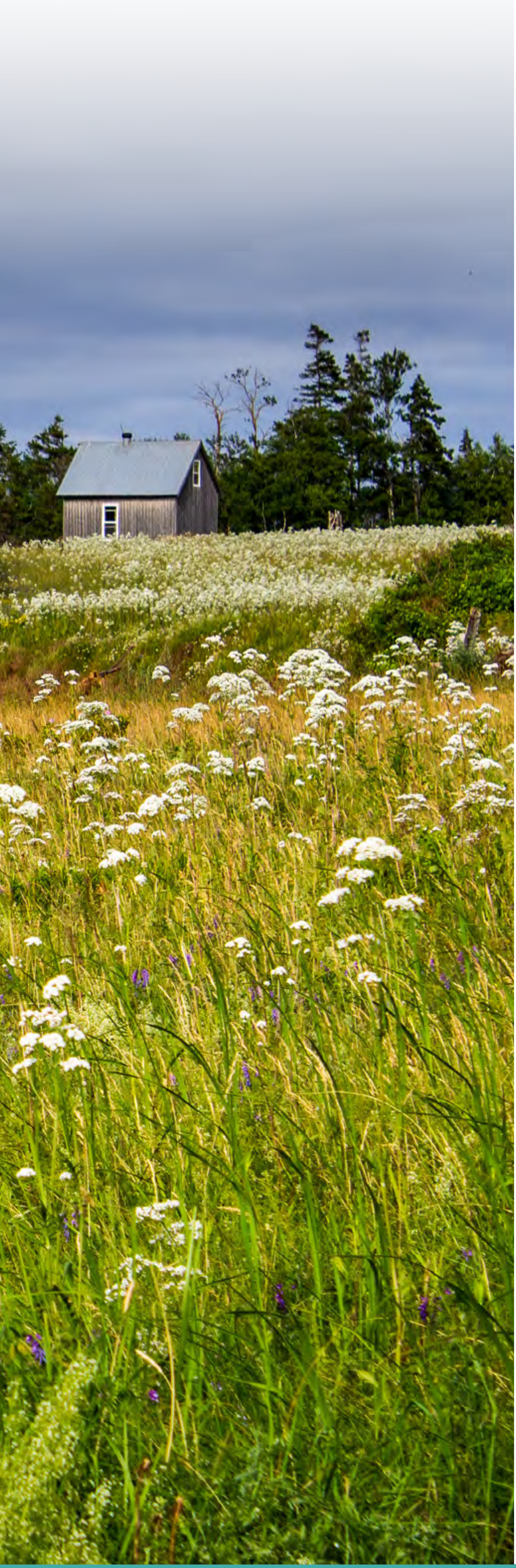
SHARED RISK PLAN FOR CERTAIN BARGAINING EMPLOYEES OF NEW BRUNSWICK HOSPITALS

RESPONSIBLE INVESTMENT REPORT

2024



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RESPONSIBLE INVESTING

The primary goal of the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Public Hospitals (CBE Pension Plan) is to provide secure benefits to members of the Plan. This is done using a risk-focused management approach delivering a high degree of certainty that base benefits can be met in the vast majority of potential future economic scenarios. A long-term investment approach integrated with responsible investing considerations is a key part in achieving this investment goal.

Responsible investing involves the incorporation of environmental, social, and governance (ESG) issues in the investment decision-making process. Using ESG information to provide financial insight is consistent with a pension plan administrator's fiduciary duty.[1]

The CBE Board of Trustees (the Board) delegates investment management and stewardship of the Plan's assets to Vestcor Inc. (Vestcor), who invests them in accordance with the CBE Pension Plan's policies. The Board acknowledges that Vestcor has developed a robust and responsible investing program. Vestcor's responsible investing program consists of the following pillars:

- Active ownership
- Engagement and collaboration
- Incorporation of ESG information in the investment process
- Transparency and reporting

To maximize the long-term value of investments on behalf of the CBE Pension Plan and its other clients, Vestcor conducts its investment management activities under the direction of a set of **Responsible Investment Guidelines** (RIG). These guidelines provide a framework in which Vestcor considers ESG-related issues in the investment process, and they are reviewed and approved by the Vestcor Inc. Board of Directors.

