

2022 Climate Action Report

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CEO Letter

An Urgent Transition

Do the reasons for accelerating the transition need to be any clearer? Experts are sounding the alarm on several climate tipping points that threaten our planet. While Hurricanes Fiona and Ian brought devastation to the Caribbean, Eastern Canada, and Florida, Europe faced record heat waves and flash floods killed more than 1,700 people in Pakistan. To limit irreversible climate shifts, we must increase our level of ambition on climate change. This report, our third since the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, documents our firm’s progress on climate strategy.

The energy crisis in Europe has driven home the point that the road to net zero will not be a smooth one. Political will, very careful energy security planning, strong regulatory and tax incentives, and shifts in technology and business models will all be required. Trillions are needed in areas such as the re-tooling of our energy systems and in the way we design cities, move people, grow food, and use water. Seeing the interconnection of these plans with choices on natural systems, biodiversity, and communities will be essential. This is no easy task. Addenda, its parent Co-operators, and many of our clients recognize that we must play our part in helping Canada, market participants and the economy meet net zero emissions goals. We also recognize that the consideration of Indigenous Peoples’ perspectives and their economic participation is critical to these efforts, as is the support of business practices that align with the principles of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

A cornerstone of Addenda’s commitment is our membership in the global Net Zero Asset Managers (NZAM) initiative, part of our approach to creating sustainable wealth while seeking to improve the prospects for future generations. We are committed to work with our clients who have similar climate and net zero ambitions. While we already endeavor to integrate environmental, social and governance (ESG) factors in our investment process, aligning assets with the goal of net zero emissions serves a powerful purpose: aiming to enhance returns while putting our clients’ capital to work toward a net zero carbon emissions world.

At the heart of this journey, our climate transition funds are playing a critical role. Focused on companies that demonstrate a tangible commitment to the transition, these funds leverage Addenda’s expertise in shareholder engagement to encourage companies to achieve their climate goals and emissions reduction targets. Decarbonizing the real economy is a major challenge in a country like Canada, where the goal is a 40-45% reduction in emissions by 2030 from 2005 levels. At the end of 2022, more than 60% of our Impact Fixed Income Pooled Fund, for instance, was invested in climate solutions that target efforts such as building retrofits, clean transportation and renewables.

We recognize that Canada and its economy are on a climate transition journey. Addenda is deepening its understanding of climate change and actively engaging with market participants, regulators and standard setters on climate goals. We are trying to have a hand in making net zero by 2050 a reality and in fighting to limit the climate tipping points that threaten our world. The road ahead is not smooth and requires both hands on the wheel, but we are committed as ever to do our part.



A handwritten signature in black ink, reading "Roger J. Beauchemin".

Roger J. Beauchemin
*President and Chief Executive Officer
Addenda Capital*

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The Climate Imperative and Addenda’s Commitment

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Amid the challenging geopolitical and global economic landscape, we remain as committed as ever to address climate-related risks and support the climate transition. In a world where we are facing unprecedented increase in storms and natural catastrophes it is as important as ever to understand and mitigate these growing physical risks.

At Addenda, we produced our first climate report in 2019 to lay out our vision and approach on climate change. We recognize that this journey is an iterative one and we will continue to cultivate our climate strategy recognizing the need for the world to align with Paris climate goals to avoid the large systemic risks of missing these targets. Indeed, the science is telling us along with increasingly alarming news of catastrophic storms, wildfire events and longer droughts that we can no longer ignore the climate emergency happening now in real time. Against this backdrop Addenda has taken steps towards meeting the expectations of the Net Zero Asset Managers initiative (NZAM) and Investor Climate Action Plan (ICAP) framework, and we are excited to unveil our approach to helping clients meet net-zero by 2050 goals and interim targets.

The NZAM is a group of international asset managers that have committed to supporting the transition to net-zero greenhouse gas emissions by 2050 or sooner. This commitment is in line with global

efforts to limit warming to 1.5°C and to support investing aligned with net-zero emissions. Investors play a unique, but significant role in supporting the transition. Through our net-zero commitments, we intend to support real economy emissions reductions and help drive a just transition.

We have continued to shape our disclosure and management of climate-related risks and opportunities around the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and related supplemental guidance as they evolve over time.

As we face these increasing physical impacts from climate change, the world is off course to make the 1.5°C Paris accord goal. Current policies and actions are not enough. However, we recognize that much more policy action will likely take place in the next several years, and that many economic actors from across the spectrum will mobilize to do far more.

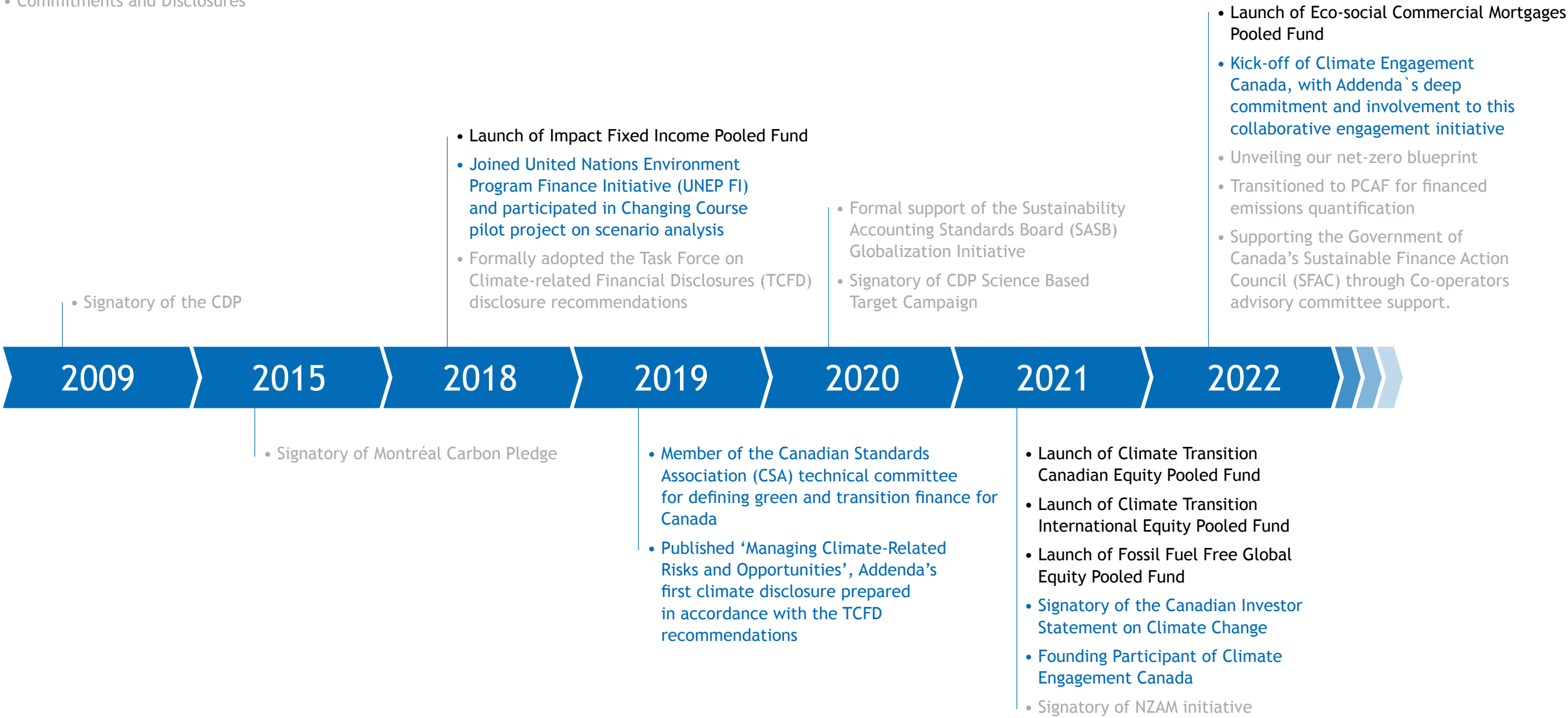
Addenda is committed to play its role through our client engagement, investing and stewardship. We recognize that climate change is an extraordinary challenge and also an unprecedented opportunity to help our clients and shape a better world.



¹ Further information on the NZAM
² TCFD

Climate Milestones

- Product Launches
- Engagement and Promotion of Financial Markets
- Commitments and Disclosures



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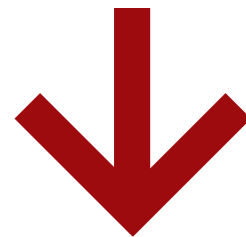
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In 2021, Addenda joined the Net-zero Asset Managers (NZAM) initiative. As a leader in sustainable investing, we are motivated to further support our clients' efforts to successfully achieve their net-zero ambitions. Our net-zero approach will help advance the real economy's transition to Net-zero, and we will ensure that our plans focus on financing real-world emission reductions. We are committed to working with our clients, portfolio companies, and stakeholders to ensure that our investment decisions drive favorable long-term outcomes, while actively progressing towards a just and sustainable future.

Our Net-Zero REAL Commitments³⁻⁴



Reduce



Engage



Align and Invest



Learn



Reduce

According to the Intergovernmental Panel on Climate Change (IPCC), to avoid the most catastrophic physical impacts of climate change, we should avoid raising global temperatures above 1.5°C over pre-industrialized levels. We already have exceeded a 1.0°C rise making reducing carbon emissions and equivalent greenhouse gases an imperative.

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

Addenda is also committed to reduce material risks from climate change, both transition and physical risks. We are continually researching and improving our understanding of these risks and acknowledge that consideration of this systemic issue will help us more fully understand long-term risks and opportunities.

Working with our net-zero clients and through our climate transition strategies we therefore commit to the following targets:

2030 Target

Decarbonization reference target for portfolios of clients that have agreed to align their investments to net-zero:

- 50% carbon emission reduction by 2030 from 2019 baseline⁵

Baseline

2019 72.7 tCO₂e per million USD invested⁶

GHG Scopes Included

Our initial decarbonization targets cover Scope 1 and 2 emissions only, however, we intend to phase in Scope 3 emissions overtime as disclosure and methodologies for Scope 3 improve.

³ Target methodology chosen: we have chosen to use a combination of the Paris Aligned Investment Initiative's Net-zero Investment Framework and the Net-Zero Asset Owner Alliance's Target Setting Protocol.

⁴ [Our NZAM commitments and disclosures](#)

⁵ This target is for clients that have formally agreed to work with Addenda to align their investments to net-zero and for Addenda's Climate Transition Strategies.

⁶ Baseline relevant to our existing net-zero commitments as reported to NZAM. Client specific net-zero baselines may vary.

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Engage

Through our commitment of being a Canadian leader in Sustainable Investing, Addenda promotes a financial system that supports sustainable development. Addenda plays an active role in promoting sustainable financial markets, engaging standard-setters, policy-makers as well as investee companies. We have been able to build and maintain a strong rapport with our investee companies, which we will leverage to achieve our net-zero commitments and support the economy’s transition to net-zero.

2030 Target

Financed emissions alignment and engagement 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 engagement⁶ and stewardship actions by 2030.

Engagement Threshold Baseline

In-scope AUM considered at least “Committed to Aligning”⁷ with net zero or subject to engagement and stewardship actions: Approximately 60% of in-scope assets (equivalent to 9% of total AUM).



Align

Addenda is committed to assisting our clients who have made net-zero commitments and targets. As part of our fiduciary duty, we will work with them to assess their portfolio holdings’ climate transition alignment as part of our Climate Transition strategies, as well as their exposure to climate solutions. We will further engage with our clients to communicate the impacts their investment choices could have in limiting global warming, and promote the transition to net-zero by 2050.

2030 Target

Assets under management (AUM) in line with the attainment of net zero emissions:

- Our aspiration is that by 2030, 75% of our total assets are managed in line with the attainment of net zero emissions by 2050 or sooner.

Baseline

15% of total AUM initially committed to be managed in line with net-zero.

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 climate goal. This will depend on our clients’ aspirations and goals. Clients representing approximately half of our AUM have either recently set these goals or are favorably disposed to them, so we believe our aspirational goal is attainable. We will be increasing our support to these and future clients in setting and meeting net zero goals.

⁷ Assets are considered “committed” if they are managed for clients whose mandate is explicitly linked to a net-zero target.

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Invest

Addenda recognizes to meet net-zero, capital must be allocated toward activities and catalytic solutions that shift the real world to decarbonize and help economies and society thrive in a lower emissions reality.

2025 Target

Allocation to climate solutions:

- Addenda is targeting doubling its allocation to climate solutions to \$3.5 billion US by year-end 2025.

Baseline

Approximately \$1.5B US of AUM in climate solutions from a current baseline as reported to NZAM.⁸

These climate solutions include Addenda’s thematic ESG products or sub-components of thematic ESG products 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 which focus on holdings that have made 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.



Learn

Navigating steps to net-zero will be a journey of learning. 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 carbon emissions. Addenda is committed to continually seek ways of building capacity on this topic.

2025 Target

Our goal is that a majority of Addenda employees complete training on issues such as climate and carbon emissions.

Baseline

30% of employees have taken part in such training so far.

⁸Equivalent to a \$CAD 4.5 bn target and \$CAD 1.9 bn baseline

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Since announcing our net-zero commitment in 2021⁹, we have developed a net-zero blueprint as an approach to achieve our, and our clients’ net-zero commitments. We recognize that reaching net-zero targets and goals is a journey and have mapped out short and longer-term priorities, initiatives and practices in five priority elements: Governance and Oversight, Partnership on Net-Zero Ambition, Strategy, Investment Practices, Sustainable Financial Markets and Stewardship.

Governance and Oversight

We recognize the importance of sound governance to ensure we can deliver on our net-zero commitments and demonstrate accountability to our stakeholders. We are committed to transparency and annual disclosure on our targets and key performance metrics consistent with international standards.



