

GUARDIAN CAPITAL GROUP LIMITED ADDRESSES CARBON EMISSIONS THROUGH PARTNERSHIP WITH THE POND FOUNDATION

FREQUENTLY ASKED QUESTIONS

ABOUT THE POND FOUNDATION AND MY CARBON ZERO

Q What is The Pond Foundation?

A The Pond Foundation is a Swiss-registered non-profit organization founded in January 2021. It exists to change the way the world acts on climate change. It is built on the more than three decades experience of its Founder and Chief Executive Officer (CEO), Scott Poynton, who is a pioneer in global responsible sourcing programs and has supported major sustainability transitions across forest, wood, palm oil, pulp and paper and other commodity sectors.

Q What is My Carbon Zero?

A My Carbon Zero is The Pond Foundation's signature climate action program.

Q What makes My Carbon Zero unique?

A My Carbon Zero members go beyond climate action focused only on the current year's emissions. They do this by reducing their current annual emissions and removing their entire lifetime emissions – referred to as “Lifetime Carbon Balance (LCB)” – from the atmosphere. This is the amount of carbon they have emitted since their inception, which is in the atmosphere today and driving climate change.

Members set targets to **R**educe their annual emissions, support projects to **R**educe emissions elsewhere and invest in projects to **R**emove their LCB from the atmosphere. Lastly, they invest in actions to **I**nspire others to join them on their My Carbon Zero journey. My Carbon Zero calls these **RRRI** Actions.

Q What are RRRRI Actions?

A My Carbon Zero asks its members to implement RRRRI Actions.

R1 - Reduce your annual emissions

The Pond Foundation recognizes that we need to rapidly and significantly reduce global carbon emissions. Each Pond Foundation member company sets targets to reduce its annual emissions.

R2 - Reduce emissions elsewhere

The Pond Foundation identifies projects and actions its members can take to support others in reducing their emissions.

R3 - Remove carbon from the atmosphere

Reducing emissions will not keep us from crossing dangerous climate change thresholds. We must also remove carbon from the atmosphere. The Pond Foundation members invest in nature-based projects that remove carbon from the atmosphere, like tree planting, biochar and other soil carbon actions, as well as “built environment projects”. Built environment projects are human-made spaces where carbon is locked in buildings and structures.

I - Inspire

By taking action, we look to inspire others to get on board as well.

Q What does a company’s lifetime carbon balance refer to?

A A company’s lifetime carbon balance (LCB) is the total cumulative amount of carbon the company has emitted as a result of its operations since its inception. This is separate from a company’s annual carbon emissions, which are the amount of carbon emitted in a specific year.

To achieve the goal of bringing the LCB to zero, the carbon emitted needs to be fully removed from the atmosphere, which is usually done over a number of years.

Q What is the difference between carbon offsetting and carbon removal?

A Carbon offsetting and carbon removal are often confused with one another, but they have entirely different results.

With carbon offsetting, a company seeks to reduce overall global carbon emissions by investing in projects beyond its business operations that pledge to reduce emissions by an amount equivalent to the emissions of the company making the investment. For example, one can purchase a carbon offset that would invest in building a wind farm that produces fewer emissions. The main problem with offsetting is that the carbon initially emitted by the company making the investment still remains in the atmosphere.

In contrast, carbon removal focuses on removing carbon from the atmosphere. Companies invest in projects that remove carbon and lock it away, for example, in trees, soils, mangroves, buildings or return it to the ground so that it no longer contributes to climate change. When a company invests in removing carbon, it can bring its carbon balance to true zero because it removes an amount equivalent to that it has emitted in a year or over its entire lifetime.

Q What does it mean to be a founding member of The Pond Foundation and who are the others?

A Guardian Capital Group Limited (Guardian) is a Founding member of The Pond Foundation. Founding members joined The Pond Foundation during its first year of operation, prior to January 14, 2022. Founding members are climate action pioneers, committing to go beyond the current climate action norm by removing all their 'legacy carbon' - the carbon their operations have emitted since their inception - from the atmosphere, in addition to setting strong targets on emissions reductions.

The Foundation has a small but growing group of pioneer members who have committed to the strong, credible climate action The Pond Foundation proposes. A list is available on the Foundation's website: <https://thepondfoundation.org/members>

ABOUT GUARDIAN'S COMMITMENT AND ACTIONS

Q What will Guardian be doing to address its carbon emissions?

