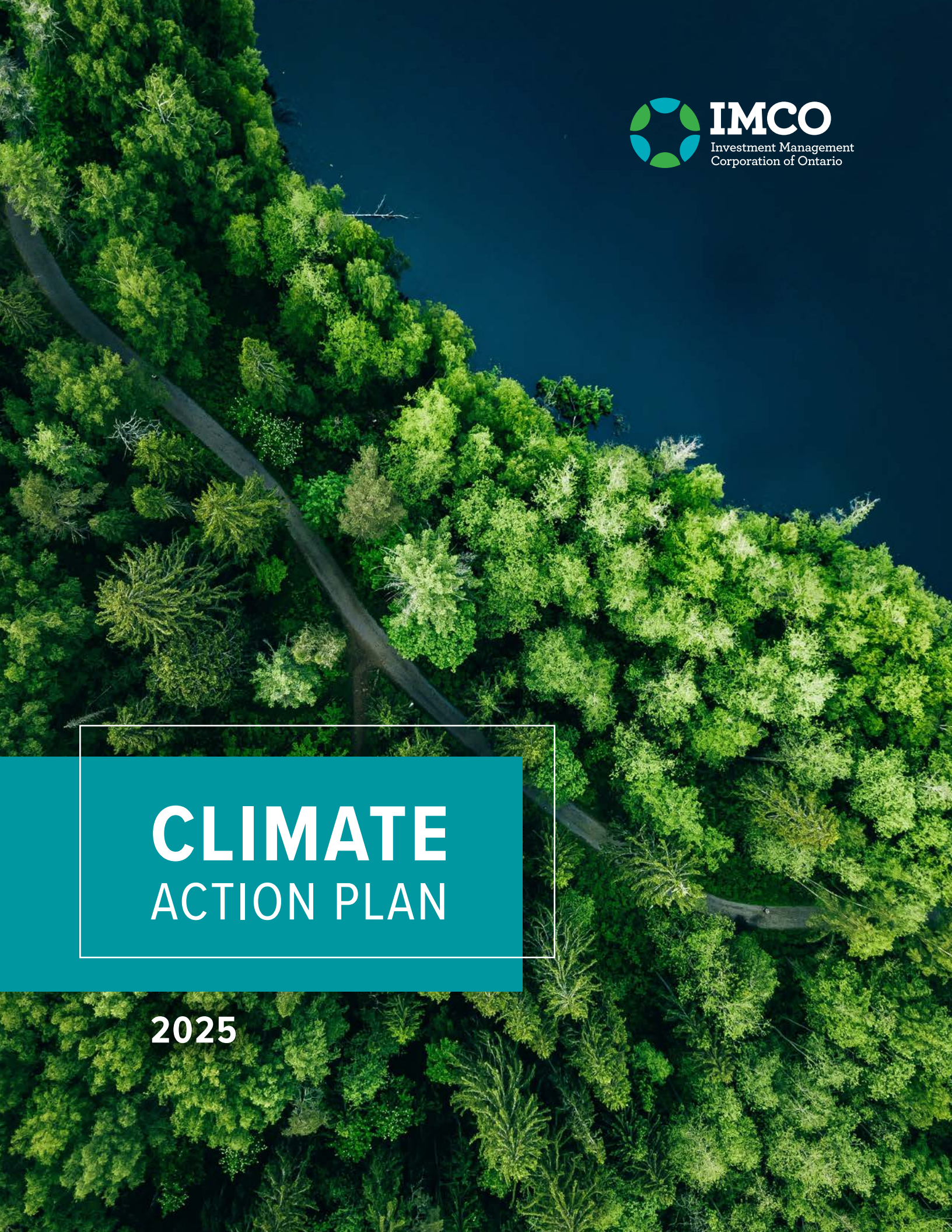


IMCO
Investment Management
Corporation of Ontario

CLIMATE
ACTION PLAN

2025

CONTENTS

REFINING OUR CLIMATE APPROACH

Rising global temperatures and increasing extreme weather events due to climate change are expected to impact many aspects of human activity, and these impacts will increase over time. Human activities, primarily the emission of greenhouse gases (GHGs) such as carbon dioxide and methane, have been identified as the primary drivers of climate change. 2024 was the warmest year on record globally. Average global temperature for the calendar year approached 1.5°C above pre-industrial levels, reinforcing the urgency of action on climate change.[1]

Climate change is an urgent and pressing systemic challenge. It has material implications for the world we live in and the assets we manage. The Bank of Canada projects that climate change will have a material negative impact on the world's gross domestic product (GDP)[2] if significant GHG emissions reductions are not made. As the magnitude of climate impacts and associated risks continues to grow, we view managing climate change and supporting the global transition to a lower-carbon economy as important elements of being a responsible and prudent steward of capital.

