CLIMATE-RELATED DISCLOSURE

Connor, Clark & Lunn Investment Management

INVESTMENT MANAGEMENT

Connor, Clark & Lunn Investment Management (CC&L) has supported the Task Force on Climate-Related Financial Disclosures (TCFD*) since 2021 when the firm endorsed the recommendations. With this endorsement, CC&L actively encourages investee companies to incorporate the TCFD recommendations in their disclosures. In addition, we are committed to reporting to our clients, and other interested parties on our approach to identifying, assessing, and managing climate-related risks in our investments on behalf of clients, as outlined in this TCFD-aligned climate report.

INTRODUCTION

CC&L's approach to climate change and the transition to a low carbon economy is guided by the firm's fiduciary duty of delivering the best long-term risk-adjusted returns for our clients.

CC&L has a robust Responsible Investing (RI) policy that encompasses our overall approach to the integration of environmental, social, and governance (ESG) issues into our investment processes. In addition, CC&L has both a custom proxy voting policy and a Stewardship & Engagement (S&E) policy that guides our stewardship activities. Fundamental to our approach is our belief that our portfolios and active-ownership activities must reflect the reality that the global economy is in the midst of a large-scale transition to lower carbon emissions.

We also recognize that climate change is a systemic issue with far-reaching implications beyond carbon emissions. These include, but are not limited to, the growing impact of weather-related natural disasters, the demands for energy due to the growth of artificial intelligence, and shifting consumer preferences, all of which present heightened risks and emerging opportunities. For these reasons, we believe that the management teams of the companies we invest in have a duty to be transparent in their disclosures and accountable to all stakeholders. We also believe that better disclosures will enable our investment teams to more accurately reflect the risks inherent in companies that are slow to transition, while also uncovering opportunities related to the earlier adoption of new technologies and innovation. Furthermore, we acknowledge that we too have a duty to be transparent and remain committed to enhancing transparency around our approach to identifying, assessing, and managing climate-related risks associated with our investments.

Alignment with the TCFD Recommendations: *In October 2023, the Task Force on Climate-related Financial Disclosures (TCFD) fulfilled its mandate and was officially disbanded. Responsibility for monitoring and advancing climate-related disclosures has transitioned to the IFRS Foundation and its International Sustainability Standards Board (ISSB), which now provides the global baseline for sustainability reporting and incorporates the TCFD recommendations. While we continue to monitor disclosure practices and the adoption of IFRS S2 Climate-related Disclosures, our reporting remains aligned with the TCFD framework. The TCFD Framework is summarized on page 2. This report replaces our prior TCFD Report.*

CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES[1]

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

[1] **https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf**, page 6, figure 2

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

GOVERNANCE

Board Oversight

The CC&L Board of Directors has ultimate responsibility for the firm's approach to RI which includes our approach to climate-related issues.

ESG Committee

Responsibility for day-to-day oversight of the firm's approach to climate-related risks and opportunities sits with the CC&L ESG Committee, which reports directly to the Board and is mandated to oversee and coordinate firm-wide RI activities.

Investment Risk Management Committee

CC&L's Investment Risk Management Committee has responsibility for the oversight of the firm's investment risks, including those related to climate.

Execution

Each of CC&L's three investment teams is responsible for the execution of CC&L's RI Policy as part of their unique investment approaches.

Additionally, the CC&L Financial Group Stewardship and Engagement (S&E) team provides support to CC&L's analysts and portfolio managers to more proactively engage with investee companies, collaborate with like-minded investors, and facilitate proxy voting.

STRATEGY

CC&L recognizes that many of the risks associated with climate change are long-term in nature and in certain instances, outside of our investment time horizon. For that reason, our approach focuses on both our integration activities, which tend to reflect a shorter-term time period and our stewardship activities that reflect a longer- term horizon. This approach aims to ensure alignment with the best interests of CC&L's clients.

CC&L defines climate risk as the potential adverse impacts of climate change on economies, businesses, financial systems, and society. This encompasses physical risks—such as damage from wildfires, floods, and extreme temperatures—and transition risks, including policy changes, new regulations, and shifting consumer preferences. CC&L considers climate opportunities to be the potential benefits or value creation that arise from addressing climate change, such as utilizing low-carbon energy sources, cost savings through energy efficiency and resource optimization, developing new products and services, and new markets and consumer preferences.

At this time, we have not conducted climate scenario analysis on our portfolios due to limitations on the practical applicability for our investment strategies.

Integration

ESG risks and opportunities, including those related to climate, are integrated into each team's investment process. The materiality of climate-related factors is considered within the investment time horizon of the analysis, and this tends to be around 12 months, with some variation on each team.

In addition to this bottom-up approach, we also incorporate longer-term secular themes from a top-down perspective as part of our overall analysis for our fundamental equity and fixed income strategies. Our materiality matrix identifies where climate risks are most relevant for each sector. The matrix is reviewed and updated annually. This tool is used by our fundamental equity and fixed income analysts in their bottom-up company-specific research.

It is important to note that CC&L does not screen out companies, industries, or sectors from our investment universe as we believe that each of our teams have in place robust valuation methodologies that will identify companies that do not meet our risk-adjusted return expectations. Furthermore, we are strong believers that having a seat at the table allows us, where practical, to engage with the management of companies in our universe. It should be noted that CC&L also manages certain client-directed mandates that incorporate specific climate-related restrictions in accordance with client preferences.

