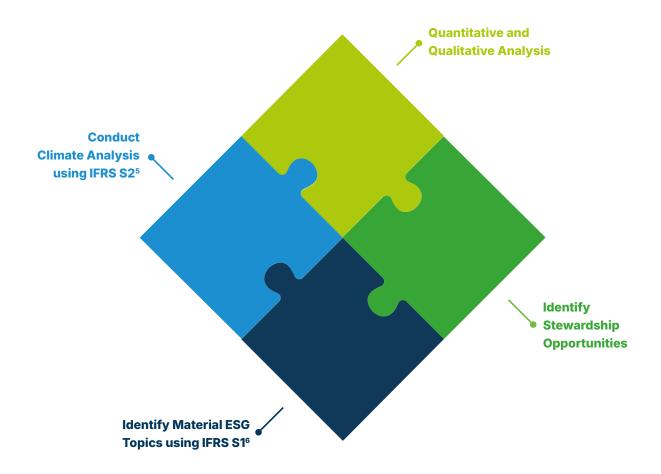
At Addenda, many of our investment strategies seek to integrate ESG factors into our investment process. Within this process, we undertake research to identify and analyze financially material ESG factors and include the resulting insights into investment decisions. We assess ESG materiality using a combination of tools, including the SASB Standards (recently evolved into the IFRS Sustainability Disclosure Standards), climate risk assessments and professional judgment. We use a broad spectrum of data sources, such as ESG service providers, issuer websites, think tanks or academic research to uncover ESG risks and opportunities.

After material ESG factors have been identified, we assess an issuer's exposure to those factors and the extent to which the issuer is appropriately managing ESG risks and opportunities. Our ESG analysis is combined with other research to generate insights into whether an issuer can meet its financial obligations and insights about the overall risk profile of the issuer. Ultimately, ESG analysis may influence buy, hold or sell decisions, as well as whether to increase or decrease monitoring, or to inform engagement plans.⁴

Exclusions and Policies

Our investments are subject to our <u>Controversial Weapons Policy</u>, which states that Addenda will not knowingly invest in the securities issued by an entity that manufactures controversial weapons. Addenda, with the support of third-party expertise, maintains and annually updates a list of companies that are likely to be manufacturing one or more controversial weapons. Clients through separately managed accounts can also work with Addenda to include additional screens. Our Climate Transition and Impact strategies also apply Do No Significant Harm (DNSH) principles, among others, as part of additional oversight and due diligence.

Figure 4: Elements of ESG Integration



⁴ The process described above does not apply to money market instruments and some government issuances. For some asset classes and securities, the lack of data precludes an analysis of material ESG risks and opportunities.

⁵ <u>IFRS S2</u> refers to Climate-related Disclosures published by the International Sustainability Standards Board (ISSB)

⁶ IFRS S1 refers to General Requirements for Disclosure of Sustainability-related Financial Information published by the International Sustainability Standards Board (ISSB)

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Nature and Biodiversity

Planetary Boundaries

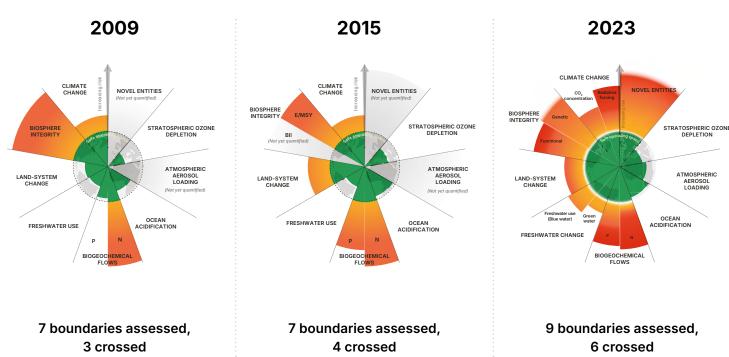
Addenda's <u>Sustainable Investing</u> and <u>Stewardship Policies</u> acknowledge that continued economic success happens within the planetary boundaries where climate, biodiversity and natural systems are stable and resilient. The planetary boundaries concept, as shown in Figure 5, details nine planetary boundaries within which humanity can continue to develop and thrive for generations to come. In contrast, crossing these boundaries increases the risk of irreversible environmental changes. Scientific evidence indicates that human impacts are resulting in exceeding our planetary boundaries for six out of nine earth systems, increasing the risk of large, abrupt or irreversible environmental changes.⁷

One of the most urgent tipping points is climate change, reinforcing the need for globally coordinated action for transitioning to net-zero. We also recognize the recent reversal of progress on the Sustainable Development Goals (SDGs) in areas such as food, nutrition, health, education and peace due to the confluence of the COVID-19 pandemic, conflicts and political shifts away from supporting international development funding, leaving a more divided world. Despite these challenges, as investors, we are driven to take action to slow and ideally reverse the impacts on ecosystems and communities to help contribute toward more stable and resilient economies.

About 25% of plant and animal species are threatened, with a million species facing extinction, many within decades. Businesses are dependent on nature, with approximately \$44 trillion of economic value generation moderately or highly dependent on nature. There is potential for a win-win-win for nature, climate, people and the economy if business and economic actors can respond with urgency to protect and restore nature and start regularly identifying, assessing, mitigating and disclosing nature-related risks to avoid potentially severe consequences".

World Economic Forum

Figure 5: Planetary Boundaries Over Time



Source: Adapted from Azote for Stockholm Resilience Centre, Stockholm University. Based on Richardson et al 2023, Steffen et al. 2015, and Rockström et al. 2009.

⁷ Stockholm Resilience Centre, Stockhold University: Planetary Boundaries

⁸ United Nations: The Sustainable Development Goals Report 2022

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Engagement on Nature and Biodiversity

We are committed to learning more about the impacts of nature and biodiversity loss and incorporating them into our sustainable investing approach. This begins with our participation in the TNFD Forum, a global group of institutions aligned with the mission and principles of the Taskforce on Nature-related Financial Disclosures (TNFD), Nature Action 100 (NA100), a global investor engagement initiative focused on driving greater corporate action to reverse nature and biodiversity loss, and the Valuing Water Initiative, a group working to encourage governments, industries and civil society to bring about systemic change in water policy, practice and finance. Through our participation in these groups, we are beginning engagements with companies in higher risk industries, such as food and beverage, apparel, materials, utilities, mining and luxury goods. A recent area of particular focus has been the increase in energy and water demand (for cooling) as data centers are built to support AI expansion. One statistic estimates that 20 to 50 Al gueries require about half a liter of water for cooling.9

Do No Significant Harm Principles

In 2023, our Sustainable Investing Committee approved the addition of Do No Significant Harm (DNSH) principles into our due diligence process for our Impact Fixed Income Fund. In 2024, we also added these principles into our Climate Transition Equity strategies, whereby an assessment is made if there are major violations of the principles that would preclude the investment from being allowed into the fund. We will apply the DNSH principles laid out by the Government of Canada's Taxonomy Roadmap Report and, when needed, will draw upon the European Union DNSH requirements as described in its Taxonomy Regulation where the Canadian principles lack guidance.

The four DNSH areas within the Canadian Taxonomy Roadmap include:



UC Riverside: Al programs consume large volumes of scarce water

Addenda Capital Sustainable Investing Sustainable Investing Carbon Emissions Performance Stewardship Appendix

Risk Management

Identifying, Assessing and Managing Climate-Related Risks and Opportunities

At Addenda, we continually try to improve our understanding of the various sustainability, physical and transition climate risks and opportunities relating to our investments. Although climate change can increase investment and economic risks, we believe it can also present significant opportunities. We are committed to evolving our practices and integrating these risks and opportunities into our portfolio construction, valuation and risk management practices — improving the resilience and performance of our investment portfolios over the long term. Our investment teams are working to support this integration and each asset class is developing a customized approach aligned with their unique investment processes where applicable.

In 2024, Addenda's Investment, and Operations in collaboration with the Sustainable Investing Team, are operationalizing investment-related carbon emissions data flows throughout all of our data, analytics and reporting systems. Future plans include:

- + Embedding climate transition indicators throughout our data, analytics and reporting systems. This would build upon carbon emissions data and serve as an indicator of how companies are preparing their business to transition to a lower-emission economy and world.
- + The embedding of critical indicators such as carbon emissions metrics allows portfolio managers to optimize portfolio risk and return outcomes in line with carbon emissions goals. It also helps portfolio managers to identify the highest emitters within a portfolio especially for those clients with carbon emission reduction or net zero goals. It also helps us prioritize engagement with those issuers or companies that have high emissions but no transition plans, yet are important for liquidity, duration matching or other portfolio objectives. We onboarded two new partnerships to improve our ESG integration and risk management oversight. The first was with a controversial newsflow data provider to give us more timely insights into potential poor practices with companies or within their supply chains. The second was with PCAF the Partnership for Carbon

Accounting Financials which is the leading organization developing standards and methods related to greenhouse gas accounting for companies and investors. We are extending our carbon emissions reporting to newer asset classes such as sovereign bond issuers and commercial mortgage portfolios. We are also engaging on the need for clearer market practices related to carbon emissions related to green, sustainable and social bonds.

Recognizing that understanding climate change and other portfolio sustainability characteristics is a journey we are committed to always improve in the following areas:

- Integrating climate indicators into internal databases to enhance the analytics available to investment teams and our climate reporting
- + Conducting training sessions and building capacity on topics such as carbon emissions accounting, transition to net-zero and Indigenous reconciliation
- Working with portfolio managers to conduct in-depth climate transition assessments and reviews to determine if they are eligible for our impact and climate transition strategies and highlighting material climate risks or climate solutions opportunities
- + Continuing our research and analysis using climate scenarios including vetting various models and tools and researching qualitative key questions to ask on future climate scenarios
- Driving engagement efforts with investee entities, with a focus on targeting those with potentially high sustainability and climate risks

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Risk Management by Asset Class

Below, we summarize the risk management activities being conducted by our asset class teams to incorporate climate risks and opportunities.

Commercial Mortgages

- Require borrowers to engage an environmental engineering firm to complete an environmental site assessment (ESA) to identify potential contamination issues for each property
- + Assess physical climate and natural hazard risk exposure of the entire portfolio
- Consider green building certifications, such as LEED and BOMA BEST
- Use London Stock Exchange Group (LSEG) World-Check to conduct due diligence, identify potential financial criminal activity and consider reputational risk
- Aggregate and monitor individual property scores on a dashboard to identify, score and monitor property physical risk intensity, level and portfolio impact

Canadian Equities

- Conduct risk assessments on a sector-by-sector basis and at the individual company level, including current portfolio holdings and potential investments
- Facilitate meaningful engagement with investee entities to understand climate maturity and ambitions and help meet corresponding goals
- Integrate identified risks and opportunities into the fundamental analysis for decision-making purposes

Global Equities

- Conduct a qualitative assessment using Addenda's foundational ESG framework with the Sustainability Accounting Standards Board (SASB) Standards embedded within the investment decision-making structure and additional criteria based on the investee entity sector
- + Utilize key assessment metrics, including GHG emissions, science-based targets, energy use and emissions intensity
- Collaborate with the Sustainable Investment team on engagement with investee entities to understand climate maturity

