

2022 Impact Report

Addenda Impact Fixed Income Pooled Fund

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Impact Highlights

At the end of 2022, the Addenda Impact Fixed Income Pooled Fund was invested in:



Clean Transportation Projects

1,206,047¹ Tonnes CO₂e

Reduced GHG Emissions

Equivalent to removing 268,382 gasoline-powered passenger vehicles driven for one year²



Energy Efficiency Projects

56,725 Tonnes CO₂e

Reduced GHG Emissions

Equivalent to 67,646 acres of forests' carbon sequestration in one year



Renewable Energy Projects

7,226³ GWh

Renewable Energy Generated

Equivalent to 393,972 homes' energy use for one year⁴



Credit Unions and Financial Services Co-operatives

\$403M

Dividends paid in cash or shares to members

¹ Of which 636,000 are expected reductions to be achieved once the projects are completed and operational

² US EPA: [Greenhouse Gas Equivalencies Calculator](#)

³ Difference from last year due to increased accuracy of reporting, this year using issuance vs issuer-level metrics

⁴ 11.8 MWh/Home.yr, according to US EPA

Impact Highlights



Development Finance

6,800,000 People

Provided with access to improved water sources



Community and Affordable Housing

54,019 Units

Number of current and planned units



Higher Education

70,893 Degrees

Conferred from Canadian universities in which the fund invests

Please note: Because of reporting periods, all values are for fiscal year 2022 or the most recently available annual data for the investment entities. Metrics are for the entire investment entity, not just Addenda's proportional investment. Metrics are a combination of estimated/expected (ex-ante) and reported (ex-post) figures. The timespan for achieved or expected outcomes also vary based on annual results, aggregated results for the entire duration of the project, or other periods. More details on issuer-level impacts can be found in Table 2 of the Appendix.

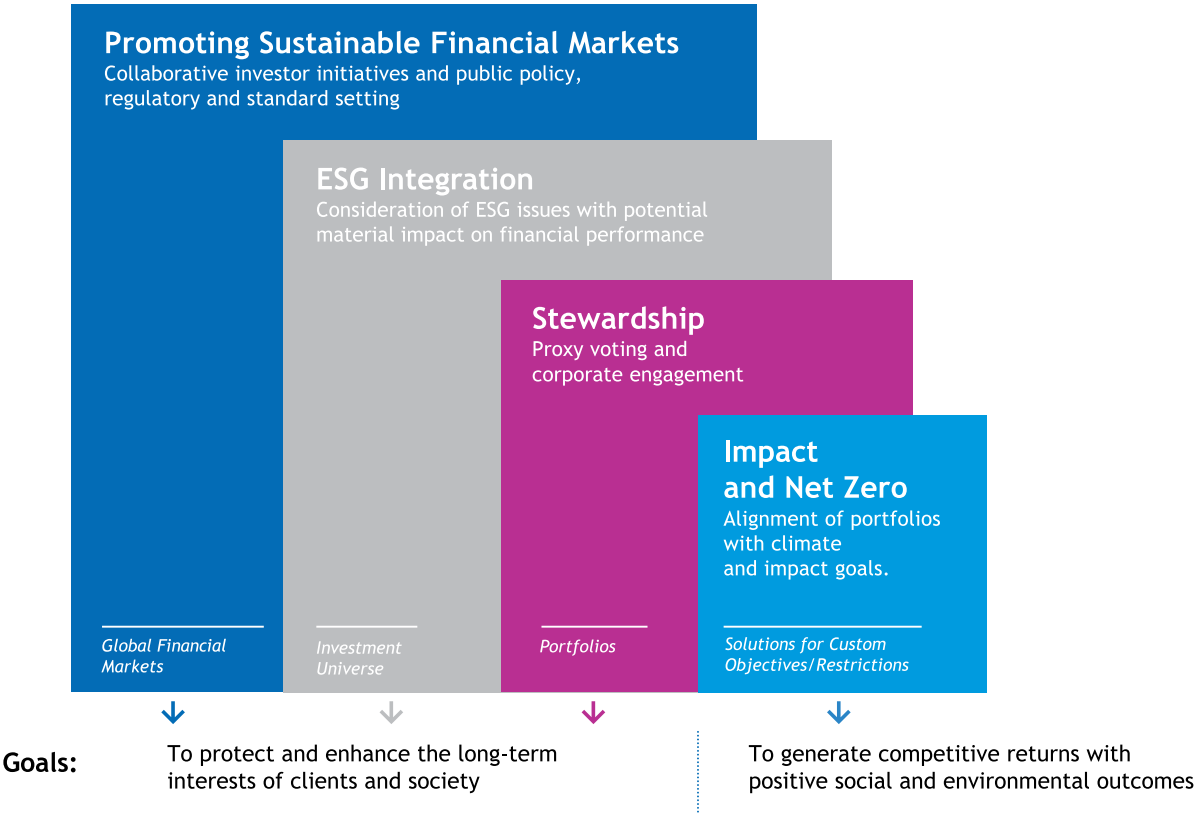
Sources: Addenda Capital; Issuer reports; third party reports about issuers