A As a member of The Pond Foundation, Guardian is committed to the following:

1. Becoming carbon neutral in 2022 and each year going forward; and
2. Removing its entire lifetime carbon balance from the atmosphere by 2040.

Q How will Guardian become carbon neutral in 2022?

A Starting in 2022 and going forward, Guardian will be taking steps to reduce its annual carbon emissions and remove any residual carbon emissions through its investments in Pond Foundation projects. Under the My Carbon Zero framework, these are Guardian's "R1 - Reduce your annual emissions" and "R3 - Remove carbon from the atmosphere" actions.

Our 2022-related investments in R3 projects are as follows:

- **Ricehouse:** Promotes the circular economy from the field to the house in Italy with rice-based construction material.
- **Husk Ventures:** Produces carbon-based fertilizers and natural pesticides for smallholders in Asia, transforming rice husk into biochar products to regenerate soils, increase smallholders' revenues and sequester carbon.
- **Wild Asia:** Aims to support small producers and businesses that are inclusive, transparent and working towards sustainability goals.
- **Tanoë-Ehy Forest:** Aims to improve livelihoods and governance structures for local people in the Ivory Coast, protect critical habitats and biodiversity, help to reduce illegal logging and bushmeat hunting and more.

Q How will Guardian reduce its emissions?

A Guardian is currently working with The Pond Foundation to develop a strategy that will see it reduce its annual carbon emissions through R1 actions. The Pond Foundation's assessment of Guardian has determined its main emissions sources are office energy use and business travel. Therefore, Guardian's reduction efforts will focus primarily on these areas. Examples of actions Guardian is presently evaluating include reducing the number of "business trips" taken, focusing on reducing carbon intensity when flying, engaging our office landlords on ways to improve energy efficiency and more.

Guardian will report more on this in the coming months once its R1 reduction plan is finalized.

Q What is Guardian's lifetime carbon balance?

A Guardian's lifetime carbon balance is 35,219 tCO₂e (tonnes of CO₂ equivalent). This amount is equivalent to:

- 7,431 return business class flights from London to New York.
- 127,000,000 miles in a medium-sized gas-powered car (1.37x the distance to the sun).
- What 592 hectares of tropical rainforest would sequester in 10 years.

Q How will Guardian remove its lifetime carbon balance from the atmosphere?

A Guardian plans to remove its lifetime carbon balance from the atmosphere gradually by reducing the balance each year. Guardian aims to fully eliminate its lifetime carbon balance by 2040.

Working with The Pond Foundation, Guardian will invest in carbon removal credits that support nature-based carbon removal projects. For 2022, Guardian has invested in carbon removal credits which support these three projects:

- **Ricehouse**: Promotes the circular economy from the field to the house in Italy with rice-based construction material.
- **Tanoe-Ehy Forest**: Aims to improve livelihoods and governance structures for local people in the Ivory Coast, protect critical habitats and biodiversity, help to reduce illegal logging and bushmeat hunting and more.
- **Durrell Rewild Forest Restoration**: Contributes to the conservation of 1,000 black lion tamarins, restores new forest and creates direct employment for 250 families in their region of Brazil, where poverty incidence is up to 47%.

Q How does The Pond Foundation complete due diligence on projects?

A The Pond Foundation partners with high-quality, uncertified carbon removal projects from around the globe to provide members with credible carbon-removal investments. Many of these projects cannot financially afford to become officially certified carbon projects, therefore The Pond Foundation performs its own due diligence to determine the credibility of the underlying project. The due diligence process is conducted prior to partnering with the carbon projects, and the carbon projects are continually evaluated afterwards to ensure they meet its standards. This is The Pond Foundation's response to certification.

The Pond Foundation looks for the following key features in project partners during their due diligence process:

- **Shared values**: the first consideration is whether the project management team's values align with The Pond Foundation's values of nature coming first, being motivated by a

desire to bring change and possessing a long-term vision and ambition. It is important that project partners value truth, respect, courage, compassion and humility.

- **Science-based carbon removal quantification and pricing:** the carbon figures for the project must be based on relevant peer-reviewed scientific articles, and calculations must comply with ISO 14064-2 methodology requirements. Carbon pricing must also be justified based on verified costs, the amount of carbon the project can sequester and the time period of the carbon sequestration.
- **Quality project proposals, reporting, and monitoring:** a project proposal must outline information on the experience and motivation of the project management team, the financing model of the project, current project partnerships and the future outlook and land status of the project.
- **Significant co-benefits beyond carbon:** the projects must deliver significant benefits – aligned with the UN Sustainable Development Goals (UN SDG) – beyond carbon sequestration. Examples of co-benefits beyond carbon removal include ecosystem protection and restoration, increased biodiversity, small holder farmer support, community engagement and education, jobs and benefits for the local community.