Fixed Income

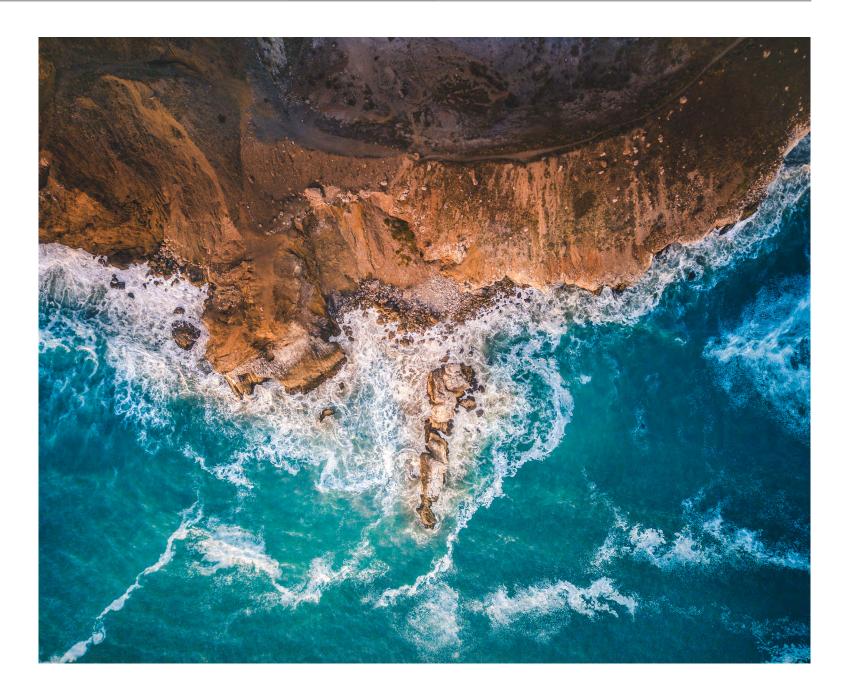
- Conduct a qualitative assessment using Addenda's foundational ESG framework with the SASB Standards embedded within the investment decision-making structure and additional criteria based on the investee entity sector
- + Complete green bond assessments and risk summaries
- Use a framework to understand and classify allocation of financing to green projects with criteria from best practice market frameworks, such as the EU Taxonomy, the Green Bond Principles and the Climate Bond Taxonomy
- Produce topic-specific sustainability and climate-related research that is shared and presented internally to investment teams

Innovative Physical Climate Risk and Flood Analysis

The Commercial Mortgages team has been collaborating with Co-operators' Climate Hazards and Advanced Risk Modelling (CHARM) team to better understand potential flood exposure given the increasing frequency and intensity of flood events due in part to climate change. The modeling study assessed flood exposure for commercial properties, including fluvial flooding from rivers, coastal flooding, flood depths and frequency, presence of flood defenses, property types and uses, and potential damages. The Co-operators climate experts are extending this work which began in 2023 to a newer model that now includes wildfire risk and the ability to model potential financial loss exposure from these physical climate risks.

Uncertainty in Sustainability and Climate Risk Assessments

While we have made strides in identifying and assessing sustainability and climate-related issues, our teams recognize the need for more decision-useful, comparable sustainability and climate disclosures from investee entities and third-party data providers. We believe that the credibility, availability and quality of data will improve as disclosures become regulated and mandated. This was a primary reason we submitted our recommendations to the Canadian Sustainability Standards Board. We believe that clear, comparable data reported by companies in Canada on carbon emissions and other climate indicators are critical for us as investors to more fully embed them into our investment decision making and risk management.¹⁰

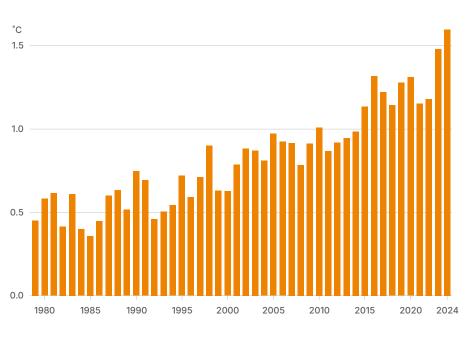


¹⁰ Addenda's promoting sustainable markets

Net-Zero

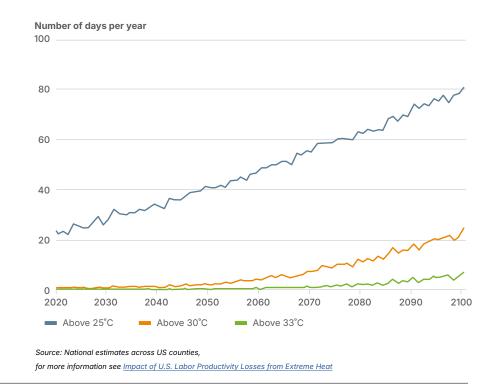
According to the Intergovernmental Panel on Climate Change (IPCC), we should avoid raising global temperatures above 1.5°C over pre-industrialized levels to avoid the permanent damage caused by climate change. The magnitude of the climate crisis cannot be overstated, as evidenced by the significant increase in climate-related disasters in recent years. From 2023 setting record temperature thresholds to devastating wildfires (Figure 6), hurricanes, floods and heatwaves, the impact of climate change is felt in Canada and globally with the most vulnerable groups in society often the most severely impacted¹¹. This includes impacts on health and worker productivity which will create future challenges as outlined in Figure 7. The year 2024 broke the 2023 record as the hottest year on record and the first year above 1.5°C, the global warming temperature threshold set by the 2015 Paris Agreement. According to the Copernicus¹² Climate Change Service dataset, 2024 was 1.60°C above the estimated 1850-1900 average used to define the pre-industrial level, showing the world is off track on its climate goals.

Figure 6: Global Annual Surface Air Temperature Anomalies



Source: Adapted from: ERA5, Reference period: pre-industrial (1850-1900), Credit: C3S/ECMWF

Figure 7: Projected number of days above key temperature thresholds



[&]quot; The 2023 report of the Lancet Countdown on health and climate change: the imperative for a health-centred response in a world facing irreversible harms

¹² Copernicus

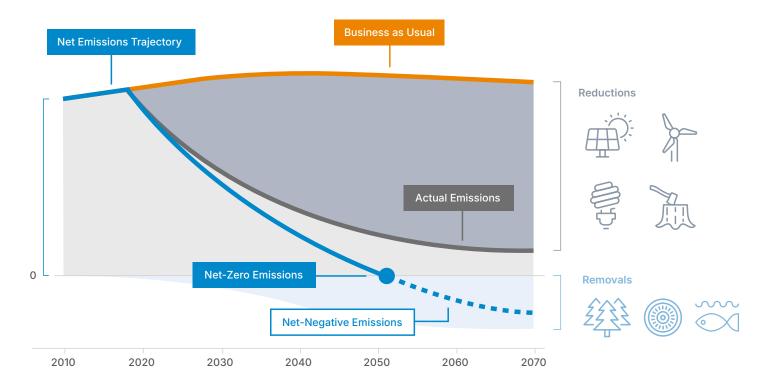
Addenda and its parent company, Co-operators, as an insurer, are acutely aware of the urgent need to address climate change by transitioning to a net-zero economy.

As a steward of capital, we want to play a role in driving progress towards a sustainable future. By integrating climate considerations into our investment decisions, engaging with companies to reduce their carbon footprint, and allocating capital towards low-carbon solutions, we hope to accelerate the transition to a net-zero economy (Figure 8). We anticipate that our actions today will not only mitigate the risks posed by climate change but also unlock opportunities for sustainable growth and resilience in the years to come.

Defining Net-Zero

Put simply, net-zero means cutting carbon emissions to a small amount of residual emissions that can be absorbed and durably stored by nature and other carbon dioxide removal measures, leaving zero in the atmosphere." – <u>United Nations</u>

Figure 8: What is Net-Zero and How to Get There



Source: Adapted from World Resources Institute

Our Targets and Commitments

Our net-zero commitment is at the core of our strategy to accelerate our climate ambitions. In 2021, Addenda joined the Net Zero Asset Managers (NZAM) initiative to support the goal of net-zero GHG emissions by 2050 or sooner through our investment activities. Although the NZAM secretariat suspended its public activities in early 2025, we remain committed to publicly reporting our annual progress against climate targets, as well as the actions we are taking to achieve them.

We also support our parent company, Co-operators, with their commitments to the global Net Zero Asset Owner Alliance (NZAOA) and their expectations related to target setting, policies and engagement, as well as on climate solutions. Co-operators recognizes that climate change poses a direct threat to its ability to carry out its purpose, which is to provide financial security for Canadians and communities. Therefore, we are proud to help them address some of their climate strategic plans and goals.

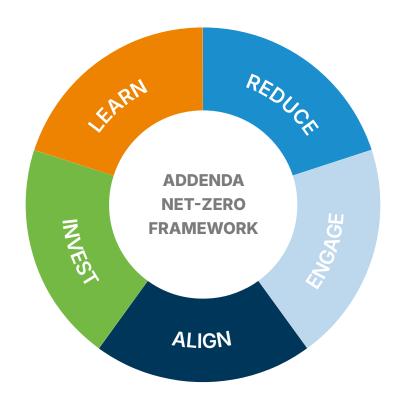
Defining NZAM and NZAOA

The UN-convened Net-Zero Asset Owner Alliance (NZAOA) is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C.

The Net Zero Asset Managers (NZAM) initiative is an international group of asset managers committed, consistent with their fiduciary duty to their clients and beneficiaries, to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Aligning portfolios with a net-zero approach is done through our <u>climate transition strategies</u> or only when explicitly requested for separately managed mandates.

Figure 9: Our Net-Zero Framework







Addenda is committed to reducing emissions of our in-scope assets, which includes our clients who have committed to net-zero, as well as assets within our climate transition strategies. Through our climate transition equity funds and other investment solutions, we often work with high-emitting companies and engage with them to support their decarbonization journeys to enable real economy emissions reductions.

Our Commitment

Target	Emissions Scope	Metric	2019 Baseline	2024 Performance	2030 Target
50% reduction in portfolio carbon emissions for those clients that have formally partnered with us to align their investments to net-zero	Scope 1 and 2*	tCO ₂ e per million USD invested	58.5	-32%	-50%

^{*}We intend to phase in Scope 3 emissions over time as disclosure and methodologies improve. Please see important disclosures on methods and data sources below.

Our Actions

- + Measure portfolio carbon footprint (investee entity Scope 1 and 2 emissions and, to the extent possible, material Scope 3 emissions) where methods and data currently allow
- + Gradually phase-in carbon footprint measurement for additional asset classes (e.g. sovereigns and commercial mortgages) in accordance with data availability, quality and evolving methodologies
- + Completed carbon emission client reporting enhancements and now progressing on operationalizing climate transition data flows to various investment teams and support reporting to clients committed to net-zero goals
- + Continue to evolve our understanding of climate transition and physical risk analysis to inform and enhance our investment decision-making process including decarbonization pathways for key sectors and industries
- + Evolve our approach to climate scenario analysis to understand future climate transition and physical climate risks and opportunities
- + Manage portfolio emissions reductions for in-scope assets, see Performance section





Addenda plays an active role in promoting sustainable financial markets through engaging standard setters, policy makers and investee entities. We have been able to actively engage with our investee entities, which we leverage to deliver on our net-zero commitments and support the economic transition to net-zero.

Our Commitment

Target	Emissions Scope	Metric	2019 Baseline	2024 Performance	2030 Target
At least 90% of financed emissions from in-scope AUM are considered net-zero, "aligned" or "aligning" with a net-zero pathway, or the subject of direct or collective engagement and stewardship actions by 2030	In-scope AUM	% of financed emissions	60%	80%	90%

^{*}In-scope assets include our clients who have committed to net-zero, as well as assets within our climate transition strategies

Methodology and Tracking Progress

We remain committed to report annually on the progress towards our targets. Our ability to track and meet targets is reliant on shifts in the economy, policy developments that encourage companies to transition to a low-carbon economy, evolving methods, and greater disclosure and quality of carbon emissions by our investee entities.

