INVESTORS *for* PARIS COMPLIANCE

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INVESTOR BRIEF: POWER CORPORATION AND FINANCED EMISSIONS

CONTENTS

DISCLAIMER

INTRODUCTION

Power Corporation is a Canadian management and holding company, focused on insurance and financial services, with a current market capitalization of over $24 billion.[1] Power Corporation holds $2.7 trillion in consolidated assets and assets under administration. With broad market exposure across its subsidiaries, the company is widely exposed to risks associated with climate change.

According to the Investing in Climate Chaos global database, Power Corporation is the third largest Canadian fossil fuel investor, with a 2022 exposure of US$15.2 billion in oil, gas, and coal.[2]

#	Name	Country of HQ	Shares	Bonds	Total
1	Sun Life Financial	Canada	$ 21,627 M	$ 2,157 M	$ 23,783 M
2	Royal Bank of Canada	Canada	$ 20,086 M	$ 1,269 M	$ 21,355 M
3	Power Corporation of Canada	Canada	$ 12,786 M	$ 2,452 M	$ 15,239 M
4	Manulife Financial	Canada	$ 5,364 M	$ 6,357 M	$ 11,721 M
5	Toronto-Dominion Bank	Canada	$ 9,449 M	$ 593 M	$ 10,042 M

Power Corporation has 3 major holdings:

1. Great-West Lifeco ("Lifeco") — 68.2% ownership, with $2.5 trillion in assets under management and administration.[3]
2. IGM Financial ("IGM") — 62.1% ownership, with $225 billion in assets under management. IGM holds a number of its own subsidiaries, including Mackenzie Investments and IG Wealth Management.
3. Groupe Bruxelles Lambert ("GBL") — 14.9% ownership, with an $18.6 billion asset valuation.

Power Corporation acknowledges its responsibility to contribute to a more sustainable future in its Statement on Climate Change, where it recognizes its "responsibility to help create a future where prosperity is harmonized with addressing the critical challenge of climate change."[4] However, Power Corporation has yet to make a net zero commitment, unlike most of the Canadian financial industry.

1 Yahoo Finance, Power Corporation of Canada.

2 Investing in Climate Chaos, Power Corporation of Canada.

3 Great-West Lifeco, 2022 Annual Report (March 2023) at 33.

4 Power Corporation, Statement on Climate Change.

FINANCED EMISSIONS AND HOLDING COMPANIES

What are the responsibilities of holding companies in the climate transition? Some might argue that holding companies have a limited role given that their subsidiaries have varying degrees of operational independence. However, ownership confers both significant influence over member companies and exposure to their climate risk. There is no barrier to such impacts based on holding company status. A holding company and its investors will either benefit from or incur losses based on how its subsidiaries position themselves in the energy transition.

In the case of Power Corporation, there is also significant overlap at the director level with its major subsidiaries. Eight of 19 Lifeco directors and seven of 15 IGM directors also sit on the Power Corporation board. Only four of Power Corporation's directors are not also directors of Lifeco or IGM. While not majority board control, this substantial board representation (paired with majority ownership) offers a large degree of influence.

In terms of global guidance, pure holding companies are not eligible for membership in the UN Principles for Responsible Investment, but are directed towards the UN Global Compact (UNGC) for developing internal sustainable investment guidelines.[5] Power Corporation is a signatory.[6] Its Letter of Commitment adopts both the Ten Principles of the UNGC, as well as the UN's sustainable development goals. Suggested target actions from UNGC include the development of sustainability indicators,[7] disclosure, and science-based targets in line with 1.5°C warming.[8]

With regards to holding company peers, it should be noted that GBL — in which Power Corporation holds a 14.9% stake — is also a holding company. GBL has an extensive climate program, both measuring and disclosing its portfolio emissions, as well as taking responsibility for the targets of its subsidiaries.[9]

Other holding company peers include the Swedish companies Industrivarden AB[10] and Investor AB,[11] both of which also disclose portfolio emissions and take responsibility for subsidiary targets. Additionally, NatWest Group is a British banking and insurance holding company. It discloses the financed emissions of its subsidiaries in its central reporting,[12] and has company-wide interim targets that have since been approved by the Science-Based Targets Initiative (SBTi).[13] It has set science-based targets company-wide on its scope 1 to 3 emissions across its portfolio..

