



# CLIMATE ACTION PLAN

NOVEMBER 2022



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## NET ZERO TARGETS

Managing climate change and supporting the global transition to a net zero emissions economy are among IMCO's top ESG priority areas. We manage both the physical and transition risks associated with climate change and seek opportunities to drive returns in our portfolios.

IMCO has committed to achieving a net zero emissions portfolio by 2050 or earlier and has established the following interim 2030 targets:

**50%** reduction in portfolio carbon emissions intensity by 2030, as measured against our 2019 baseline

**20%** of the portfolio invested in climate solutions by 2030

The document is structured in line with the categories recommended by the Task Force on Climate-related Financial Disclosures (TCFD). In addition, the document addresses the major categories outlined in [The Investor Agenda's Investor Climate Action Plan \(ICAP\) Expectations Ladder](#). Appendix A provides an index on which sections of the document address each ICAP category.

# CLIMATE STRATEGY

IMCO's climate strategy focuses on the following four areas:

1

## CAPITAL DEPLOYMENT

We pursue climate-positive and transition investment opportunities. We will also emphasize lower-emission investments and support assets in preparing for the net zero transition.

2

## PORTFOLIO MANAGEMENT

We focus on further integrating climate-related risks and opportunities into our investment decision-making processes, and continuously monitor climate risk across our portfolio.

3

## ASSET OWNERSHIP

We drive climate action in our portfolios by engaging with portfolio companies and external managers on key issues related to climate. We also collaborate with like-minded investors and policymakers to drive collective climate action.

4

## CLIMATE GUARDRAILS

We mitigate climate risk in our portfolio through climate guardrails, which will limit our exposure to investments that are incompatible with a net zero future.





## Capital Deployment

### INTERIM CLIMATE SOLUTION TARGETS

IMCO targets 20% of the portfolio invested in climate solutions by 2030.

### CLIMATE SOLUTION DEFINITION

Climate solutions are companies or projects that derive the majority of their business from products or services that provide climate solutions, including categories defined in the table to the right. We define climate solutions in line with the categories detailed in the Green Bond Principles<sup>1</sup> as set out by the International Capital Markets Association.

CLIMATE SOLUTIONS	ELIGIBLE ASSETS
Renewable energy/ Alternative fuels	Generation, transmission and distribution of energy from renewable sources including solar, wind, hydro, geothermal, bioenergy, nuclear energy, renewable technology or suppliers, alternative fuels to hydrocarbons.
Energy efficiency/ Clean technology	Technology and solutions to support decarbonization or energy efficiency (e.g., batteries, smart grid, electrification).
Clean transportation	Low carbon transport assets such as electric, hybrid, public, rail, multi-modal transportation, and associated infrastructure.
Circular economy / Recycling	Reusable, recyclable, & refurbished materials, circular tools and services, eco-efficient products.
Pollution prevention and emission control	Reduction of air emissions, greenhouse gas control, and carbon capture technologies.
Green buildings	Buildings with third party verified green building standards such as LEED.
Climate change adaptation	Products or solutions to support climate change adaptation and increase resiliency.
Sustainable agriculture and natural capital	Sustainable farm inputs, sustainable forestry, preservation/restoration of natural landscapes.
Sustainable water and wastewater management	Clean and/or drinking water, wastewater treatment, sustainable urban drainage, flooding mitigation.
Terrestrial and aquatic biodiversity	Protection of coastal, marine and watershed environments, sustainable fishing, oil spill response.

<sup>1</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>



## Portfolio Management

### INTERIM EMISSION REDUCTION TARGET

IMCO has set an interim target to reduce portfolio carbon emissions intensity<sup>2</sup> by 50% by 2030, as measured against our 2019 baseline. This target is consistent with science-based net zero pathways in line with the 1.5°C temperature goal of the Paris Agreement and net zero emissions by 2050.

IMCO will take the following portfolio management actions in support of the emission reduction target:

- Prioritize partnership with external managers with existing or intended net zero commitments
- Increase investment in companies with net zero commitments
- Reduce high emitting passive exposure and allocate to lower emitting strategies

IMCO commits to meeting our interim and long-term targets, recognizing that annual progress towards those emission reductions will not be linear. Short-term fluctuations can occur as a result of investment decisions. Other factors outside of IMCO's direct control, such as post-COVID emissions increases, the pace of decarbonization in the macro economy, and market value changes can also impact progress.

<sup>2</sup> We calculate financed emissions in accordance with the Partnership for Carbon Accounting (PCAF) standard. We include financed scope 1 and scope 2 emissions in our financed emissions calculation. Intensity is financed emissions for the portfolio, normalized by million of dollars of investment. Financed scope 3 emissions are not included in our portfolio carbon footprint and emission targets due to limited data availability, comparability, and reliability.