Strategic Area	Net-zero Initiatives and Practices	Progress
Climate Governance Structure	<ul style="list-style-type: none">• Integrate climate accountability into board responsibilities and their standard agendas.• Establish a climate task force with support from Sustainability Investing Committee, Sustainable Investing Team, and Investment Management Teams.	Completed
	<ul style="list-style-type: none">• Integrate climate factors into risk management framework to facilitate risk-based decision-making.	In progress
Capacity Building	<ul style="list-style-type: none">• Provide internal training on carbon footprint accounting approach and methodology.• Special session with Canadian Climate Institute on transition and net-zero.	Completed
	<ul style="list-style-type: none">• Increase employee engagement and awareness on climate-related initiatives through net-zero Transition Accelerator training.• Expand climate-related training to cover Executive Committee.	In progress
	<ul style="list-style-type: none">• Establish new data and information exchange platform to track all signatory and engagement-related activities, commitments and progress.• Establish governance mechanisms to ensure quality and integrity of carbon offsets.	In progress To be developed
Regulatory Compliance and Controls	<ul style="list-style-type: none">• Annually publish TCFD-related disclosures with a climate action plan and submit them to the Investor Agenda for review.	In progress
	<ul style="list-style-type: none">• Conduct corporate carbon footprint and establish corporate net-zero strategy.	To be developed

⁹[Press Release](#)

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Partnership With our Clients on Their Net-Zero Ambition

We understand the importance of supporting our clients and helping them in achieving their climate commitments and net-zero targets while balancing critical risk/return objectives. Our net-zero client engagement initiatives and practices will include regular client reporting, communications and knowledge sharing, as well as direct client engagement and alignment. For those clients that wish to partner with us to help them reach net-zero objectives, we commit to:



Strategic Area	Net-zero Initiatives and Practices	Progress
Supporting Clients on Net-Zero Pathway	<ul style="list-style-type: none">• We commit to understand and learn about our clients’ climate and net-zero goals.• For clients with net-zero commitments, establish clear expectations on net-zero goals and targets. Establish a framework to help them meet their net-zero commitments. Part of this framework will also have guidelines for balancing risk/return objectives.	In progress
Net-zero Enhanced Reporting	<ul style="list-style-type: none">• Provide clients with information and analytics on climate transition indicators, showcasing alignment of portfolio companies’ with a net-zero trajectory.• Supports reporting to stakeholders on the clients’ alignment toward net-zero goals, including:• Measure carbon footprint of portfolio over time (as measured by portfolio financed emissions and weighted average carbon intensity) and progress toward interim reduction goals, optimally aligned with a “glidepath,” such as the 1.5°C scenario, envisioned by the Paris Agreement.• For Climate Transition Strategies and net-zero committed clients, provide climate-related investee engagement summaries as part of our portfolio reporting especially of high-carbon emitting, net-zero misaligned holdings. This includes tracking progress of engagements over time (e.g. is a company moving beyond just making climate commitments and actually performing on their carbon reduction goals).	In progress
Thought Leadership	<ul style="list-style-type: none">• Addenda supports the development of thought-leadership on climate change and on sustainability issues and market developments.• We commit to continue to support research in these topics and host roundtables and events that support deeper understanding of sustainability and climate change issues.	In progress

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Our net-zero commitment is at the core of our strategy to accelerate our climate ambitions. We are committed to implement targets and goals aligned with the NZAM initiative requirements and relevant government expectations, and report annually on progress toward these targets for our portfolios.



Strategic Area	Net-zero Initiatives and Practices	Progress
Net-Zero Commitments and Targets	<ul style="list-style-type: none">Set an interim target for the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050 or sooner (Set at 75% of AUM by 2030 from 15% baseline in 2022).	Completed
	<ul style="list-style-type: none">Commit to report publicly both progress against interim and long-term targets, as well as the actions being taken, at least annually.	In progress
	<ul style="list-style-type: none">In alignment with net-zero by 2050, set interim targets, which include:<ul style="list-style-type: none">50% reduction in the portfolio financed emissions (tCO₂e per million USD invested) of in-scope AUM by 2030.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.\$3.5 billion US allocation to climate solutions by 2025.	Completed

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Investment Practices

As a NZAM signatory, we recognize the critical need for integrating climate change factors into our investment approach in order to reach net-zero by 2050. Our plan involves monitoring both portfolio transition risk and opportunities through developing further climate-oriented sector research and due diligence.

Strategic Area	Net-zero Initiatives and Practices	Progress
Greenhouse Gas Emissions Monitoring and Target Setting	<ul style="list-style-type: none">Measure portfolio carbon footprint (investee Scope 1 and 2 emissions and, to the extent possible, material Scope 3 emissions) where methods and data now allow. We will evolve our practices as these improve.To align with net-zero commitments, manage portfolio emissions reductions targets for in-scope assets that have been set against the 2019 baseline.	In progress
Sector Research	<ul style="list-style-type: none">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.	In progress
Climate Scenario Analysis	<ul style="list-style-type: none">Evolve approach to climate scenario analysis to understand future climate transition and physical climate risks and opportunities.	In progress
Investee Engagement	<ul style="list-style-type: none">Continue engagement efforts on climate-related topics for selected investee companies (e.g., set objectives and targets), including, communicating Addenda’s climate transition criteria for investee companies that is outlined below in Figure 1.Establish sector-specific engagement programs for companies with either the highest “owned emissions” and/or those responsible for combined 65% ‘owned emissions’ in the portfolio.	In progress
Climate Transition Approach in Key Sectors	<ul style="list-style-type: none">Establish a divestment decision tree and phase-out timeline for investments that do not meet clients’ climate objectives. This is already embedded within our Climate Transition strategies.	In progress

We have developed the below criteria that sets Addenda’s climate transition expectations for our current and future holdings, enabling us to achieve our net-zero targets. We are developing further criteria to monitor the progression of our investees against these expectations.

Figure 1 Addenda’s Current Climate Transition Criteria and Expectations for Investee Companies

Criteria	Description
Enabling Activities	
Board Oversight	Does the Board play a role in the oversight of climate-related risks and opportunities?
Risk Management	Does the company have a process to manage climate-related risks?
Commitment to Act	Does the company have a commitment to action on climate change?
Strategy Incorporation	Does the company incorporate climate change risks and opportunities into its business strategy?
Emissions Management	
Emission Disclosure	Has the company reported its operational greenhouse gas emissions?
Emission Target	Does the company have a greenhouse gas emission reduction target?

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Promoting Sustainable Financial Markets and Corporate Stewardship

We are committed to contribute to the development of more sustainable financial markets and encourage best practices for both our investees and the financial industry. We will continue collaborating with peers, investee companies, industry sectors, governments and leading organizations to accelerate and support efforts to achieve net-zero by 2050.



Strategic Area	Net-zero Initiatives and Practices	Progress
Public Policy and Private Sector advocacy	<ul style="list-style-type: none">• Participate in working groups to identify standards, policy and regulatory frameworks that support development and growth of sustainable finance best practices.• Promote policies and government actions that accelerate energy transition, decarbonization, mandatory climate reporting and business transition plans consistent with the Paris Agreement.	In progress
Industry Collaboration	<ul style="list-style-type: none">• Collaborate with industry partners and other investors to promote and enhance sustainable investing practices (e.g., Climate Engagement Canada, CDP Disclosure Campaign)• Promote policies and government actions that accelerate energy transition, decarbonization, mandatory climate reporting and business transition plans consistent with the Paris Agreement.	In progress
Proxy Voting	<ul style="list-style-type: none">• Develop comprehensive proxy voting policy on climate change.• Maintain a clear record of voting activities and disclose results.	Completed
	<ul style="list-style-type: none">• Review proxy voting policy and enhance climate elements.	In progress

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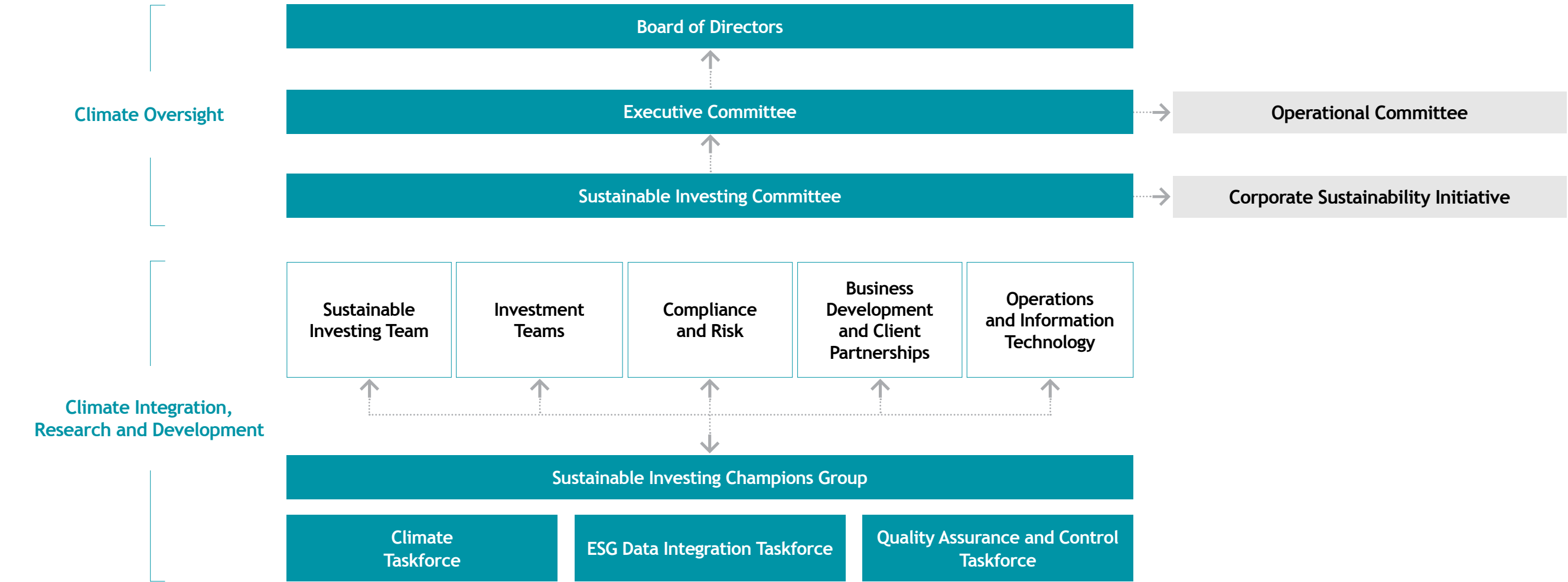
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Governance and Oversight

At Addenda, we understand that maintaining strong governance is paramount in fulfilling responsibilities to our clients and all other stakeholders. We continue to refine our governance approach to effectively monitor and address climate-related risks and opportunities as we move to a Net-zero world. In aggregate, we have a robust governance structure to support the achievement of our climate commitments.



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The Board of Directors is responsible for overseeing, approving, and challenging the firm’s climate strategy and ensuring alignment to the interests of stakeholders. The Board of Directors has ultimate oversight and responsibility for the following sustainability-related activities:

- Major climate-related commitments such as the NZAM initiative;
- Strategic decisions and related climate policies.

Addenda’s climate strategy is core to the broader corporate strategy and overall success of the firm. Our 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 consistent updates from the Executive Committee on strategic developments and progress on climate goals. The Sustainable Investing Committee is the primary governing body to review and debate Addenda’s approach on sustainability and climate in detail making key strategic recommendations to the Executive Committee. Addenda’s President and CEO, Roger Beauchemin, serves as Chair of the Sustainable Investing Committee and provides a direct line of contact to the Board on sustainability-related matters.



Roger Beauchemin, CFA
President and CEO

Roger is responsible for leading the growth and management of the firm and for overseeing the development and execution of its strategic plan. He also chairs the Executive Committee and is a member of Addenda Capital’s Board of Directors. Recognized and appreciated for his great passion and visionary leadership, he also serves as Chair of the Board for the Responsible Investment Association, and as an Advisory Board Member for the Institute for Sustainable Finance. He was instrumental in supporting the launch of Climate Engagement Canada.



Rob Wesseling
Director

Rob is the President and CEO of Co-operators Group Limited. Since joining Co-operators in 1997, Rob has held increasingly senior leadership roles within the group of companies, culminating with his appointment as President and Chief Executive Officer of Co-operators Group Limited on December 1, 2016.

Rob has been instrumental in leading flood resiliency efforts in Canada and engaging all levels of government, the academic community and various industries, to develop a complete solution for Canadians. Rob serves on multiple other boards and is a board member of the Sustainable Finance Action Council committee (SFAC). Under his leadership, Co-operators is in close collaboration with the United Nations Office for Disaster Risk Reduction.



Gregory Chrispin, CFA, ICD.D
Director

Gregory has served on the Board since 2020. Before Addenda, he held key positions within the Desjardins Group for nearly ten years, including Executive Vice-President, Wealth Management and Life and Health Insurance. From 2000 to 2010, Gregory held leadership roles and headed portfolio management teams at State Street Global Advisors. At Desjardins, he worked closely with the Pension Plan teams to make the first investments in the renewable energy sector for the group’s insurance companies through the development of solar and wind farms. In addition, under his leadership, several projects were launched to establish initial targets for reducing the carbon footprint of Desjardins portfolios.

Climate Expertise and Capacity Building

Our Board of Directors bring expertise on climate policy, food and agriculture, working with credit unions and communities, and knowledge of evolving trends in the industry.

Remuneration

In 2021, we incorporated Addenda’s United Nations Principles for Responsible Investing (PRI) score in the compensation plan of our CEO, which includes integration of climate considerations within the overall score. Sustainability goals are now embedded within our Executive Committee compensation plans in 2022 and will be rolled out further in 2023.

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Our Sustainable Investing Committee is responsible for monitoring, approving, and overseeing the advancement of Addenda’s sustainable investing, including climate and net-zero strategies and solutions. It plays an integral part in the strategic guidance and oversight of Addenda’s approach to sustainability and climate integration, to developing new impact themes and processes, joining new major engagement collaborations, and developing climate and Net-zero goals. The Committee meets with the Sustainable Investing Team quarterly at a minimum to discuss climate-related matters and priority setting for ongoing or upcoming initiatives.

In 2022, Addenda launched three Sustainable Investing TaskForces. Each of the three groups focus on one of the following objectives:

- Climate Taskforce: Evolution of climate and net-zero strategy, climate analysis, processes and practices
- Data Integration and Client KPI reporting Taskforce: Building out information flow of ESG metrics, information and activities
- Quality Assurance and Control Taskforce: Evolving and improving methods, documentation and reporting

The taskforces include participants from across the organization. They receive guidance from the advisory committee members and leadership.

The Sustainable Investing Team supports the investment management teams in identifying and assessing climate-related risks and opportunities across all stages of the investment process. Some of the key topics of focus include, deepening analysis related to physical and climate transition risks and opportunities, analyzing market trends and developments in key sectors or topic areas such as renewables or carbon markets along with studying and applying improvements in carbon emissions accounting.