Other key features include strong governance structures, opportunities to scale the projects and their impact, free, prior and informed consent from all local and indigenous communities engaged in or impacted by the project, compliance with local laws and regulations and strong operational field practice.

- **Evidence of real on-ground progress:** The project must have demonstrable positive effects with evidence of progress, creating real carbon removal and co-benefits and learning from any mistakes. Transparency is a key requirement, which is achieved through quarterly monitoring updates with photographs, videos and a short description of projects' progress, plus robust annual reporting with written updates and carbon figures. Field visits to project partner sites are undertaken where appropriate. The project monitoring plan applies for both carbon sequestration and co-benefits.
- **Healthy and durable stakeholder relationship:** The project needs to engage and be actively involved with the local population. Projects should operate with smallholders and local communities to ensure the longevity of the relationships. The project must have land tenure or an agreement in place with the landowner to ensure carbon ownership and legality of project actions.

The Pond Foundation is constantly re-evaluating its project partners and checking for all of the features mentioned above. If at any point a project partner no longer meets the criteria, The Pond Foundation looks to get them back on track and, if this is not possible, will end the partnership.

Q How does Guardian decide which carbon removal projects to invest in?

A Guardian will review and select carbon removal projects each year to meet both its annual emissions and lifetime carbon balance reduction timeline. When determining which carbon removal projects to invest in, Guardian takes into consideration different factors of the carbon sequestration process, its alignment with Guardian's lifetime carbon balance timeline and the availability of credits for each carbon removal project.

Carbon sequestration refers to the process of capturing carbon dioxide from the atmosphere and storing it. Two key considerations of carbon sequestration are:

Period of Sequestration

A period of sequestration is the expected time to remove a given amount of carbon by locking it away into plants, soils, mangroves, buildings to the ground. As an example, trees sequester different amounts of carbon depending on their age and several other factors. Generally, the older the tree, the greater its potential to store carbon and slow climate change. As a result, with tree planting projects, the relative sequestration in the first few years tends to be quite low compared to a managed forest project, which sequesters carbon immediately.

For Guardian to balance its annual emissions, it has prioritized projects that immediately sequester carbon. For Guardian's lifetime carbon balance, it has prioritized projects that align with our reduction timeline.

Durability

Once the carbon has been sequestered, the next consideration is durability. Durability refers to how long carbon stays sequestered or stored away. In regard to durability, there are generally three classifications: Low, Medium, and High.

- High-durability carbon projects generally sequester or lock carbon away for at least 1,000 years. Projects that fall into this category include pumping carbon underground and locking it in spaces where oil came from or into rocks.
- Medium-durability projects generally lock carbon away for 100 – 1,000 years. Projects that fall into this category include biochar, which is a high-carbon form of charcoal used to improve soil quality.
- Low-durability projects lock away carbon for less than 100 years (typically 30 years or less). There are many risks to low-durability projects because the carbon sequestration process can be stopped in its tracks. For example, with tree planting, the trees might die on planting, or if they do survive and flourish, a fire could destroy them.

Guardian's current portfolio of carbon removal credits is invested across a mix of medium and low durability credits, with a strong focus on medium durability. While low-durability projects sequester carbon for shorter periods of time, these projects often still provide strong co-benefits for communities and/or biodiversity, which Guardian considers alongside other factors.

Q How do you measure a company's lifetime carbon balance?

A The Pond Foundation's greenhouse gas accounting and reporting procedure is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard Revised Edition (GHG Protocol), the most widely used international accounting tool for government and business leaders to understand, quantify and manage greenhouse gas emissions. It was developed in a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) in 2004.

According to the GHG Protocol, emissions are divided into direct and indirect emissions. Direct emissions are emissions originating from owned or controlled sources by the reporting entity. Indirect emissions are generated as a consequence of the reporting entity's activities, yet they occur at sources owned or controlled by another entity. The direct and indirect emissions are:

Scope 1: All direct GHG emissions, such as combustion of fuels in stationary and mobile sources, of which Guardian has none. These would primarily arise from transportation or refrigeration of goods for a retail business.

Scope 2: Indirect GHG emissions from the generation of purchased electricity, heat or cooling consumed by the company. This includes electricity, heat or cooling consumed during working hours in a company's leased premises, as well as from remote-working locations (e.g. employees' homes).