As we advance our climate capabilities, our approach to understanding and managing the implications of climate-related physical and transition risks, while identifying opportunities to drive returns in our portfolio, continues to evolve. We recognize the evolution is not linear and that is why we periodically review and refresh our Climate Action Plan.

1 World Meteorological Organization: State of the Global Climate 2024

2 Bank of Canada: Researching the Economic Impacts of Climate Change

PILLARS OF OUR CLIMATE STRATEGY

IMCO's climate strategy is based on the following three pillars:

1

CAPITAL DEPLOYMENT

We pursue opportunities that contribute to investment returns while having a climate-positive impact. We mitigate risk through climate-related due diligence and the thoughtful use of climate guardrails.

2

PORTFOLIO MANAGEMENT

We integrate climate-related risks and opportunities across our investment lifecycle and continuously monitor climate risk across the portfolio.

3

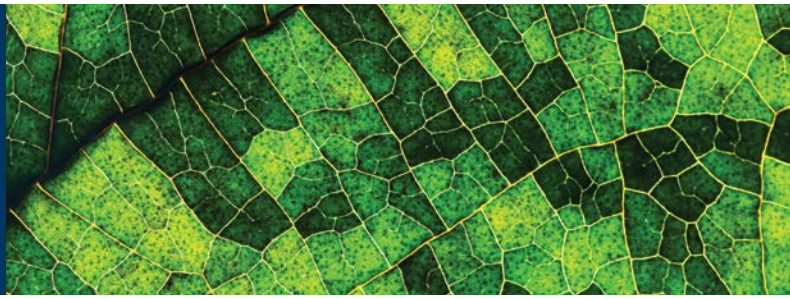
ASSET OWNERSHIP

We drive climate action by engaging with portfolio companies and external managers on key issues related to climate, including supporting assets in preparing for the net zero transition. We also work with forward-thinking investors and provide commentary to policymakers to drive climate action.

Capital Deployment

CLIMATE SOLUTIONS TARGET

IMCO targets **$10 billion** of capital deployed to Climate Solutions between 2020 and 2030.



CLIMATE SOLUTIONS DEFINITION

Climate Solutions are investments in companies that contribute positively to climate change mitigation – preventing the release of or reducing the concentration of GHGs into the atmosphere – or provide adaptation services that limit the impacts of climate change.

IMCO's Climate Solutions Taxonomy is aligned with the categories of activities defined by the International Capital Markets Association (ICMA)[3] in their Green Bond Principles and with eligible assets under each category taken from ICMA, as well as the Climate Bond Initiative (CBI)[4] taxonomy. Additional references include the EU Taxonomy for Sustainable Activities,[5] the PRI Impact Investing Market Map[6] and Canada's Sustainable Finance Action Council Taxonomy Roadmap Report.[7]

Our Climate Solutions Taxonomy provides IMCO's investment teams with clarity on what investments constitute Climate Solutions. The Taxonomy is updated periodically in accordance with industry best practice, standards, and internationally recognized methodologies and regulations as they evolve.

Our definition of Climate Solutions is principles-based, and includes the following criteria, among other considerations:

1. Climate Solutions must have a material, quantifiable positive impact on GHG emissions or adaptation measures
2. Climate Solutions must make up 50% or more of a company's activities
3. Climate Solutions must not cause significant harm to other environmental, social and governance (ESG) goals
4. Climate Solutions defined as decarbonization solutions must prevent "carbon lock-in"

CLIMATE DUE DILIGENCE

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.[8] This may include an analysis of the physical climate risks (such as exposure to extreme storms and wildfires), an assessment of the level of climate resilience, and opportunities for emissions mitigation. In our fund investments, we include a climate change section in our external manager questionnaire for all asset classes.

