INVESTORS *for* PARIS COMPLIANCE

APRIL 2024

INVESTOR BRIEF:

CONTEXTUAL INFORMATION REGARDING SHAREHOLDER RESOLUTION FILED AT POWER CORPORATION

VOTING INFORMATION

Meeting date:	**May 9, 2024**
Proxy cut off date:	Intermediaries must receive instructions by **May 7, 2024**.
Voting information:	here

NOTE: This is NOT a solicitation of your proxy; it simply provides contextual information from public sources regarding the proposal. Please do not send us your proxy card—we are not able to vote your proxies nor does this communication contemplate such an event. We recommend shareholders follow voting instructions provided in management's proxy mailing.

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ABOUT INVESTORS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works to hold Canadian publicly-listed companies accountable to their net zero commitments. More information can be found here.

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BACKGROUND

Power Corporation and its subsidiaries have broadly recognized the need to address transition risk across portfolios.[1] The company has stated its ambition to "reducing (its) energy and carbon footprint". Subsidiaries have gone further, with Mackenzie[2] and Great-West Lifeco[3] having committed to net zero by 2050, and IGM broadly supporting net zero by 2050.[4]

As one of Canada's largest publicly traded financial institutions, and the third largest investor in fossil fuels in Canada,[5] comprehensive transition planning is essential to ensuring long-term shareholder value in the face of a transitioning economy. With an almost USD $5bn stake in coal, and over USD $10bn in oil and gas, Power Corporation owns a sizable share of risk associated with emissions-intensive assets. While its subsidiary, Power Sustainable, has made considerable investments into climate solutions, this is neither a sufficiently sizable proportion of Power Corporation's portfolio, nor does it negate the risk associated with Power Corporation's fossil fuel exposure.

POWER CORPORATION LACKS COMPREHENSIVE FINANCED EMISSIONS DISCLOSURE

As of December 2023, Power Corporation only disclosed emissions on 16.4% of its AUM.[6] This was made up entirely of Great-West Lifeco's reported emissions which was included in Power Corporation's 2023 emissions disclosure. While Great-West Lifeco — Power Corporation's largest subsidiary — has a ways to go in its emissions reporting, it is not the only hole in the company's disclosure.

Power Corporation has not opted to include either of its other two major subsidiaries — IGM and GBL — in its disclosure. This is despite both GBL and IGM both independently offering relatively robust disclosures. This represents over $200 billion in assets under management that are excluded from Power Corporation's transition risk reporting. Power Corporation's holding company status does not exclude shareholders from transition risks associated with exposure to high-emitting assets, particularly its sizable fossil fuel portfolio.

It is worth noting that Power Corporation lacks a Chief Sustainability Officer, instead opting to have its Vice-President and General Counsel juggle the responsibility of driving sustainability and transition with their other roles. Accordingly, there has been no stated goal or aspiration of ensuring complete emissions measurement or disclosure.

GBL, a holding company itself, has published science-based interim emissions reductions targets, and has taken substantial steps to transition its portfolio away from investments with high emissions. Power Corporation's lack of comprehensive emissions data prevents the first step in transition planning. Power Corporation's shareholders thereby face undue risk.

1 https://www.powercorporation.com/media/uploads/esg_hub/bpcc_cdp_climate_change_questionnaire_2023_-web.pdf
2 https://www.netzeroassetmanagers.org/signatories/mackenzie-investments/
3 https://www.greatwestlifeco.com/news-events/news/lifeco-news-release-nov-10-2021.html
4 https://www.igmfinancial.com/en/corporate-sustainability/climate-statement
5 https://investinginclimatechaos.org/data
6 https://www.investorsforparis.com/wp-content/uploads/2023/12/power-corp-v6.pdf

MITIGATING RISK

Under current policies, the International Energy Agency projects a peak in demand for oil and gas by 2030.[7] Exposure to Canadian oil is uniquely risky. As carbon pricing continues to expand across jurisdictions, the high-cost carbon-intensive oilsands faces a double challenge. IISD found that "Canadian producers cannot win markets on price" with breakeven prices 2-3 times that of the highest-producing middle-eastern countries.[8] The Bank of Canada estimated, in 2022, that by 2030 oil and gas would face up to a 60% loss of value under all policy scenarios, and that by 2050 the sector would face a near total loss of value.[9]

Power Corporation's relatively high exposure to coal assets requires particular attention, as coal faces a more imminent drop in demand,[10] and as coal exclusion policies are becoming standard practice at global financial institutions.[11]

Non-bank financial institutions face some of the largest exposure to stranded asset risk of any investor type.[12] Stakes in coal, particularly in developed countries, are at especially high risk,[13] though researchers have indicated that oil and natural gas may face a stranding of assets amounting to as much as $1.4 trillion.[14]

Power Corporation's $15bn USD stake in these at-risk assets presents massive exposure to transition risk to its shareholders, yet the company is yet to report comprehensively about this.

