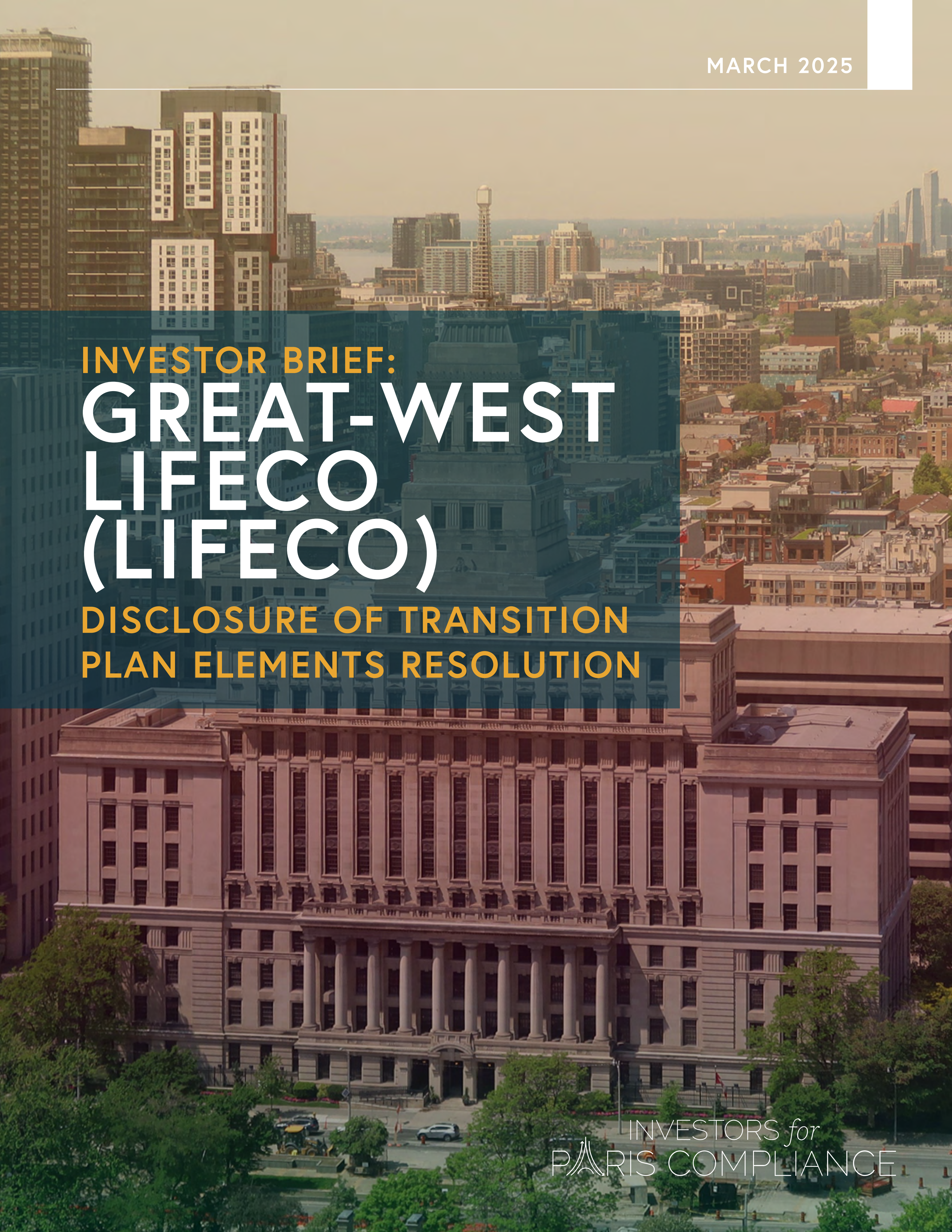
MARCH 2025



INVESTOR BRIEF:

GREAT-WEST LIFECO (LIFECO)

DISCLOSURE OF TRANSITION PLAN ELEMENTS RESOLUTION

INVESTORS *for* PARIS COMPLIANCE

CONTENTS

FILER

Investors for Paris Compliance

VOTING INFORMATION

Meeting date: **May 8, 2025**
Proxy cut off date: Intermediaries must receive instructions by **11:30 a.m. (EST) May 6, 2025**
Voting information: 2025 Management Proxy Circular

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.