Addenda's Climate Transition Strategies focus on companies that are making net-zero commitments and demonstrating steps to align their governance, strategies, and businesses towards a net-zero pathway. Our current climate transition eligibility criteria (Figure 10), which specify the minimum expectations for companies to be considered for inclusion within the funds, include many of the elements of the Net Zero Investment Framework (NZIF), with definitions of climate transition defined as 'Committed to aligning to net zero,' 'Aligning to a net zero pathway,' 'Aligned to a net zero pathway', or 'achieving net zero'. We determined the baseline threshold of companies that are at least 'Committed to aligning' to net zero by applying these criteria across the in-scope AUM included in our net-zero commitment. The 80% figure reported in 2024 represents the total contribution to the financed emissions for in-scope assets of our net zero commitment that were qualified as at least 'Committed to aligning' to net zero, or have been the subject of a direct or collaborative engagement during the reporting year.

We recognize that climate transition is a journey. Our strategies intend to engage with the companies we own to strengthen their progress on their climate transition maturity and goals. We engage laggards while also sharing best practices of industry leaders to accelerate climate transition among peers. Addenda will phase in more stringent levels of climate-eligibility criteria over time and track and report on performance.

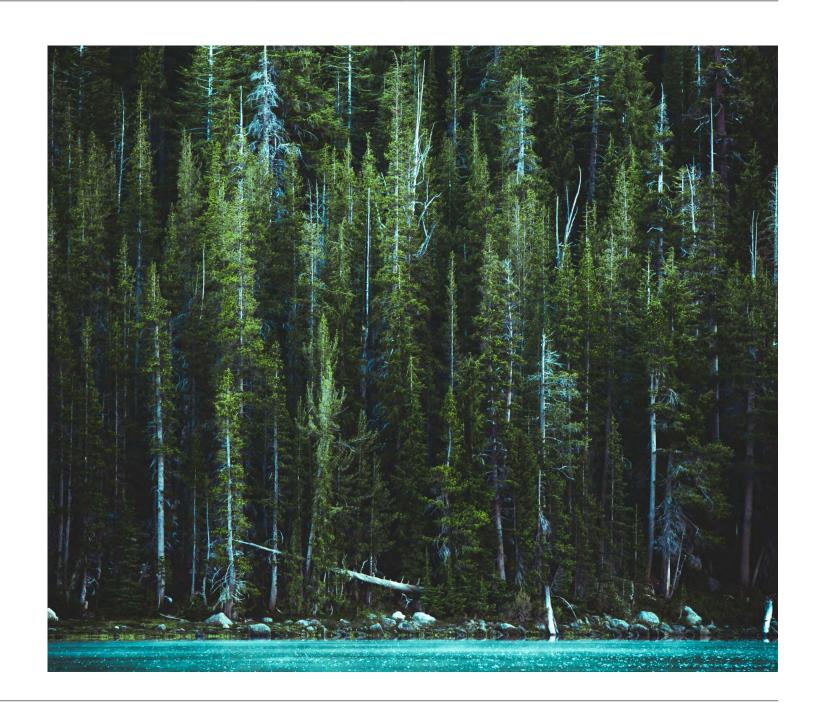


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Our Actions

Our net-zero client engagement initiatives and practices include regular client reporting, communications, and knowledge sharing, as well as direct client engagement and alignment. For clients that partner with us to reach their net-zero objectives, we commit to:

- + Understand and learn about their climate goals and establish clear expectations
- + Use our <u>Climate Transition Maturity Criteria</u> (Figure 10) as part of our <u>Climate Transition Framework</u> (Figure 12) to help them meet their net-zero commitments while balancing risk and return objectives
- Provide information and analytics on climate transition indicators, showcasing alignment of investee entities with a net-zero trajectory
- Continue engagement efforts on climate-related topics for selected investee entities (e.g. set objectives and targets), including communicating Addenda's climate transition criteria for investee entities and at the systems level with regulators and standard-setters
- Provide climate engagement summaries as part of our portfolio reporting to monitor the efficacy of engagements and track company progress over time
- Continue collaborating with peers, investee entities, industry sectors, governments and leading organizations to accelerate and support efforts to achieve net-zero by 2050



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As part of our Climate Transition strategies, we work with our clients to assess the climate alignment of their portfolio holdings.

Our Commitment

Target	Metric	2022 Baseline	2024 Performance	2030 Target
75% of our total assets are managed in line with net-zero emissions by 2050 or sooner	% of assets	15%*	15%	75%

^{*}The 15% of total AUM initially committed to be managed in line with net-zero only includes the funds of our clients' that have formally asked us to partner with them to manage their assets in line with a net-zero by 2050 goal. Many clients are considering formalizing net-zero goals, but we recognize that setting this ambition takes time and many internal discussions. Uncertainty around governmental climate policies has also complicated these conversations for many.

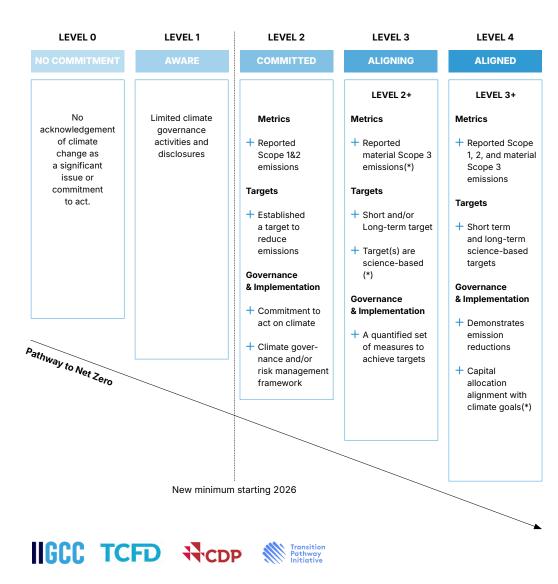
Our Actions

- Use our Climate Transition Maturity Criteria (Figure 10) and portfolio carbon footprints to help clients meet their net-zero commitments while balancing risk and return objectives
- + Provide information and analytics on climate transition indicators, showcasing alignment of investee entities with a net-zero trajectory
- Measure and report on portfolio carbon footprints over time using carbon accounting best practices

Addenda's Climate Transition Criteria

We developed a Climate Transition Maturity Criteria to assess our current and future holdings against our climate transition expectations, helping us and our clients progress towards net-zero targets. This assessment helps our stewardship activities in leveraging the experience of those that are most mature and engaging with those that are the least mature.

Figure 10: Climate Transition Maturity Criteria



^(*) Requirement for companies with higher climate materiality



Addenda recognizes that capital must be allocated toward activities and catalytic solutions that shift the real world to decarbonize. As part of NZAM reporting, we track climate investments such as:

- + Climate themes from within our Impact Fixed Income Pooled Fund (e.g., holdings such as green bonds for renewables or clean transportation)
- Addenda's Climate Transition Equity Pooled Funds that focus on holdings with a commitment on climate change and net-zero. The companies will be expected to progress on climate transition commitments, be actively engaged if they do not progress or be subject to divestment
- + LEED certified, and green building allocation within Addenda's Eco-Social Commercial Mortgages Pooled Fund
- + We also include allocations to climate solutions (e.g. green bonds focused on climate) made on behalf of our net-zero clients that may be outside of these funds

Our Commitment

Target	Metric	2022 Baseline	2024 Performance	2025 Target
Double our allocation to climate solutions to \$3.5 billion US by year-end 2025	\$B US	1.7	2.4	3.5

Our Actions

- + Adding new clients to funds with climate solutions exposure through our Climate Transition, Impact Fixed Income or Eco-Social Commercial mortgage strategy
- + Working alongside key clients to grow their climate impact solutions to help achieve climate targets
- + Supporting Co-operators Net Zero goals by joining the NZAOA climate solutions working group with a mandate to improve definitions and understanding of the investment opportunity set



Assets include our clients who have committed to net-zero, as well as assets within our climate transition strategies. We have increased our exposure to climate solutions by 40% over our baseline but still have further to go to meet our ambitious 2025 year end goal.

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Navigating steps to net-zero will be a learning journey. We will continually work to learn more about the science, policy, industry, and company actions that are needed to align to help us transition to net-zero. Addenda is committed to continually seek ways of building capacity on this topic.

Our Commitment

Target	Metric	2019 Baseline	Status
A majority of Addenda employees complete training on climate-related issues	% of employees	30	In progress*

^{*}For more information on our ESG and climate-related trainings, please see Building Our Capacity through Education.

Our Actions

- Support the development of thought leadership on climate change, sustainability issues and market developments
- + Continue to support research in these topics and host roundtables and events that support deeper understanding of sustainability and climate change issues
- + Focus on Indigenous economic reconciliation, including the importance of Indigenous partnership in Canada's Climate Transition



Webinars



Andrea Moffat Contributes to an Institute of Corporate Directors Webinar

Andrea Moffat, our Senior Director of Investment Stewardship, was a featured panellist on a webinar about the evolution of climate governance. She joined Dilhari Fernando, Head of Sustainability Strategy at Canadian Nuclear Laboratories, and Martha Hancock, Executive Director of Canadian Business for Social Responsibility, to discuss how boards can effectively engage in and promote climate action, sustainability, and long-term organizational value. The event brought together over 500 participants, including board members and business leaders across Canada. Speakers shared practical advice on how boards can fulfill their fiduciary responsibilities to monitor climate-related risks and opportunities.

Co-operators leadership on Climate Proofing Investment Portfolios

Temperatures are reaching alarming levels, while flash floods and wildfires continue to wreak havoc worldwide. Against this backdrop, many investors are looking for ways to make their portfolios more climate-resilient. During a webinar, executives from Co-operators and Addenda discussed their journey to bring heightened climate awareness to Co-operators' investment portfolio. Topics covered included setting ambitious climate investment goals, addressing evolving risks, seizing opportunities, and navigating changing regulations.

Speakers



Karen Higgins Executive Vice-Pres., Finance & Chief Financial Officer Co-operators



lan McKinnon Chief Investment Officer Addenda Capital



Lesley Christodoulou Vice-President, Finance & Chief Accountant Co-operators



Monika Freyman (Moderator) Vice-President, Sustainable Investing Addenda Capital

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Sustainable Investment Solutions

Solution 1

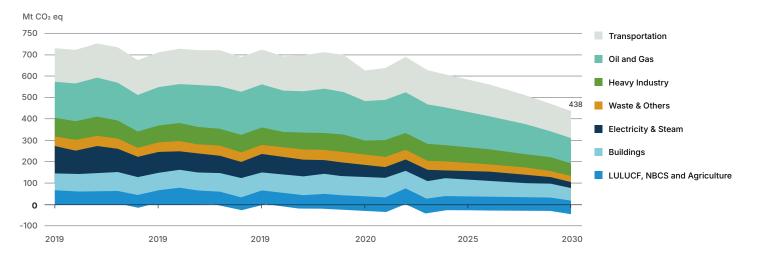
Climate Transition Equity Pooled Funds

To help our clients meet their own net-zero goals, we developed two Climate Transition Equity Funds — one Canadian and one international. As a Canadian asset manager, we appreciate that it will take a cross-sector approach for Canada to meet its net-zero goals. Figure 11 highlights the pathway for Canada to reach its 2030 emissions reduction target, categorized by sector.

With our Climate Transition Equity Funds, our goal is to help drive decarbonization across all sectors through strategic investment decisions and proactive engagement. Through careful analysis and due diligence, we assess companies making climate transition commitments and track their progress. We actively engage with high-emitting companies and industries, such as oil and gas, heavy industry, transportation, consumer goods, and agriculture, encouraging them to decarbonize their operations and embrace the opportunities presented by the climate transition while adapting to the associated risks.

In addition to financial analysis, we follow our Climate Transition Framework as outlined in the previous section, working closely with our clients and investee entities, to advance climate transition objectives. To support this analysis, we also assess current and potential investments against our Climate Transition Maturity Criteria and actively engage with them to facilitate progress towards maturity (Figure 10), benefiting investee entities, clients, and ourselves in achieving our climate objectives.