### CLIMATE ASSESSMENT

We review climate considerations as part of our standard due diligence procedures. An ESG materiality risk and opportunity analysis, which includes climate, is conducted for all potential investments. This may include an analysis of the physical climate risks (such as exposure to extreme storms and wildfires) and an assessment of the level of resilience and opportunities for mitigation.

In our indirect investments, we include a climate change section in our external manager questionnaire for all asset classes. Topics include:

- Climate risks and opportunities measured and managed in the investment process
- Alignment with the transition to a net zero economy
- Actions implemented to align with the goals of the Paris Agreement
- Measurement of Scope 1, Scope 2, and if appropriate, Scope 3 emissions and carbon intensity of its portfolios
- Targets and metrics to manage climate-related risks and opportunities, and performance against targets
- Reporting on the Task Force on Climate Related Financial Disclosures (TCFD) recommendations

## Asset Ownership

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As a steward of client capital and a responsible organization, IMCO is fully committed to playing its part in the transition to a net zero emissions economy.

Whether through direct engagement with portfolio companies and external managers, proxy voting or collaborative engagement with our peers, we aim to use our influence to promote strong climate action practices.

### ENGAGING WITH COMPANIES ON CLIMATE CHANGE

Where relevant, we actively engage with boards and management teams to understand and manage climate risks and opportunities material to each company. Our stewardship activities are focused on the most material climate risks and opportunities, and generally include emissions measurement, emissions reductions and targets, climate risk analysis, and climate reporting in line with TCFD. Where we have governance rights we will encourage portfolio companies to establish net zero plans and deliver on emissions reduction targets.

### ENGAGING WITH EXTERNAL MANAGERS/GENERAL PARTNERS (GPs) ON CLIMATE CHANGE

Climate change is one of the key considerations when we assess and monitor our external managers/GPs. Our climate assessment criteria include measurement and management of climate risks and opportunities, climate-related targets and performance, alignment to the low-carbon transition, and reporting in line with TCFD.

We support our external managers/GPs on their climate journey and encourage them to commit to net zero and establish a Paris alignment plan. We also engage with our managers/GPs to increase the share of portfolio that reports emission data, as emissions reporting drives subsequent target setting to reduce emissions.



## EXERCISING SHAREHOLDER RIGHTS

We exercise our right to vote at shareholder meetings to encourage companies to manage climate-related risks and opportunities. With respect to management proposals on climate change put forward for a shareholders' vote, we expect companies to commit to a net zero target by 2050 or sooner, set science-based reduction targets, disclose climate information in line with TCFD and report on progress to shareholders. We are transparent about our proxy voting activity and make our proxy voting record, including the rationale, available on our [website](#).

[IMCO's Proxy Voting Guideline](#) includes our policy on how we vote and criteria that need to be met to vote for a company's climate plan and/or resolution.

## ADVANCING POLICY THROUGH ADVOCACY

We support collaborative actions such as investor statements, and participate in policy discussions, when appropriate, to promote climate standards and policy measures that support net zero.

## ENGAGEMENT ESCALATION

Engagement escalation on climate considerations can vary depending on the level of responsiveness from companies and the materiality of areas of concern on long-term value.

Voting is an intrinsic part of our escalation process to seek governance improvements. We review our voting records and voting principles and may vote against board re-election and/or management resolutions on climate, and we may consider co-filing of climate resolutions.

We seek updates on engagement efforts undertaken by our external managers, including how they assess material climate risks and opportunities. We also collaboratively engage with other investors to elevate concerns on climate risks and increase influence with regards to our public holdings.

When prior extensive engagement on climate has not proved successful and there is a clear risk to shareholder value, divestment may be carefully considered by the investment teams as a measure of last resort.

[IMCO's Stewardship Guideline](#) includes our approach to engaging on climate change.

## INDUSTRY ENGAGEMENT

It is IMCO’s long-term strategy to be fully aligned with the goals and targets set out in the Paris Agreement and to play an active role in the transition to a low-carbon economy.

Collaborative engagement can increase our influence by having a bigger platform and voice. IMCO participates in climate initiatives that enable our ability to work collaboratively. As part of this commitment, IMCO has joined several organizations dedicated to this goal:



**Paris Aligned Investment Initiative (PAII):** IMCO joined global asset owners to reiterate our full support for the Paris Agreement, which aims to limit the global average temperature rise to no more than 1.5-degrees Celsius to avoid the worst impacts of climate change.