Climate-related topics considered in our due diligence 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 the carbon intensity of their portfolios
- Targets and metrics to manage climate-related risks and opportunities, and performance against targets
- Reporting on the International Sustainability Standards Board (ISSB) standards/Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

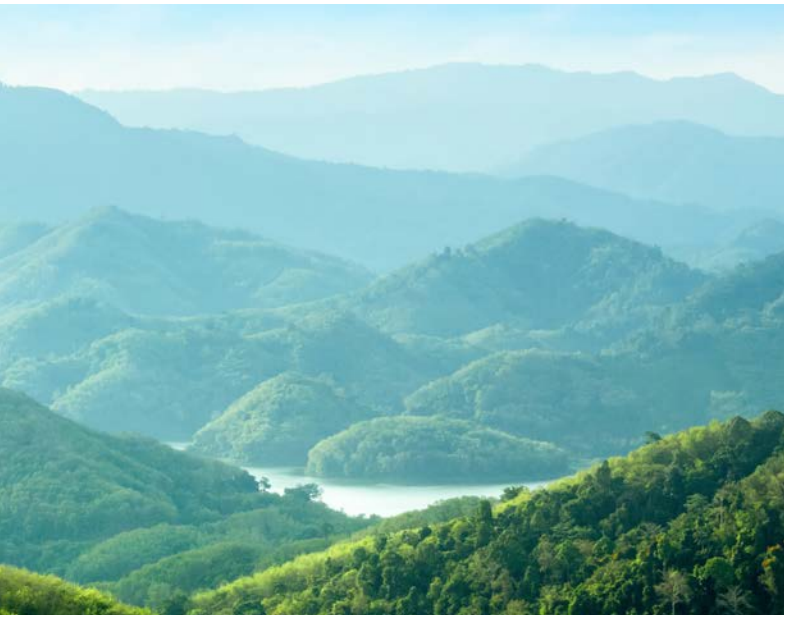
3 ICMA: Green Bond Principles 2025
4 Climate Bonds Initiative: Climate Bonds Taxonomy
5 European Commission: EU Taxonomy for Sustainable Activities
6 PRI: Impact Investing Market Map
7 Canada Sustainable Finance Action Council: Taxonomy Roadmap Report
8 Applicable to all investments and asset classes where we can meaningfully influence or control investment decisions.

Portfolio Management

EMISSIONS REDUCTION TARGETS

IMCO is committed to achieving a net zero emissions portfolio by 2050. We have set an interim target to reduce portfolio carbon emissions intensity 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. We continue to make progress against our interim target, and refreshed modeling undertaken this year indicates that we remain on track to achieve it.

IMCO recognizes that annual progress towards emissions reduction 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 government regulations and standards, or lack thereof, the pace of the wider economy's transition towards a lower-carbon economy, market value changes, and changes in quality of emissions data, may all impact progress towards our targets.



EMISSIONS CALCULATIONS

We calculate financed emissions in accordance with the Partnership for Carbon Accounting (PCAF) standard. We include scope 1 and scope 2 emissions in our financed emissions calculations. Carbon 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.

We continually update our financed emissions calculations over time as data quality, coverage and methodologies improve. We have accomplished material improvements in our emissions calculations since our first Climate Action Plan, published in 2022. We are taking steps to improve on comprehensive GHG emissions reporting by obtaining third-party limited assurance and working on further enhancements to data quality.

EVALUATING CLIMATE RISK

We integrate climate risks into our broader risk management process, and where appropriate identify portfolio-level and investment-level climate risks for investment teams to manage. As part of this risk mitigation, we have committed to phasing out investments in new unabated fossil fuel assets where we can meaningfully influence or control investment decisions, in line with appropriate global, science-based scenarios, as well as limit exposure to investments in thermal coal mining and arctic drilling.[9]

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 gauge the impacts of physical and transition risks under different warming scenarios (e.g., 1.5°, 2°, and 3°C) and different time horizons (e.g., 2030, 2050, and 2100). This analysis provides an understanding of the potential climate impacts on our investments over the long term.