Figure 11: Canada's Pathway to 2030



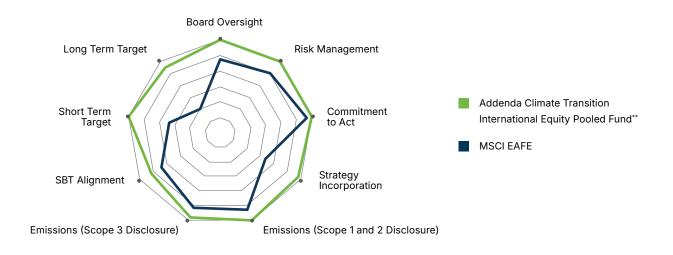
Source: Adapted from Government of Canada 2030 Emissions Reduction Plan

Since the inception of the funds, we have seen many investee entities advance their climate practices, including setting GHG emissions reduction targets and incorporating climate transition plans into their business strategies. Furthermore, the Canadian and International Climate Transition Equity Pooled Fund companies are more advanced in climate transition maturity than their respective benchmarks — the S&P/TSX Composite Index and MSCI EAFE (Figure 12). However, given the shifting geopolitical and regulatory environment we anticipate that future progress may stall or progress more slowly in the near term.

As engagement is a critical component of our Climate Transition Equity Funds, we regularly engage with investee entities to encourage their climate ambitions and commitments and understand best practices. As at December 31, 2024, we held over 30 strategic engagement meetings with international and Canadian companies on topics such as their climate transition plans, climate scenario analysis, capital expenditure programs, climate misaligned lobbying activities, and compensation alignment with climate goals.

Figure 12: Climate Transition Maturity of the Climate Transition Equity Pooled Funds versus benchmarks*





^{*} The axis represents the percentage of companies in the portfolio or benchmark that align with each climate transition metric. The farther from the center, the higher the value

^{**} Funds as at December 31, 2024



Case Study: Climate Transition International Equity Pooled Fund – Schneider Electric SE

Schneider Electric is a French multinational company specializing in digital automation and energy management solutions combining energy technologies, software, and services for application across industries. The company qualifies as Level 3 (Aligning with Net Zero) within Addenda's Climate Transition Maturity Criteria owing to its leadership on climate governance, disclosures, and commitments. Schneider Electric has set ambitious net-zero targets validated by the Science Based Targets initiative (SBTi), including reducing absolute emissions across its entire value chain. The company also is dedicated to doubling its energy productivity by 2030 compared to 2005 levels.

An important element of Addenda's climate transition strategy is identifying how companies are also contributing to the climate transition within their sector and the broader economy. In addition to the company's commitment to reduce its operational impacts, Schneider Electric has established a variety of innovative energy and sustainability services and green products, which, as of 2024, have helped their customers to decarbonize and avoid 679 million tonnes of carbon emissions since 2005 (equivalent to taking almost 40 million cars off the road for a year) and targeting 800M by 2025 against 2005 levels¹³. Finally, through its various partnerships, Schneider Electric reinforces its commitment to supporting collective and systemic action required to facilitate the global energy transition.



Case Study: Loblaw¹⁴

Loblaw Companies Limited is Canada's largest grocery and pharmacy retailer with over 2,800 locations serving communities nationwide. With a clear understanding of the key drivers of its carbon footprint and the growing urgency of mitigating climate-related risks, Loblaw has committed to a science-based decarbonization pathway. The company is targeting net-zero emissions across its operations by 2040 and throughout its entire value chain (Scope 3) by 2050—targets underpinned by independently validated interim milestones. Loblaw is tackling key emissions drivers—refrigerants, heating, electricity, and transportation—through investments and collaboration.

In 2024 alone, it deployed more than \$40 million across 518 carbon-reduction projects, supporting its achievement of a 16% reduction in operational emissions even as it expanded its footprint with over 70 new store openings, including two low-carbon flagship locations. Progress is also being made upstream: 34% of Loblaw's Scope 3 emissions by spend now come from suppliers with science-based targets, moving steadily toward its 2027 goal of 70%. Beyond these efforts, Loblaw is also an active participant in scaling biodiversity conservation efforts in Canada, has targets for waste reduction and diversion, and is actively engaged in industry efforts to promote resilient, low-carbon food systems.

See the <u>Stewardship section</u> to learn more about our engagement with Loblaw.

18 Schneider Electric Full Year 2024 Results

Solution 2

Impact Fixed Income Pooled Fund

In 2015, we embraced impact investing in response to client interest and working closely with Co-operators. Impact investing is an approach that intentionally seeks to create both financial return and positive social and/or environmental impact that is actively measured and reported.

Our Impact Fixed Income approach focuses on issuers or investments with capacity to deliver a positive social and/or environmental impact alongside competitive returns. Since its launch in 2018, the Addenda Impact Fixed Income Pooled Fund has grown in assets to more than \$620 million as at December 31, 2024. The year 2024 marked the sixth anniversary of this fund and we are proud to showcase its strong financial track record, demonstrating the performance and the impact it has generated.

In 2023 Addenda was also the first portfolio manager worldwide to adopt the <u>CFA Institute's Global ESG Disclosure Standard</u> for Investment Products in an impact-driven strategy, showing our commitment to strong disclosure practices.

Over six years, the Impact Fund has continued to beat its benchmark, the FTSE Canada Universe Bond Index, in short- and long-term performance metrics while providing positive environmental and social outcomes.

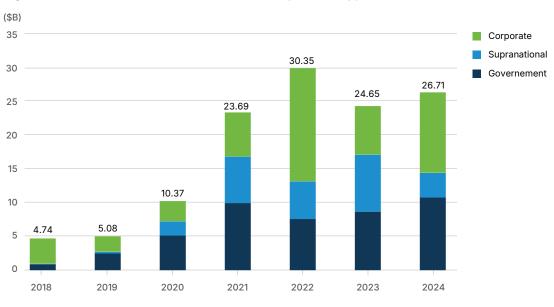
Market Highlights

Robust Growth in Green, Social and Sustainable Bonds (Labelled Bonds):

- + 2024 marked the second-largest year for new labelled bond issuance, underscoring strong opportunities in impact and sustainability-focused projects.
- + Issuers consisted of 22 corporates, 10 governments, and 4 supranationals (e.g. development banks and institutions).
- + Market was dominated by green bonds, 10 sustainability bonds, 2 social bonds, and 1 sustainability-linked bond.

Groundbreaking Issuance: Ontario issued its first provincial long-term labelled green bond, supporting effective interest rate risk management for impact mandates focused on clean transportation projects such as building out regional transit and subway lines. See Figure 13 for the evolution of labelled bond issuance in Canada by issuer type.





As at December 31, 2024 — Sources: Bloomberg, Addenda Capital

Addenda's Impact Framework

The Impact Fixed Income framework targets key sustainability challenges that the Sustainable Development Goals outline require greater attention and investment and where we see potential investable market opportunities. Addenda has a robust process to review each investment in the Impact Fund against stringent impact criteria. We established five impact themes with 13 underlying impact focus areas. In 2024, we were pleased to launch "Water" as a new theme with a primary focus on fresh water. Please see our Water an Increasing Investor Imperative article on why stronger water stewardship by companies and economic actors is such a critical issue for our planet, society and for investors. The addition of water builds upon and fortifies our existing core themes, as summarized in Figure 14. The Sustainable Investing Team reviews each impact investment for alignment with at least one focus area and the Do No Significant Harm (DNSH) principles (as defined on page 21). For example, an investment in a solar project would be associated with the climate change theme in the renewable energy focus area.

Figure 14: Impact Fund Themes and Focus Areas



Impact Themes and their Importance	Impact Focus Areas	Related SDGs
Climate Change + To limit warming to 1.5°C, emissions must be reduced by 45% by 2030 and reach net-zero by 2050 + Increased frequency of extreme weather events, forced migration, food insecurity, and infectious disease outbreaks + Estimated Investment Required: USD \$35 trillion by 2030 for a successful global energy transition ¹⁵	+ Renewable energy + Low GHG emissions energy + Clean transportation + Energy efficiency	7 AFFRENCIAL AND 9 MODIFITY MOVAMBLE THE STATEMENT CITY OF THE STATEMENT CHEET AND COMMONTES 13 CLEMENT CHEET AND COMMONTES 13 CLEMENT CHEET CHE
Health & Wellness + Ageing Canadian hospital infrastructure impacts access to and quality of care + Hospital bed shortages are contributing to longer wait times in emergency departments and for surgeries + Estimated Investment Required: CAD \$15B-28B to be invested in Canadian hospitals ¹⁶	Hospitals Non-profit seniors housing and services	1 NO COMPANY 3 COMPANY 11 DISTRIBUTE OFFE 12 DISTRIBUTE OFFE 13 DISTRIBUTE OFFE 14 DISTRIBUTE OFFE 15 DISTRIBUTE OFFE 16 DISTRIBUTE OFFE 17 DISTRIBUTE OFFE 18 DISTRIBUTE OFFE 1
Education + Crucial for social and economic development and strongly correlated with better human health and well-being + Higher levels of education are associated with greater labour market success + Estimated Investment Required: CAD \$17.2B to be invested in Canadian universities ¹⁷	+ Higher education + School boards	4 DIALITY BECCHI WORK AND TOWNING COUNTS
Community Development + Affordable housing and development finance challenges remain globally + As of 2022, 685 million people live in extreme poverty and 345.2 million people live with food insecurity + Estimated Investment Required: USD \$5-7 trillion per year to achieve the Sustainable Development Goals ¹⁸	+ Credit unions + Development finance + Affordable housing + Indigenous economic opportunities	1 NO POCETY POCETY ***********************************
Water + Across Canada, there are still 28 long-term drinking water advisories in Indigenous communities + Throughout North America, almost 40% of treated water leaks through outdated supply pipes + Estimated investment required: 28% of total government infrastructure investment	+ Fresh water	6 CLEAN WATER AND SAMITARIN

As of December 31, 2024

¹⁵ International Energy Agency and International Renewable Energy Agency; estimated figures, March 2023

¹⁶ HealthCare CAN; estimated figures of accumulated deferred maintenance, June 2015

[ਾ] Canadian Association of University Business Officers; estimated figures of accumulated deferred maintenance, January 2021

¹⁸ United Nations Conference on Trade and Development; estimated figures

Do No Significant Harm Principles

The due diligence process for our Impact Fund contains Do No Significant Harm (DNSH) principles, whereby an assessment is made if there are major violations of the principles that would preclude the investment from being allowed into the fund. We apply DNSH principle recommendations submitted by the Sustainable Finance Action Council (SFAC) to the Government of Canada as well as those of the European Union.

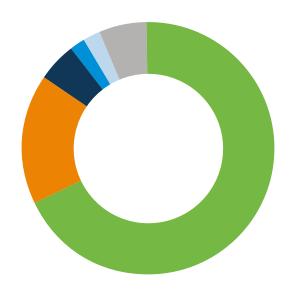
Fund Portfolio Construction

As at December 31, 2024, the fund's investments were allocated across the following impact themes and focus areas shown on Figure 15.

Each impact investing focus area has proprietary qualifying criteria which have been approved by our Sustainable Investing Committee. The criteria are informed by global standards and best practices, such as the ICMA Green Bond Principles and Climate Bond Initiative Taxonomy.