**CDP formerly known as Carbon Disclosure Project:** IMCO is a member of CDP, a global non-profit that drives companies and governments to disclose and manage a variety of environmental impacts. IMCO supports the CDP Science-Based Target Engagement Campaign, which focuses on engaging high-impact companies to set science-based targets, and the CDP non-disclosure campaign. This campaign drives corporate transparency around climate change, deforestation and water security, by encouraging companies to respond to CDP’s disclosure request.



**Partnership for Carbon Accounting Financials (PCAF):** IMCO joined PCAF, a global group of financial institutions, to develop industry standards for greenhouse gas (GHG) accounting for investment and lending portfolios. IMCO measures our investment emissions in line with the PCAF standard.



**Climate Action 100+:** As a member of Climate Action 100+, IMCO is part of an initiative of more than 600 investors that engage with the world’s largest carbon emitters, encouraging them to take action to reduce their emissions.



**Founding member of Climate Engagement Canada (CEC):** IMCO joined a coalition of investor associations to drive dialogue between the financial community and Canadian corporations to promote a just transition to a net zero economy. IMCO joined CEC as a founding member in 2021 and is a member of the CEC Steering Committee.



**Ceres:** As a member of Ceres investor network, we work with other institutional investors to identify and share best practices in sustainable investing. IMCO actively participates in Ceres’ Paris Aligned Investment Working Group and shares our experience with other investors in education sessions.

## Climate Guardrails

We mitigate climate risk in our portfolio through climate guardrails, which will limit our exposure to investments that are incompatible with a net zero future.

IMCO will phase out new investment commitments in development of new unabated fossil fuel assets, in line with appropriate global, science-based scenarios and limit<sup>3</sup> exposure to investments in thermal coal mining and arctic drilling.

<sup>3</sup> Applicable to all investments and asset classes, where we can meaningfully influence or control investment decisions.



## RISK MANAGEMENT

We identify and manage climate risks as part of investment due diligence and asset management activities as outlined in the Portfolio Management and Asset Ownership sections above.

We are integrating climate risks into IMCO's broader risk management process, and where appropriate identify portfolio-level and investment-level climate risks for investment teams to manage.

An important input into IMCO's risk management approach for climate change is scenario analysis to determine climate value at risk. We conduct scenario analysis on our portfolio, where data allows, to determine impacts of physical and transitions risks under different warming scenarios (e.g., 1.5°, 2° and 3°C scenarios) and different time horizons (e.g., 2030, 2050). This analysis provides an understanding of the potential climate impacts on our investments over the long term.

## GOVERNANCE

We recognize that strong organizational oversight of climate-related risks and opportunities is a cornerstone of an effective climate strategy. These risks and opportunities are overseen by the IMCO Board under our broader ESG governance framework.

IMCO's Board of Directors reviews our climate strategy, approves interim climate targets, and receives regular updates on progress against our climate targets and milestones.

The Management Investment Committee (MIC) and the Investment Department Committee (IDC) are responsible for reviewing key ESG risks, including climate considerations in investment due diligence. They are also responsible for ensuring investment alignment with IMCO's goal of reaching net zero by 2050 or sooner.

To ensure all IMCO team members have the skills and information necessary to implement our climate objectives, we provide educational sessions throughout the organization on climate topics.

# METRICS AND TARGETS



## CARBON EMISSIONS

We calculate the portfolio emissions for asset classes covered under PCAF guidance: public equity, private equity, global credit, real estate and infrastructure. We strive to measure emissions for all investments where PCAF publishes guidance and where we have sufficient data availability. We will update our financed emissions calculations over time as data quality, coverage and methodologies improve.

PORTFOLIO EMISSIONS	2019	2020	2021
Total financed emissions (tCO <sub>2</sub> e)*	3,223,480	2,324,864	2,351,913
AUM in scope for financed emissions (\$ million)	46,942	49,694	55,150
Financed emissions intensity** (tCO <sub>2</sub> e / \$ million invested)	75	54	47

\* Total scope 1 and scope 2 emissions generated from the assets in our portfolio, proportionate to equity and debt holdings in our portfolio.

\*\* Total scope 1 and scope 2 emissions for the portfolio normalized by million dollars of investment.

Our TCFD disclosure in our [2021 ESG report](#) provides additional detail on methodology, scope, and limitations for our portfolio emissions measurement.

## TARGETS

IMCO's long-term target is a net zero emissions portfolio by 2050 or earlier.

IMCO's interim targets include:

### 50%

reduction in portfolio carbon emissions intensity by 2030, as measured against our 2019 baseline

### 20%

of the portfolio invested in climate solutions by 2030

# APPENDIX A

## INVESTOR CLIMATE ACTION PLAN (ICAP) INDEX

IMCO follows ICAP's Guidance to assess our approach to managing climate change risk and opportunity. This document is informed by the major categories outlined in ICAP's Expectations Ladder<sup>4</sup> which provides investors with clear expectations for issuing and implementing comprehensive climate action plans. The ICAP Expectations Ladder focuses on investment, corporate engagement, policy advocacy, governance and investor disclosure. To the right you will find a guide on which sections of this document address each ICAP category.