CONTACT

Kyra Bell-Pasht
Investors for Paris Compliance
kyra@investorsforparis.com

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.

SUMMARY

- Great-West Lifeco (Lifeco) committed to net zero financed emissions within its General Account (GA) in 2021. This is an acknowledgment to shareholders of the material financial risk that climate represents to the company.
- The GA represents the insurance premiums Lifeco invests on its own account to ensure future client life and health claims. These are long-term liabilities, which require a low-risk investment profile.
- Lifeco's GA is particularly carbon-intensive, with over 10% of AUM invested in fossil fuels as of 2023. These investments not only face high energy system transition risks, they also threaten, through increased climate change and air pollution impacts, the life and health of Lifeco's current and potential future insurance clients.
- To date, Lifeco has set a financed emissions reduction target but has not disclosed what actions it will take to de-risk and increase the climate opportunities of its GA — these are key elements of a 'transition plan.'
- In contrast, its Canadian peers Sun Life and Manulife have each begun to disclose elements of their GA net zero transition plans. UK and European peers AXA and Aviva are further ahead.
- By failing to disclose elements of its GA transition plan, Lifeco is exposing itself to potential compliance and reputational risks, which is a concern to shareholders.

LIFECO'S ADMISSION OF MATERIAL CLIMATE RISK & NET ZERO COMMITMENT

In 2021, Lifeco committed to achieving net-zero emissions within its General Account by 2050, which represents $250 billion (as of 2023) in insurance premiums it invests to cover future liabilities.[1] It followed this by setting a 2030 financed emissions reduction target and improving its financed emissions reporting.

This commitment represents a public acknowledgment of the material financial risk that Lifeco is exposed to within its GA, namely the devaluation risk and default risk of portfolio companies and assets within carbon-intensive sectors.

At the time of the announcement, Lifeco's Chief Investment Officer noted that the critical period to act to drive economy-wide decarbonization was the coming decade and that "meeting [its] commitment means working collaboratively with clients, and advisory and investment partners to drive innovation towards a sustainable future."[2]

Our resolution seeks information about what actual steps Lifeco is taking to shift the way it works internally, with clients, and partners to achieve its targets.

1 Great-West Lifeco, "Great-West Lifeco pledges support for sustainability, commits to net zero greenhouse gas emissions by 2050" (news release: November 10, 2021).

2 Ibid.

UNIQUE CLIMATE RISKS

Lifeco has exposure to climate risks via its GA and across the larger AUM it invests for third parties. But, its GA is a logical starting point for its net zero transition. The GA represents assets that Lifeco owns and invests on its own behalf. This means Lifeco has fewer restrictions on its investment strategy. Furthermore, these are assets Lifeco must invest in a manner that enables it to pay out future life and health claims. This mandate helps justify a long-term, low-risk investment strategy.

Beyond investment portfolio value risk, its GA investments represent additional risks to Lifeco's core insurance business. According to the Geneva Association, the international association of insurance companies, fossil fuel combustion contributes to millions of deaths each year due to air pollution and extreme weather.[3] The Association's 2024 report on the risks of climate change to the life and health insurance industry also calls out the link between investment in fossil fuels and human health, as well as the financial risk in investing in fossil fuels.[4] By investing the insurance premiums of its life and health clients in fossil fuel production, which directly enables increased combustion, Lifeco is not only exposing its shareholders to transition risk, but is also contributing to increased morbidity from extreme weather and air pollution of its current and potential future clients.

On the other hand, Lifeco is not currently balancing its investments in high transition-risk companies with investments in high transition-opportunity companies. Lifeco reports $6.5 billion invested in renewable energy in 2023, less than 3% of its invested assets.[5] To align with net zero, a ratio of clean to fossil fuel energy of at least 4:1 is recommended.[6] Currently, Lifeco's GA represents nearly the inverse.