Figure 15: Impact Fund Portfolio Construction

Current Themes and Focus Areas



Climate Change (68.2%)

- Renewable Energy (22.2%)
- Clean Transportation (23.8%)
- Energy Efficiency (21.7%)
- Low GHG Emissions Energy (0.6%)

Community Development (16.7%)

- Credit Unions and Financial Services Co-operatives (7.3%)
- Affordable Housing (5.5%)
- Indigenous Economy (3.0%)
- Development Finance (0.9%)

Education (4.9%)

- Universities (2.6%)
- School Boards (2.3%)

Health & Wellness (2.1%)

- Hospitals (1.8%)
- Non-profit Seniors Housing (0.4%)

Water (2.1%)

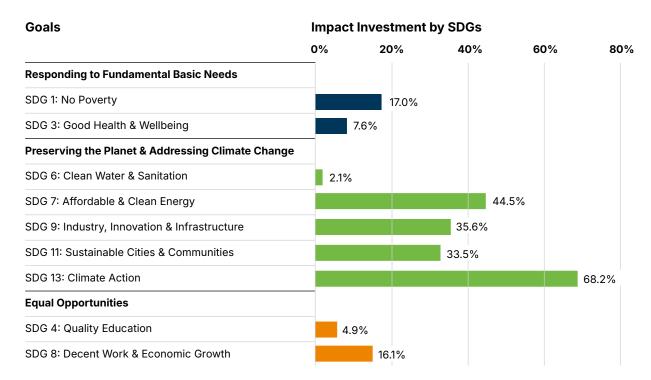
• Freshwater (2.1%)

Non-Impact (6.0%)

Addenda Capital Sustainable Investing Sustainable Investing Carbon Emissions Performance Stewardship Appendix

With 44.5% and 68.2% of the fund contributing to SDGs 7 and 13 respectively, the fund is geared to support key climate solutions critical to the climate transition. This can be attributed to investments contributing to the energy efficiency, clean transportation and renewable energy focus areas, such as the Government of Canada Green Bond, Hydro-Québec and Granite REIT. The new impact focus area on freshwater contributes to the SDG 6 on ensuring clean water for all, and accounted for to 2.1% of the fund. This can be attributed to the investments in the sustainability Bond of the City of Vancouver, the green bond of the Government of Canada and to the debenture of the First Nations Financial Authority (FNFA). The latter is also an investment with a strong impact on indigenous economic development, contributing to the SDG 1 - No Poverty and 8 - Decent Work and Economic Growth, and SDG 11 - Sustainable Cities and Communities. Although the fund has a strong focus on climate change solutions, we are actively seeking or trying to support the development of more investable opportunities in areas such as health, community development and Indigenous economic reconciliation. For more information on our approach to impact investing, see our latest Impact Report and CFA Disclosure Guideline for our Fixed Income Impact Fund.

Figure 16: Sustainable Development Goals Alignment Distribution¹⁹



 $^{^{19}}$ As an impact investment can be aligned with more than one SDG, the sum of all the SDGs exceeds 100%

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Case Study: Toronto Community Housing Corporation (TCHC) — City of Toronto Social Bond

TCHC programs supports positive socio-economic projects such as maintaining and creating affordable housing, keeping Toronto moving, investing in people and neighbourhoods, and tackling climate change and building resilience.

Impact Focus Area

· Community development and affordable housing.

Impact Projects

- · George Street revitalization
- Housing & shelter infrastructure development project

Impact Metrics

Total households: 41,108

Rent-Geared-to-Income households: 35,234

Average tenancy length: 12.6 years

SDG Alignment









Case Study: First Nations Financial Authority (FNFA)

FNFA's mission is to assist First Nation communities in building their future by raising capital for community infrastructure and economic development. In 2024, the FNFA provided more than \$2 billion in loans to its members, with a 10th debenture that ensures 25 First Nations across Canada can access \$356 million to meet community priorities, including childcare services, housing, and job creation.

Impact Focus Area

• Indigenous Economic Opportunities, affordable housing, freshwater

Impact Projects

- Building and renovate affordable housing in Enoch, Alberta
- Wastewater treatment plant upgrade in Mississauga of Scugog Island, Ontario
- Building of multi-use facility in Temagami, Ontario

SDG Alignment













Addenda Capital Sustainable Investing Sustainable Investing Carbon Emissions Performance Stewardship Appendix

Solution 3

Eco-Social Commercial Mortgages Pooled Fund

In 2022, Addenda launched the Eco-Social Commercial Mortgages Pooled Fund which seeks to support the advancement of SDGs while generating compelling returns. One of the first of its kind in Canada, the fund invests in commercial mortgages in Canada aligned with social, environmental and SDG goals. The Eco-Social Commercial Mortgages Pooled Fund focuses on five themes of Affordable Housing, Green Buildings, Health and Education, Cultural and Community facilities along with supporting Underrepresented borrowers.

Figure 17: Eco-Social Fund Themes and Focus Areas



Sustainable Development Themes	Focus Areas	Related UN SDGs*
Affordable Housing (2 loans, 2.0% of BV)	+ Affordable housing + Co-operative housing	1 NO REPUGED 11 SESTAINABLE CITIES 11 MAD COMMUNITIES 11 MAD COMMUNIT
Green Buildings (7 loans, 26.7% of BV)	+ Green buildings with energy efficiencies, renewables or advanced water and waste management	6 AND SAMITAGEN 7 MIGROSALE AND CLEAR WINTER 11 SECURIABLE CITE SAG COMMONTES 13 ACTION 13 ACTION
Underrepresented Groups (7 loans, 31.5% of BV)	Borrower entity owned and controlled by: + Visible minorities + Women + Persons with disabilities + LGBTQ2S+ + Indigenous people	5 CENNER B DECIMI WORK AND ECONOMIC COURTS 10 REDUCED 10 REDUCED
Cultural & Community Facilities (5 loans, 19.9% of BV)	 + Arts facilities and museums + Recreation facilities + Heritage facilities (verifiable heritage designation) + Registered charities 	1 NO POWERTY 10 REQUIRED 11 SOSTIMABLE CITES AND COMMUNICIES 11 SOSTIMABLE CITES AND COMMUNICIES
Health & Education (9 loans, 21.8% of BV)	 + Hospitals, healthcare facilities and social services facilities + Educational institutions + Seniors and supportive housing + Student housing 	1 NO POWERTY 3 CHOOM HEALTH IN THE EDUCATION 小文章 中中

In 2024, we piloted for the first time calculating the financed emissions of our commercial mortgage portfolios. This was based on the Partnership for Carbon Accounting Financials (PCAF) methodology and data availability at the time of analysis. Currently, very few buildings and commercial property owners disclose energy or carbon emissions data. We therefore focused on studying energy sources, a major contributor and a proxy for carbon emissions data estimates for buildings. As you can see by Figure 18 provincial energy grids and associated emissions vary wildly and are likely the main driver of portfolio emissions. Another important driver includes property types with more energy-intensive facilities (often health care, transportation and warehousing and retail).

At the end of 2024, most of the investments in properties within the commercial mortgages portfolios were in transportation and warehousing, apartments, retail and office spaces, and nearly three quarters located in Ontario and Quebec. The carbon footprint calculation exercise has enabled us to deepen our understanding of the factors that impact the carbon profile of the portfolio and underlying assets. We plan to use these learnings to identify ways to encourage more disclosure and improve the quality and accuracy of our estimates in 2025.

As of December 31, 2024

^{*}Eligibility criteria will continue to evolve under the guidance of the Sustainable Investing team as additional industry metrics and disclosures develop.

Case Studies





Office in Montréal, QC

What? Bridge loan financing of an office building supporting adult

mental health services

/hy? • Access to mental health support

Lease to government health authority

• REIT Borrower covenant

• Loan to value <60%















What? Construction and term financing for senior housing complex

of 242 units, with 154 units leased by government of Alberta

Why? • Long-time experienced operator, strong covenant

• Non-profit registered charity borrower

• LEED Gold certified community

Contruction and term financing arranged

• Long term lease with full covenant

• Loan to value <50%





Residential building in Winnipeg, MB

What? Bridge loan financing of an apartment building investing

in energy efficiency and accessibility upgrades

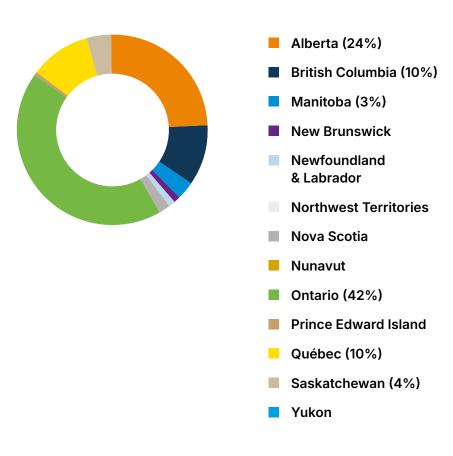
Why? • 40% reduction in energy use

• Experienced borrower

Stats • Loan to value <65%

• Full recourse

Figure 18: Canada's Buildings Sector Greenhouse Gas Emissions by Province (2023)



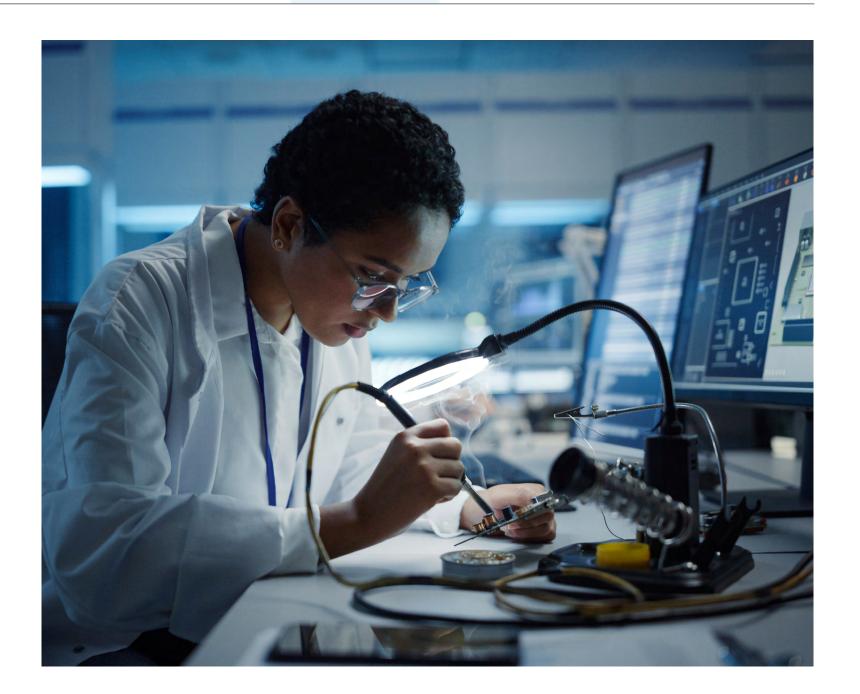
Source: Environment and Climate Change Canada

Solution 4

Fossil Fuel Free Global Equity Pooled Fund

Our Fossil Fuel Free Pooled Fund provides exposure to global equities while avoiding issuers that generate more than 10% of their sales from:

- + Extracting, producing, refining, or transporting fossil fuels
- Providing equipment and services to companies involved in the above businesses
- + Fossil fuel-fired electricity generation





Carbon Emissions Performance

Portfolio Carbon Footprint

46

Portfolio Carbon Footprint

We measure our portfolio carbon footprint as it provides insight into the direct and indirect climate impacts of our investment activity and investee entity operations. We have been measuring our equity portfolio carbon footprint since 2015 as part of our commitment as a signatory of the Montréal Carbon Pledge (Figure 19).

