
RESPONSIBLE
INVESTMENT
REPORT





Letter from our CEO

Our investment clients entrust us with a simple but profound mandate: deliver sustainable, long-term investment results. At Vestcor, we believe responsible investing is essential to that mission. It is a disciplined way of integrating material ESG information into investment decisions to enhance risk management and support long-term value creation.

Over the past year, we continued to embed ESG considerations throughout our investment process. Our Responsible Investing Guidelines—approved by the Board—frame our approach. Furthermore, our cross-functional Responsible Investing Committee, chaired by the CIO, reviews implementation across internally managed portfolios. Our risk management model, with its three lines of defense, ensures climate-related and other material ESG risks are identified by investment teams, independently overseen by our Risk Team, and assured by Internal Audit.

Active ownership continues to be a core tool. We vote proxies across all internally managed listed equities, conduct due diligence and engage external managers on stewardship expectations, and collaborate through Canadian industry associations to support sound governance and best practices.

During the year, we became a signatory to the United Nations-supported Principles for Responsible Investment (PRI). We also completed an initial voluntary PRI reporting cycle to prepare for next year's PRI Transparency Report, seeing as transparency remains a priority.

This fourth annual Responsible Investment Report focuses on our activities during 2024, where we provide year-over-year updates to proxy voting activity and portfolio carbon metrics. As of December 31, 2024, our total financed emissions intensity is 36.5 tCO₂e per \$M invested, with carbon footprint coverage across 93% of our total assets under management and continued alignment with guidance provided from the Partnership of Carbon Accounting Financials.

Thank you to our clients and to our teams for their ongoing trust and commitment. We will keep focusing on what matters most: disciplined investing aimed at delivering sustainable, long-term results for our investment clients.

[Signed by]
Sean Hewitt
President & Chief Executive Officer



2024 Carbon Footprint Metrics

Carbon Footprint Calculation Methodology

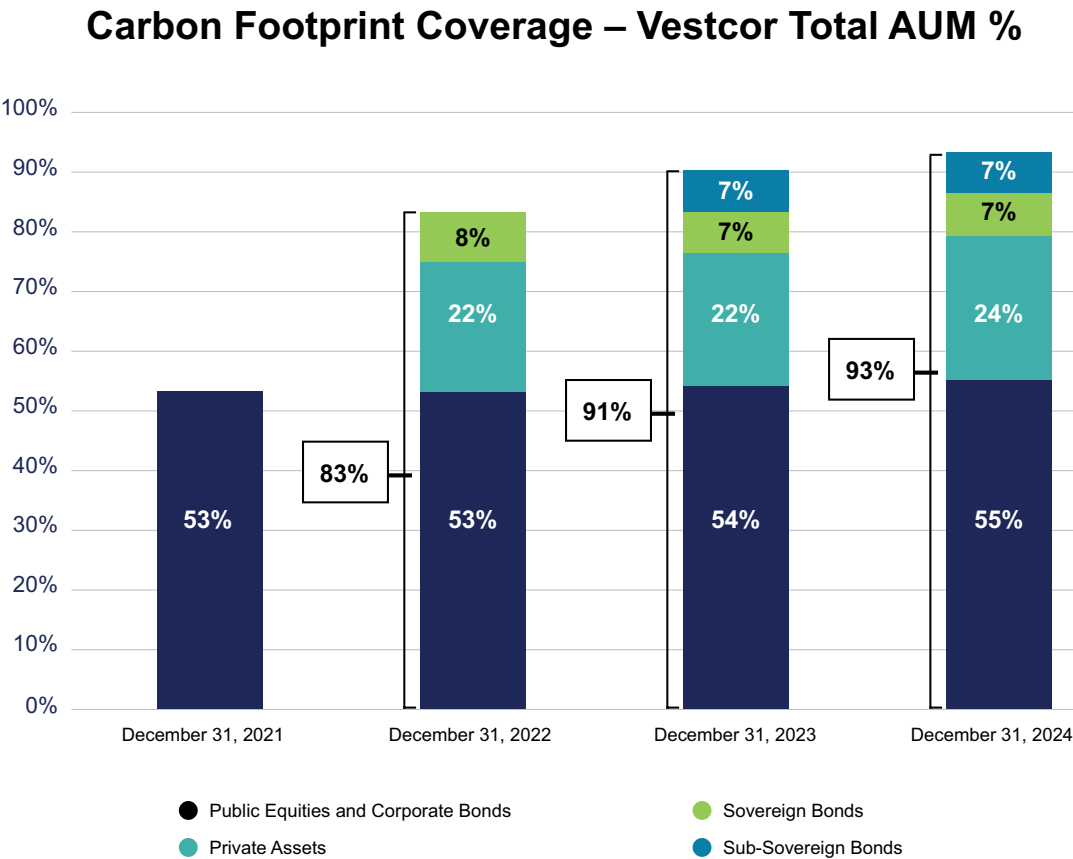
Our carbon footprint calculation methodology continues to be informed by the guidance from the Partnership for Carbon Accounting Financials (PCAF). Industry guidance and best practices in carbon footprint calculation methodology have been a rapidly developing process, and we expect our methodology to continue to evolve over time alongside these developments. Further details of our carbon footprint calculation methodology are discussed in the Appendix “Notes on Carbon Footprint Metrics”.