9 IMCO's Sustainability Screening Guideline

Asset Ownership

We assess and monitor the alignment of our portfolio towards net zero to identify areas for engagement, focusing on high-impact areas of the portfolio where IMCO can drive outcomes. 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 best practices for both transition and adaptation activities.

PORTFOLIO ALIGNMENT

Our new climate taxonomy will help us better categorize our investments across the climate spectrum. It is another tool, in combination with the Net Zero Investment Framework (NZIF), to better understand the climate impact of our investments and guide value creation efforts. We believe climate-linked value creation opportunities exist across all categories within our taxonomy. The taxonomy's categories are as follows:

- **GREEN:** Investments aligned with IMCO's definition of Climate Solutions
- **ENABLER:** Investments whose business activities indirectly contribute to environmental objectives or enable energy transition-related activities
- **LOW IMPACT:** Investments whose business activities do not have a direct material climate impact as well as other financial instruments
- **HIGH IMPACT:** Investments whose activities have a direct material climate impact and where transition options are either increasingly feasible or not currently feasible.

Tailoring our approach to each of the categories in our taxonomy allows us to consider factors in addition to GHG emissions and net zero alignment. This helps us obtain a deeper understanding of the climate impact of our investments and acts as a guide to where climate-related value creation opportunities may exist. We have also begun tracking metrics on assets' alignment to a net zero trajectory, as defined by the NZIF (see "Evaluating Company Climate Maturity" in Appendix B).

SELECTIVE ENGAGEMENT TO DRIVE IMPACT

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 ISSB/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 ON CLIMATE TOPICS

Climate change is one of the key considerations when we assess and monitor our external managers. 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 ISSB/TCFD. We support our external managers on their climate journey and encourage them to commit to net zero and establish a plan for net zero alignment. We also collaborate with our managers to increase the share of their portfolio that reports emissions data, as accurate emissions data can help investors make more informed investment decisions.

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 shareholder vote, we expect companies to commit to a net zero target, set science-based reduction targets, disclose climate information in line with ISSB/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 the criteria we examine when voting on a company's climate plan and/or resolution.

ADVANCING POLICY THROUGH ADVOCACY

We support industry 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. We seek updates on engagement efforts undertaken by our external managers, including how they assess material climate risks and opportunities. We also 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 Sustainability Integration Guideline and Stewardship Guideline outline our approach to engaging on climate change.

INDUSTRY ENGAGEMENT

IMCO participates in several industry associations that assist us with sharing and adopting best practices, and allow us to thoughtfully engage with industry, where appropriate. These industry associations and coalitions are listed on our website.

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 of Directors under our broader sustainability governance framework. The Board reviews our climate strategy, approves interim climate targets, and receives regular updates on progress against our climate targets and milestones. The Management Investment Committee and the Investment Department Committee are responsible for reviewing key sustainability risks, such as climate change considerations. They are also responsible for ensuring investment alignment with IMCO's emissions reduction and climate solutions goals.

IMCO's Sustainable Investing team provides education sessions on climate-related topics to all parts of the organization to ensure that IMCO team members have the skills and information necessary to implement our climate objectives.