Vestcor takes an active ownership investment approach, which is a more effective approach to address long-term ESG risks and identifying attractive long-term opportunities, when compared to the blanket divestments or exclusionary screening approach. That being said, Vestcor may conclude that investments in certain companies or specific sectors are not in the best interest of the CBE Pension Plan's long-term investment goals and are therefore to be avoided.

On behalf of the CBE Pension Plan, Vestcor conducts active proxy voting for the publicly listed shares directly held in the Plan's portfolio, thereby exercising shareholder voice on behalf of the CBE Pension Plan in promoting longer-term value creation and sustainability. Proxy voting is one of the most effective tools an investor can use to express views with respect to a company's approach to corporate governance and long-term sustainability risks.

[1] Canadian Association of Pension Supervisory Authorities (CAPSA), "*Guideline for Risk Management for Plan Administrators*" (2024)

PROXY VOTING OVERVIEW STATISTICS - CBE PENSION PLAN

The following table provides a breakdown of proxy voting activities for the public-listed securities held in the CBE Pension Plan's portfolio in 2023. Proxies were voted according to the following "Proxy Voting Principles" expressed in the RIG:

01 | Equal treatment (e.g., voting rights, attributes, and information disclosures) for all shareholders.

02 | Effective independent best-practice governance and disclosure practices.

03 | A long-term value creation and sustainability focus.

Overall, support from shareholders for all matters brought to a vote remained at approximately 90%, similar to prior years, although shareholder support for proposals concerning board composition and independent board chairpersonship did appear to increase across the meetings tracked by Vestcor. The year 2023 marks the second year since implementation of the SEC's Universal Proxy Rule.

Overall, ESG-related sentiment appears to be waning somewhat, particularly in certain global markets, and in 2023, ESG (General) proposals accounted for a significantly reduced share of overall proposals.

CATEGORY	NO. OF PROPOSALS	AGAINST MANAGEMENT
Environment	118	13%
Social	727	14%
Governance - General	2,952	10%
Governance - Board Independence	18,553	8%
Governance - Compensation (Director)	671	7%
Governance - Compensation (Executive)	2,383	17%
Governance - Corp Capital Structure	3,077	9%
Other Business	92	60%
Total	**28,573**	**9%**

As an active member in a number of national pension and investment industry associations, Vestcor collaborates with other institutional PEER[2] pension plan managers on responsible investment issues. Together, they leverage the collective influence and ownership interests to make long-term sustainability improvements in the investee companies. Vestcor is an active member of the Canadian Coalition for Good Governance (CCGG), the Pension Investment Association of Canada (PIAC), the Canadian Pension & Benefits Institute (CPBI), the Association of Canadian Pension Management (ACPM), and the Institutional Limited Partners Association (ILPA).

[2] Program for Enhanced Early Retirement

Vestcor recently became a signatory to the United Nations-supported Principles for Responsible Investment (PRI). The PRI is an international network of financial institutions working together to implement its six principles[3] in a framework for incorporating ESG factors into investment practices. In becoming a signatory, Vestcor made the commitment to adopt and implement the above principles, where consistent with its fiduciary responsibilities. As a signatory, Vestcor is committed to participate in PRI's annual assessment of signatories' responsible investment activities.

Vestcor published its inaugural Responsible Investment Report,including disclosures aligned to the TCFD (Task Force on Climate-Related Financial Disclosures) in 2022, and has been publishing the Report annually since then.

To learn more about Vestcor's responsible investing activities and read its Responsible Investment Report, visit **vestcor.org/investments**.