Figure 19: Portfolio Financed Emissions and Carbon Intensity Calculations

Portfolio Financed Emissions: Tons CO ₂ e/USD M Invested		Weighted Average Carbon Intensity (WACI): Tons CO₂e/USD M Revenue		
Utility of the Metric	What is my portfolio's normalized carbon footprint per million dollars invested?	Utility of the Metric	What is my portfolio's exposure to carbon-intensive companies?	
Calculation	$\frac{\sum_{n}^{i} \left(\frac{\text{Market value of investment (CAD)}_{i}}{\text{issuer's EVIC (USD)}_{i}} \right) \bullet \text{issuer's operational GHG emissions}_{i}}{\text{current portfolio value (millions of CAD)}}$	Calculation	$\sum_{n}^{i} \left(\frac{\text{Market value of investment (CAD)}_{i}}{\text{current portfolio value (CAD)}} \bullet \frac{\text{issuer's operational GHG emissions}_{i}}{\text{issuer's revenue (millions of USD)}_{i}} \right)$	
In-scope Asset Types	Equity and Corporate Fixed Income	In-scope Asset Types	Equity and Corporate Fixed Income	
Out-of-Scope Asset Types	Government bonds, Commercial Mortgages, Warrants, Derivative financial instruments, Cash and Money market	Out-of-Scope Asset Types	Government bonds, Commercial Mortgages, Warrants, Derivative financial instruments, Cash and Money market	

Portfolio Carbon Footprint

Insights

- 1. Within the Canadian equity portfolio, carbon footprints remained below those of the benchmark S&P TSX Composite Index and achieved a 21% decrease in financed emissions intensity between 2023 and 2024, primarily due to strategic portfolio allocation decisions, including investments in lower-intensity sectors like information technology and reduced exposure to high-intensity sectors such as energy. Despite generally stable emissions for our portfolios throughout the year, holdings in the industrials sector observed an uptick in GHG emissions while the energy sector experienced a notable decrease from 2023.
- 2. Conversely, the Climate Transition Canadian Equity Pooled Fund maintained a lower carbon footprint than its benchmark, attributed to its climate transition methodology, which favors companies that are committed, aligning, or aligned with a net-zero economy. This strategy involves investing in companies across all sectors, including both high- and low-emission industries, that have established effective climate oversight and risk management practices, set decarbonization targets and demonstrated commitments to enabling the low-carbon transition of our broader economy. Investing in these companies and actively engaging with them to encourage progress results in a lower emissions portfolio that we expect to reduce further over time.

Figure 20: Carbon Emissions Performance of Select Addenda Funds²⁰

F	Financed Emis	sions Intensity	vs	Weighted Average (Carbon Intensity	vs Total Carbon Emissio		ssions (tC0 ₂ e)
Fund	(2023)	(2024)	Benchmark (2024)	(2023)	(2024)	Benchmark (2024)	(2023)	(2024)
Canadian Equity Pooled Fund	72.3	56.9	-26%	245.2	201.3	-18%	30,472	28,031
Climate Transition Canadian Equity Pooled Fund ²	61.2	46.5	-39%	213.5	196.8	-19%	3,938	3,625
S&P TSX Composite Index	82.6	76.8	N/A	243.8	244.0	N/A	N/A	N/A
International Equity Pooled Fund	40.6	25.9	-58%	89.6	76.7	-12%	8,075	4,053
Climate Transition International Equity Pooled Fund	30.4	28.1	-55%	56.9	80.7	-8%	1,382	1,419
MSCI EAFE Index	69.7	62.0	N/A	98.0	87.3	N/A	N/A	N/A
U.S. Equity Pooled Fund	7.5	7.5	-69%	33.9	39.9	-55%	1,971	2,311
S&P 500 Index	30.0	24.4	N/A	96.6	87.8	N/A	N/A	N/A
Global Equity Pooled Fund	17.9	14.8	-56%	59.4	54.9	-39%	1,167	927
Fossil Fuel Free Global Equity Fund	17.9	14.8	-56%	59.4	54.9	-39%	1,167	927
MSCI World Index	42.1	33.6	N/A	100.3	89.8	N/A	N/A	N/A
Impact Fixed Income Pooled Fund	79.7	57.1	-27%	172.4	234.2	-4%	6,414	11,198
FTSE Canada Universe Bond Index	92.5	78.4	N/A	245.8	243.6	N/A	N/A	N/A

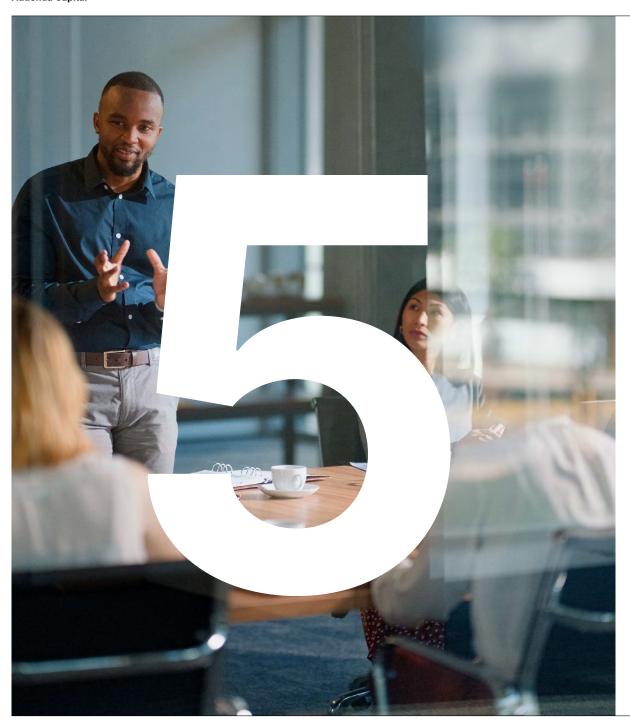
 $^{^{20}}$ Please refer to <u>page 63 f</u>or more details on carbon emissions methods and data.

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- 3. In the international equity portfolios, carbon emissions saw a notable year-over-year decrease, driven by the complete sale of a high-emitting materials company. The carbon footprint of these portfolios remained below that of the benchmark MSCI EAFE Index. The lower relative carbon footprint can be attributed to the lack of portfolio holdings in the energy and utilities sectors. The materials sector remains the main driver of the portfolio's carbon footprint.
- 4. The Climate Transition International Equity Pooled Fund portfolio produces even lower carbon emissions by applying our climate transition methodology as described above. The industrials sector accounts for the majority of fund's carbon emissions, yet companies in this sector also serve as critical drivers of technologies which can serve as climate solutions enabling the decarbonization of other industries, positioning it as a crucial player in the transition to a net-zero economy.
- 5. Using a similar investment selection process as the international equity portfolios, the U.S. Equities Pooled Fund does not have exposure to the energy and utility sector, which accounts for a large proportion of WACI and Financed Emissions for the S&P 500 benchmark. Carbon emissions for this portfolio are mainly driven by the materials sector.
- 6. More than half of the Impact Fixed Income Pooled Fund is allocated to green bonds. The main contributors accounting for 80% of the total carbon emissions of the fund are Capital Power Corporation, Ontario Power Generation and FortisBC Energy, all of which are green bond issuers. While the use of proceeds from these issuers' green bonds are directed towards investments in projects focused on energy efficiency and renewable energy (including solar, wind, and energy storage), the overall companies' carbon footprint remains high due to their ownership and operation of thermal power generation plants. In the case of Capital Power Corporation, the green bond proceeds are allocated to projects which enabled the company to phase-out completely its coal power generation. The company achieved this goal in the summer of 2024. Our approach to calculating the financed emissions of our portfolios follows guidance provided by The Partnership for Carbon Accounting Financials (PCAF), who has not yet published formal guidance on the treatment of green bonds. Therefore, the emissions calculations for green bonds are currently based on the same approach as for general corporate bonds, although we recognize this likely overstates the emissions of the portfolio. We remain conservative in our approach by not excluding green bonds from the carbon footprint calculation, as they are considered an integral part of any company's capital structure. We remain committed to investing in green bonds to facilitate the climate transition and intend to engage with our investee entities to obtain project-specific emissions data in the future.



Carbon Emissions



Stewardship

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Thought Leadership	59

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Stewardship is a core component of our effort to enhance long-term investment performance and positive sustainability and climate outcomes for our clients. We define it as active engagement with public policy and standard setters to promote sustainable financial markets and real economy transition, as well as engagement with investee entities and exercising proxy voting rights. We believe that systems-level engagement work can help shift entire industries and sectors of the economy, as well as drive better disclosure and transparency so that investors can integrate critical issues, such as climate change and human rights issues, into their decision-making.

Engagement

Our corporate engagement activities involve purposeful dialogue with investee entities on important matters identified by understanding the context in which companies are operating, including macroeconomic and sustainability policies and trends. This is augmented by investee entity research, assessments and monitoring to inform our direct and collaborative engagements with investee entities and our voting on shareholder meeting proposals and resolutions. We engage with company management on issues we want to understand in greater depth regarding their approach or if we have specific concerns about a company's strategy, performance, governance, compensation, risk management or disclosures. Our engagement approach focuses on demonstrable actions and progress achieved by companies, and less on what they intend to do. We perform our investment-related engagements through our internal due diligence and asset management processes, and by participating in external collaborative engagement initiatives.

Through our engagement approach, we collaborate with investee entities so that they have a clear understanding of our ambitions and expectations regarding climate and sustainable investing. Figure 21 presents our core engagement themes and overarching assessment criteria. Each theme is further supplemented by specific criteria tailored to that theme to help identify areas where we need to assess their approach to managing risks and seizing opportunities relevant to their business.

Figure 21: Addenda's Engagement Themes and Criteria

Engagement Themes

- + Climate Change
- Transition
- Resiliency
- + Nature
- Biodiversity
- Water
- + Indigenous Reconciliation
- + Governance

Assessment Criteria

- + Human rights
- + Labour
- + Diversity, equity and inclusion
- + Governance
- + Management
- + Policy and lobbying

- + Strategy and financial alignment
- Metrics and targets
- + Performance
- + Disclosure
- + Audit and certification

Addenda's updated <u>Stewardship Policy</u> highlights the changing scientific and economic context in which companies and investors operate. It recognizes the need for additional action to focus on the challenges and complexities of sustainable development for future generations and the stewardship of our clients' investments. This includes engaging in public policy, standards and regulatory developments to drive the necessary systemic change, and at the company level to encourage actions that contribute to a net-zero and a far more sustainable economy.

Assessing sustainability practices, performance and outcomes in the real economy and promoting good sustainability practices will help us protect and enhance the value of our clients' investments. Sound business the rights and perspectives of Indigenous Peoples, as well as monitoring and engaging on any potential violations of global human rights and standards, including labour practices.

We will engage directly and alongside other investors and stakeholders as appropriate, and will seek to continuously review, improve and learn from our stewardship processes and activities.

Collaborative Engagement

We believe strongly in collaboration with other investors and groups to effectively engage with investee entities in pursuit of shared goals. Since 2018, we have been participating in Climate Action 100+, an investor-led engagement initiative working with the world's largest corporate greenhouse gas emitters to take necessary action on climate change.

In 2021, we were one of the founding participants of Climate Engagement Canada (CEC), a Canadian investor-led engagement initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy. As former Chair of the Responsible Investment Association (RIA), our CEO helped guide support for the RIA, and Shareholder Association for Research & Education (SHARE) to work together as the joint secretariat for CEC and currently serves on the CEC's Steering Committee.

In 2023, we expanded these efforts by joining Nature Action 100 and the Valuing Water Initiative. Through these collaborative initiatives, we work together with other leading investors on engaging investee entities to take progressive action on climate change, nature, biodiversity and water-related risks and opportunities.









Climate Engagement Canada

CEC engagement focuses on 40+ TSX-listed companies that are strategically engaged for the alignment of expectations on climate risk governance, disclosure, and the transition to a low-carbon economy in Canada. CEC's Focus List companies have been identified as the top reporting or estimated emitters on the Toronto Stock Exchange (TSX) and/or with a significant opportunity to contribute to the transition to a low-carbon future and become a sectoral and corporate climate action leader in Canada.