Addenda recently introduced a Sustainable Investing Champions bi-weekly meeting, where members from each investment team, share their latest findings and updates on improving ESG and climate analytics. Client partnership and compliance team members are part of this meeting as well. They also discuss with the SI team evolving news and best-practice trends in ESG and climate analytics and research.

Sustainable Investment Committee

	Roger Beauchemin, CFA <i>President and Chief Executive Officer</i>		Ian McKinnon, CFA <i>Executive Vice-President, Core Fixed Income</i>		Benoît Durocher <i>Executive Vice-President and Chief Economic Strategist</i>
	Monika Freyman, CFA <i>Vice-President, Sustainable Investing</i>		Janick Boudreau, CFA <i>Executive Vice-President, Business Development and Client Partnerships</i>		Kim Chafee, CFA <i>Vice-President and Co-Head, Canadian Equities</i>
	Tyler McKinna <i>Vice-President, Commercial Mortgages</i>		Scott Knight, CFA, FRM <i>Sr. Portfolio Manager and Head of Research, Global Equities</i>		Jean-Marc Prud'Homme <i>Chief Compliance Officer and Chief Risk Officer (ex officio member)</i>

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The Sustainable Investing Team consistently communicates with the Sustainable Investing Committee to share ESG-related insights and provides guidance on policy positions and other initiatives.

The Investment Management Teams are responsible for the broader portfolio performance and ongoing assessment of climate-related risks and opportunities in existing portfolios. The Sustainable Investing Team leads Addenda's collaborative climate engagement and stewardship efforts. In addition they help execute on Addenda's climate policies within our proxy voting guidelines.



Monika Freyman, CFA
Vice-President, Sustainable Investing

Monika leads the team responsible for orchestrating an authentic and holistic approach to the four pillars of sustainable investing at Addenda, namely the integration of ESG factors into investment decisions, corporate stewardship, qualification of securities for impact and climate transition investing, and the promotion of sustainable capital markets.

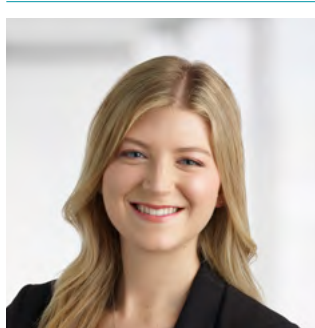
Before Addenda, Monika held the position of Head of Sustainable Investing at Mercer. She also served as an ESG Product Design Consultant for Trillium Asset Management and spent the early years of career as an Analyst covering Emerging Markets for multiple firms.



Réjean Nguyen, CFA
Director, Sustainable Investing

Réjean works closely with investment teams at Addenda Capital on environmental, social and governance (ESG) integration, assessing impact and climate transition risks and opportunities. He also supports the Sustainable Investing team in corporate engagement and transformational change to drive better ESG performance and outcomes such as meeting net zero objectives.

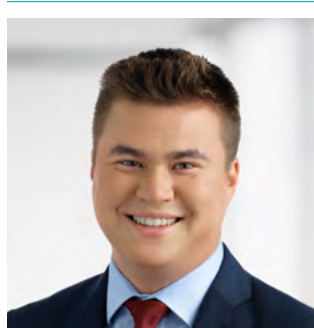
Before Addenda, Réjean spent nearly ten years serving as an Advisor and then Director of Stewardship and Responsible Investing at Caisse de dépôt et placement du Québec.



Gillian Davison
Analyst, Sustainable Investing

Gillian works with Addenda Capital investment teams to help them further integrate environmental, social and governance (ESG) factors into their investment analysis and to conduct active stewardship through proxy voting and engagement.

Before Addenda, Gillian held the position of Business Development Representative, Private Capital ESG Solutions at EcoVadis. Along with other professional experiences, Gillian also holds a Master's degree in Sustainability Management from the University of Toronto.



Kevin Teo-Fortin
Analyst, Sustainable Investing

Kevin works closely with Addenda Capital investment teams to help them further integrate environmental, social and governance (ESG) factors into their investment analysis and to conduct active stewardship through proxy voting and engagement.

Before Addenda, Kevin served as a Research Analyst and Equity Analyst at multiple Investment Management firms. He also holds a Bachelor of Commerce degree with a major in Finance from Concordia University.

Additional Information

More information on our Sustainable Investing Team and Investment Management Teams' approaches to identifying, assessing, and managing climate-related risks can be found in the Investment practices section on page 24.

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Client engagement is a core initiative and practice at Addenda to ensure we are able to achieve our climate-related commitments, and to support our clients in achieving their own climate-related goals and targets. Furthermore, we recognize the significant role we play as an asset manager to strategically communicate with our clients on the impact their investments can have to support the economy's transition to net-zero, and the importance of integrating climate considerations into their investment decision making.

As part of our commitment to our parent, Co-operators, we work with them on meeting their ambitious impact and climate commitments. These commitments include: by 2026, 50% of Co-operators' total invested assets will be impact investments or those that support the transition to a sustainable, resilient, low-emission society, with the target increasing to 60% by 2030.¹⁰

As part of our communication efforts to our clients, our Sustainable Investing team sends a semi-annual Sustainable Investing Update. The publication provides our clients with a snapshot of new sustainable investing developments at Addenda and in the market, our portfolio emissions¹¹, progress achieved within our climate and impact pooled funds, and thought leadership pieces. In addition, we release an annual Impact Report that highlights the performance of Addenda's Impact Fixed Income Pooled Fund. The report highlights progress the pooled fund's four sustainable development themes, which include: climate change, health and wellness, education, and community development.

As part of our net-zero journey, we are committed to improving the reporting of our clients' portfolio emissions, as well as the climate transition alignment of their holdings and their allocation to climate solutions and catalytic companies.

To further support knowledge sharing to our clients and maintain our sustainable investing market presence, we will continue to write thought leadership pieces and engage with the investment community to enable further climate research. Examples of our thought leadership efforts are highlighted below.



¹⁰ 2022 Target: By end of 2022, 20% of Co-operators invested assets are in impact investing.
¹¹ We disclose our portfolio emissions on pages 35 and 36 of this report

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Institute for Sustainable Finance

Addenda's President and CEO currently sits on the Advisory Board for the Institute of Sustainable Finance (ISF), which is a multi-disciplinary network of research and professional development that brings together academia, the private sector, and government to shape Canada's innovations in sustainable finance. As part of our role, we support and identify the development of research and other initiatives that promote financing the mitigation and adaptation of climate change. The ISF has released several market leading publications, including "[Climate Change Adaptation and Resilience](#)", as well as others such as "[Partial Disclosure: Assessing the state of physical and transition climate risk disclosure in Canada](#)", and "[A Closer Look at the GHG Protocol: Observations and Implications for Standards Setters and Regulators](#)", to name a few.



Responsible Investing Association (RIA)

In addition to being on the advisory Board for the ISF, Addenda's President and CEO also sits on the on the Board and Advisory Committee of the Responsible Investing Association (RIA). Through Addenda's involvement, we regularly support and contribute to publications and reports, including the thought leadership piece, "[As Green Bonds Grow, What Should Investors Know](#)", written by our Editor, François Desjardins, and Vice-President, Sustainable Investing, Monika Freyman. The report outlines green bond guidelines as stated by the Green Bond Principles, growing challenges of classifying "green" investments, and the projected issuances of green bonds in Canada.



Addenda's Sustainable Investing Team

Our Sustainable Investing team releases a semi-annual Sustainable Investing Update that provides our clients with a snapshot of key sustainable investing updates and developments, as well as educational thought leadership pieces. For example, in our January-June 2022 Sustainable Investing Update, we included a thought leadership piece, "[Sustainable Investing will emerge stronger and better](#)", which highlights greenwashing concerns and scrutiny that is currently developing within the market.

In addition, Addenda's Sustainable Investing team has contributed to various investment media platforms, including Benefits Canada, where Monika Freyman wrote "[How does impact investing seek to support Sustainable Development Goals?](#)", discussing the benefits of impact investing and the advancement it has made within the market.



Investing in the Low Carbon Transition and Climate Change Solutions

At Addenda, our strategy aims to address and mitigate climate-related risks, while also proactively identifying opportunities to support the transition and invest in climate change solutions. In an effort to follow through with our climate commitments and assist our clients with achieving their climate goals, we offer a suite of sustainable and impact solutions including our Climate Transition Equity Pooled Funds, Fossil Fuel Free Global Equity Pooled Fund, Eco-Social Commercial Mortgages Pooled Fund, and Impact Fixed Income Pooled Fund.

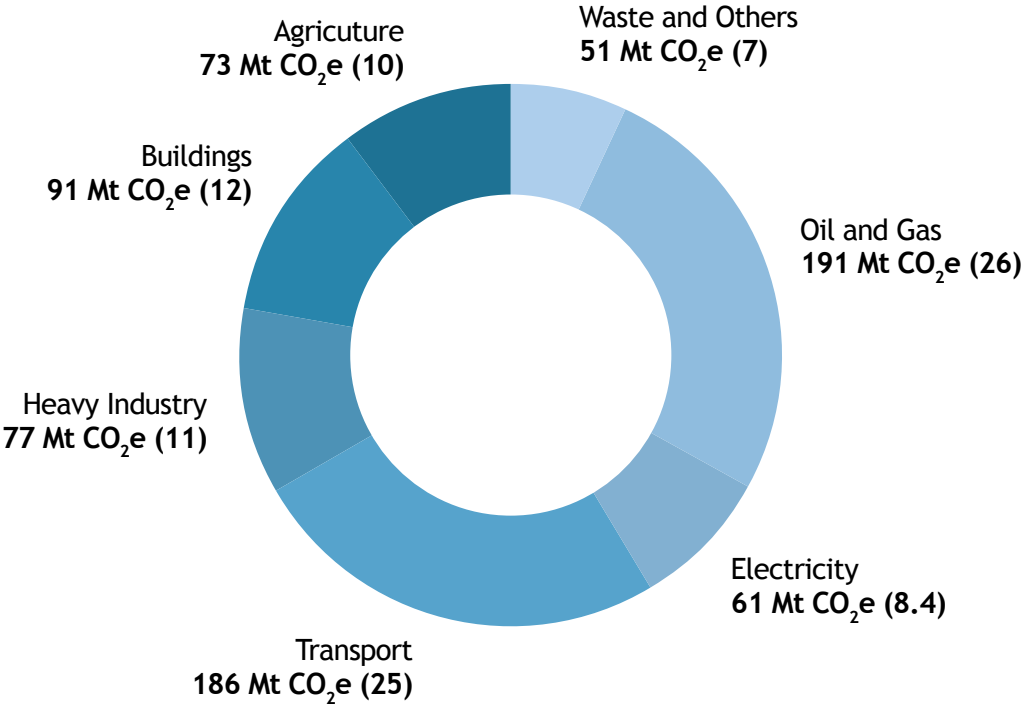
Climate Transition Equity Pooled Funds

To help our clients meet their own net-zero goals, we have developed two Climate Transition funds – one Canadian, 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 – this includes engaging with and decarbonizing heavy emitting sectors such as oil and gas, heavy industry, transportation, consumer goods, and agriculture. Figure 2 highlights the breakdown of Canada’s highest-emitting sectors.

In addition to the financial analysis completed in support of portfolio construction, the Funds are constructed using a four-step approach:

1. Identifying companies committed to and able to climate transition;
2. Raising our expectations of portfolio companies over time to ensure they are advancing on net-zero 2050 and interim goals along a Paris aligned trajectory;
3. Actively managing a concentrated portfolio with carbon emission reduction targets of 25% by 2025 and 50% by 2030, compared to 2019 level;
4. Engaging with portfolio companies on their climate goals.

Figure 2 Breakdown of Canada’s Greenhouse Gas Emissions of Seven Economic Sectors¹² (%)



¹² Source: 2030 Emissions Reduction Plan – Canada’s Next Steps for Clean Air and a Strong Economy

Investing in the Climate Transition and Sustainability Solutions

Climate Transition Equity Pooled Funds

We have developed a climate transition framework as part of our due diligence process for inclusion in the fund.

Since the inception of the fund, we have seen investee companies advance in their transition maturity. This includes companies developing emissions reduction targets, and the incorporation of comprehensive climate change into their business strategies. Furthermore, the Climate Transition Canadian Equity Pooled Fund companies are more advanced on climate transition maturity than the benchmark – S&P/TSX Composite index. See Figure 3 below which highlights the climate transition maturity of the Canadian fund revealing the transition progress of the investee companies since inception and against the benchmark.

As engagement is a critical component of our Transition Equity Funds, we regularly engage with our portfolio companies to encourage and support their climate ambitions and commitments, as well as to learn from the most advanced ones. As at December 31st, we held over 32 meetings with International and Canadian companies on their climate transition plans, on topics such as climate scenario analysis, capital expenditure programs toward climate solutions, and compensation alignment with climate goals, to name a few.