[3] www.unpri.org/about-us/what-are-the-principles-for-responsible-investment

CLIMATE-RELATED DISCLOSURES

IN ACCORDANCE WITH TCFD RECOMMENDATIONS

The TCFD has developed a framework to help organizations more effectively disclose climate-related risks and opportunities. The TCFD recommendations on climate-related financial disclosures are widely adoptable and applicable to organizations across sectors and jurisdictions.[4] They are structured around four disclosure areas: governance, strategy, risk management, and metrics and targets.

CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES

Source: *Recommendations of the Task Force on Climate-related Financial Disclosures*, June 2017

01 GOVERNANCE

The organization's governance around climate-related risks and opportunities

02 STRATEGY

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

03 RISK MANAGEMENT

The processes used by the organization to identify, assess, and manage climate-related risks

04 METRICS AND TARGETS

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

The CBE Pension Plan has developed the following inaugural TCFD-aligned report for the Plan assets as of year-end 2023. The carbon footprint methodology is informed by guidance from Partnership for Carbon Accounting Financials (PCAF) in calculating the financed emissions metrics.

[4] https://www.fsb-tcfd.org/recommendations/

GOVERNANCE

The Board is responsible for the overall governance and administration of the CBE Pension Plan. The Plan is governed by a number of important documents that serve to guide the Board of Trustees in its oversight of the Plan, including the Agreement and Declaration of Trust, the Plan Text, the Funding Policy, and the Statement of Investment Policies.

The Board has an administration agreement with Vestcor to conduct the day-to-day administration of the Plan. Vestcor has also been appointed by the Board as the sole discretionary manager for the CBE Pension Plan, as outlined in an investment management agreement, and is responsible for the implementation of the Plan's Statement of Investment Policies. Vestcor also provides investment advice to the Board and develops recommendations for the Plan's asset mix which are presented to the Board for review and approval.

To maximize the long-term value of investments on behalf of its clients, Vestcor conducts its investment management activities under the direction of a set of Responsible Investment Guidelines (RIG), among other investment guidelines. The RIG provide a framework in which ESG-related issues are considered in the investment process, and the RIG are reviewed and approved by the Vestcor Inc. Board of Directors. Vestcor established a Responsible Investing Committee, who has a mandate to review all activities related to responsible investing.

Further information about the governance of CBE Pension Plan is available at **cbenb.ca/**.

STRATEGY

The Board delegates the day-to-day investment management to Vestcor, who identifies climate-related risks and opportunities in the investment process.

Climate-related risks include both physical risks and transition risks in the investment portfolio. Physical risks result from climate-related events, including acute physical risks and chronic physical risks. Transition risks are inherent in the investment portfolio; they arise from the economy transitioning towards a lower-carbon economy.

Unique opportunities also arise when the investment process identifies investments that outperform in the climate transition process. There are also opportunities for active engagement and advocacy with investee companies.

In the process of investing and stewarding the CBE Pension Plan's assets, Vestcor identifies the above risks and opportunities and invests in assets that contribute to sustainable development through integrating climate and ESG considerations in the investment process. Vestcor also follows its proxy-voting guidelines to vote for the directly held shares, thereby exercising shareholder voice on behalf of the CBE Pension Plan in promoting longer-term value creation and sustainability.

RISK MANAGEMENT

The CBE Pension Plan Board of Trustees is responsible for understanding the principal risks facing the Pension Plan and ensuring that processes have been put in place to mitigate and manage those risks. The Board has delegated risk management oversight in certain areas to its Audit Committee, Governance Committee, and Investment Committee.

The Board has developed its Risk Management Framework which provides the philosophy and approach to risk management by identifying the risks faced by the Plan and its Board of Trustees, and the accountability for monitoring each risk. The corresponding Risk Register was also developed to define key risks and appropriate mitigating risk controls. Climate risk, as part of the broader ESG risk, is defined and monitored through the CBE Pension Plan's Risk Management Framework and Risk Register.