5 UNPRI, PRI Signatory Sign-up Guidelines (Nov. 2019) at. 11.

6 Power Corporation, United Nations Global Compact.

7 UN Global Compact, Principle Eight: Environment.

8 UN Global Compact, Climate.

9 GBL, 2022 Annual Report, (March 2023).

10 Industrivarden AB, 2022 Sustainability Report (March 2023).

11 Investor AB, Climate and Resource Efficiency.

12 NatWest Group, 2023 CDP Response.

13 *Ibid.*

POWER CORPORATION PROGRESS

How is Power Corporation performing on financed emissions so far?

First and foremost, Power Corporation has not yet set a net zero goal. Where its climate statement outlines the importance of emissions reduction, it does not commit the company to achieve net zero.[14]

Power Corporation discloses a small fraction of its financed emissions in its 2023 CDP Questionnaire.[15] These only include the financed emissions of Lifeco, which in turn are lacking in terms of portfolio coverage. Attribution of emissions from its other subsidiaries are missing entirely. Power Corporation notes that its subsidiaries are still in the process of collecting sufficient data to determine baseline emissions.[16] To be fair, data availability does pose a challenge in measuring financed emissions,[17] but many other financial companies are finding solutions to data issues.

In terms of target setting, in 2016 Power Corporation stated its intent to set science-based interim targets within two years for Lifeco, IGM, and for the company as a whole.[18] In 2017 it again noted its lack of interim science-based targets and again stated an intent to set them within two years.[19] In every subsequent CDP response — eight since 2016 — it has repeated this intention, without following through.

Power Corporation lacks a company-wide climate transition plan[20] and defers to its subsidiaries. While it claimed to have developed a "low-carbon transition plan" in its 2020 disclosure, that language has since been dropped.[21]

In its 2023 CDP response, Power Corporation admits to not having a transition plan and sets a goal of developing one within two years.[22] Meanwhile, it has committed to reducing its exposure to carbon-intensive industries and to engaging with companies within IGM and Lifeco's portfolios about decarbonization.

In terms of governance, Power Corporation does not have a Chief Sustainability Officer and appears not to have any senior management dedicated fully to the climate file. The company says it exercises active ownership, having executives sitting on the boards of portfolio companies and engaging frequently on climate.[23]

14 Power Corporation, Statement on Climate Change.

15 Power Corporation, 2023 CDP Response at 268.

16 Power Corporation, 2023 CDP Response at 57.

17 Partnership for Carbon Accounting Financials, Financed Emissions (December 2022) at 8.

18 Power Corporation, 2016 CDP Response at 19.

19 Power Corporation, 2017 CDP Response at 19.

20 For more on elements of a transition plan, see: GFANZ: Financial Institution Net-zero Transition Plans. Fundamentals, Recommendations, and Guidance.

21 Power Corporation, 2020 CDP Response at 37.

22 Power Corporation, 2023 CDP Response at 57.

23 Power Corporation, 2023 CDP Response at 7.

SUBSIDIARY PROGRESS

How are Power Corporation's subsidiaries performing on climate so far?

LIFECO

Like Power Corporation, Lifeco is also a financial services holding company, focused on insurance, with several subsidiaries. It is the only major Power Corporation subsidiary to have set a net zero target.[24]

In terms of financed emissions disclosure, Lifeco discloses 20% of its portfolio's emissions, up from 1% disclosed in 2022.[25] In its most recent CDP publication, a substantial proportion of its portfolio remains uncovered. Its financed emissions only include its Canadian selected bonds, equity, and investment properties from three of its subsidiaries.[26]

Despite setting a net zero by 2050 goal, Lifeco has not set any interim financed emissions targets. It claims that its interim science-based targets are currently in the development process. While Lifeco's 2022 CDP response set a goal of releasing targets by the end of 2022, its 2023 response does not mention any planned release target.[27]

Lifeco does note that two of its European subsidiaries — Canada Life Asset Management UK and Irish Life Investment Managers — have released interim targets.

