



Sustainability Integration Guideline

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Introduction

Sustainable Investing (“SI”), as defined in IMCO’s Sustainable Investing Policy, is an integral part of our approach to deliver strong risk-adjusted returns. Consistent with our fiduciary duty, we believe integrating material sustainability considerations, including climate and Environmental, Social and Governance (“ESG”) factors, in our investment decisions enables us to better manage risks and contributes to the long-term performance and resilience of our portfolio.

Purpose

This Sustainability Integration Guideline (the “Guideline”) sets out the overarching approach for sustainability integration into the investment process across different asset classes, including Public Equities, Private Equity, Global Credit, Infrastructure and Real Estate. Sustainability integration is one of the four key elements underlying our sustainable investment approach, the others being Screening, Stewardship and Sustainable Investing.

This Guideline provides a principled, consistent approach to sustainability integration based on industry best practices, and in alignment with IMCO’s Sustainable Investing Policy, sustainability beliefs and the Principles for Responsible Investment (“PRI”).

Scope

This Guideline applies to the integration of sustainability at the asset class level, where applicable, for both internally and externally managed investments. For externally managed investments, this Guideline provides guidance on how sustainability considerations are integrated into the selection, appointment and monitoring of external investment managers for public and private markets, and covers external mandates, including commingled funds, separately managed accounts (“SMAs”), “fund-of-one” structures or structures that have been customized for IMCO and our clients only.

Sustainability Integration

There are certain sustainability integration processes that are common to multiple asset classes. These common processes are set out directly below, divided between internally and externally managed. In addition to these common processes, individual asset classes may have additional processes or requirements that are specific to themselves, and these processes and requirements are then set out in the ‘Asset Class-specific Processes’ section.

Internally Managed Investments

Pre-Investment Phase

During investment sourcing, long-term sustainability trends, such as climate change, decarbonization and the clean energy transition, alongside other mega trends, are considered when identifying and prioritizing new investment opportunities.

During the pre-investment phase, for all direct and co-investments, and joint ventures across all asset classes, the investment teams, SI and Investment Risk teams work together to identify material ESG risks and opportunities and conduct an analysis of these material issues (the “Assessment”), taking into account the context of the potential investment, such as its industry sector, geography and size.

The company’s material ESG factors are identified based on the Sustainability Accounting Standards Board (“SASB”) framework and the company’s management of such risks and opportunities are assessed (i.e., systems, policies and controls in place). A broad range of sustainability information that covers or reflects the historic and current performance of the investment that may impact or influence future corporate revenues and/or profitability is considered in the analysis. Both qualitative and quantitative analyses are used in the identification and assessment of material ESG factors and embedded into the valuation process and investment thesis, where relevant, material, and feasible.

The Assessment also identifies the company's impact opportunities in alignment with the United Nations Sustainable Development Goals ("SDGs") and determines whether the investment would count as a Climate Solution as set out in IMCO's Climate Solutions Taxonomy.

Sustainability considerations are also considered as part of the portfolio construction process, including with respect to the selection of individual assets, identifying sector weights, determining benchmarks/indices, and holding periods.

For small co-investments (typically under US \$50 million), due diligence is performed by the sponsor or General Partner ("GP") and reviewed internally by the investment and SI teams.

Investment Decision-Making

The results from the Assessment, including material ESG factors, are discussed and reviewed with the SI team and incorporated into the due diligence findings within the relevant investment process documentation, including the Investment Memo, for review and approval by the Management Investment Committee ("MIC") or an applicable committee to which the MIC has delegated authority, namely Investment Department Committees ("IDCs"), in the same manner as for other key due diligence findings. The MIC/IDC undertakes a final review and approval process taking into consideration both financial and sustainability considerations.

Asset Class-specific Processes

Public Equities - Factor Investing

IMCO's internal equity factor investing program integrates sustainability in our factor financial model. Material ESG and climate factors are identified, assessed and monitored alongside traditional financial factors across the factor investing process. The Factor Investing team conducts research and works on analyzing and incorporating ESG factors in our internal factor portfolio. The Factor Investing and Sustainable Investing teams conduct quarterly reviews on material ESG factors and controversies at a portfolio level.

Global Credit

In addition to identifying the company's material ESG factors based on the SASB framework, the Assessment analyses how the evolution of sustainability matters may change the risk profile of the debt issuer. Furthermore, the current and emerging/potential sustainability risks that may impact the forecast of cash flow, revenues and profitability are also considered in the analysis. By the final Investment Memo, sustainability risks and opportunities are addressed and/or documented, and the final assessment is reviewed with the SI team in context of the benchmark and the specific segment of the credit market (i.e. distressed debt, direct middle market debt, structured credit).