APPENDIX A: Climate Solutions Taxonomy

CATEGORIES	EXAMPLES OF ELIGIBLE ASSETS
Renewable energy & alternative fuels	• Utility scale and distributed generation of energy (power and heat) from renewable sources including solar, wind, hydro, tidal, geothermal, bioenergy, nuclear energy • Renewable technology or suppliers for renewable energy generation and related components including manufacturing facilities, supply chains and installers/O&M providers
Energy efficiency & clean technology	• Software and hardware technology and solutions to support decarbonization or energy efficiency across industries and end uses (e.g., appliance power management, energy efficient appliances, automatic switches, smart grid, district heating, other electrification technologies) provided that energy efficiency ratings are among top performers in the market or a material reduction in emissions can be proven
Green buildings	• Buildings with third party verified green building standards (regional, national or internationally recognized standards or certifications for environmental performance), such as LEED • Upgrades or retrofits to existing buildings that provide a substantial reduction in building emissions (gCO2/m2)
Clean transportation	• Low carbon private passenger transport assets such as electric and hybrid vehicles, hydrogen vehicles and their associated manufacturing facilities, supply chains and dedicated infrastructure (e.g. standalone EV charging and hydrogen refueling infrastructure) • Low carbon public passenger transport including rail, electric or hydrogen buses/trams/trains and associated manufacturing facilities, supply chains and dedicated infrastructure (e.g., EV fleet charging)
Climate change adaptation	• Products or solutions to support climate change adaptation and increase resiliency, including flood protection and resilience, wildfire protection and resilience, weather forecasting technologies
Circular economy & recycling	• Facilities for recycling collection, sorting and material recovery and processing plus associated waste storage facilities • Facilities creating new or refurbished products from 100% reusable or recycled materials
Pollution prevention & emission control	• Reduction of air emissions, GHG control, and carbon capture technologies in hard-to-abate industrial sectors (e.g., steel, cement, chemicals) and fossil fuel energy, provided systems can capture 100% of emissions
Sustainable agriculture & natural capital	• Sustainable crop and livestock production that can demonstrate material carbon sequestration or reduction in emissions compatible with third-party certification • Preservation/restoration of natural landscapes provided that the restored habitat is appropriate for the location and maintained in good health
Sustainable water & wastewater management	• Distribution and supply, storage, monitoring and treatment of clean and/or drinking water and wastewater, provided that no net GHG emissions are expected • Sustainable stormwater management and urban drainage plus flooding mitigation
Terrestrial & aquatic biodiversity	• Protection of coastal, marine and watershed environments • Sustainable fishing, including wild fisheries and farmed fish, provided it holds third-party certification for sustainable management

APPENDIX B: Evaluating Climate-Related Materiality & Maturity

IMCO'S CLIMATE TAXONOMY FOR PORTFOLIO COMPANIES

GREEN

Businesses that are **aligned with IMCO's definition of Climate Solutions** (e.g., renewable generation)

ENABLER

Businesses that **contribute indirectly to environmental objectives or enable the energy transition** (e.g., utilities)

May be higher emitting but are critical to the success of the energy transition

LOW IMPACT

Businesses in **low emitting industries** (e.g., healthcare) where impact of climate transition risk on asset is likely lower (climate physical risk remains)

HIGH IMPACT

Businesses that have a **direct, material negative climate impact** and where **climate risk is highest**; transition options will vary by industry

EVALUATING COMPANY CLIMATE MATURITY

		NOT COMMITTED TO NET ZERO	COMMITTED TO NET ZERO	ALIGNING TO NET ZERO	ALIGNED TO NET ZERO
1	**Emissions performance** at least equal to relevant net zero pathway	No ambition / insufficient information			✔
2	**Climate capital expenditure** allocation is sufficient to achieve climate strategy				✔
3	**Governance** in place including board/management accountability			✔	✔
4	**Credible climate strategy** with clear decarbonization levers and KPIs			✔	✔
5	**Emissions disclosure** of scope 1, 2 and where relevant, scope 3			✔	✔
6	**Interim targets** set that are science based			✔	✔
7	**Net zero ambition** in place		✔	✔	✔

APPENDIX C: Science-Based Net Zero Scenarios

IMCO's interim emissions reduction target is aligned with science-based net zero pathways developed by the Intergovernmental Panel on Climate Change (IPCC),[10] International Energy Agency (IEA),[11] and the Network for Greening the Financial System (NGFS).[12]

NET ZERO PATHWAYS	IPCC NET ZERO	IEA NET ZERO	NGFS NET ZERO
DESCRIPTION	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_2 emissions by 2050 aligned with the Paris aligned goals of limiting the rise in global temperature to 1.5°C	NGFS' net zero scenario defines ambitious climate goals limiting global warming to 1.5°C by 2050 through stringent climate policies and innovation, utilizing the Regional Model of Investment and Development (REMIND)
POLICY EXPECTATIONS	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
SCOPE	Regional granularity available All GHG emissions modeled	Global perspective Only covers CO_2 emissions	Regional granularity available All GHG emissions modeled
2050 PATHWAY	1.5°C pathway	1.5°C; Low to no expected overshoot	1.5°C; Low to no expected overshoot

10 UN: The Intergovernmental Panel on Climate Change
11 International Energy Agency (IEA): Net Zero by 2050
12 The Network for Greening the Financial System (NGFS): Scenarios Portal