Scope 3: Other indirect emissions, such as business/commuter travels, IT equipment (production, use and end-of-life emissions), waste, paper, investments, leased assets, assets under management and many more. Reporting Scope 3 emissions is officially optional, but this is the largest source of emissions for most business.

The Pond Foundation calculates a company's emissions based on pre-COVID and during-COVID operations and then scales the numbers back based on changes in the number of employees. To ensure the lifetime carbon balance is not underestimated, a 20% uplift is applied to the total calculated lifetime GHG emissions. This is done because, while the data used is based on scientific methodologies and papers, it is nonetheless an estimate. The uplift also accounts for all minor emissions sources, such as printer ink, websites, waste, etc., deemed too insignificant to report separately. Ultimately, the 20% helps ensure members of The Pond Foundation are on the right side of any variations.

The final GHG accounting report is produced in accordance with the ISO 14064-1 (2018-12) standard on "Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals."

Q Is Guardian’s approach aligned with the Science-Based Targets Initiative (SBTi)?

A The SBTi focuses on corporate climate action and defines and promotes best practices in science-based target setting. The SBTi is a partnership between the Carbon Disclosure Project, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Under the SBTi, member companies determine their annual emissions and then set strong, science-based targets to reduce them by 50% by 2030 and by 95% by 2050.

The Pond Foundation, and with it Guardian, are aligned with the SBTi in that it similarly focuses on annual emissions reduction through R1 Actions as it believes this is key to limiting a company’s future operational emissions. My Carbon Zero then goes further than the SBTi by asking its members to address their lifetime carbon balance by investing in R3 actions.

Q What about the portfolio companies that Guardian’s subsidiaries invest in-its assets under management?

A The Pond Foundation uses the Greenhouse Gas (GHG) Protocol to determine a company’s annual carbon emissions and lifetime carbon balance. The GHG accounting and reporting procedure is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard Revised Edition (GHG Protocol), the most widely used international accounting tool for government and business leaders to understand, quantify and manage greenhouse gas emissions. It was developed in a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) in 2004.

The GHG Protocol outlines two distinct approaches to setting organizational boundaries – the equity share and the control approach. Using one of these approaches, companies should include investments as part of their Scope 3 emissions, which are indirect emissions such as business/commuter travels, IT equipment (production, use and end-of-life emissions), waste, paper, investments, leased assets and assets under management. However, the GHG Protocol also specifies that these approaches do not apply to fixed asset investments where the parent company has neither significant influence nor financial control. Where there is no significant influence and no financial control, companies are not expected to include investments in their Scope 3 determinations.

Guardian has neither significant influence nor financial control over portfolio investments (or AUM) and therefore does not account for the portfolio emissions of our investee companies. Nevertheless, Guardian’s investment management subsidiaries are committed to:

- Monitoring the carbon intensity and other climate metrics of portfolio companies.
- Taking a company’s approach to climate into consideration as part of all investment decisions.
- Engaging with portfolio companies on their approach to climate where appropriate.

Q How will Guardian report on its progress?

A Once Guardian has finalized its carbon reduction plan, it will set reduction targets and begin regularly reporting on its annual emissions reduction progress. Guardian is committed to reporting any progress in annual emissions reductions, outlining emissions reduction strategies and targets, and informing of carbon removal efforts through projects in which it has invested. Annual reporting will also provide updates on Guardian's efforts to reduce its lifetime carbon balance.

Upon the adoption of any new climate or sustainability initiatives or targets, Guardian will make announcements outside of our annual GHG reporting.

About Guardian Capital Group Limited

Guardian Capital Group Limited (Guardian) is a diversified, global financial services company operating in two main business segments: Investment Management and Wealth Management. As at September 30, 2022, Guardian had C\$47.8 billion of assets under management and C\$26.8 billion of assets under administration, while managing a proprietary investment portfolio with a fair market value of C\$648 million. Through its subsidiaries, Guardian provides extensive investment management solutions to institutional and private wealth clients, while offering comprehensive wealth management services to financial advisors in its national mutual fund dealer, securities dealer and insurance distribution network. Founded in 1962, Guardian's reputation for steady growth, long-term relationships and its core values of trustworthiness, integrity and stability have been key to its success over six decades. Its Common and Class A shares are listed on the Toronto Stock Exchange as GCG and GCG.A, respectively. To learn more about Guardian, visit www.guardiancapital.com.

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