Infrastructure

Sustainability materiality risk and opportunity analysis can be bespoke in nature and often require the use of specialist third-party consultants to complete a technical due diligence on asset or site-specific issues. The Infrastructure team may pass on investments with material sustainability concerns, especially where the Infrastructure team cannot secure sufficient ownership share/governance to influence improvement. We believe that active engagement is a powerful lever; as an active direct investor, we aim to secure appropriate governance rights for all direct investments to influence improvement on the company's sustainability performance. We consider whether the sustainability risks identified in the Assessment can be corrected through a clear action plan and within a reasonable time frame post investment. The initial results from the sustainability due diligence are presented to the MIC at the mid-deal meeting for further comment and discussion. In the final Investment Memo, sustainability risks and opportunities, and mitigants are addressed and/or documented in summarized format within the memo and in a more detailed format in both the investment Q&A Log as well as detailed in specific workstream analysis.

Real Estate

During the pre-investment phase, an in-depth site operational due diligence assessment is conducted to identify potential environmental and operational concerns and mitigants. Usually, third-party consultants are hired to do

technical due diligence on asset or site-specific environmental issues and incorporate site visits and in-depth interviews with management and personnel. The Real Estate team is focused on ensuring that any environmental issues or concerns that have arisen prior to the acquisition are addressed promptly or incorporated within asset management initiatives and priorities. If sustainability concerns are identified that would materially impact return generation or could create unacceptable liability, the Real Estate team, alongside the MIC, may ultimately choose to pass on the acquisition or investment.

Externally Managed Investments

The process for integrating sustainability considerations as it relates to the selection, appointment and monitoring of external managers, across all asset classes, is outlined below.

Selection

Sustainability due diligence, adapted to the asset class, is conducted before an investment decision is made and is integrated into the overall external manager diligence. The goal is to understand the extent to which a manager has integrated sustainability in its investment process and day-to-day operations. Asset classes lead sustainability due diligence in collaboration with the SI team. IMCO's Sustainable Investing Policy may be shared with external managers to communicate the sustainability integration considerations in the selection process.

All managers are asked to complete an ESG Due Diligence Questionnaire¹ ("ESG DDQ") as a foundation for the sustainability assessment of the various policies, processes and performance related to the various sustainability assessment criteria, including: policies & governance, resourcing, integration in the investment process, stewardship approach to key issues (e.g., climate change, etc.), sustainability outcomes, and monitoring and reporting. Data for the sustainability assessment is collected through a variety of sources, including, where available, desktop reviews, external manager interviews, site visits where possible, peer reviews, as well as other third parties' knowledge.

ESG DDQs are developed and periodically updated by the SI team and shared with relevant asset classes. Note that ESG DDQ's for certain asset classes may cover specific topics, as follows: sustainability engagement (Public Equities); sustainability-related operational and commercial due diligence (Private Equity); assessment of both firm and property management level performance (Real Estate).² The SI team's due diligence process may utilize ratings tools to assess the maturity of the external manager's sustainability program.

The results of the due diligence are drafted and/or reviewed with the SI team, and the necessary amendments are made and included as part of the Investment Memo for review and approval by the MIC or an applicable committee to which the MIC has delegated authority, namely IDCs. In conducting the review, the MIC/IDC takes into consideration the relative sustainability maturity of the external manager and the opportunities for improvement.

Appointment

Following approval of the appointment by the MIC, the external manager is selected by the investment team and advanced to the contracting phase.

IMCO sustainability integration and reporting expectations for external managers, when necessary and relevant, are included in contracting documents (e.g., Investment Management Agreements, Amending Agreements, Side Letters, etc.). Contracting documents are negotiated by the applicable asset teams with support from IMCO's Legal team; the SI team may also be consulted when integrating sustainability considerations into the documents. Sustainability expectations may vary depending on the asset class, investment size and maturity of external managers, and may include:

- Alignment with IMCO's commitments to sustainability and sustainability approach as defined in the

¹ For clarity, each asset class has its own ESG DDQ, as follows: ESG Public Equity DDQ; ESG Private Equity DDQ; ESG Global Credit DDQ; ESG Infrastructure DDQ; and, ESG Real Estate DDQ.

² Where relevant, the Real Estate investment team will use third party research such as GRESB to inform the analysis.

Sustainable Investing Policy

- Alignment with IMCO's *Sustainability Screening Guideline*
- Alignment with IMCO's climate strategy and related targets, as set out in our *Climate Action Plan*
- Commitments to align with international standards, such as the PRI
- Integration of sustainability into the investment process
- Performance monitoring and reporting

As part of the contracting phase, if relevant, the feedback on our sustainability assessment can be shared with the external managers to identify opportunities for improvement.