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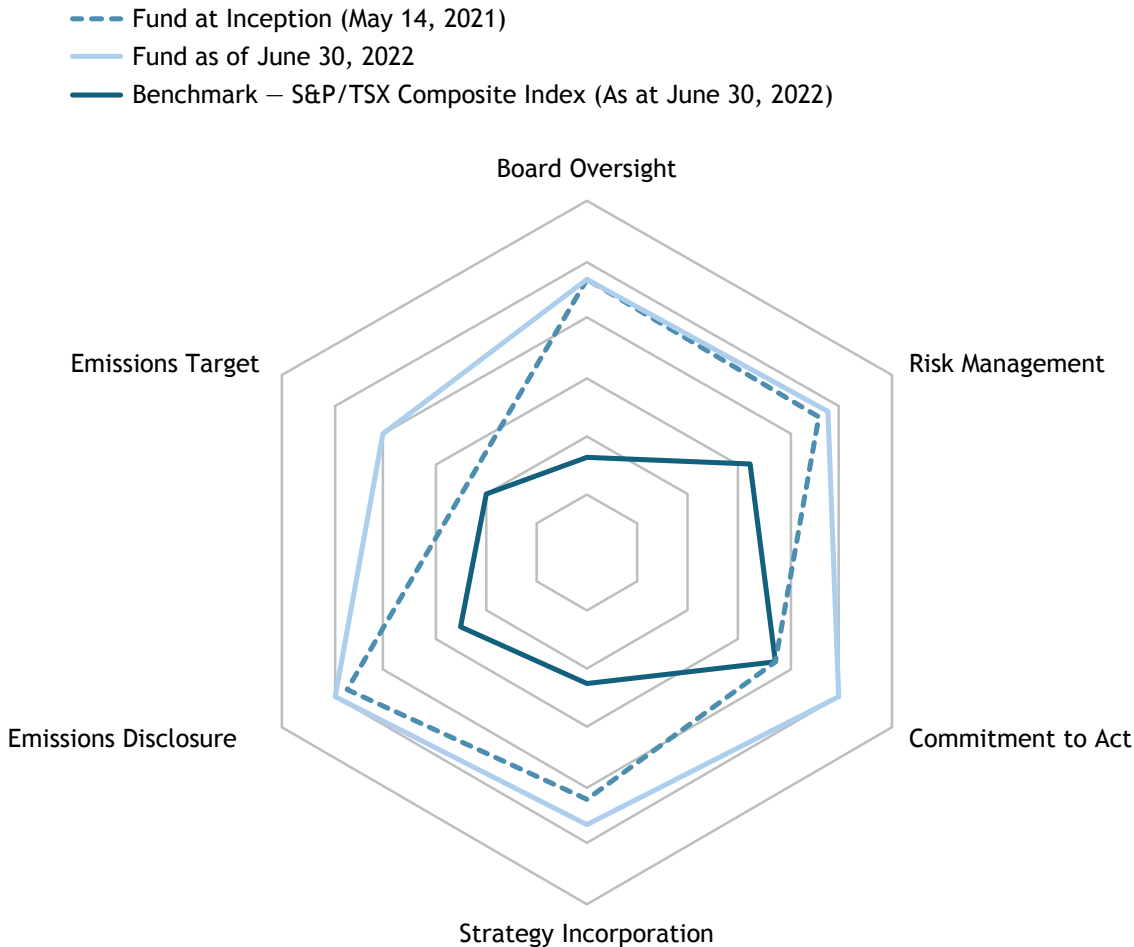
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Figure 3 Climate Transition Maturity Climate Transition Canadian Equity Pooled Fund¹³



¹³ We are using the Canadian fund to demonstrate our progress, which depicts similar progress for the international fund

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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.

Eco-Social Commercial Mortgages Pooled Fund

In 2022, Addenda launched the Eco-Social Commercial Mortgages Pooled Fund, which seeks to support the advancement of United Nations Sustainable Development Goals (UN SDGs) while generating compelling returns. One of the first of its kind in Canada, the fund invests in commercial mortgages in Canada that endeavor to be consistent

with social and environmental goals. The Eco-Social Pooled Fund seeks to invest in five main themes: affordable housing, green buildings, underrepresented groups, cultural, non-profit and community facilities, and health and education.

Example 1

Property Type:	Multi-Family Building
Location:	Brantford, Ontario
Property Specifics:	A residential affordable housing project with a minimum 10-year municipal affordability contract.
Borrower:	Experienced operators providing a full personal guarantee



Example 2

Property Type:	Senior Housing
Location:	Calgary, Alberta
Property Specifics:	A LEED Gold senior housing complex that provides a variety of levels of seniors housing, including dedicated memory care. The building consists of 242 units, with 154 units leased by the Government of Alberta.
Borrower:	Non-profit registered charity borrower



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Impact Fixed Income Pooled Fund

Our Impact Fixed Income Pooled Fund represents our inaugural approach in seeking to create both financial returns and a positive impact to society. The Impact Fund is managed by skilled and experienced fixed income managers and dedicated sustainable investing specialists. The Fund consists of four broad themes: climate change, health and wellness, education, and community development, with the majority of investments falling under the climate change theme. The climate change-themed investments have been allocated across the following three focus areas: renewable energy, clean transportation, and energy efficiency. Figure 4 further highlights the impact focus areas within the other impact themes, as well as the related SDGs. Addenda has an impact assessment due diligence process which was internally developed – stop-light scoring systems, with strict thresholds, based on best practice standards and guidelines for key sectors and industries.

Impact Themes	Impact Focus Areas	Related SDGs*
Climate Change	<ul style="list-style-type: none">Renewable EnergyClean TransportationEnergy Efficiency	<div><div>7</div><div>9</div><div>11</div><div>13</div></div>
Community Development	<ul style="list-style-type: none">Credit Unions and Financial Services Co-OperativesDevelopment FinanceAffordable HousingIndigenous Economy	<div><div>1</div><div>8</div><div>9</div><div>11</div></div>
Education	<ul style="list-style-type: none">UniversitiesSchool Boards/ School Services Centres	<div><div>4</div><div>8</div></div>
Health and Wellness	<ul style="list-style-type: none">HospitalsNon-Profit Seniors Housing	<div><div>1</div><div>3</div><div>11</div></div>

CPPIB Capital Inc.

In 2018, CPP Investments was the first pension fund manager to issue a green bond. The green bond framework has allowed CPP Investments to expand its portfolio of long-term investments that will accelerate the energy transition to a low-carbon economy.

Impact Focus Area

Renewable energy, green buildings, clean transportation, and energy efficiency

Impact Metric

6,961 MW of gross renewable energy capacity (solar and wind)

SDG Alignment

Goal 7 – Affordable and clean energy
Goal 13 – Climate action



Province of Québec Green Bond

The province of Québec issued its Green Bond Framework in 2017. The Framework focuses on raising capital for specific projects within eight eligible categories, mainly focusing on clean transportation and energy efficiency.

Impact Focus Area

Renewable energy, clean transportation, and energy efficiency

Impact Metric

680,000 tonnes of reduced/avoided tonnes CO₂e over 25 years
6% reduction in GHG emissions per seat-kilometre from buses by 2025

SDG Alignment

Goal 3 – Good health and well-being
Goal 7 – Affordable and clean energy
Goal 9 – Industry, innovation and infrastructure
Goal 11 – Sustainable cities and communities
Goal 12 – Responsible consumption and production



* SDG: Sustainable Development Goals
Source: United Nations

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Q&A with VP, Sustainable Investing

What do you view as the primary challenge right now on climate change and investors meeting net-zero goals?

The geopolitical tensions sparked by Russia’s invasion of Ukraine has laid bare the importance of energy security and that the road to net-zero is a bumpy one. It stresses the importance that an analysis of net-zero goals and pathways is not isolated at the company level but also plays out in regional energy procurement, geopolitical tension or in driving economic instability.

The energy transition to net-zero is as critical as ever and highlights that moving to more distributed and diverse energy sources can have the added benefit of not being reliant on politically unstable and unsavory regimes. At the same time, investors need to have a more nuanced approach and recognize that bridging energy sources must remain in the mix in the short-term. Transitioning to a low-carbon economy future requires the usage of all the tools, as well as strong policy and structural economic drivers to support progress towards our collective net-zero goals.



Monika Freyman
Vice-President, Sustainable Investing
Addenda Capital

How has Addenda Capital’s parent company, Co-operators, driven Addenda to support the economy’s transition to net-zero by 2050?

Addenda has a long history of commitment to sustainable investing and a unique role due to our partnership with Co-operators, an organization that was built on the foundation to rebuild and protect rural Canadian communities in the post-war period. Today, in a similar nature, Co-operators has the opportunity to play a significant role in supporting Canadian communities adapt and mitigate the impacts of climate change. Adverse weather events have proven to become more common and intense, with hurricane Fiona devastating the Maritimes, significant flooding in the Fraser Valley cutting off major transit and trade arteries in Western Canada, and catastrophic wildfires destroying the village of Lytton, British Columbia.

As an insurer, Co-operators understands and has experienced firsthand the impacts of more frequent extreme weather events¹⁴, and has therefore made a commitment to be a Net-zero Asset Owner and allocate 60% of its investments toward impact or investments that support the transition to a sustainable, resilient, low-emissions society. Rob Wesseling, CEO of Co-operators, sits on the advisory committee of Canada’s Sustainable Finance Action Council (SFAC), and Roger Beauchemin, President and CEO of Addenda, sits on the Advisory Panels of both Climate Engagement Canada and the Institute for Sustainable Finance. Both leaders show our respective organizations’ deep commitment of trying to lift all boats on climate change in Canada.

What are your hopes for Climate Engagement Canada, and what do you view as the near-term priorities?

Time is not on our side if Canada and the world are to make our 2030 climate goals. We must all move more quickly and at scale. Climate Engagement Canada (CEC) represents an incredible opportunity for climate, investment, and thought leaders to come together and work more effectively with key sectors and companies within the Canadian economy to achieve emissions reductions and climate goals. The initiative targets 40 companies that 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”.¹⁵ Through active engagement with these companies, investors can get a better sense of their climate plans and journeys, including existing challenges, and we can discuss ways to make real, actionable progress.

One of the key benefits we’ve found through our global climate dialogues with companies is the sharing of best practices from companies that are leaders in their industry. We can often share industry leadership approaches, frameworks and action plans with companies that are not as climate mature. Investor engagement is more than just questioning companies on some narrow point, but rather about facilitating strategic dialogue between thoughtful shareholders and company leadership on very complex climate issues. It’s often an incredible learning experience for all involved. Everyone recognizes that there are many unknowns when it comes to reaching net-zero, and that we all benefit in collectively sharing knowledge and pushing each other to make critical climate goals.

We are currently involved with six CEC companies in addition to participating with Climate Action 100+ companies. The main priority is understanding companies’ climate strategies, goals, and ways forward. Current hot topics include aligning lobbying efforts with net-zero, driving capital expenditures to emissions reduction technologies especially through this cycle of higher energy prices and profits, tying executive compensation to climate goals, and performing climate scenario analysis to understand physical and transition risk exposure.

¹⁴ See the [Actuarial Climate Index](#) for an illustration of growing trend of significant climate events
¹⁵ [Climate Engagement Canada](#)

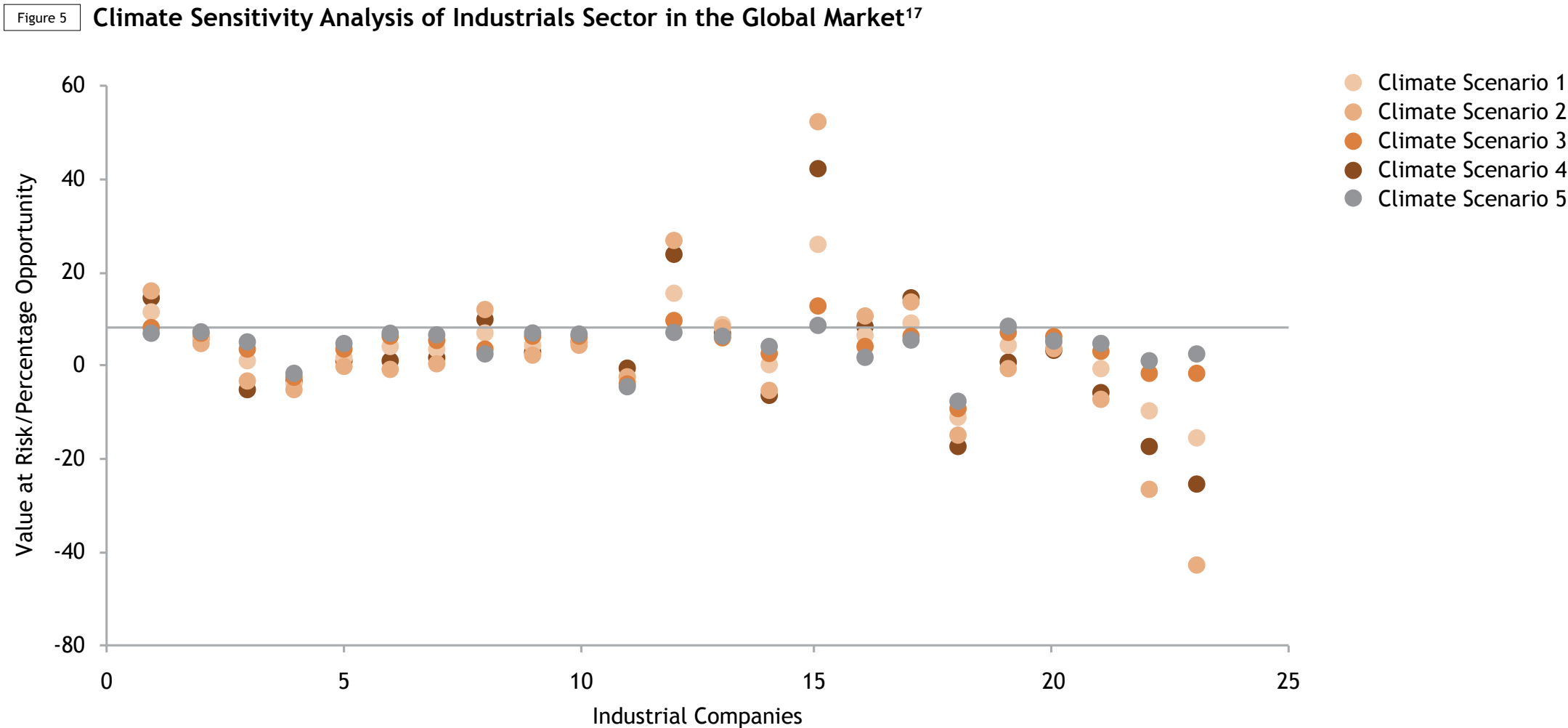
Climate Scenario Analysis

As part of Addenda’s efforts to improve our portfolio level analysis and our effort to support the transition to net-zero, we have begun piloting climate scenario analysis. The approach allows us to further understand the potential transition and physical risks and climate-related opportunities our portfolios would be exposed to under various temperature scenario pathways. Leveraging MSCI’s Climate Value at Risk (CVaR) analytics we evaluated, at the issuer level, potential valuation sensitivities driven by¹⁶ different future climate policy, technology, and physical scenarios.

For example, below is an analysis of the potential exposure of a portfolio in the industrial sector would face under various temperature scenarios. Figure 5 below highlights the aggregated transition CVaR of the industrials sector, where the various colored dots represent the different

temperature scenarios. Our focus is to study what portion of the holdings that are very sensitive to many different future climate scenarios. The modelling suggests that while several of our holdings could be exposed to potential transition risks, there are various portfolio holdings that present climate opportunities under various temperature scenarios (dots above x-axis). A positive value at risk represents positive climate opportunities for certain issuers, while a negative value at risk represents potential climate risks.

The intention is to extend this pilot and further develop our approach and understanding of future potential climate risks and opportunities portfolios face.



