IML CARBON EMISSIONS CALCULATION POLICY

The purpose of this Policy is to provide transparency regarding where IML sources its Carbon Emissions data. We are committed to sourcing our data from the most accurate sources and in line with *Global GHG Account and Reporting Standard for the Financial Industry* ("*global standard*"):

For listed companies:

$$Financed\ emissions = \sum_{c} \frac{Outstanding\ amount_c}{Enterprise\ Value\ Including\ Cash_c} \times Company\ emissions_c$$

There is no precise standard for the data and so we are guided by the following **emissions principles**:

1. Use industry standard sources wherever possible, in our case our primary source for emissions is Sustainalytics and the primary source of "Enterprise Value Including Cash" and index weights is FactSet.
2. If we believe the Sustainalytics company emissions data is inaccurate
   a. Source directly from most recent company reports, in line with the *global standard*
   b. Use "equity basis" emissions where available
   c. Use "market based" emissions data where available
   d. Where substantial, look through the holding company to underlying operations

For example, Alumina Limited (ASX: AWC) has very low emissions as is a holding company that employs approximately 13 people, but also have a 40% holding in Alcoa World Alumina and Chemicals (AWAC), so we include <u>40%</u> of AWAC <u>equity emissions</u> in our calculations, whereas Sustainalytics reports <u>100%</u> of AWAC <u>full facility</u> emissions.

What about companies that don't disclose emissions?

Not all of the companies in the index provide Scope1 & Scope2 emissions data as they are not required to until they emit >50,000t pa. To ensure that we take a <u>conservative stance</u> in our calculation we record emissions for these companies as follows:

1. **For the <u>index</u> emission calculation**, we assume these companies have zero emissions. This minimises our total recorded *index emissions* therefore making our aim of >30% lower emissions harder to achieve
2. **For the <u>portfolio</u> emission calculation**, we assume that companies we hold have the highest, non-disclosable level of emissions, currently 50,000t pa. This maximises our recorded *portfolio emissions* therefore making our aim of >30% lower emissions harder to achieve.

Regardless of whether we hold the company or not, where available we also engage with the company management teams and boards to publicly disclose these emissions. If we hold a position in the company we may use our voting rights to pursue additional disclosure, in line with our Proxy Voting Policy.

Approved by IML CEO: 20 December 2023

Does IML check that the data is accurate?

Companies generally update emission disclosures annually, in line with their financial year reporting processes. We seek to review company emission reports covering the majority of index emissions on an annual basis to ensure accuracy and consistency with our emission principles.

Where we make amendments to the data, the changes are applied to our calculations and our rationale and source documents are recorded.

What do we do if we find out our portfolio does not meet our aim?

It is possible that a substantial change in company emissions or valuations could result in IML not meeting its aim of “emissions >30% lower than the benchmark”. Where we discover that this aim has not been met, we will endeavour to rectify the portfolio within 90 days.

How do we treat positions not covered by the global standard?

The global standard does not specify how we should treat some positions, such as derivatives and cash held in the portfolio, so when calculating emissions we:

1. **Include** no emissions for cash
2. **Include** *effective exposure* for *single stock options*,
3. **Exclude** the effect of *index options*
4. **Include** the full effect of futures as index emissions

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IML CARBON EMISSIONS OVERRIDES DETERMINATION

Determine which emissions tracking method is used in company's reports.

Location based.	Market based. (IML Preferred)

Determine which volume quantifying method is used in company's reports.

Gross	Net (IML Preferred)

Determine which organizational boundary approach is used in company's reports.

Operational control	Equity share (IML Preferred)

Using IML Carbon Emissions Policy, conclude which reported number is the most appropriate to use.

Compare IML determined carbon emissions with data supplied by Sustainalytics.

If we believe there is a more appropriate value, we must record:

- Emission override value
- Override reason
- Override person
- Override date
- Source document & date

Emission override cross-checked and signed off by Head of ESG