Guidelines and standards on carbon footprint reporting continue to evolve at a rapid pace; more standardized methodologies and higher quality data become available over time through this process. Our climate metrics are calculated to the best of our ability using the best quality data available to us at the time of this publication. Our disclosures will continue to adapt along with developments in carbon footprint reporting standards.



Further details of our carbon footprint calculation methodology are discussed in the Appendix “Notes on Carbon Footprint Metrics”.

Chart 1. Carbon Footprint Coverage - % of Vestcor Total Assets Under Management (AUM)



** Numbers may not add up due to rounding.*

This year, we continue to publish Total Financed Emissions (tCO₂e) and Financed Carbon Emissions (tCO₂e/\$M invested) metrics for public equities (including all holdings from equity and equity-like long-only portfolios), corporate bonds, and private assets including real estate, infrastructure, private equity, and private credit (Table 1). Guided by PCAF’s standard, we continue to disclose carbon emissions attributable to sovereign bond investments separately (Table 2). We also disclose carbon emissions attributable to sub-sovereign bond investments (Table 3). **This brings our overall carbon footprint coverage to 93%.**

For the portfolios covered in scope, the calculation also includes emissions from composite assets such as ETFs, and derivatives such as equity futures. Not included in the overall carbon footprint coverage are municipal and government agency bonds due to limited data availability. Also not included are equity long/short portfolios due to a lack of broadly accepted reporting guidelines for this asset class. Additionally, cash, short-term notes, FX contracts, warrants, among other items are also not included in the calculation.

2024 Carbon Footprint Metrics

Our total financed emission intensity is 36.5 tCO₂e/\$M invested as at December 31, 2024. This calculation covers 79% of our total investments and includes public equities, corporate bonds, and private assets.

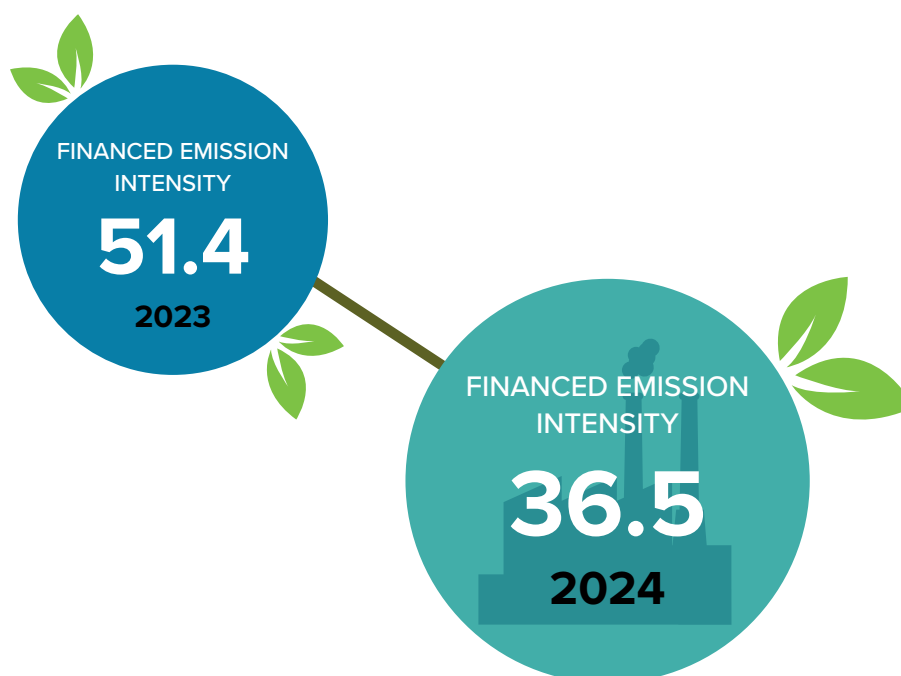
Table 1. Carbon Footprint Metrics (Public Equities, Corporate Bonds, and Private Assets)