Note: Various dots represent different groupings of temperature scenarios with each column on the “X” axis representing different companies.

¹⁶ MSCI: Climate Value-at-Risk
¹⁷ Source: Addenda analytics drawing from MSCI Scenario Analysis

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At Addenda we are continually trying to improve our understanding of the various transition (policy, technology, and carbon price shifts) and physical (extreme weather, shifts in climate patterns) climate risks that could impact our investments, across different time-horizons. As an asset manager for both institutional and retail clients, we recognize that investment time horizons are an important variable for consideration. By further understanding these potential risks, we are able to integrate these considerations into our portfolio construction, valuation, and risk management practices — improving the resilience of our investment portfolios over the long-term.

Our investment teams are evolving their practices and processes to support the integration of physical and transition risk assessment and management throughout the investment lifecycle. Each asset class is developing a customized approach to identifying and assessing climate-related risks due to the different investment strategies each asset class controls.

Sustainable Investing Team

The Sustainable Investing Team supports our portfolio managers during research, due diligence, and review processes by:

- Conducting training sessions and building capacity on topics such as carbon emissions accounting and Canada's transition to net-zero;
- Producing and distributing industry reports and papers to investment teams on emerging best practices, and associated global and Canadian initiatives, for climate risk management by institutional asset managers and owners;
- Conducting more in-depth company-specific reviews, when requested by investment teams;
- Establishing and evolving Addenda's internally developed approach in assessing climate positive impact solutions within the fixed income market;
- Preparing presentations to investment teams and management on proxy voting and investment performance within; and
- Driving engagement efforts with portfolio companies on topics including climate risk and emissions reduction.



Commercial Mortgages

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Identifying and Assessing Climate Related Risks

Climate change has been increasingly impacting commercial buildings and real estate. Our Commercial Mortgages team is aware that climate-related risks can significantly impact property valuations, insurance costs and pricing. For a number of years, the team has integrated climate-related risk assessments throughout the entire investment lifecycle. As part of our due diligence process and before closing a deal, we require borrowers to complete an environmental site assessment (ESA) that looks to identify any potential or existing environmental contaminations. In addition to these ESAs, we identify and assess potential physical risks to the property using Swiss Re’s CatNet® tool. The tool assists the Commercial Mortgages team in identifying extreme climate risk exposures based on the geographic locations of our mortgaged properties.

Each individual physical risk is scored and tracked at the individual loan and overall portfolio level. Risk scores are currently used in qualitative assessments. However, over the next year, the Commercial Mortgages team will investigate incorporating a quantitative analysis to quantify the associated climate-related risks and opportunities. We believe the Addenda Commercial Mortgages team would be one of the first commercial mortgage investment manager in North America to apply this level of assessment.

When assessing a property’s overall climate risk profile, the team also considers whether the building is LEED or BOMA BEST certified, as well as uses Refinitiv World-Check One to gain an understanding of any reputational risks the borrower may be involved in.

Examples of the physical climate risks our team identifies and monitors are provided below.



Earthquake



Hail Storm



Lightning



Flooding and Pluvial Flooding



Tornado



Tsunami and Storm Surge



Wildfire

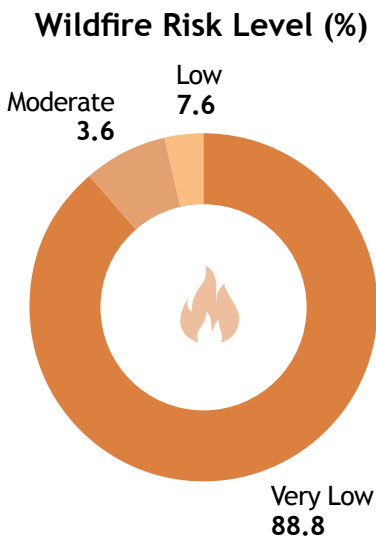
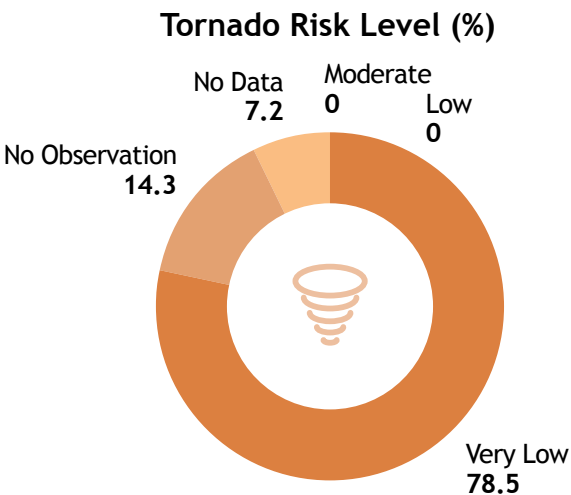
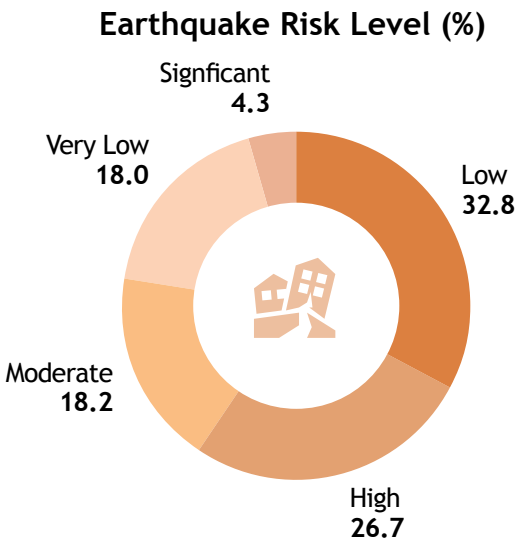
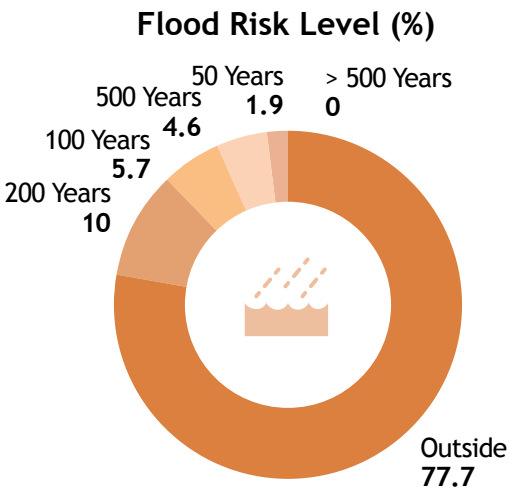


Windstorm

Managing Climate-Related Risks

To support our commercial mortgage team in monitoring physical risks, we have developed a dashboard that tracks the physical risks each property is exposed to. The dashboard identifies the top 10 properties that are most exposed to each physical risk intensity, as well as the risk levels (i.e. high, moderate, low, very low) each identified physical risk poses to the portfolio. When we engage with borrowers on a yearly basis, we work with our insurance consultants to ensure insurance coverage is appropriate for the physical risks identified.

Examples of Physical Risks Across the Commercial Mortgages Portfolio*



* Data as at June 30th 2021

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Identifying and Assessing Climate Related Risks

Our Canadian Equities team is enhancing its framework for assessing the environmental (including climate change), social, and governance risks and opportunities within their portfolio. The risk/opportunity assessments are being completed on a sector-by-sector basis, and occur at the individual company level, which includes current portfolio holdings and potential investees. The oil and gas (upstream and midstream), banking and industrials sectors have been assessed, and materials are next in line.

The step-by-step assessment process is described below:

Assessment Criteria: The team has identified a series of metrics that make up their assessment criteria to measure each company’s performance. The team establishes metrics by using Addenda’s ESG framework¹⁸ to identify sector-specific factors to form a baseline and then metrics are further modified based on Addenda’s portfolio managers’ industry-specific knowledge and insights. Once metrics have been established, the team assigns a weighting to each metric and ESG area, based on the material risks associated with each sector.

Data Collection and Assessment: To evaluate each company’s performance, the team first collects data from the company’s public disclosures and third-party data providers to establish a baseline. The team then engages directly with companies and meets with them to verify the data our team has collected, close any data gaps and gather any additional information.

Scoring: To calculate each company’s score, the team first looks to understand which metrics are consistently populated across all companies’ evaluations, and then selects the appropriate metrics to apply in the scoring. The team then calculates a quantitative score for each metric and aggregates all metric scores into one final company score. Scoring is determined based off peer performance, past company performance, and industry best practice and trends.

Climate-Related Opportunities Considered in Oil and Gas Sector

Opportunity Area	Opportunities Considered
GHG Emissions and Energy Use	Low carbon transition, competitive advantage for energy efficiency enhancements and clean technology, clean energy production
Toxic Emissions, Waste and Hazardous Materials	Development of waste circularity processes
Water Management	Development of waste circularity processes

Managing Climate-Related Risks

A key component of the risk assessments and management of identified risks is engagement with portfolio companies. Our portfolio managers have significant sector experience and knowledge and have been able to build a strong rapport with our portfolio companies. These relationships have laid a foundation to allow the team to facilitate meaningful engagement with companies to understand their climate maturity and ambitions, and ultimately mitigate climate-related risks. The intention of the assessments is for portfolio managers to integrate the identified risks and opportunities into their fundamental analysis for decision-making, such as the considerations of risk premiums, weightings, discounted cashflow analysis, weighted average cost of capital, and divestment.

Climate-Related Risks Considered in Oil and Gas Sector

Risks Considered		Potential Financial Impact
GHG Emissions and Energy Use	Extreme weather events	Revenue, capital expenditure, operating expenses
	Investor demand for lower-carbon products	Revenue
	Carbon tax implementation	Capital expenditure, operating expenses, tax
	New and existing regulations	Asset stranding, asset book value, provisions, capital expenditure
Toxic Emissions, Waste and Hazardous Materials	Tightening regulations	Asset stranding, asset book value, provisions, capital expenditure
	Enhanced disclosure requirements	Operating expenses
	Environmental tax/fines	Tax, fines
	Reputational	Financing costs, provisions
Water Management	Water scarcity	Revenue, operating expenses
	Rising temperatures	Operating expenses
	Reputational: water conflicts with surrounding community	Revenue, provisions, operating expenses
	New regulations	Capital expenditure, operating expenses
Biodiversity	Tightening regulations or other requirements to protect critical species or habitats	Revenue, capital expenditure, operating expenses

¹⁸ Formerly known as SASB+ framework

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Identifying and Assessing Climate Related Risks

Addenda’s Global Equities team has integrated ESG (including climate change) risk assessments into their investment processes throughout the investment lifecycle. To support the assessment of climate-related risks, the team completes a qualitative assessment using Addenda’s ESG Framework. The ESG framework has the SASB standards embedded within the foundation, allowing the team to understand the potential material risks an investee may face. The assessment criteria, although based on the SASB standards, includes additional assessment criteria and weights criteria based on the sector of the investee. Our strong sector and industry knowledge has allowed us to develop an innovative in-house approach that is customizable across sectors and investees. Key metrics assessed include GHG emissions, science-based targets, energy use, and emissions intensity relative to peers.

Data is collected through investee’s public disclosures as well as through direct engagements with companies.

Managing Climate-Related Risks

The assessments are completed during the due diligence process and are reassessed during the hold period – the process is continuous and managed throughout the investment lifecycle. Identified risks are monitored and progress on companies’ climate-related initiatives and practices is tracked regularly.



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Identifying and Assessing Climate Related Risks

Similar to the Global Equities team, the Fixed Income team uses Addenda’s ESG Framework as a baseline to identify and assess climate-related risks. The assessments are tailored based on sector and industry and have been integrated into the due diligence and portfolio management processes. In-depth research is conducted during assessments, and data is collected from company’s public disclosures, such as sustainability or climate reports. Once information is collected, identified risks are ranked by importance, which considers financial materiality. The same process used to identify traditional financial risks is used to identify and assess climate-related risks.

With the Sustainable Investing team, the Fixed Income team also completes assessments of green bonds and has internally developed an assessment framework with criteria that looks to understand and classify the allocation of financing to green projects. The criteria has been built upon best practice market frameworks, such as the EU Taxonomy, the Green Bond Principles, and the Climate Bond’s Initiative’s Climate Bond Taxonomy. In addition, the team develops summaries of issued green bonds, which includes information related to details of issuer, structure, and use of proceeds. The summaries allow the teams to identify any potential risks, which are then flagged and managed accordingly by portfolio managers.

Managing Climate-Related Risks

The Fixed Income team produces topic-specific climate-related research that is shared and presented internally to investment teams. Team members have found this research to be incredibly helpful to assist with informing their investment decision making, as well as to support their communication with clients. For example, most recently, a Fixed Income team member completed a deep dive research project on the nascent carbon credit market, which included information on how the carbon market functions, voluntary standards, how companies and investors are leveraging carbon markets, and future carbon market developments.



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Although we have made great strides in identifying and assessing climate-related issues, our teams continue to be humbled by how much there is to consider and learn, as well as the need for the evolution of standards, data and analysis. One of the main challenges that teams express is the lack of sufficient and comparable climate disclosures from portfolio companies and from third-party data providers. However, we believe that the credibility and availability of climate-related data will improve as climate disclosures become regulated and mandated by policymakers. This was a major reason we submitted our support and recommendations to the U.S. Securities Exchange Commission (SEC) on their proposed climate disclosure guidelines for companies.¹⁹

We will continue to develop and enhance our climate-related risk practices and processes to ensure we are able to fully capture the impact climate-related issues could pose to the resilience of our investments.



¹⁹ [Addenda's submission to the SEC](#)

Engagement with Investee Companies

As an asset manager, we understand the importance of engaging with investee companies. Our corporate engagement activities involve purposeful dialogue with investee entities on important matters identified through monitoring, and on matters that are the subject of votes at shareholder meetings. We may further engage with company management on issues we feel strongly about or if we have specific concerns about a company’s strategy, performance, governance, compensation or approach to risks. We perform our investment-related engagements through our internal due diligence and asset management processes, and by participating in external engagement initiatives (such as through the CEC and CA100+).

Engagement Approach

In 2021, we worked to establish an engagement approach that allows our investee companies to clearly understand our climate and sustainable investing-related ambitions and expectations. The approach consisted of setting expectations related to:

- Setting Paris-aligned targets;
- Board’s climate and sustainable governance practices;
- Management’s commitment to act;
- Monitoring of investee company progress against milestones;
- Ways of holding investee companies accountable; and
- Divestment if insufficient progress has been observed

Further information related to our Corporate Climate Expectations can be found on page 6 of this report.