CEC produces an annual Net Zero Benchmark, which provides a set of common standards for investors to evaluate corporate issuers' progress towards aligning with the Paris Agreement's ambition: limiting global warming to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees. The Benchmark allows CEC Participant Investors to frame, and measure, their engagements with Canada's top corporate emitters. With this framework in place, Participant Investors can identify areas for discussion with CEC Focus List companies and identify areas for additional improvement in their Net-Zero transition.

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Results

In 2024, our Sustainable Investing team conducted 35 engagements with 27 companies. Among all the engagements, 38% were related to environmental topics, with climate transition being one of the priorities for the year. We continued to engage on nature and biodiversity, as well as public policy and advocacy to learn from companies about their management initiatives. We also participate in written engagement efforts through the CDP Non-Disclosure Campaign and the Nature Action 100 letters to investee companies. Our strategic engagements have an objective to influence and encourage companies towards improvement and progression of their sustainability initiatives and targets.

In addition, Addenda's leadership has been promoting the integration of Indigenous reconciliation into investor climate and net-zero objectives through collaborative and peer-sharing events. In Fall 2024, Addenda hosted a firm-wide workshop on Advancing Indigenous Economic Reconciliation by SHARE. This workshop highlighted key case studies related to Indigenous rights, emerging issues, standards and frameworks, as well as recommendations for investor engagement.

Addenda also hosted a firm-wide webinar on the social risks of Artificial Intelligence (AI). The session highlighted emerging global regulatory and voluntary frameworks and standards, as well as shareholder proposals and investor engagement on expectations for board oversight and disclosures on responsible use of AI.

We believe systems-level engagement work can help shift entire industries and sectors of the economy, as well as drive better disclosure and transparency so that investors can integrate critical issues, including Indigenous reconciliation and the impact of AI, into their decision-making.

Figure 22: 2024 Engagement Topic Distribution

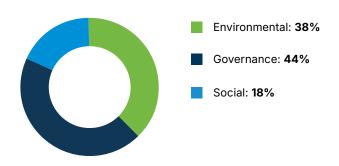
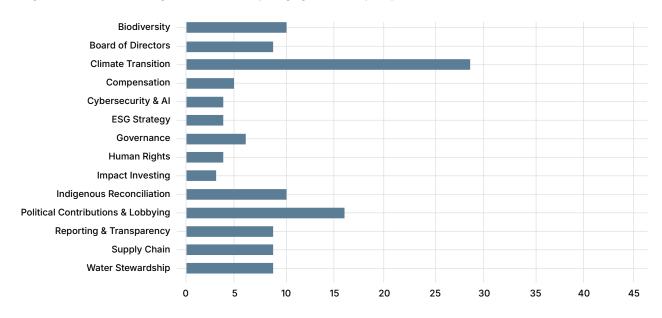


Figure 23: 2024 Strategic Sustainability Engagements by Topic





Case Study: Dollarama

Dollarama Inc. is a leading Canadian value retailer headquartered in Montreal, Quebec. The company operates over 1,600 corporately-owned stores across Canada, offering a broad assortment of general merchandise, consumables, and seasonal products at low fixed price points.

Engagement Focus Areas

- How climate and emissions reductions are integrated into Dollarama's business strategy.
- Inquire about supply chain accountability and any monitoring or audit mechanisms in place.
- Engage on disclosures and policy alignment, including alignment with reporting frameworks such as TCFD and CDP.
- Discuss governance and board oversight of sustainability-related risks.

Key Takeaways

- Expansion of its stores, warehouses and distribution centers, presents challenges in aligning emissions reductions with business expansion.
- The company is transitioning from proxy data to actual data for Scope 1 and 2 emissions. Scope 3 emissions are expected to be disclosed in the next report, with support from a third-party consultant. This will inform the development of new emissions reduction targets.
- ESG oversight is distributed across the board of directors but there is no dedicated climate expertise. Scenario analysis is not yet prioritized, and public policy engagement are primarily done through industry associations.

Future Engagement Topics

- Follow-up on new Climate Roadmap 2.0 strategy including scope 1, 2 &3 disclosures data.
- Explore company strategy on engaging with supply chain partners to reduce emissions and improve social audit process.
- Follow-up on product management and E&S labeling, including developments on circular economy practices.



Case Study: Taiyo Nippon Sanso

Nippon Sanso Holdings Corporation is a leading global industrial gas company headquartered in Japan. It supplies a wide range of gases, including oxygen, nitrogen, and argon, to industries such as healthcare, electronics, and manufacturing. In 2024, Addenda had one direct engagement with Nippon Sanso.

Engagement Focus Areas

- Discuss climate targets: Carbon Neutral Program I and II, as well as the key efforts to support meeting the goals of both programs.
- Inquire about CAPEX and investments in climate-related opportunities.
- Governance of climate-related topics at the board level.
- Discuss plans for hydrogen and other potential climate solutions.

Key Takeaways

- Strategic investments (approximately 80 bn yen) being allocated to environmental or hydrogen society projects within the next 2-3 years.
- Methodical approach to the hydrogen market, with a progression from grey, to blue, to green hydrogen as opposed to importing green hydrogen from other countries.
- Global Chief Sustainability Officer (CSO) working with CSOs in various countries/regions to accelerate
 and standardize sustainability efforts.
- Considering Science Based Targets initiative (SBTi) alignment in the future.

Future Engagement Topics

- Implementation of ESG metrics in named executive officers compensation with the release of their next report.
- Follow up on efforts to implement a climate transition plan, considering regional variations and collaboration among CSOs for a cohesive sustainability strategy.
- Address topics of water stewardship and biodiversity.

Engagement with Policy Makers, Investor Networks, and Standard Setters

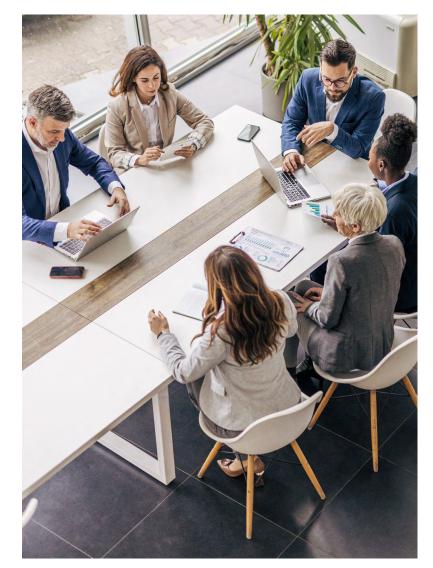
Investors must work within economic, policy, and market systems to drive the transition to net-zero and more sustainable financial markets. Addenda is committed to proactively engaging in advancing climate policies, promoting sustainable financial markets, and integrating climate considerations into standard-setting, disclosures, and transparency efforts. We are advocating for improved, standardized sustainability and climate-related reporting and risk management practices and will continue collaborating with other investors and issuers to facilitate progress in these areas.

Specifically, our engagements focus on:

- + Identifying standards, policy, and regulatory frameworks that support development and growth of sustainable finance best practices (e.g., participation in the PRI and RIA policy groups, <u>submission</u> on the Canadian Sustainability Standards Board (CSSB) consultation on Canadian Sustainability Disclosure Standards, and <u>submission</u> to the International Accounting Standards Board (IASB) consultation on Climate-related and Other Uncertainties in the Financial Statements)
- + Promoting policies and government actions that accelerate climate mitigation and adaptation, energy transition, decarbonization, mandatory climate reporting, and business transition plans consistent with the Paris Agreement (e.g., submission to the Government of Canada Proposed Regulations on the Reduction in the Release of Methane and Volatile Organic Compounds, signing of the Global Investor Statement to Governments on the Climate Crisis, engagement with Canada Climate Law Initiative (CCLI) research and policy recommendations, membership in the Transition Accelerator's Electrifying Canada initiative and membership in New Economy Canada)

- Promoting and enhancing sustainable investing practices through industry collaborations (e.g., Institute for Sustainable Finance, Climate Engagement Canada, CDP Non-Disclosure Campaign, Nature Action 100, Valuing Water Finance Initiative, Climate Action 100+)
- Promoting the development of transition finance guidelines in Canada (e.g., support for the establishment of an independent secretariat to develop and implement the Canadian Green and Transition Taxonomy; engagements with CCLI)
- + Being a visible and vocal champion for action on climate change and impact investing by supporting key investor network initiatives (e.g., ongoing action as part of Climate Engagement Canada and Climate Action 100+, <u>Addenda Capital Impact</u> <u>Fixed Income Strategy: CFA ESG Disclosure Statement</u>, signing of the Business for Nature COP16 Business Statement – renewed policy ambition on nature, adhesion to the <u>Canadian Impact</u> Investing Working Group)
- + Incorporating a Just Transition lens and Indigenous Peoples' rights into our public policy advocacy activities (e.g., training for all Addenda staff on Indigenous Reconciliation, co-hosting a roundtable on developing an Indigenous sustainable finance framework)

We continued our engagement with standard setters and policy makers in Canada on climate transition. This included ongoing efforts to support the development of Canada's Green and Transition Taxonomy as well as mandatory climate-related financial disclosure.



Proxy Voting

Shareholders of public companies have a right to vote on proposals brought before them at annual and special meetings. The right to vote is one of the most important rights a shareholder has, and with that right comes the responsibility for Addenda to cast votes in a manner that supports the long-term value of investments for our clients and other stakeholders. Voting at shareholder meetings is an important way in which we communicate preferences and signal confidence or lack of confidence in a company's leadership, strategy, management and oversight.

Approach

Our proxy voting approach is focused on promoting the long-term performance and sustainable success of companies for shareholders and other stakeholders. We consider each ballot item, with the help of Institutional Shareholder Services (ISS), and determine how to vote in a manner consistent with the guidelines outlined in our Proxy Voting
Policy. This policy includes guidelines on multiple sustainability and climate-related issues, such as climate change, oversight of environmental and social risks and opportunities, diversity, equity and inclusion, and human rights.

Results

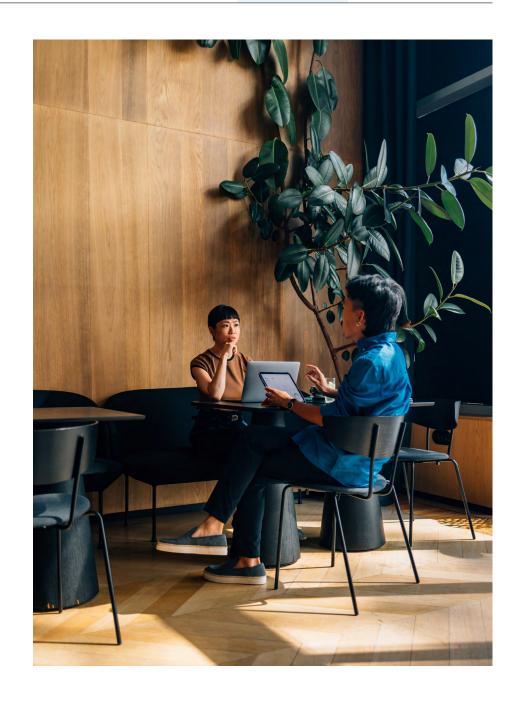
Figure 24: Proxy Voting Snapshot

Proxy Voting Topic	Votes in Favour	Votes Against
Climate	13	7
Diversity, Equity and Inclusion (DEI)	8	4
Human Rights	14	7

Our proxy voting decisions highlight our commitment to promote greater transparency and performance on sustainability and climate-related practices. Between July 2023 and June 2024, we voted in support of 65% of climate-related shareholder proposals, 67% of DEI-related shareholder proposals and 67% of human rights-related shareholder proposals.

Abstentions or votes against can occur when we agree with the spirit but not the specifics of a proposal. We vote against 100% of anti-ESG proposals, therefore these are not included in the chart.