REASONS FOR SUPPORT

The collection and disclosure of emissions on behalf of all Power Corporation subsidiaries would demonstrate the first step in taking responsibility for the transition risk, and would then allow it to develop a programming to reduce this risk.

Supporting this resolution is a vote to address Power Corporation's transition, governance and compliance, and reputational risk.

ENABLING POWER CORPORATION TO ADDRESS CLIMATE TRANSITION RISK

Comprehensively driving reduction in transition risk across Power Corporation's portfolio will require being able to:

- measure absolute financed emissions,
- recognize assets and investment types which present disproportional transition risk exposure, and
- set clear short and mid-term financed emissions reductions targets.

7 https://www.iea.org/news/oil-and-gas-industry-faces-moment-of-truth-and-opportunity-to-adapt-as-clean-energy-transitions-advance
8 https://www.iisd.org/system/files/2023-06/setting-the-pace-canada-oil-gas-decline.pdf
9 https://www.bankofcanada.ca/wp-content/uploads/2021/11/BoC-OSFI-Using-Scenario-Analysis-to-Assess-Climate-Transition-Risk.pdf
10 https://www.iea.org/news/global-coal-demand-expected-to-decline-in-coming-years
11 https://ieefa.org/articles/200-and-counting-global-financial-institutions-committed-coal-divestment-has-doubled-three
12 https://www.nature.com/articles/s41558-022-01356-y
13 https://www.nature.com/articles/s41467-023-42031-w
14 https://www.lse.ac.uk/granthaminstitute/explainers/what-are-stranded-assets/

This is not, however, possible with the current state of Power Corporation's emissions accounting. This is evident in the substantial discrepancies between IGM and Great-West Lifeco's progress in taking initial steps towards the development of transition plans.

Complete, organization-wide, measurement of financed emissions will allow Power Corporation to take the necessary steps to reduce transition risk, aligned with emerging industry standards as outlined in the Peers section below.

GOVERNANCE AND COMPLIANCE

While Power Corporation does not claim to hold operational control over its subsidiaries, its deferral of concrete transition planning to subsidiaries represents a lack of accountability. This is especially true in the case of IGM and Great-West Lifeco, where it owns a majority share and is ultimately responsible for ensuring corporate accountability.

Power Corporation shareholders ultimately face the same transition risk of Power Corporation's holdings, meaning that a failure to develop comprehensive transition plans across the organization places undue risk upon shareholders. As majority shareholder, Power Corporation is ultimately responsible for holding its major subsidiaries accountable. Centralized emissions measurements would allow Power Corporation to take responsibility for the risk in its portfolio, as opposed to passing responsibility to other boards in which it holds a majority stake.

The passage of this resolution would also allow Power Corporation to get ahead of incoming regulations surrounding emissions disclosures. The Canadian Sustainability Standards Board recently announced consultations on a new Canadian framework for sustainability disclosure standards.[15] Based on the ISSB's 2023 standard, the new regulation will likely require companies to disclose their scope 3 emissions.

15 https://www.frascanada.ca/en/sustainability/projects/adoption-csds1-csds2/media-release-cssb-public-consultation?utm_source=LinkedIn&utm_medium=SM+organic&utm_campaign=CSSB+Released&utm_id=EN_1

PEERS

Other holding company peers take significant steps towards mitigating climate-related risks. GBL — in which Power Corporation holds a 14.9% stake — has an extensive climate program, both measuring and disclosing its portfolio emissions, as well as taking responsibility for the targets of its subsidiaries.[16] In its 2022 annual report, GBL states that the company publicly endorses the Paris Agreement and supports "the development of long-term adaptation strategies and mitigation climate strategies for GBL and its portfolio of participations in order to progressively align financial markets with climate goals."[17]