The CBE Pension Plan's investment manager, Vestcor, adopts the "three lines of defense" risk governance model which is typically considered a best practice for risk management practices at financial institutions. Climate risk is inherently embedded into Vestcor's Enterprise Risk Management Framework within governance, reputational, and investment risks. Ongoing oversight of these risks ensures they are understood and identified with appropriate risk mitigation strategies in place.

METRICS AND TARGETS

The Plan's investment manager, Vestcor, calculates carbon footprint metrics on behalf of the CBE Pension Plan for the Plan's investment portfolio. This year we completed the assessment of the CBE Pension Plan's total portfolio carbon footprint for the first time.

The carbon footprint calculation methodology in this report is aligned with the guidelines recommended by the TCFD and is also informed by the guidance from Partnership for Carbon Accounting Financials (PCAF). Industry guidance and best practices in carbon footprint calculation methodology have been an evolving process, and we expect our methodology to continue to evolve over time alongside these developments.

For details on calculation methodology, please see Carbon Footprint Calculation Methodology Notes.

Consistent with the TCFD's recommendations, below we report metrics on greenhouse gas (GHG) emissions including Scope 1 (direct emissions that occur from sources owned or controlled by a company) and Scope 2 emissions (indirect GHG emissions associated with the purchase of electricity, consumed by the company).

The metrics shown in Tables 1-3 were calculated on $2,433 million of assets under management (AUM) out of $3,046 million of the CBE Pension Plan's total portfolio as of December 31, 2023, representing 91% of the total portfolio.

The asset classes covered include public equities, including holdings from equity and equity-like long-only portfolios; corporate bonds; and private assets, including real estate, infrastructure and private equity (Table 1). Guided by PCAF's standard, we disclose carbon emissions attributable to sovereign bonds (Table 2) and sub-sovereign bond investments (Table 3) separately.

TABLE 1. 2023 CARBON FOOTPRINT METRICS

	DEC. 31, 2023
Financed Emissions Intensity (tCO_2e/$M invested)	70.5
Total Financed Emissions (tCO_2e)	171,512
Asset Classes Covered	Public Equities, Corporate Bonds, Private Assets
% AUM Covered	79.9%

Guided by PCAF's standard, carbon emissions attributable to sovereign bond investments are reported below, separately from the other asset classes' carbon metrics. Furthermore, emissions attributable to sub-sovereign bonds are reported separately from sovereign bonds.

TABLE 2. CARBON FOOTPRINT METRICS FOR SOVEREIGN BONDS (INCLUDING LULUCF[5])

	DEC. 31, 2023
Financed Emissions Intensity (tCO_2e/$M invested)	223
Total Financed Emissions (tCO_2e)	27,724
% AUM Covered	4.1%

TABLE 3. CARBON FOOTPRINT METRICS FOR SUB-SOVEREIGN BONDS (INCLUDING LULUCF)

	DEC. 31, 2023
Financed Emissions Intensity (tCO_2e/$M invested)	223
Total Financed Emissions (tCO_2e)	45,826
% AUM Covered	6.7%

[5] Land Use, Land Use Change, and Forestry

CARBON FOOTPRINT CALCULATION METHODOLOGY NOTES

01

CARBON FOOTPRINT DATA

The majority of the carbon footprint calculation uses MSCI[6] carbon footprint data. When emissions data is not available directly, estimates are calculated using proprietary estimation models.

02

All values reported are in Canadian dollars unless specified otherwise.

03

AUM covered as at December 31, 2023

AUM FOR CARBON FOOTPRINT METRICS, CAD$ MILLIONS	DECEMBER 31, 2023
Public Equities and Corporate Bonds	1,603
Private Assets	831
Sovereign Bonds and Sub-Sovereign bonds	329
Total AUM in scope for Carbon Footprint Metrics	2,763
CBE Pension Plan Total AUM	3,046

In total, investments included in the analysis of this report represented 91% of the CBE Pension Plan's total AUM as at December 31, 2023.

04

Numbers may not add up due to rounding.

[6] Morgan Stanley Capital International