<i>As at December 31</i>	2024	2023	2022*	2024 vs. 2022
Financed Emissions Intensity (tCO ₂ e/\$M invested)	36.5	51.4	52.9	- 31%
Total Financed Emissions (tCO ₂ e)	662,265	821,826	789,242	- 16%
AUM in Scope for Financed Emissions Metrics (CAD millions)	21,449	19,001	16,463	+ 30%

* The year 2022 was the first year that private assets were included in the calculation of portfolio carbon metrics.

Financed emissions intensity decreased from 51.4 (as reported for December 31, 2023) to 36.5 (as of December 31, 2024). The main drivers for this decrease include:

- Portfolio holding changes
- Lower investee companies' carbon emissions either provided by the data vendor or directly reported
- An adjustment to private real estate and private infrastructure's carbon calculation methodology to better align with PCAF standards
- The effect of a higher base of aggregated market value in the denominator



Guided by PCAF's standard, we are reporting carbon emissions attributable to sovereign bond investments separately from our total investment carbon metrics, and emissions attributable to sub-sovereign bonds separately from sovereign bonds.

Table 2. Carbon Footprint Metrics for Sovereign Bonds (including LULUCF¹)

<i>As at December 31</i>	2024	2023 ²
Financed Emissions Intensity (tCO ₂ e/\$M invested)	199	225
Total Financed Emissions (tCO ₂ e)	341,941	330,999
% AUM Covered	7%	7%

Table 3. Carbon Footprint Metrics for Sub-Sovereign Bonds (including LULUCF³)

<i>As at December 31</i>	2024	2023
Financed Emissions Intensity (tCO ₂ e/\$M invested)	173	219
Total Financed Emissions (tCO ₂ e)	273,398	336,160
% AUM Covered	7%	7%

^{1,3} Land Use, Land Use Change, and Forestry

² See "Notes on Carbon Footprint Metrics" for 2022 year-end calculation methodology

2024 Proxy Voting Overview Statistics

The following table provides a breakdown of Vestcor’s proxy voting activities for the public-company securities held in 2024. Proxies were voted to be consistent with the “Principles” expressed in our 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

Category	No. of Proposals	Against Management
Environment	172	17%
Social	986	17%
Governance - General	2,702	12%
Governance - Board Independence	25,772	8%
Governance - Compensation (Director)	804	6%
Governance - Compensation (Executive)	3,187	15%
Governance - Corp Capital Structure	3,534	6%
Other Business	100	44%
Total	37,257	9.0%

Overall, support from shareholders for all matters brought to a vote remained at approximately 90%, similar to prior years.

Shareholder support for proposals concerning board independence did appear to increase across the meetings tracked by Vestcor (which could signal prudent policy regarding appointment of individuals who are not affiliated or inside directors).

However, executive compensation proposals saw some dip in terms of shareholders’ support. *(Effective July 1, 2024, the SEC has made it mandatory for all institutional investment managers who are 13F filers to report say-on-pay votes on the new version of Form N-PX when voting on the approval of executive compensation).*

General governance proposals, which are mainly a collection of miscellaneous items, witnessed a decline of approximately 1%, with no specific indication.

Though the overall proposals decreased for the companies tracked across Vestcor, the proposals raised by shareholders saw a small increase this year, indicating shareholder activism. The proportion of proposals related to ESG continued to see a reduced interest with increased interest towards capital structure and compensation.