PEERS AND OTHER COMPANIES

Lifeco's two main Canadian peers, Manulife and Sun Life, have each begun to disclose some elements of their General Account's transition plans.[7] Manulife has established a limited coal exclusion for its GA, whereas it will not make any new investment in thermal coal in North America and Europe.[8] Sun Life has committed to escalating engagement with its most carbon-intensive portfolio companies within its GA.[9]

3 Geneva Association, Climate Change: What does the future holder for health and life insurance? (Feb. 2024) at 9, and throughout.
4 Ibid, at 6, and throughout.
5 Great-West Life, 2024 CDP Questionnaire, at 53 at.
6 Bloomberg NEF, The Magic Number Is 4-to-1 as Banks Warm to Clean Energy Finance Ratio (Sept. 2024).
7 See generally: Investors for Paris Compliance, Canadian Lifeco Net Zero Progress: Assessing Great-West, Manulife, & Sun Life (Oct. 2024).
8 Investors for Paris Compliance, Canadian Lifeco Net Zero Progress, Appendix: Detailed Company Assessments (Oct. 2024) at A-17.
9 Ibid, at A-11.

Lifeco's European peers have gone further. UK-based Aviva set a net zero by 2040 goal across all of its assets, not just its GA. It is a member of the Net Zero Asset Owners Alliance (NZAOA). Its transition plan includes an escalating engagement policy with its most carbon-intensive companies that includes the option of divestment, as well as an exclusion policy for companies generating more than 5% of their revenues from thermal coal and 10% for oil sands and Arctic drilling.[10] Aviva also set green and transition investment targets. They targeted £6bn in green investment from 2020-2025, and will increase the amount of their shareholder and customer investments in sustainable impact and net zero-aligned funds and assets.[11]

France-based Axa, has set a net zero target for its GA and is a member of the NZAOA.[12] Its transition plan includes a thermal coal exclusion policy for new investments and an exit strategy for existing investments in coal, with a target of no investments in coal by 2030.[13] In terms of oil and gas, Axa has had a restriction on investments in the oil sands since 2017, and currently reports 1% of its GA invested in fossil fuels, one tenth of Lifeco's.[14] AXA permits investments in oil and gas companies showing strong and convincing transition strategies, albeit with stringent credit constraints. In 2021, AXA announced restrictions on greenfield oil and certain forms of unconventional oil and gas, for both investment and insurance activities.[15]

RESULTING COMPLIANCE AND REPUTATIONAL RISKS

Last year, Canada's Office of the Superintendent of Financial Institutions (OSFI) established B-15, the Climate Risk Management Guideline.[16] B-15 states:

> *"The [Federally Regulated Financial Institution — FRFI] should develop and implement a Climate Transition Plan (Plan) in line with its business plan and strategy, that guides the FRFI's actions to manage increasing physical risks from climate change, and the risks associated with the transition towards a low-GHG economy."*

For Climate Transition Plans, OSFI refers to the Financial Stability Board's Task Force on Climate-Related Financial Disclosures Guidance on Metrics, Targets, and Transition Plans.[17] That in turn stresses the need for transition plans to be aligned with strategy, and credible. The implementation timeline for this element of the guideline has yet to be announced.

By committing to net zero across its GA, but failing to disclose the elements of a transition plan for its highly transition-risk exposed portfolio, Lifeco runs the risk of not aligning with its own strategy, nor being credible. OSFI may conclude that Lifeco's Climate Transition Plan therefore falls short of compliance.

10 Aviva, 2021 Climate Transition Plan, at 19.
11 Ibid, at 20.
12 Axa, Roadmap to a Climate Transition Plan (July 2024) at 19.
13 Ibid, at 22.
14 Ibid, at 23.
15 AXA Group, Energy Policy (July 2023) at 1.
16 OSFI, Climate Risk Management, Guideline B-15 (March 2024).
17 Task Force on Climate-related Financial Disclosures, Guidance on Metrics, Targets, and Transition Plans (Oct. 2021).

Moreover, Lifeco is courting reputational risk with its insurance clients and the general public, who fail to see Lifeco as following through on its net zero commitment and addressing its climate risks.

ENGAGEMENT WITH LIFECO, OPPOSITION STATEMENT, AND REBUTTAL

Investors for Paris Compliance had two cordial meetings with Lifeco where the insurer showed an unwillingness to disclose details of its transition strategy, indicating that this would come at a later, unspecified time.

Subsequently, Lifeco has published its proxy circular, including an opposition statement that again does not disclose any details regarding how it will mitigate the financed emissions of its General Account ('GA'). Instead it states that it already does "provide extensive disclosure in our public documents regarding how we manage climate risk." As we outline in this brief and in our proposal, that is not the case. Lifeco does not provide shareholders with any details about how it will mitigate the substantial transition risk within its GA, or increase its exposure to transition opportunities.