Monitoring

Monitoring of external managers is conducted by asset classes through regular reviews, with sustainability reviewed on an annual basis at a minimum. Approach to sustainability is also considered as part of the annual cross-asset-class strategic partner review. These reviews help us understand how external managers are managing investee company sustainability issues and performance, as well as help us monitor external managers' sustainability progress.

IMCO teams engage with external managers to advocate for strengthening of the managers' sustainability capabilities. Where applicable, we will encourage managers with clearly identified capability gaps to increase sustainability awareness and consider good practices. Engagement can include more formal reviews on the progress made against the agreed upon capability development plan.

If external managers fail to meet their commitments to sustainability over time, IMCO can consider an escalation process that notifies them about being placed on a watch list, engaging with the external managers' investment committee or leadership team, or escalating to the manager's board, where applicable.

Asset Class-specific Processes***Public Equities***

Monitoring of external managers is conducted through regular reviews - on an annual basis at a minimum. These provide an opportunity to:

- Understand how external managers are managing investee company sustainability issues and performance
- Review external managers' sustainability performance as it relates to sustainability ratings, climate risk, board diversity, controversies and IMCO's screening criteria
- Review external manager stewardship activities such as engagement and proxy voting, as referenced in the *Proxy Voting Guideline*

Private Equity

Monitoring the performance of Private Equity external managers is conducted through regular reviews of sustainability performance along with other key performance criteria on an annual basis at a minimum.

Global Credit

Monitoring the performance of Global Credit external managers is conducted through regular reviews of sustainability performance along with other key performance criteria on an annual basis at a minimum.

Infrastructure

Infrastructure applies a structured "Five P" approach to evaluating prospective external managers, assessing performance, people, investment process, philosophy and strategy, and partnership potential. Sustainability is a key element of the investment process, and Infrastructure prefers to invest with funds that demonstrate a strong commitment to integrating sustainability into every step of the investment process and can demonstrate market leadership across at least some of the dimensions. The approach is tailored based on the fund's style and sector focus to ensure the right issues

are considered. Infrastructure completes deep dives into the external manager's approach to focus areas including climate change and biodiversity, as well as diversity, equity and inclusion on deal teams, portfolio company boards and management teams, and adoption of good governance for portfolio company boards. Infrastructure maintains an active dialogue with the key GPs, including active participation in LPACs, and ensures that progress on sustainability issues remains on the forefront of the agenda for the dialogue.

Real Estate

Monitoring of Real Estate external managers is conducted on an ongoing basis through monthly calls and periodic site visits at the properties, providing an opportunity to raise potential risks and opportunities from a sustainability perspective.

Governance

Review and Approval

The IMCO Document Owner of this Guideline for purposes of ensuring that it gets issued, reviewed, and updated on a regular basis will be the Chief Investment Officer (or such other individual that may be designated from time to time by the CEO) or their designate. The Drafter and Document Monitor of this guideline will be Managing Director, Head of Investment Strategy, Sustainability and Asset Management, who will monitor compliance with this Guideline on an ongoing basis to determine whether the objectives of this governing document are being met.

The Document Owner is also responsible for ensuring the relevant IMCO senior executive team members (the "SET") have been given a reasonable opportunity to review and comment on this Guideline prior to it being approved by the MIC (the "Approver").

This Guideline should be reviewed by the Document Owner and approved by the Approver at least once every three years.

Non-Material and Material Revisions

For greater certainty, any non-material revisions to this Guideline (either resulting from the Document Owner's reviews or otherwise) can be approved by the Document Owner at any time following a review of the changes by the Chief General Counsel or their designate and notice to the relevant SET. Such non-material revisions may include edits to:

- i. cure any ambiguity, clerical or typographical errors;
- ii. clarify, correct or supplement any provisions which might be defective; or
- iii. satisfy any legal or regulatory requirement applicable to IMCO.

Any material revisions to this Guideline must be approved by the Approver.

Exceptions

Any request for a non-material exception to this Guideline must be approved by the Document Owner and the Chief General Counsel. Any request for a material exception to this Guideline must be approved by the Approver.

References

The following reference documents apply to the Sustainability Integration Guideline.

- IMCO SI Policy
- IMCO Sustainability Screening Guideline
- IMCO Infrastructure Due Diligence Document

- IMCO External Manager DDQs
- Investment Memo
- PRI Guidelines
- SASB Standards
- SDG Indicators
- ISSB Standards
- IFC Performance Standards