Impact Investing at Addenda Capital

Sustainable wealth creation, in close partnership with our clients for a better future.

In 2011, Addenda embraced the concept of sustainable investing and established an approach that encompasses promoting sustainable financial markets, integrating the consideration of environmental, social and governance factors into investment decisions, and active stewardship activities through proxy voting and engagement. Our firm-wide approach, now comprised of four components, is summarized in Exhibit 1 below.

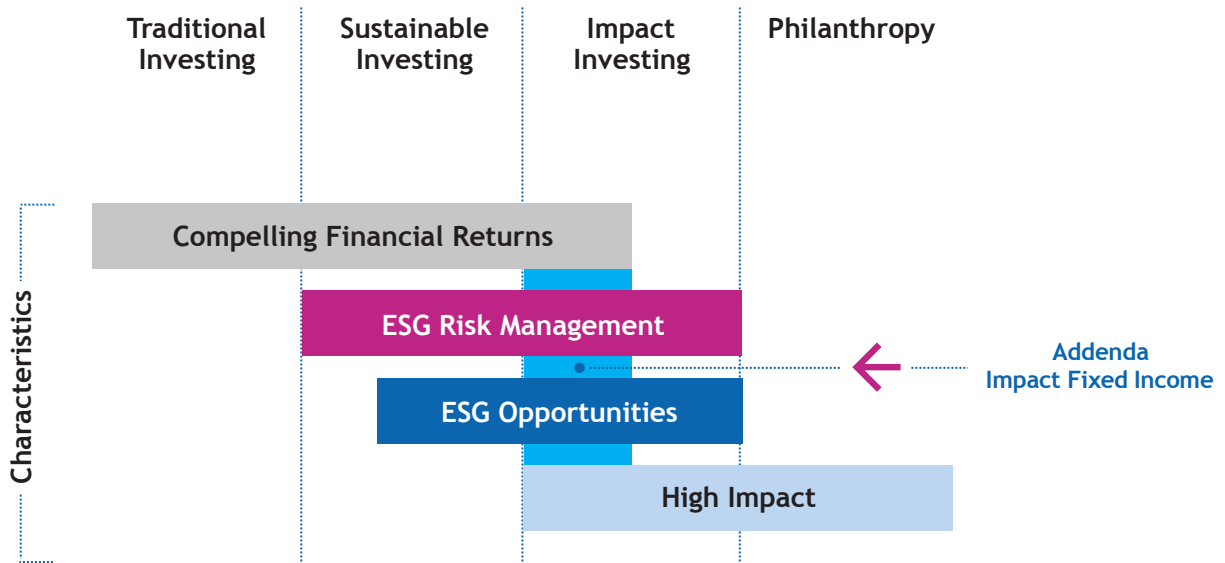
Exhibit 1: Addenda Capital’s Approach to Sustainable Investing



Source: Addenda Capital

In 2015, in response to client interest, we also embraced impact investing, an investment approach that intentionally seeks to create both financial return and positive social and/or environmental impact that is actively measured and reported. In addition to our Impact Fund, we offer Climate Transition Strategies that are part of our Net Zero Asset Management (NZAM) commitment to support clients who have Net-Zero goals.