Lifeco has not developed a transition plan, but notes that its strategy has been "influenced by climate-related risks and opportunities," noting its intention to develop a transition plan within two years.[28]

Lifeco does not indicate the measures being taken to reduce exposure to climate risk, noting only that it is a consideration in acquisitions and divestitures.[29] Despite citing climate risk analysis as a key part of its acquisition and divestment process, it simultaneously states that it has "not identified any inherent climate-related risks or opportunities that could be substantive to our business, and therefore have not had to factor them into acquisitions and divestments as part of our financial planning process."[30]

Lifeco does note a number of measures which support its transition goals. It offers engagement guidelines which include:

- Supporting climate-related shareholder resolutions and climate-related issues in proxy-voting
- Using a stewardship and engagement strategy with guidelines for escalation and voting policy, and
- Encouraging investees to disclose data and set science-based targets.

Lifeco's subsidiary, ILIM, has also begun setting exclusion policies on coal, oil sands, and arctic oil and gas.[31] Subsidiaries of Lifeco are organisational members of Climate Action 100+ (CA100+) as well as Climate Engagement Canada. CA100+ has, however, faced criticism for its ineffectiveness,[32] and CEC is yet to establish a track record.

24 Great-West Lifeco, Corporate Social Responsibility.

25 Great-West Lifeco, 2022 CDP Response at 56.

26 Great-West Lifeco, 2023 CDP Response at 63.

27 Great-West Lifeco, 2022 CDP Response at 64.

28 Great-West Lifeco, 2023 CDP Response at 14.

29 Great-West Lifeco, 2023 CDP Response at 3.

30 Great-West Lifeco, 2021 CDP Response at 38.

31 Great-West Lifeco, 2023 CDP Response at 19.

32 Reuters, Money talks. So why aren't high-carbon companies listening to Climate Action 100+? (May 2022).

IGM

IGM is a wealth and asset management company with a family of companies conducting financial planning and investment management services. While IGM has committed to "setting interim targets for investment portfolios as a first step, consistent with the global ambition to achieve net zero emissions by 2050", it has not committed to a net zero target.[33]

In terms of financed emissions disclosure, in 2023 IGM disclosed emissions on 94% of its public equity holdings.[34] This is an improvement from its 2022 CDP response where IGM disclosed portfolio emissions on 55% of its public equity holdings.[35]

But, IGM's two most recent portfolio emissions disclosures have only included scope 1 and scope 2 emissions, leaving out the much larger scope 3 emissions. Given that IGM discloses that 5.1% of its portfolio ($7.2 billion) is invested in fossil fuels, this represents a substantial gap in reporting on downstream emissions.[36] Downstream emissions can represent up to 90% of fossil fuel emissions, though this varies by type.[37]

IGM has not set any interim financed emissions targets. IGM does note that its subsidiary, Mackenzie Investments (which manages 75% of IGM's AUM), has set targets covering 24% of its total assets, focused on equity holdings.[38] This covers $40 billion of IGM's $225 billion AUM,[39] or a little under 18% of IGM's total portfolio. Mackenzie notes, in its 2021 Sustainable Investing Report, that per an internal assessment, these targets cover 70% of its equity financed emissions.[40] This target does not cover non-equity holdings.

In terms of transition planning, in its 2023 CDP report, IGM states it has not yet developed a transition plan and that it is in the process of quantifying its baseline emissions in order to develop targets.[41]

IGM states that in this active ownership process, it favours "engagement over exclusion."[42] It does not, however, mention any kind of escalation guideline for investees that fail to adequately take steps to transition. Subsidiaries of IGM are organisational members of CA100+ as well as Climate Engagement Canada, climate-focused investor engagement initiatives. As stated above, however, CA100+ has been criticized for ineffectiveness while CEC is yet to establish a track record.

33 IGM Financial, Climate Position Statement.

34 IGM Financial, 2023 CDP Response at 77.

35 IGM Financial, 2022 CDP Response at 84.

36 IGM Financial, 2023 CDP Response at 75.

37 Carnegie Endowment for International Peace, Breaking Down the Barrel: Tracing GHG Emissions Through the Oil Supply Chain (Feb. 2016).

38 IGM Financial, 2023 CDP Response at 35.

39 IGM Financial, IGM Financial Inc. Announces October 2023 Assets Under Management & Advisement And Net Flows (Nov. 2023).