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Proxy Voting

At Addenda, we understand the importance of exercising our rights as shareholders to promote the adoption of better climate practices within portfolio companies. We have published our position on a variety of climate-related practices in our Proxy Voting Policy. These include:

Our full position on shareholder voting can be found in our [Proxy Voting Policy](#). We update our Proxy Voting Policy periodically, with the next update occurring in 2023.

Addenda Climate Proxy Voting Position

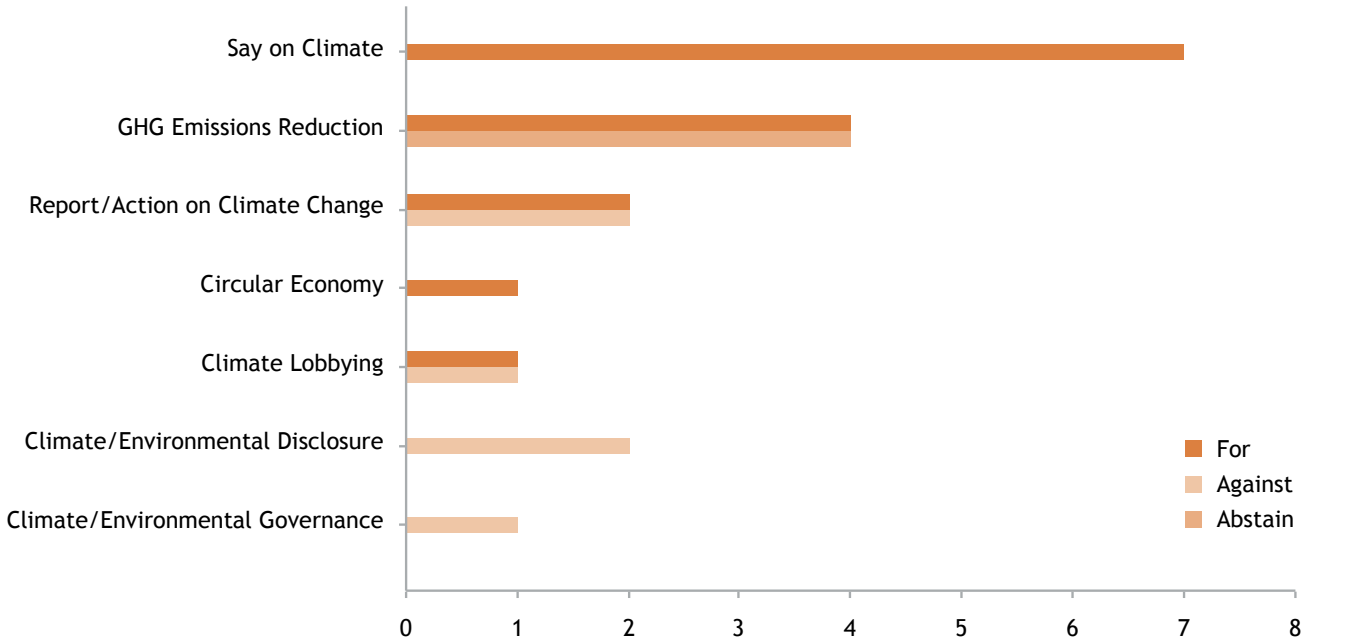
Disclosure of environmental risks and management practices	<ul style="list-style-type: none">Support requests for increased disclosure of risks and management practices related to or arising from environmental issues.
Standards and business practices	<ul style="list-style-type: none">Support adherence to internationally recognized norms and conventions and the adoption of policies and practices regarding environmental issues that are likely to reduce portfolio risk.
Climate change	<ul style="list-style-type: none">Support requests for increased public disclosure of risks related to climate change and management practices intended to address those risks.Support requests to adopt cost-effective GHG reduction targets and programs.Support requests for corporate strategies and business plans that are consistent with limiting the global temperature rise to 2°C above pre-industrial levels.Support requests to improve disclosure of lobbying activities, especially with regard to climate lobbying carried out by companies and their professional associations.
Environmental expertise on boards	<ul style="list-style-type: none">Support the nomination of directors with environmental expertise to boards of companies, in industries with significant environmental issues associated with their operations.
Board oversight of environmental risks and opportunities	<ul style="list-style-type: none">Oppose the chair of the board if there is no evidence of board oversight of environmental risks.
Executive compensation design	<ul style="list-style-type: none">Support linking executive compensation to measures of performance on environmental issues that are likely to enhance long-term corporate financial performance in addition to traditional evaluation measures.

Our Climate Voting Results: Proxy Voting Snapshot

15 Votes in favour
1 Vote abstain
6 Votes against

Our proxy voting decisions highlight our commitment to promote greater transparency and performance on climate-related practices. Between 2021 and 2022, we voted in support of 70% of climate-related shareholder proposals, which were focused on a wide range of issues such as climate strategy approval, GHG emission reduction targets in alignment with net-zero, and action on climate change. Abstentions or votes against can occur when we agree with the spirit but not the specifics of a proposal.

Climate Resolutions²⁰



²⁰ Proxy voting results cover the period between July 7, 2021 and June 30, 2022.

Addenda’s Portfolio Carbon Footprint

At Addenda, we understand the importance of measuring our climate-related performance as it allows all stakeholders to gain insight into the direct and indirect impacts of our investment activity and portfolio company operations. We have been measuring our portfolio carbon footprint since 2015 as part of our commitment as a signatory of the Montréal Carbon Pledge. See Figure 7 for further details on our portfolio’s carbon footprint metrics and calculations.

Figure 7 Pooled Funds – Metrics and Details

Portfolio Financed Emissions: Tons CO ₂ ^e /USD M Invested	
Utility of the Metric	What is my portfolio’s normalized carbon footprint per million dollars invested?
Calculation	$\frac{\sum_i \left(\frac{\text{Market value of investment (CAD)}_i}{\text{issuer's EVIC(USD)}_i} \right) * \text{issuer's operational GHG emissions}_i}{\text{current portfolio value (millions of CAD)}}$
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

Weighted Average Carbon Intensity (WACI): Tons CO ₂ ^e /USD M Revenue	
Utility of the Metric	What is my portfolio’s exposure to carbon-intensive companies?
Calculation	$\sum_i \left(\frac{\text{Market value of investment (CAD)}_i}{\text{current portfolio value (CAD)}} * \frac{\text{issuer's operational GHG emissions}_i}{\text{issuer's revenue (millions of USD)}_i} \right)$
In-scope Asset Types	Equity and Corporate Fixed Income
Out-of-Scope Asset Types	Government bonds, Commercial Mortgages, Warrants, Derivative financial instruments, Cash and Money market



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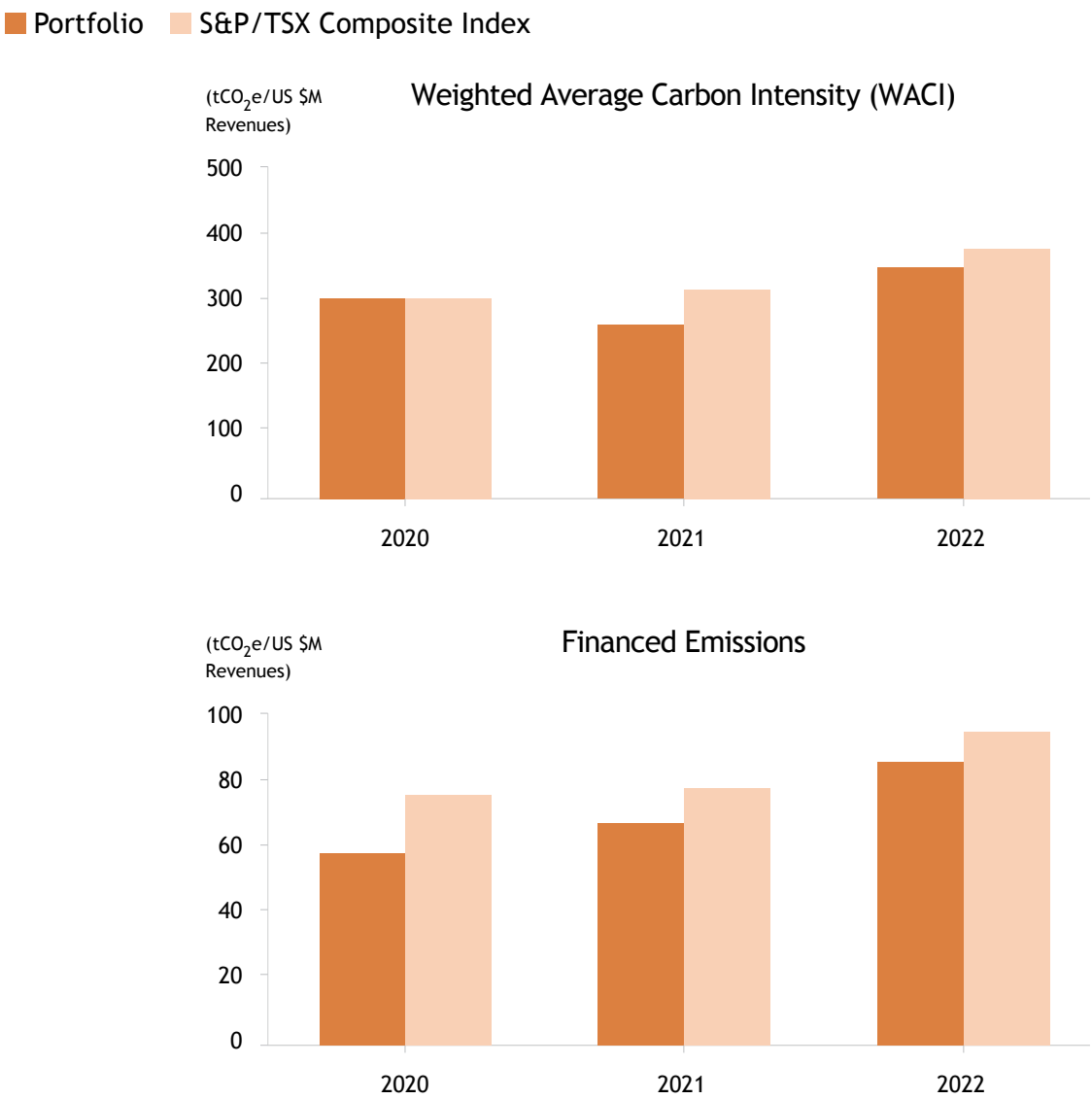
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In 2021, the Canadian Equities Pooled Fund had a lower carbon footprint than the benchmark as a result of emissions reductions within the materials and utilities sectors, which have high sector weightings within our fund. In 2022, the fund, again, had lower emissions than the benchmark from both a financed emission and Weighted Average Carbon Intensity (WACI) basis. Lower financed emissions were a result of the portfolio’s lower sector weightings within the oil and gas sector, and a lower WACI was the result of emissions reductions within the utilities and materials sectors.

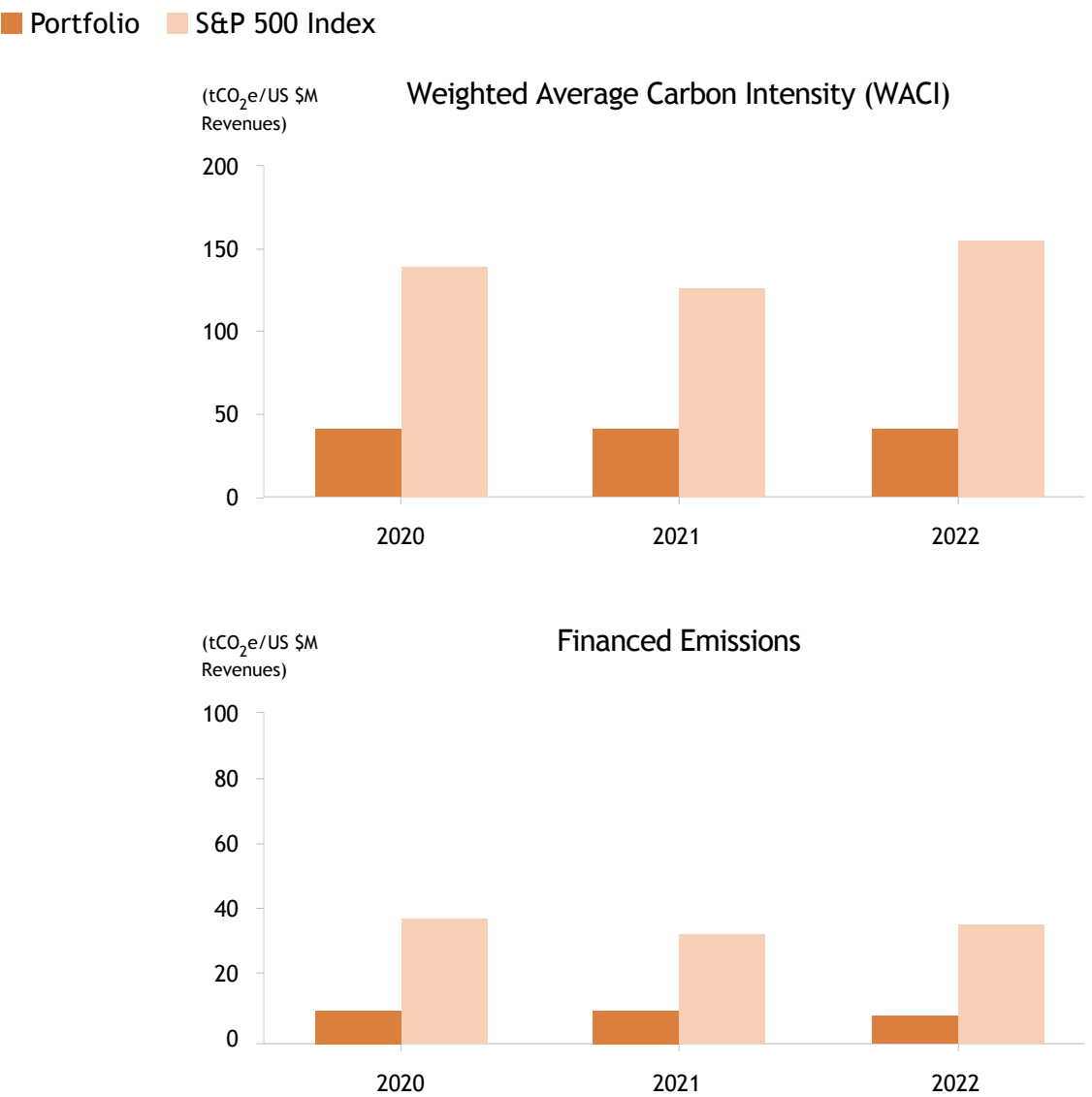
Due to the volatility of the energy markets in 2022, energy companies’ valuations increased, and the weight of the energy sector increased as a whole within portfolios, resulting in emission increases within the fund and the benchmark.