Notes on Carbon Footprint Metrics

01 CARBON FOOTPRINT DATA

The majority of our carbon footprint calculations use MSCI carbon footprint data, where emission data is collected by MSCI from companies' publicly available reports and filings. When emission data is not publicly disclosed, estimates are provided by MSCI using their proprietary estimation models, and when data is not available from MSCI, an estimation approach is applied based primarily on GICS sub-industry average emissions. For private real estate and private infrastructure investments, emission data is primarily sourced directly from company self-disclosures. For private equity, emissions are estimated using public proxies which are established based primarily on GICS sub-industry average emissions. Among all the investments included in this year's carbon footprint calculation, 78% of the emission data is sourced from direct company/government reports, with 22% estimated by either MSCI or Vestcor. Emissions data used in the calculation is based on the most recently available data at the time of the analysis. Please note that changes in carbon metrics are not only attributable to the changes in investee company emissions, but are also sensitive to changes in other parameters such as changes in market value of the portfolio and changes in the FX rate used in converting foreign currency-based investments to Canadian dollar-based metrics.

02 All values reported are in Canadian dollars unless specified otherwise. Exchange rate applied is as of December 31, 2024.

03 Our reported climate metrics include Scope 1 and 2 greenhouse gas emissions (GHG) for public equities, corporate bonds, and private assets. Scope 1 emissions are direct emissions that occur from sources owned or controlled by a company. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity consumed by the company.

04 The carbon footprint metrics disclosed for sovereign and sub-sovereign bonds in Table 2 and Table 3 are for Scope 1 emissions using the PCAF-recommended production method including Land Use, Land Use Change, and Forestry (LULUCF). Per PCAF's recommendations, here we present additional metrics for sovereign and sub-sovereign bonds excluding LULUCF:

December 31, 2024	Sovereign Bonds	Sub-Sovereign Bonds
Financed Emissions Intensity ($tCO_2e/ \$M$ invested), Excluding LULUCF	190	177
Total Financed Emissions (tCO_2e), Excluding LULUCF	326,520	278,791

05 AUM in Scope for December 31, 2024

AUM for Carbon Footprint Metrics, CAD millions	December 31, 2024
Public Equities and Corporate Bonds	12,727
Private Assets	5,425
<u>Sovereign Bonds and Sub-Sovereign Bonds</u>	3,296
Total AUM in Scope for Carbon Footprint Metrics	21,449
Vestcor Total AUM	23,085

In total, investments included in the analysis of this report represented 93% of Vestcor's AUM as at December 31, 2024. Numbers may not add up due to rounding.

06 Prior to last year, we reported the Weighted Average Carbon Intensity (WACI) metric for the public equities and corporate bonds portion of our portfolio. The WACI metric cannot be applied to sovereign bonds and sub-sovereign bonds due to its revenue-based attribution. WACI is not available for private assets due to limited access to company data. While we will continue to measure WACI, since last year, we only report Total Financed Carbon Emissions (tCO₂e) and Financed Carbon Emissions Intensity (tCO₂e/\$M invested). These metrics align better with the PCAF standards while allowing us to report consistent metrics for more asset classes that cover more % AUM.

07 Climate Metrics Calculations

Total Financed Carbon Emissions (tCO₂e):

Measures the portfolio's climate impact in terms of carbon emissions, for which the portfolio is responsible with its total financing for investee companies (by holding company shares and bonds). Each individual issuer's total emission includes the issuer's Scope 1 and Scope 2 GHG emissions. Total portfolio level financed emissions is calculated as the sum of emissions from each issuer, weighted by the portfolio's holdings of the issuer's shares and bonds as a percentage of the issuer's Enterprise Value (including cash).

$$\sum_i^n \left(\frac{\text{Current value of investment}_i}{\text{Issuer's enterprise value including cash}_i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions}_i \right)$$

Financed Carbon Emissions (tCO₂e /\$M invested):

Measures the portfolio's normalized climate impact in terms of carbon emissions for which an investor is responsible with its total financing, per million dollars invested.

$$\frac{\sum_i^n \left(\frac{\text{Current value of investment}_i}{\text{Issuer's enterprise value including cash}_i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{Current portfolio value (\$M)}}$$

Sovereign Bonds Financed Carbon Emissions Intensity (tCO₂e/\$M PPP-adjusted GDP):

The share of a country's total sovereign emissions attributable to an investor is proportionate to the investor's sovereign bond exposure as a percentage of the country's Purchase Power Parity (PPP)-adjusted GDP.

$$\sum_i^n \left(\text{Current value of investment}_i \times \frac{\text{Sovereign issuer's GHG emissions}_i}{\text{Sovereign issuer's PPP-adjustment \$M GDP}_i} \right)$$



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