40 Mackenzie Investments, 2021 Inaugural Sustainable Investing Report – Mackenzie Investments (2022) at 24.

41 IGM Financial, 2023 CDP Response at 24..

42 IGM Financial, 2023 CDP Response at 19.

GBL

GBL is a European holding company, and an example for Power Corporation, Lifeco, and IGM to follow.

In terms of financed emissions reporting, GBL's 2022 annual report claims that 100% of its financed emissions are disclosed and assessed by a third party.[43] This does, however, exclude GBL Capital and Sienna Investment Managers which together make up about 14% of GBL's portfolio.

In terms of interim target setting, GBL has committed to setting interim targets certified by SBTi. It has committed to 50% of its portfolio setting science-based targets by 2025, and 100% doing so by 2030.[44] As of 2022, 44% of its portfolio companies have SBTi-aligned targets. While not having committed to net zero by 2050, its ambition to set science-based targets on all corporate financial instruments represents progress in alignment with 1.5°C warming.

In terms of transition planning, GBL offers elements of a more comprehensive transition pathway. While it has not released a single, comprehensive, plan, it has outlined ongoing steps to decarbonize its portfolio.

The centrepiece of this plan is an exclusion policy which was adopted in 2021. Through the course of regular asset rotation, GBL has committed to excluding direct investments in coal, non-conventional oil, and in conventional oil operations without a UNFCCC Paris Agreement-aligned climate strategy.[45] According to its disclosures, GBL is already achieving results, claiming emissions reductions of about 55% between 2020 and 2021, largely due to reducing its exposure to Holcim, a global construction company.

43 GBL, 2022 Annual Report (March 2023) at 158-159.

44 Science Based Targets Initiative. Target Language and Summary - Groupe Bruxelles Lambert.

45 GBL, 2022 Annual Report (March 2023) at 150, 155.

> *"As one of the greatest and most pressing sustainability issues of our time is climate change, we recognize our responsibility ... to help create a future where prosperity is harmonized with addressing the critical challenge of climate change."*
> —Power Corporation of Canada

CONCLUSION

As the third largest Canadian investor in fossil fuels, Power Corporation is exposed to significant transition risk. It has a particular responsibility to clearly outline how it intends to join the rest of the financial industry in reaching net zero by 2050, including hitting key 2030 benchmarks.

As a holding company of other holding companies, the question arises regarding Power Corporation's role in the transition of its subsidiaries and their subsidiaries. Ultimately, though, as the owner, the buck stops with Power Corporation, or rather, with its investors who will profit or lose depending on progress — or lack thereof — in the energy transition.

Other holding companies show the way to net zero alignment. Indeed, GBL in which Power Corporation holds a 14.9% ownership, is an example of a holding company with a more robust approach to reducing financed emissions that should be emulated.

Power Corporation is yet to develop a similarly robust approach that would clearly lay out its path to reducing emissions. In the face of the risks of the climate crisis and the opportunities of the energy transition, it's time this changed.

SUMMARY TABLE

	FINANCED EMISSIONS REPORTING	INTERIM FINANCED EMISSIONS TARGETS	TRANSITION PLANNING
POWER CORPORATION OF CANADA (HQ)	Only includes Lifeco's partial disclosure. This represents 16.4% of Power Corporation's AUM.[46]	Defers to subsidiaries.	Not yet published a transition plan. Claims to be in the process of developing one via its subsidiaries.
SUBSIDIARIES			
LIFECO	Inclusive of selected assets representing 20% of AUM.	No central targets.	Has not published a transition plan but claims to be in the process of developing one.
IGM	In 2023, IGM reported on 94% of public equity holdings, excluding downstream emissions.	No central targets.	Has not yet published a transition plan but claims to be in the process of developing one.. Does some climate engagement work.
GBL	Financed emissions reported for ~87% of its portfolio.	Financed emissions targets (approved by SBTi) representing 44% of current portfolio, with goal to get to 50% by 2025 and 100% by 2030.	While not packaged as a single transition plan, GBL has outlined substantive actions to decarbonize its portfolio. (Partial fossil fuel exclusion policy, divestment from highest emitting asset).

[46] Great-West Lifeco offered a disclosure covering $206b of assets. This represents a disclosure on 16.38% of Power Corporation's $1.258 trillion AUM (Lifeco's $1.033 trillion, and IGM Financial's $225 billion).