The US Equities Pooled Fund does not have exposure to the energy and utility sector which accounts for a large portion of WACI and Financed Emissions for the S&P 500 benchmark.

Canadian Equities Pooled Fund*



US Equities Pooled Fund*



* Data as at June 30th 2022



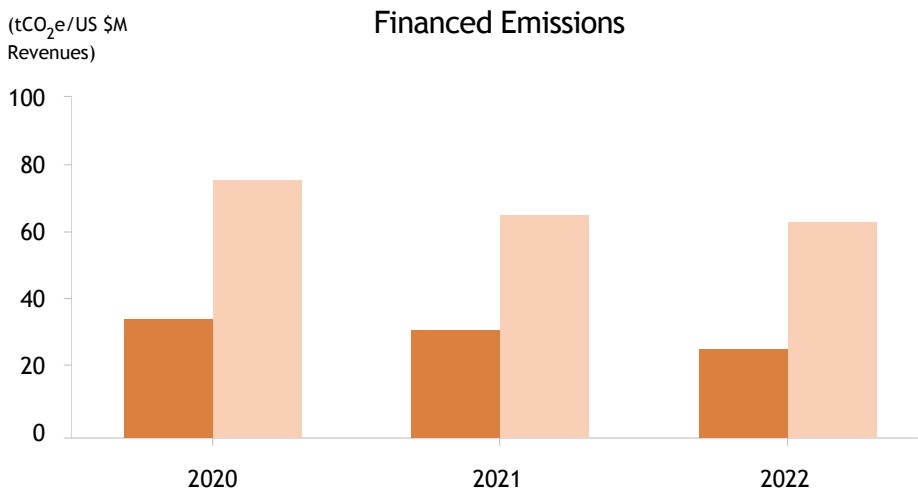
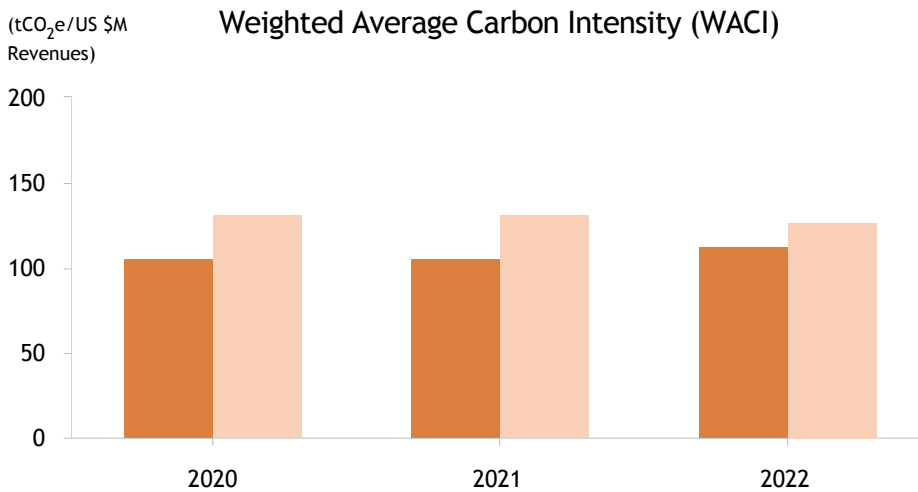
Addenda's Portfolio Carbon Footprint

Addenda's International Equities Pooled Fund has had a lower materials sector weighting than that of its benchmark, and because the materials sector is the highest contributor to the benchmark's emissions, the fund had lower emissions. The industrials sector is the highest weighted sector in the International Equities fund, and due to stock selections, WACI and financed emissions are significantly below that of the benchmark. Additionally, the fund does not have any exposure to the energy and utilities sectors, which are significant contributors to the carbon footprint of the benchmark.

The Global Equities Pooled Fund does not have exposure to the energy and utility sector which accounts for a large portion of WACI and Financed Emissions for the MSCI World Index. Due to stock selection, the fund's carbon exposure to the materials sector is significantly less than its benchmark despite having similar overall weights.

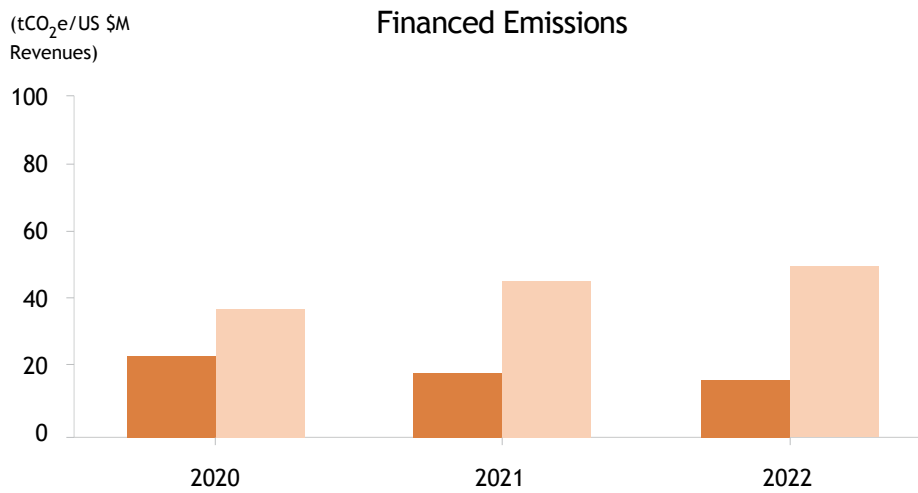
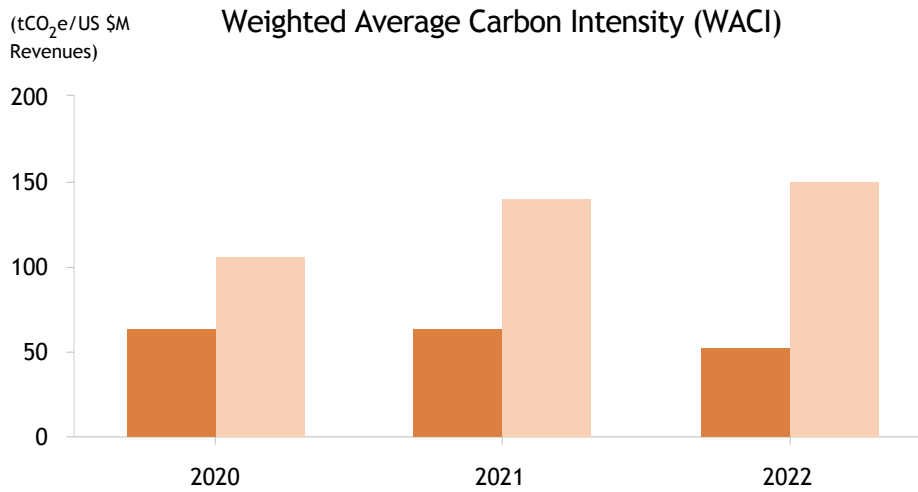
International Equities Pooled Fund*

■ Portfolio ■ MSCI EAFE Index



Global Equities Pooled Fund*

■ Portfolio ■ MSCI World Index



* Data as at June 30th 2022

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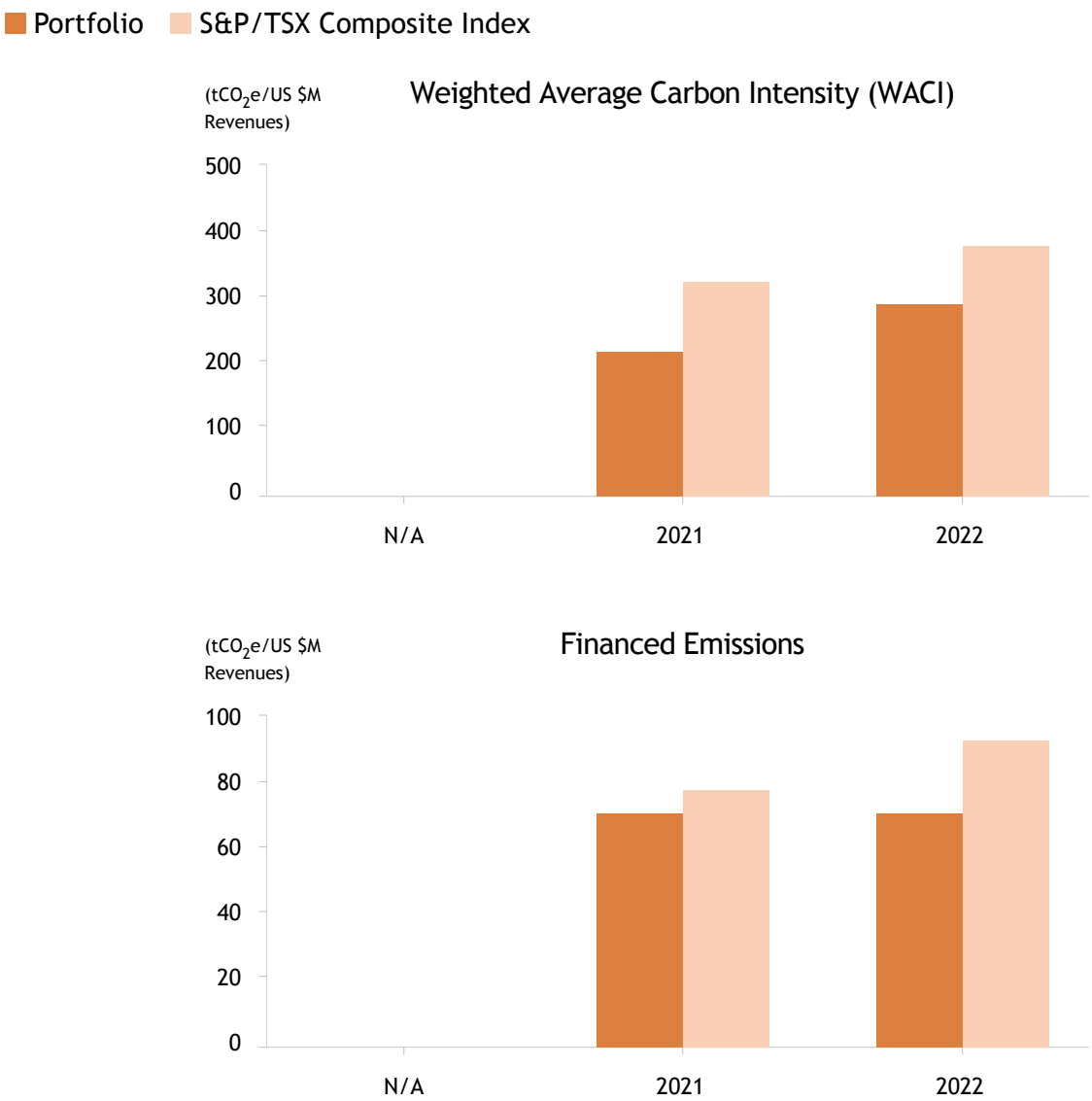


Addenda’s Portfolio Carbon Footprint

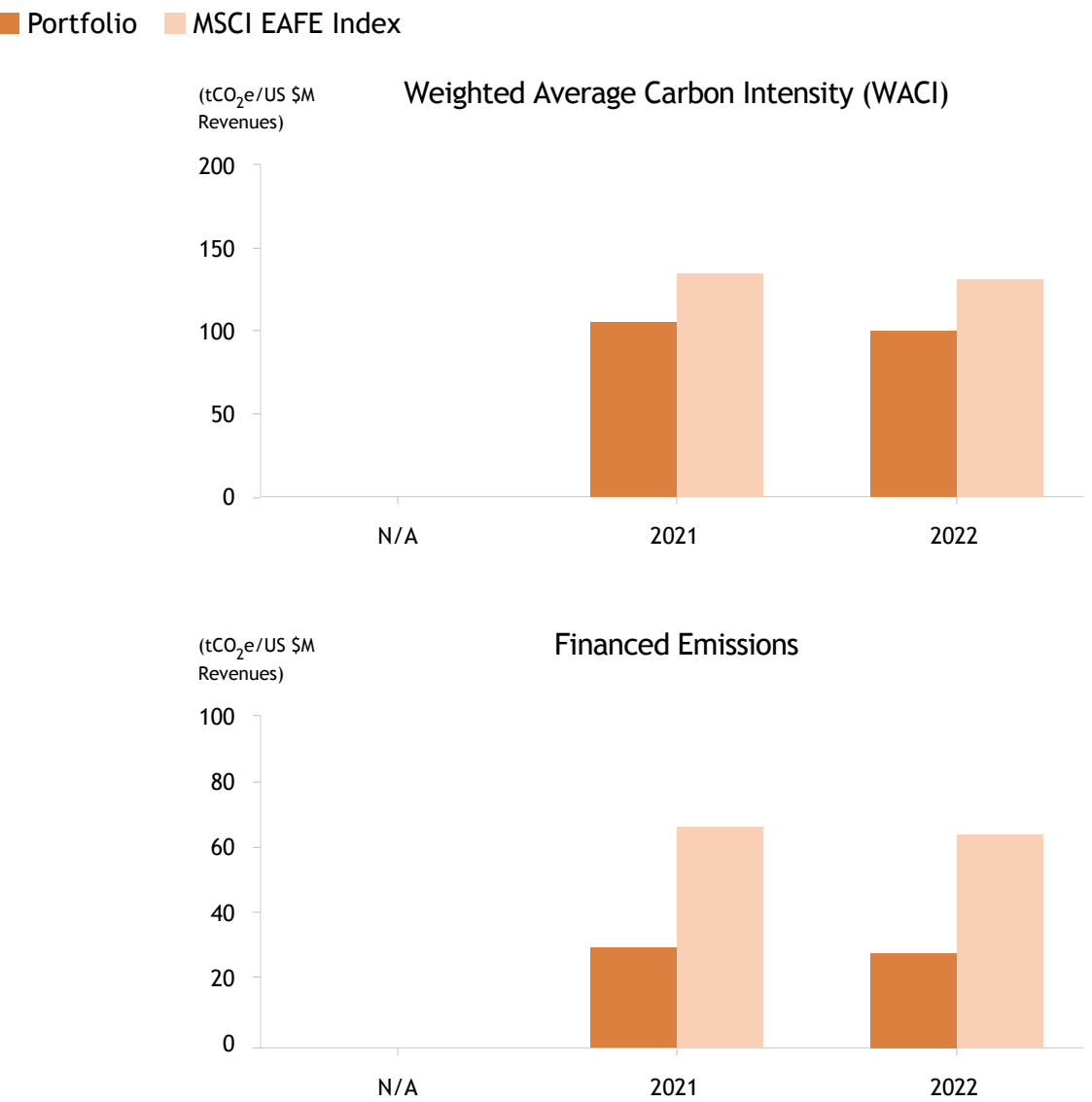
The Climate Transition Canadian Equity Pooled Fund holds approximately 75% of climate aware companies based on portfolio weight. The portfolio’s lower carbon footprint is notably attributable to the absence of holdings in the utilities sector. Volatility in the energy markets in 2022 led to higher emissions from energy companies, resulting in an increase from both our portfolio and the benchmark compared with 2021 for WACI and financed emissions.