Other holding company peers include the Swedish companies Industrivärden AB[18] and Investor AB,[19] both of which also disclose portfolio emissions and take responsibility for subsidiary targets. On its website, Industrivärden AB recognizes that "long-term value creation requires a reduced climate impact and successful utilization of climate related opportunities." According to the holding company, "Industrivärden's greatest climate risk consists of the combined climate risk in the equities portfolio based on Industrivärden's share of ownership in the portfolio companies."[20] To tackle that risk, Industrivärden follows the portfolio companies' inventorying, analysis and measures related to reducing carbon emissions and climate related opportunities.

Additionally, NatWest Group is a British banking and insurance holding company which recognizes the climate challenge as "one of the biggest issues of our time" and whose stated ambition is "to be a leading bank in the UK in helping to address the climate challenge."[21] It discloses the financed emissions of its subsidiaries in its central reporting,[22] and has company-wide interim targets that have since been approved by the Science-Based Targets Initiative. NatWest has set science-based targets company-wide on its scope 1 to 3 emissions across its portfolio and aims to halve the climate impact of its funding activity by 2030.[23]

16 https://www.powercorporation.com/media/uploads/companies/reports/bgbl-ar-2022-en.pdf
17 *Ibid.*
18 https://www.industrivarden.se/globalassets/hallbarhetsrapporter/engelska/sustainability-report_2023.pdf
19 https://investorab-new.euwest01.umbraco.io/media/ecmfbylo/investor-ab-tcfd-report-2022.pdf
20 https://www.industrivarden.se/en-gb/operations/sustainability/portfolio-companies/
21 https://www.natwest.com/banking-with-natwest/our-purpose/climate/banking-and-climate-change.html
22 https://investors.natwestgroup.com/~/media/Files/R/RBS-IR-V2/results-center/16022024/nwg-2023-climate-related-disclosure-report.pdf
23 *Ibid.*

POWER CORPORATION RESPONSE AND REBUTTAL

In its Management Proxy Circular, the Power Corporation board recommends voting against the resolution, simultaneously claiming that as a holding company it bears limited responsibility for its holdings, and that the current state of its reporting is sufficient. The statement of opposition from the company places the risk associated with the considerable fossil fuel exposure of its holdings at arms length, denying responsibility for the makeup of its portfolio.

The company stated that:

- "As a holding company, our direct environmental footprint is limited to the operations of our head office" and that
- "As a holding company, Power Corporation does not have holdings in fossil fuel assets."

As noted in this brief, Power Corporation, through its majority stakes in IGM and Great-West LifeCo, is the third largest investor in fossil fuels in Canada. Its holding company status does not protect its shareholders from the transition risk associated with these subsidiary holdings. Furthermore, there is considerable overlap in corporate governance between Power Corporation and its subsidiaries, with 8/19 Lifeco directors and 7/15 IGM directors also sitting on the Power Corporation board.

Despite recognizing its exposure to the holdings of its subsidiaries, Power Corporation denies the responsibility to properly disclose this information to inform its shareholders. Its claims that it discloses emissions on behalf of IGM are weakened by the fact that it does not include IGM's emissions in its top-line portfolio emissions metric. Future target-setting and transition planning is dependent on an enterprise-wide emissions disclosure. Shareholders are proportionally exposed to the entirety of the transition risk of its subsidiaries.

Furthermore, while Power Corporation notes that its general counsel is its senior-most executive with a sustainability purview, this in fact represents a shortcoming in its sustainability efforts given this person juggles multiple roles. A senior executive with capacity to drive sustainability efforts would demonstrate a commitment to reducing transition risk.

ENGAGEMENT WITH POWER CORPORATION

Investors for Paris Compliance (I4PC) had several respectful engagements with Power Corporation prior to filing. These included emails and calls, during which Power Corporation expressed its position on a number of issues covered in I4PC's investor brief.[24] While Power Corporation's representatives were courteous and responsive, they did not express openness to the contents of the proposed resolution. Power Corporation has not reached out to I4PC since the filing.

24 https://www.investorsforparis.com/powercorp-2023/

PROPOSAL AND SUPPORTING STATEMENT

RESOLVED: Shareholders request that Power Corporation annually disclose its full scope 1-3 financed emissions using accepted standards and in absolute terms.