Fundamental Equity

The Fundamental Equity team assesses, at a macro level, the secular climate trends that present both challenges and opportunities for stakeholders over time. This top-down lens complements the team's bottom-up research, enhancing its ability to assess an issuer's preparedness to adapt to evolving climate-related demands. From a bottom-up perspective, the team evaluates the impact of climate-related risks and opportunities on a company's profitability and valuation. Where climate factors are deemed material over the 12-month investment time horizon, whether as risks or opportunities, they are incorporated in financial forecasts, target price analysis and ongoing engagement with the company.

Fixed Income

The CC&L Fixed Income (FI) team recognizes that climate change risks and opportunities can impact issuers' ability to meet their debt obligations and influence long-term credit quality. The potential level of impact can differ depending on whether the issuer is a corporate or sovereign issuer.

The FI team also recognizes climate change as a secular trend in their research and will draw on publicly available data to better understand and forecast an issuer's relative preparedness to adapt to the evolving demands related to climate change. Spread forecasts may be adjusted favorably to reflect companies that will benefit from a transition away from carbon and negatively for those that will be challenged by this same phenomenon, if deemed material within the forecast horizon.

Quantitative Equity

MSCI ESG data, including indicators related to themes such as climate change, have been integrated into CC&L's quantitative model as systematic risk factors, as well as predictors of stock-specific risk since July 2020. All of CC&L's quantitative strategies utilize carbon data from MSCI to manage carbon-related risk exposure. This is done in support of the strategies' broader investment objectives, rather than to target a specific portfolio carbon footprint which remains an outcome of the investment process.

Considering climate in our Stewardship and Engagement

CC&L recognizes its responsibility as stewards of the assets entrusted to it by its clients and its leadership role in advocating for capital market integrity. We proactively engage with investee companies, collaborate with like-minded investors, and vote proxies in order to ensure our views are heard and reflected. We have custom proxy voting and stewardship policies that oversee our approach to both.

The primary objectives of CC&L's stewardship activities are to improve and protect the long-term risk-adjusted performance of our portfolios and to improve the availability of decision-useful information available to investors. As such, engagement is an important component of our active ownership efforts as it provides us with the opportunity to gain greater clarity with respect to material climate-related issues, promote increased transparency and disclosures, and share perspectives and our views of best practices.

CC&L's FE and FI teams work together with the S&E team to develop an annual focus list of Canadian companies with which to engage. We choose to focus our engagement activities in Canada given our strong relationships with domestic management teams. The companies are selected based on a quantitative and qualitative analysis, which includes an assessment of the company's material climate-related risks.

Additionally, we advocate for the adoption of the International Sustainability Standards Board (ISSB) framework for disclosure and where appropriate, provide feedback to investee companies on areas that are meeting these standards as well as areas for improvement.

In addition to our direct engagement with issuers, CC&L's custom proxy voting policy contains climate-related provisions, specifically withholding votes from certain directors if a company has not established appropriate climate-risk oversight. CC&L generally supports shareholder proposals that seek to improve issuer disclosure of climate-related risk, where the existing level of disclosure is deemed insufficient.

CC&L's collaboration work includes active participation as a long-standing member of the Canadian Coalition for Good Governance (CCGG), an organization that has endorsed the TCFD recommendations and is using its advocacy powers to encourage widespread adoption in Canada. Additionally, CC&L became a founding participant in Climate Engagement Canada (CEC) as part of Connor, Clark & Lunn Financial Group. CEC is a Canadian finance-led collaborative initiative set up to drive dialogue between the financial community and Canadian corporations on climate-related risks, opportunities and transition to a net zero economy.

RISK MANAGEMENT

CC&L's investment teams leverage a range of tools to assess sustainability and climate-related risks and opportunities across our investments. Our approach to managing climate-related risk is embedded within our investment processes and overall risk management framework. We continue to refine this approach over time and monitor developments in data availability and quality to support our investment teams' understanding of relevant risks and opportunities within our portfolios.

CC&L's Investment Risk Management Committee is responsible for the investment risk oversight of all of the firm's portfolios, and reviews ESG and carbon risk reports on a monthly basis for representative equity portfolios.

The objective of our climate-related investment due diligence is to identify material risks and opportunities that may impact the long-term performance of our investments. CC&L's FE and FI teams assess ESG risks as part of their investment process and where a risk or opportunity is determined to have a measurable financial impact within the relevant forecast horizon, it is considered material and reflected through adjustments to target prices or spread forecasts, as appropriate. External ESG and climate data are incorporated to support risk assessment and decision-making. These tools are used across investment teams, though specific implementations and analytical approaches vary by team and strategy.

METRICS AND TARGETS

We believe that we have a duty to be transparent in our approach and continue to work on ways to enhance the quality of our climate-related disclosures for our clients and stakeholders.

CC&L measures and reports portfolio-level carbon emission metrics for its long-only equity and fixed income strategies on a quarterly basis. The carbon metrics in these reports include total carbon emissions, carbon footprint, carbon intensity and weighted average carbon intensity, using MSCI carbon data. Carbon emission data provided include scope 1 and 2 emissions, as we recognize that challenges in the quality and consistency of scope 3 emissions estimation and concerns regarding double-counting of emissions at the portfolio level remain.

At this time, we do not offer strategies that specifically target a low carbon footprint or carbon emission score, nor do we market any strategies as such, although we do manage several separate accounts for clients who have self-imposed ESG constraints. The carbon footprint and emission metrics of our portfolios are an outcome of our investment processes rather than a targeted objective. It is important to emphasize that any year-over-year trends in portfolio carbon emission metrics are not an intentional outcome, but a byproduct of portfolio construction.