ICAP INDEX	IMCO CLIMATE ACTION PLAN	
<b>1. Investment</b>		
Strategy	Page 4	Capital Deployment
	Page 5	Portfolio Management
	Page 6	Asset Ownership
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Risk Management	Page 5	Portfolio Management
	Page 9	Risk Management
Asset Allocation	Page 4	Capital Deployment
Additional Target Setting	Page 3	Climate Strategy
	Page 10	Metrics and Targets
<b>2. Corporate Engagement</b>		
Collective/Collaborative Engagement	Page 8	Industry Engagement
Bilateral Engagement	Page 6	Engaging with Companies on Climate Change
	Page 6	Engaging with External Managers/General Partners (GPs) on Climate Change
	Page 7	Exercising Shareholder Rights
Corporate Escalation and Shareholder Engagement	Page 7	Engagement Escalation
<b>3. Policy Advocacy</b>		
Investor Statements	Page 8	Industry Engagement
Advocacy	Page 7	Advancing Policy through Advocacy
<b>4. Investor Disclosure</b>		
Commitments, Objectives and Targets	Page 10	Targets
Carbon Emissions	Page 10	Carbon Emissions
Portfolio Assessment	Appendix B	Science-Based Net Zero Scenarios
TCFD Alignment	<u><a href="#">2021 ESG Report</a></u>	
<b>5. Governance</b>		
Policy	Page 9	Governance
Accountability		
Planning And Evaluation		
Board Reporting		
Skills Assessment		

<sup>4</sup> <https://theinvestoragenda.org/icaps/>

# APPENDIX B

## SCIENCE-BASED NET ZERO SCENARIOS

IMCO's interim emission reduction target is aligned with science-based net zero pathways developed by the Intergovernmental Panel on Climate Change (IPCC)<sup>5</sup>, International Energy Agency (IEA)<sup>6</sup>, Networking for Greening the Financial System (NGFS)<sup>7</sup>, and One Earth Climate Model (OECM)<sup>8</sup>. These pathways suggest that to be on track to limit global warming to 1.5 °C by 2050 we need to achieve emission reductions between 39% and 58% by 2030.

NET ZERO PATHWAYS	IPCC NET ZERO	IEA NET ZERO	NGFS NET ZERO	OECM
<b>Description</b>	IPCC net zero scenarios define ambitious pathways for the world to achieve net zero emissions, with pathways that limit global warming to 1.5°C by 2050	IEA's Net Zero scenario defines a narrow pathway for the global energy sector to achieve net zero CO <sub>2</sub> emissions by 2050 aligned with the Paris aligned goals of limiting the rise in global temperature to 1.5°C	NGFZ NZ has two scenarios defining ambitious climate goals, limiting global warming to 1.5°C by 2050: the 'Regional Model of Investment and Development' and 'Model for Energy Supply Strategy Alternatives and their General Environmental Impact'	One Earth Climate Model defines ambitious sectoral pathways for the world to achieve net zero emissions, limiting global warming to 1.5°C by 2050
<b>Policy expectations</b>	Relies on institutional climate and social pledges being more firmly developed, coordinated, evaluated, and upscaled	Assumes immediate climate policy implementation and decarbonization of high-emitting sectors	Assumes that ambitious climate policies are introduced immediately along with fast-paced technological innovation across all sectors	Assumes that ambitious social and climate policies are introduced immediately along with fast-paced technological innovation across all sectors
<b>Scope</b>	Regional granularity available All GHG emissions modeled	Global perspective Only covers CO <sub>2</sub> emissions	Regional granularity available All GHG emissions modeled	Covers 12 high-emitting sectors All GHG emissions modeled
2050 pathway	1.5° pathway	1.5° pathway; Low to no expected overshoot	1.5° pathway; Low to no expected overshoot	1.5° pathway; Low to no expected overshoot

5 UN Intergovernmental Panel on Climate Change (IPCC) <https://www.ipcc.ch/>

6 International Energy Agency (IEA) Net Zero by 2050 <https://www.iea.org/reports/net-zero-by-2050>

7 Networking for Greening the Financial System (NGFS) <https://www.ngfs.net/ngfs-scenarios-portal/>

8 UN and European Climate Foundation OECM (One Earth Climate Model) <https://www.unepfi.org/industries/investment/one-earth-climate-model-sectoral-pathways-to-net-zero-emissions/>