SUPPORTING STATEMENT:

Financed emissions are the key indicator of transition risk exposure within a portfolio. The Science Based Targets initiative notes that "Absolute GHG emissions measurements are a proxy to gauge a [financial institution's] exposure now and in the future to climate-related transition risks within its portfolios."[25]

Power Corporation is uniquely exposed to transition risk given that it is estimated to have the third largest holdings of fossil fuel assets in Canada.[26]

In its most recent CDP response, Power Corporation only disclosed financed emissions from its subsidiary GreatWest Lifeco. And, Lifeco's disclosure covered only 20% of its AUM, meaning that Power Corporation disclosed financed emissions on only 16.4% of its total AUM.[27] Despite its subsidiary IGM measuring and disclosing financed emissions on 94% of its public equity holdings, Power Corporation did not include those emissions in its reporting.

In every CDP response since 2016,[28] Power Corporation has said that it intends to set science-based interim emissions reduction targets across a number of facets of its business, but is yet to follow through. We note that it is not possible to set comprehensive emissions reduction targets without first establishing proper measurement of baseline emissions, as this resolution calls for.

Power Corporation subsidiaries have been making some progress on climate. Power Sustainable invests in sustainable infrastructure and offers financed emissions disclosures.[29] IGM subsidiary Mackenzie Investments has set interim financed emissions targets.[30] However, sporadic progress at the subsidiary level does not replace the need for Power Corporation to follow through with an overall systematic approach to climate, starting with the full disclosure of its financed emissions.

We also note that Power Corporation may presently lack the necessary capacity and governance to properly measure and disclose financed emissions and to engage in target setting and decarbonization activities given that it lacks a senior officer assigned to climate or more broadly to sustainability.

25 https://sciencebasedtargets.org/resources/files/SBTi-TCFD-reporting-guidance.pdf (p. 20);
26 https://investinginclimatechaos.org/data?org=Power+Corporation+of+Canada
27 https://www.investorsforparis.com/wp-content/uploads/2023/12/power-corp-v6.pdf
28 https://www.powercorporationcsr.com/media/uploads/pdf/sidebar/power-corporation-cdp-2016.pdf (p. 20); https://www.powercorporationcsr.com/media/uploads/reports/Power_Financial_CDP_2017.PDF (p. 19); https://www.powercorporationcsr.com/media/uploads/pdf/sidebar/power-corporation-cdp-2018_H3N8kil.pdf (p. 36); https://www.powercorporationcsr.com/media/uploads/reports/power-corporation-2019-cdp-final.pdf (p. 36); https://www.powercorporationcsr.com/media/uploads/reports/pcc-2020-cdp-response-final-web_GACyRJ4.pdf (p. 47); https://www.powercorporationcsr.com/media/uploads/reports/pcc-2021-cdp-response-final-web.pdf (p. 65); https://www.powercorporation.com/media/uploads/esg_hub/bpcc_2022_cdp_submission_final_fsY1817.pdf (p. 26); https://www.powercorporation.com/media/uploads/esg_hub/bpcc_cdp_climate_change_questionnaire_2023_-web.pdf (p. 114)
29 https://drive.google.com/file/d/19r_kwxNATZi53Z0zYp_LcMXKXE_113g-/view
30 https://www.igmfinancial.com/content/dam/igm/en/corpresp/assets/docs/carbon-disclosure-2023-e.pdf (p. 35)

In terms of financed emissions accounting, Power Corporation is falling behind others. Canada's banks have comprehensive financed emissions accounting, and even peer holding companies are ahead. Swedish holding company Industrivärden, has been reporting the emissions stemming from its equities portfolio since 2010, and now reports scope 3 financed emissions from its holdings annually, using an equity share approach.[31] NatWest Group, a British holding company, annually discloses its portfolio emissions.[32]

To address investor uncertainty regarding Power Corporation's transition risk and its incomplete climate disclosure, **we respectfully request that shareholders vote FOR this proposal.**

31 https://www.industrivarden.se/globalassets/hallbarhetsrapporter/engelska/sustainability--report-2022.pdf (p. 86)

32 https://investors.natwestgroup.com/~/media/Files/R/RBS-IR-V2/results-center/17022023/nwg-2022-climate-related-disclosure-report.pdf (p. 27)