The Climate Transition International Equity Pooled Fund holds approximately 95% of climate aware companies based on portfolio weight. The Fund has no exposure to the energy, materials and utilities sectors, which account for the majority of WACI and financed emissions for the MSCI EAFE. This helps explain the portfolio’s lower carbon footprint.

Climate Transition Canadian Equity*



Climate Transition International Equity Pooled Fund*



* Data as at June 30th 2022

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Engagement with Policy Makers, Investor Networks, and Standard Setters

Investors alone cannot drive the transition to net-zero. They work within economic, policy and market ecosystems which too must shift and change for the world and society to meet net-zero ambitions. Addenda is committed to the broad progression of climate action policy and integration within standard-setting, increasing transparency, and improving corporate and investment management practices. We are actively advocating for greater standardization and sophistication of climate-related reporting and risk management, and we will continue to collaborate with other investors and issuers to drive progress. Specifically, our engagements will focus on:

- Advocating for public policies that support climate mitigation and adaptation;
- Promoting the development of transition finance guidelines in Canada;
- Being a visible and vocal champion for action on climate change by supporting key investor network initiatives;
- Incorporating the lens of just transition and Indigenous peoples’ rights into our public policy advocacy activities.

Our President and CEO, Roger Beauchemin, is an active participant in progressive industry discussions. Roger has been recognized as a leader in sustainability. In 2021, he was the recipient of Canada’s Clean50 Award and, as a leader in the Finance category, earned a Canada’s Clean16 Award.

Our Vice-President of Sustainable Investing, Monika Freyman, is a vocal advocate of sustainable capital markets. Monika has a number of industry leadership positions, including being a member of the CFA Institute’s ESG Working Group Member, of the Advisory Committee Member for the Committee on Integrating ESG Factors in Pension Plan Supervision for the Canadian Association of Pension Supervisory Authorities (CAPSA), and advisory of the Government of the Netherlands’ Valuing Water Initiative, recognizing that climate risks often manifest through water risks and how we undervalue water ecosystems.

Addenda is an active participant in sustainable investing industry events, engaging in public speaking engagements, contributing to publications and articles, and supporting initiatives that promote sustainable financial markets.

Furthermore, as part of Addenda’s robust investment stewardship, our Fixed Income team has built a strong reputation within the green bond marketplace and is often engaged by green bond issuers for advice and feedback before bonds are issued. Josef Yahya, Director, Corporate Bonds Research, is active within the PRI’s Fixed Income working group, driving improving sustainability methods and standards for this asset class.

Advocacy Highlights

Group	Addenda Capital Advocacy
SFAC – Sustainable Finance Action Council of Canada	<p>Addenda supports our parent, Co-operators as an active member of SFAC which is developing Canada’s approach in evolving the financial system to better meet Climate goals. This includes:</p> <ul style="list-style-type: none">• Provide financial sector input on the development of market infrastructure.• Address barriers and opportunities to mobilizing private capital to support climate transition and adaptation in Canada.• Serve as a center of expertise, partnership, and dialogue on sustainable finance issues in Canada and internationally.
Climate Engagement Canada (CEC)	<ul style="list-style-type: none">• One of 27 founding participants of the “Canadian blueprint” of investor action on climate change.• Working to identify ~40 of the country’s highest GHG-emitting issuers and engage in consistent dialogue to encourage addressing climate-related risks and opportunities.
First Nations Major Projects Coalition (FNMPC)	<ul style="list-style-type: none">• Supported and engaged in FNMPC’s Conference in 2022: Toward Net-zero by 2050.• Addenda’s President & CEO, Roger Beauchemin, recognized that there is no path to net-zero without First Nations at the FNMPC annual conference and via Canadian Investor Climate letter.



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Advocacy Highlights

Group	Addenda Capital Advocacy
SFAC — Sustainable Finance Action Council of Canada	<p>Addenda supports our parent, Co-operators as an active member of SFAC which is developing Canada’s approach in evolving the financial system to better meet Climate goals. This includes:</p> <ul style="list-style-type: none">• Provide financial sector input on the development of market infrastructure.• Address barriers and opportunities to mobilizing private capital to support climate transition and adaptation in Canada.• Serve as a center of expertise, partnership, and dialogue on sustainable finance issues in Canada and internationally.
International Financial Reporting Standards (IFRS) Foundation	<ul style="list-style-type: none">• Submitted feedback to the IFRS Foundation’s and the International Sustainability Standard Boarding (ISSB) climate and sustainability-related disclosures exposure drafts.
Climate Action 100+	<ul style="list-style-type: none">• Working with investors to drive clean energy transition and to achieve the goals of the Paris Agreement.
Climate Engagement Canada (CEC)	<ul style="list-style-type: none">• One of 27 founding participants of the “Canadian blueprint” of investor action on climate change.• Working to identify ~40 of the country’s highest GHG-emitting issuers and engage in consistent dialogue to encourage addressing climate-related risks and opportunities.
Securities and Exchange Commission (SEC)	<ul style="list-style-type: none">• Submitted a comment letter supporting and providing recommendations for improvement in their proposed new rules standardizing and enhancing disclosure of climate and carbon emissions data.²¹
Québec Financial Centre for Sustainable Finance	<ul style="list-style-type: none">• Joined other signatories in support of an initiative led by Finance Montréal to strengthen finance ecosystem, make sustainable finance a key element in the development and influence of the Québec financial industry, and position the province of Quebec among the major financial centers at the international forefront of sustainable finance.
Canadian Association of Pension Supervisory Authorities (CAPSA) ESG Considerations	<ul style="list-style-type: none">• Advised the Canadian Association of Pension Supervisory Authorities’ (CAPSA) advisory committee in drafting guidelines on ESG Considerations in pension plan management.
First Nations Major Projects Coalition (FNMPC)	<ul style="list-style-type: none">• Supported and engaged in FNMPC’s Conference in 2022: Toward Net-zero by 2050.• Addenda’s President & CEO, Roger Beauchemin, recognized that there is no path to net-zero without First Nations at the FNMPC annual conference and via Canadian Investor Climate letter.
Government of Canada	<p>Engaged or provided feedback, in partnership with our parent Cooperators, on:</p> <ul style="list-style-type: none">• Canada’s Draft National Adaptation Strategy²²• OSFI’s Climate Risk Management Guidelines²³, and• <i>Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050</i> — discussion document²⁴
Institute of Sustainable Finance (ISF)	<p>Addenda is on the advisory of and supporting the Institute including recent briefing note: <i>Financing Climate Change Adaptation & Resilience</i>²⁵</p>

²¹ [Addenda’s Submission](#)
²² [Canada’s National Adaptation Strategy](#)
²³ [OSFI Climate Risk Management Guidelines \(Draft\)](#)
²⁴ [Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050](#) — discussion document ([link not working](#))
²⁵ [ISF Briefing Note: Financing Climate Change Adaptation and Resilience](#)

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Mapping our Climate-Related Initiatives and Practices to the TCFD Recommendations, Including Supplemental Guidance for Asset Managers (AM)

Governance		
Describe the Board’s oversight of climate-related risks and opportunities	Our Board has established oversight of our climate-related initiatives and practices.	Information can be found within “Governance and oversight” section on page 14 of the report
Describe management’s role in assessing and managing climate-related risks and opportunities	We have developed various management level climate change committees to support Addenda in further developing our climate change initiatives and practices. We have established climate roles and responsibilities for various management members, developed a Sustainable Investing Committee at the management level, and created three internal climate taskforces with senior management as advisory members.	Information can be found within “Governance and oversight” section on page 14 of the report
Strategy		
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Our investment teams have begun the process of identifying the climate-related risks and opportunities and their associated time horizons.	Information can be found within “Investment practices” section on page 24 of the report
Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning. Supplemental guidance for AM: <ul style="list-style-type: none">Describe how climate-related risks and opportunities are factored into relevant products or investment strategies.Describe how each product or investment strategy might be affected by the transition to a low-carbon economy.	Our investment teams are beginning to integrate climate considerations into investment decision processes throughout the investment lifecycle. For example, our Canadian equities team has begun implementing climate-related risks and opportunities into investment decision analysis, such as considerations of risk premiums, weightings, discounted cashflow analysis, weighted average cost of capital, and divestment. Addenda has developed climate-related investment funds that support the transition to net-zero by 2050. Addenda’s Impact Fixed Income Pooled Fund seeks investment solutions that support climate mitigation and adaptation themes and focus areas such as clean transportation, energy efficiency projects, developing low carbon emissions technologies, among other.	Information can be found within “Investment practices” section on page 24 of the report. Information can be found within “Strategy” section on page 20 of the report.
Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have begun piloting climate scenario analysis to gain an understanding of the potential risks and opportunities our portfolios could face under various temperature scenarios. The focus has been via a bottom-up approach looking at the potential value at risk companies face from future climate transition or physical risks.	Information can be found within “Investment practices” section on page 24 of the report.

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Mapping our Climate-Related Initiatives and Practices to the TCFD Recommendations, Including Supplemental Guidance for Asset Managers (AM)

Risk Management			
Describe the organization’s processes for identifying and assessing climate-related risks. Supplemental guidance for AM: <ul style="list-style-type: none">Describe how they identify and assess material climate-related risks for each product or investment strategy.Describe, where appropriate, engagement activity with investee companies	Our investment teams take a customized approach by asset class and strategy to assessing the associated climate-related risks. This includes researching potential transition risks such as regulatory or technology changes and physical risks. We actively engage with our investee companies to gain an understanding of their climate-related risks (and opportunities), and to encourage climate-related disclosures.	Information can be found within “Investment practices” section on page 24 of the report	
Describe the organization’s processes for managing climate-related risks. Supplemental guidance for AM: <ul style="list-style-type: none">Asset managers should describe how they manage material climate-related risks for each product or investment strategy.	Our investment teams have begun integrating climate risk management into their portfolio management practices, specifically by actively monitoring climate-related risks and integrating risk considerations into investment processes. International equities: the team completes a qualitative assessment using Addenda’s ESG Framework (including climate change). The assessment criteria, although based on the SASB standards, the team includes additional assessment criteria and weights criteria based off of the sector of the investee. Canadian equities: the team has begun assessing the ESG (including climate change) risks and opportunities within their portfolio, using an in-house assessment framework. Assessments are being completed on a sector by sector basis. Fixed Income: the team uses Addenda’s ESG framework as a baseline to identify and assess climate-related risks. The assessments are tailored based on sector and industry. Commercial Mortgage Strategies: Overlay geographic physical datapoints against locations where commercial mortgages are held to get a sense of exposure to regions with high natural catastrophe, flood and wildfire risks.	Information can be found within “Investment practices” section on page 24 of the report	
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	Our investment teams have begun integrating climate-related risk considerations into investment lifecycle processes and decision making. Addenda’s internal risk committee with the Sustainable Investing team will review and consider systemic Sustainability and climate risks.	Information can be found within “Investment practices” section on page 24 of the report	
Metrics and Targets			
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. Supplemental guidance for AM: <ul style="list-style-type: none">Describe metrics used to assess climate-related risks and opportunities in each product or investment strategy, and where necessary, how metrics have changed overtime	Through our net-zero commitments we have established portfolio emissions and climate investing metrics to track our emissions performance and our net-zero commitment progress. Within our Climate Transition Strategy, we lay out key climate transition and net-zero expectations of companies and are committed to track these over time. These metrics as described above include board oversight of climate, having a robust climate strategy along with credible targets. Metrics to assess climate themes and focus areas within our Impact Fixed Income strategy include quantitative thresholds for expected savings in greenhouse gas emissions related to climate activity such as building retrofits, deployment of clean transportation. These are drawn from best practice sector guidelines including the Climate Bonds Initiative.	Information can be found within “Investment practices” section on page 24 of the report.	
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We currently measure Scope 1 and 2 emissions of our public equities investment portfolio.	Information can be found within “Investment practices” section on page 24 of the report	
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Through our net-zero commitments we have set portfolio emissions and climate-related investing targets to support the transition to net-zero by 2050. We have set specific targets for carbon emissions reductions, climate solutions, net zero alignment and engagement as part of our NZAM commitment. ²⁶	Information can be found within “Investment practices” section on page 24 of the report	

²⁶ [Addenda’s Net-Zero Commitments](#)

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Scope

Our portfolio carbon metrics reflect Scopes 1 and 2 emissions which are the most robust and available. Scope 1 refers to direct GHG emissions from 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 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 improves.

Methodology

To align with industry-leading best practice, in 2022 we transitioned the calculation of financed emissions to the methodology of the Partnership for Carbon Accounting Financials (PCAF), an industry-led partnership to facilitate transparency and accountability to the Paris Agreement. PCAF's published Global GHG Accounting & Reporting Standard for the Financial Industry is now considered the global standard among financial institutions.

Portfolio financed emissions and weighted average carbon intensity are measured as at June 30 of each year. Carbon emissions data is sourced from MSCI. A significant portion of the underlying data (i.e. 80-90%) used in this analysis is publicly reported and a small portion is estimated (i.e. 10-15%). The estimated portion uses either company-specific data from previous reporting periods, or sector-specific proxies using data from MSCI. Across each of the four equity pooled funds, there was a small portion of data that was not available (approximately 5% of the pooled fund).

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 which 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 practice as practices evolves. 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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