Exhibit 2: Illustration of Where Sustainable and Impact Investing Strategies Fall Along the Capital Deployment Spectrum



Source: Adapted from Bridges Ventures














Our Impact Fixed Income approach focuses on issuers or investments with sustainable capacity to deliver a positive social and/or environmental impact alongside competitive returns. Since its launch in January 2018, the Addenda Impact Fixed Income Pooled Fund has grown in assets to more than \$230 million as at June 30, 2023.

As part of our management of the Pooled Fund, we have committed to reporting, on an annual basis, various impact metrics generated by the entities in which we invest through the portfolio. This report summarises those impact metrics, while also providing clients with a sample investment in each impact focus area.

Addenda’s Impact Framework

Addenda has a robust process to ensure each investment in the portfolio meets stringent criteria for impact. Each investment in the portfolio must be associated with at least one activity or initiative that seeks to drive a positive environmental change or social improvement. Addenda has established four impact themes with 12 underlying impact focus areas. The Sustainable Investing team ensures that each impact investment is associated with at least one focus area. For example, an investment in a solar farm project would be associated with the Climate Change theme in the Renewable Energy focus area.

Exhibit 3: Impact Themes and Focus Areas⁵

Impact Themes	Impact Focus Areas	Related SDGs ⁵
Climate change	<ul style="list-style-type: none"> • Renewable energy • Clean transportation • Energy efficiency 	   
Community development	<ul style="list-style-type: none"> • Credit unions and Financial services co-operatives • Development finance • Affordable housing • Indigenous Economy 	   
Education	<ul style="list-style-type: none"> • Higher Education • School boards/School service centres 	 
Health and wellness	<ul style="list-style-type: none"> • Hospitals • Non-profit seniors housing and services 	  

Source: United Nations

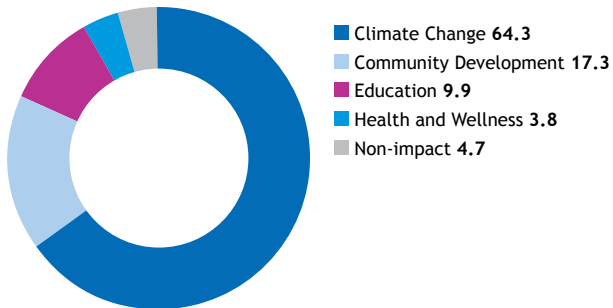
Each impact investing focus area has proprietary Addenda criteria for what can qualify as impact, which has also been approved by Addenda’s Sustainable Investing Committee chaired by the President and CEO. The criteria for each focus area are built and improved upon global standards such as the ICMA Green Bond Principles and Climate Bond Initiative Taxonomy standards that establish that the impact generated by the investment will be positive.

⁵ SDG: Sustainable Development Goals

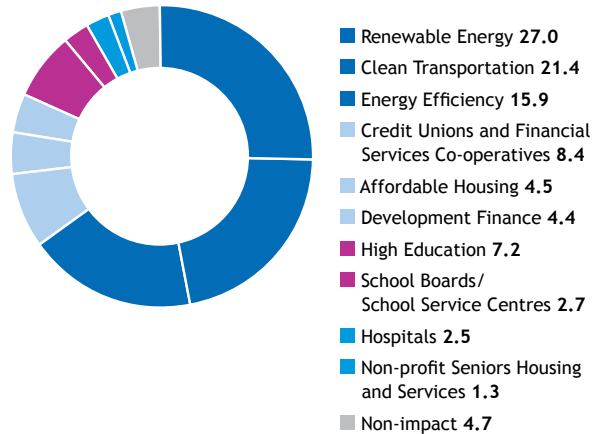
Impact Themes and Focus Areas

As at December 31, 2022, the fund's investments were allocated across the following impact themes and focus areas.