Lifeco further states that "[r]educing the carbon footprint of our in-scope investments will become increasingly challenging if global emissions continue to increase." This suggests that rather than adopting a transition strategy, Lifeco's GA may simply reflect the whims of the market.

GWL does provide an updated renewable investment amount for its GA — $7.8 billion instead of the $6.8 billion we reference in our resolution. We note this does not amount to a target for climate solutions and is still well below the ratio of clean energy to fossil fuel investment recommended by Bloomberg NEF to ensure a net-zero aligned portfolio. A transition strategy requires details about what actions Lifeco will take to shift its investment ratio.

In sum, investors are still in the dark regarding specifics of how Lifeco will mitigate its significant GA transition risk and maximize its transition opportunities. We encourage management to follow through on its net zero commitment by disclosing actual details.

THE RESOLUTION

RESOLVED: Shareholders request that Great-West Lifeco disclose how it will achieve its net zero target through specific transition plan elements.

SUPPORTING STATEMENT:

In 2021, Great-West Lifeco ('Lifeco') committed to achieving net-zero emissions within its General Account by 2050, which represents $250 billion in insurance premiums it invests to cover future liabilities as of 2023. It followed this by setting a 2030 financed emissions reduction target and improving its financed emissions reporting.

Lifeco also has exposure to climate risks via the larger AUM it invests for third parties; however, its GA is a logical starting point for its net zero transition.

In its latest CDP disclosure, Lifeco reveals $25 billion — over 10% — of its GA is invested in fossil fuels.[18] Beyond transition risks, these investments represent further risk to Lifeco's core business. Insurance sector think tank the Geneva Association acknowledges the role of fossil fuels in contributing to millions of deaths each year due to air pollution, and that "[c]limate change will exert a huge toll on human health, via direct fatalities from extreme weather events as well as adverse effects on morbidity."[19]

Lifeco also reports $6.5 billion invested in renewable energy, less than 3% of its invested assets.[20] To align with net zero, Bloomberg NEF recommends a 4:1 ratio of clean to fossil fuel energy.[21] Currently, Lifeco's GA represents nearly the inverse.

To date, Lifeco's disclosures leave shareholders in the dark regarding concrete, short-term steps it will take to meet its net zero target — essential for a credible transition plan.[22] Examples of industry best practices include:

- Setting climate solution investment targets, as Allianz has done.[23]
- Adopting escalating engagement strategies with carbon-intensive portfolio companies, like Group Generali, which specifies transition strategy expectations of portfolio companies and escalation tactics, including opportunistic divestment if engagement proves unsuccessful.[24]
- Setting fossil fuel investment policies, as Manulife implements within its GA for thermal coal,[25] AXA has across its investments in relation to coal and oil sands,[26] and Group Generali has for new investments in oil and gas companies without transition plans.[27]
- Lobbying governments for economy-wide transition policies, like Aviva has committed.[28]

Shareholders are further concerned that disclosure gaps in Lifeco's transition plan may represent compliance risk regarding OSFI's Climate Risk Management Guidelines.[29]

18 P.286 at www.greatwestlifeco.com/content/dam/gwlco/documents/reports/2024/great-west-lifeco-cdp-climate-change-questionnaire-2024.pdf.
19 P.9 at www.genevaassociation.org/sites/default/files/2024-02/cch-report_web-270224.pdf.
20 P.53 at www.greatwestlifeco.com/content/dam/gwlco/documents/reports/2024/great-west-lifeco-cdp-climate-change-questionnaire-2024.pdf.
21 https://about.bnef.com/blog/the-magic-number-is-4-to-1-as-banks-warm-to-clean-energy-finance-ratio/
22 IFRS, Transition Plan Taskforce Asset Owner Guidance (2024) at 28-25.
23 www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/sustainability/documents/Allianz_Inaugural-Net-Zero-Transition-Plan.pdf
24 Ibid, at 4-5.
25 www.manulife.com/content/dam/corporate/global/en/documents/pas/MFC_2023_CAIPR_EN.pdf
26 www.axa.com/en/commitments/axa-and-climate-change
27 Generali Group, Climate Change Strategy, Technical Note (Oct. 2024) at 4.
28 www.aviva.com/sustainability/taking-climate-action/sustainable-finance/
29 www.osfi-bsif.gc.ca/en/guidance/guidance-library/climate-risk-management