For more detail, see our Proxy Voting Dashboard.



Advocacy and Industry Collaboration

Joining forces with other investors and stakeholders significantly enhances our effectiveness in the promotion of sustainable financial markets. We take part in investor initiatives, groups, consultations, and conferences. This enables us to leverage our internal resources, lend our credibility to the good work of others, share tools, knowledge and resources.

Figure 25: Advocacy and Industry Collaboration

Industry Group	Addenda Capital Involvement
Climate Action 100+	 + Addenda is a member of this investor-led initiative and works with investors to drive clean energy transition to achieve the goals of the Paris Agreement. + The initiative aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change and supports engagement activities and messaging of dialogue with more than 160 of the world's most systemically important emitters.
Canadian Bond Investors' Association Association canadienne des investisseurs obligataires	 + Addenda's membership allows for opportunities to provide input on position statements regarding developments in the Canadian fixed income market. + Addenda is on an ESG Working Committee of the Association.
Canada Climate L'Initiative canadienne de droit climatique	 + Addenda participates on the advisory committee and is actively engaged with CCLI's efforts engaging on sustainable finance policy. + In 2024, Addenda supported CCLI's work for the Green and Transition Taxonomy, Office of the Superintendent of Financial Institutions (OFSI) engagement and disclosure as part of the Canada Business Corporations Act.
DRIVING SUSTAINABLE ECONOMIES	+ Addenda participates in the non-disclosure campaign and has access to all corporate responses to CDP – an international non-profit organization that helps organizations disclose their environmental impact – which detail information on the risks and opportunities that companies face, as well as management discussion and analysis on strategies to address climate change, water-related issues, deforestation-related issues and emissions-reduction performance.
CLIMATE ENGAGEMENT CANADA	 + Addenda is one of the founding members and sits on the Steering Committee. + CEC supports engagement with Canada's largest corporate greenhouse gas emitters and publishes an annual net zero assessment. + Addenda is leading on three CEC company engagements and participating in seven collaborative CEC engagements.
Canadian Impact Investing Working Group (CIIWG)	+ As a member of this working group, Addenda contributed to the release of the report "Scaling Impact Investing in Canada Through Mobilizing Asset Owners".
Canadian National Adaptation Strategy, Federation of Canadian Municipalities, Green Municipal Fund	 + Addenda supported Co-operators in providing investor and insurance perspectives to the development of Canada's National Adaptation Strategy. + Our involvement also included presentation and conference events hosted by the Federation of Canadian Municipalities and Green Municipal Funds recognizing that cities are often at the forefront of climate adaptation.

Industry Group	Addenda Capital Involvement
Canadian Sustainability Standards Board (CSSB)	+ Addenda submitted comments to the consultation on the development of the Canadian Sustainability Disclosure Standards - CSDS 1 and CSDS 2.
ELECTRIFYING CANADA AN INITIATIVE OF THE TRANSITION ACCELERATOR	 Addenda is a member of this initiative of the Transition Accelerator focused on widespread electrification that enables an affordable, resilient and clean energy system for Canada's economic development. Diverse coalition of industry, Indigenous groups, labour and civil society. Provides expert analysis and research, convening for identifying challenges and developing solutions that are relevant regionally.
FIRST NATIONS MAJOR PROJECTS COALITION COAL	+ Addenda partnered with the FNMPC (First Nations Major Project Coalition) and the FMB (First Nations Management Board) to host a roundtable that sought to catalyze the idea of developing an Indigenous Sustainable Finance framework to help attract more financing to First Nation, Metis and Inuit communities in Canada by drawing on lessons learned from the success of the USD 5 trillion green and sustainable bond market.
Government Gouvernement of Canada du Canada	+ Addenda submitted comments on the proposed revisions to the Methane Regulations in collaboration with other investors, supporting the adoption of cost-effective regulations to achieve at least a 75% reduction in oil and gas methane emission by 2030 from a 2012 baseline.
Investor Network on CLIMATE RISK	 Addenda is a member of this network, which provides regular communications on US and global climate change and sustainability issues relevant to investors. Access to stakeholder engagement meetings with large publicly traded companies. Opportunities to provide input to the working groups that advance members' priorities like enhanced sustainability disclosure and improved public policy.
\$ IFRS	+ Addenda submitted input to the consultation on Climate-related and Other Uncertainties in the Financial Statements.
Institute for Sustainable Finance	 Addenda is a member of the Institute for Sustainable Finance (ISF), a multi-disciplinary network that brings together academia, the private sector and government to shape Canada's innovations in sustainable finance. Addenda participates on the advisory board of the ISF and is actively involved in participating in professional development initiatives.
Nature Action 100	+ Addenda is a member of Nature Action 100, a global investor engagement initiative focused on driving greater corporate action to reverse nature and biodiversity loss.

Industry Group	Addenda Capital Involvement
New Economy Canada.	 Addenda is a member of this collaboration of 45 organizations across 10 sectors from across the country bringing a united message to governments that there needs to be more and faster action to: Advance economic reconciliation with Indigenous nations and peoples; Increase the supply of clean energy and related infrastructure; and Accelerate investment in skills training. Support clean innovation to ensure competitiveness across industrial sectors.
The Net Zero Asset Managers initiative	+ Addenda is a member of NZAM, which aligns capital with objective of reaching net-zero emissions by 2050 or sooner, in line with efforts to limit global warming to 1.5 degrees Celsius. + Sets an interim target for the proportion of assets to be managed in line with the attainment of net-zero. Interim target is reviewed at least every five years.
Philanthropic Foundations Canada	+ Two-year partnership aimed at intensifying collaboration between FPC and Addenda to generate positive social and environmental impact.
Québec Financial Centre for Sustainable Finance	+ Addenda joined other signatories in support of an initiative led by Finance Montréal to strengthen the finance ecosystem, make sustainable finance a key element in the development and influence of the Québec financial industry, and position the province of Québec among the major financial centers at the international forefront of sustainable finance.
Responsible Investment Association	 + Addenda has been a Sustaining Member of the Responsible Investment Association (RIA) since 2015, promoting the practice of sustainable investing in Canada. + Addenda CEO is a member and former Chair of the RIA.
SHARE INDIGENOUS BUSINESS	+ Addenda supports the initiative encouraging 25% of the companies on the Toronto Stock Exchange to voluntarily adopt plans for Indigenous reconciliation.
The Transition Accelerator	+ Roger Beauchemin, CEO of Addenda joined the board of directors. The Transition Accelerator is a national organization focused on solving societal challenges through positive transformational system change. It is helping to ensure Canada builds an economically competitive future by identifying and advancing the pathways that lead to net-zero greenhouse gas emissions by 2050.
Valuing Water Initiative	+ Addenda is a member and advisor to the Valuing Water Initiative, which focuses on engaging with some of the largest companies in the world with high dependencies on water on their water stewardship practices.

Thought Leadership

Addenda publishes thought leadership pieces regularly as a commitment to transparency and sharing knowledge with others. Below is a snapshot of some of our 2024 insights. For more, please visit our website.

Valuing Water - An Increasing Investor Imperative

Fresh water is scarce and under growing pressure from climate change, pollution, and poor infrastructure. Over 2 billion people lack safe water access, with vulnerable communities hit hardest. Freshwater ecosystems are rapidly degrading. This article introduces Addenda's launch of "water" as a new theme under our Impact Fixed Income Strategy, with a primary focus on fresh water.

Applying a Climate-Risk Lens to Commercial Mortgages

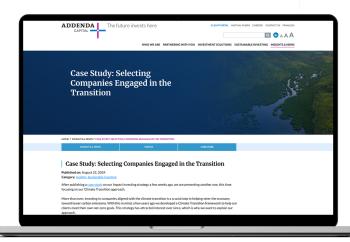
Climate risk analysis has become increasingly relevant to commercial mortgages. Climate-related assessments are crucial for evaluating a property's appeal beyond the borrower's loan repayment ability. This article describes our comprehensive approach and initial findings on flood exposure.

Carbon Footprint: Exploring Stories Behind a Number

Carbon footprint analysis reveals portfolios' exposure to climate-related transition issues and highlights the role of companies like Nippon Sanso and Air Water in reducing emissions. This analysis underscores the importance of looking beyond numbers to understand a portfolio's impact on transitioning to a low-carbon economy.

Case Study: Supporting Development of Clean Energy

Our Impact Fixed Income Strategy drives financial returns and positive environmental impact through sound investments. This case study explores the rigorous assessment process behind selecting Capital Power's green bond, a Canadian power producer, as part of our portfolio.





Appendix

IFRS S2 Climate-related Disclosures Content Index

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IFRS S2 Climate-related Disclosures Content Index

We have mapped our climate-related initiatives and practices to the IFRS S2 Climate-related Disclosures.

Governance	
Governance body(s) or individual(s) responsible for oversight of climate-related risks and opportunities	Information can be found within the "Governance and Oversight" section on page 13 of the report
Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	Information can be found within the "Governance and Oversight" section on page 13 of the report
Strategy	
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Strategy	
The climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	Information can be found within the "Sustainable Investing" section beginning on page 16 of the report
The current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain	Information can be found within the "Sustainable Investing" section beginning on page 16 of the report
The effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan	Information can be found within the "Sustainable Investing" section beginning on page 16 of the report
The effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning	Information is not disclosed at this time
The climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities	Information can be found within the "Sustainable Investing" section beginning on page 16 of the report

Information can be found within the "Risk Management" section starting on page 22 of the report
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Metrics and Targets	
Information relevant to the cross-industry metric categories	Information can be found within the "Performance" section beginning on page 44 of the report
Industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry	Information can be found within the "Net-Zero" section beginning on page 25 of the report
Targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets	Information can be found within the "Net-Zero" section beginning on page 25 of the report



The use of the term "Carbon emissions" refers to equivalent tons of CO_2 as defined by the GHG protocol. The term should be understood as including the seven greenhouse gas covered by the Kyoto Procotol such as carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O_2) and others.

Source and Quality of Carbon Emissions Data

Addenda's approach is guided by "The Global GHG Accounting" and "Reporting Standard for the Financial Industry" developed by the Partnership for Carbon Accounting Financials (PCAF) an industry-led partnership to facilitate transparency and accountability of the financial industry to the Paris Agreement. Carbon emissions data is sourced from MSCI and Bloomberg, based on data availability. Enterprise Value Including Cash (EVIC) and Revenue data are sourced from Bloomberg. Our carbon intensity metrics are calculated using USD for more global cross comparisons. Portfolio financed emissions and weighted average carbon intensity are measured as at December 31 of each year.

Scope of Emissions

Our portfolio carbon metrics reflect Scopes 1 and 2 emissions which are currently the most robust and complete available. Scope 1 refers to direct GHG emissions from entity's owned and controlled sources. Scope 2 refers to indirect emissions from acquired energy (e.g. electricity, steam, heat, and cooling). We currently do not include Scope 3 emissions that occur in other areas upstream and downstream of the value chain as reporting and data quality are not yet sufficient. However, we do think this will improve in the future and recognize that for some industries and companies, Scope 3 emissions can be far larger than Scope 1 and 2. We will look to include this analysis when reporting and data quality improve.

Carbon Accounting in Evolution and Limitations

While the data and methods we applied reflect what is among the best currently available, it has limitations due to varying methods companies use to calculate GHG, incomplete reporting and evolution of global standards and methods. Carbon accounting is also a point-in-time approach that may not fully reflect current or future carbon emissions developments of the holdings and portfolio. We anticipate more standardized and regulated reporting and disclosure in the future and likely future changes to our approach to reflect best practices as they evolve. We also recognize that carbon emissions metrics are one indicator of climate transition risk, and that many other climate indicators and analysis are required to get a comprehensive understanding of climate risks and opportunities.



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