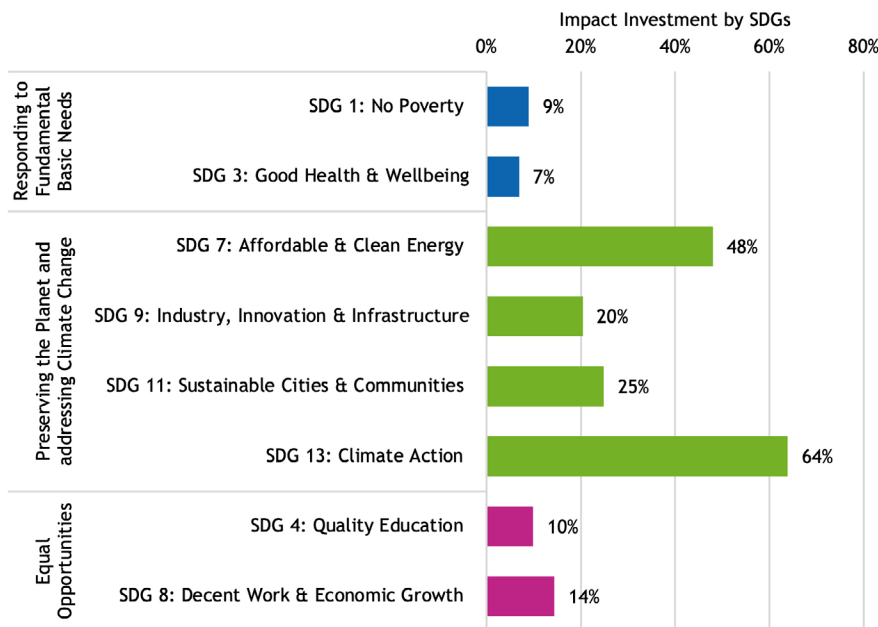
Impact Investments by Themes (%)



Impact Investments by Focus Areas (%)



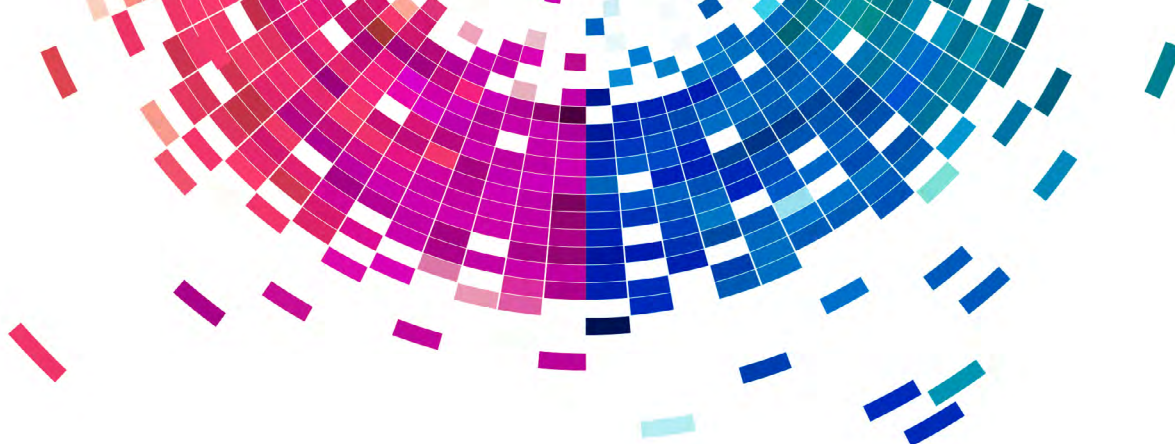
Sustainable Development Goals⁶ Alignment Distribution



As an impact investment can be aligned with more than one Sustainable Development Goals (SDG), the sum of all the SDGs exceeds 100%.

With 48% and 64% of the fund contributing to SDGs 7 and 13 respectively, the fund is geared to support key climate solutions critical to the climate transitions. This can be attributed to investments contributing to the renewable energy theme such as Brookfield Renewable Power and Lower Mattagami, which make significant contributions to climate-related SDGs 7 and 13.

As at December 31, 2022
⁶ [SDG: Sustainable Development Goals](#)
 Source: Addenda Capital



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