Proxy Alert: Shareholder Proposal on 1.5 Degree-Aligned Greenhouse Gas Targets at Dollarama Inc.

Company: Dollarama Inc.
Ticker Symbol: DOL (TSX)
Annual Meeting Date: 7 June 2023
Proponent: British Columbia Teachers' Federation, supported by the Shareholder Association for Research and Education (SHARE)

RECOMMENDATION: Vote FOR Proposal #3 – Adoption of Net Zero Targets

Dollarama Inc. (the "Company") currently lacks targets or a clear plan to reduce its greenhouse gas (GHG) emissions in alignment with the Paris Agreement's 1.5-degree Celsius goal, which exposes the Company to significant material risks.

The Proposal requests the company take the following actions:

RESOLVED: Shareholders request Dollarama Inc. adopt interim- and long-term science-based greenhouse gas emissions reduction targets aligned with the Paris Agreement's ambition of maintaining global temperature rise to 1.5°C.

Targets should:

- Be publicly disclosed by the 2025 annual shareholders meeting;
- Cover the company's full range of operational and supply chain emissions (including Scopes 1, 2 and 3);
- Consider the guidance of advisory groups such as the Science-Based Targets Initiative; and
- Be supported by an enterprise-wide climate transition plan that includes a detailed GHG emissions inventory (including all material scope 1, 2 and 3 emission categories) and the steps the company will take to achieve the targets, taking into considerations criteria used by advisory groups like CA100+ and CDP.

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Summary of Arguments:

- *Climate change is a material risk for Dollarama.*
    - Failure to reduce emissions and mitigate the worst impacts of climate change will have catastrophic economic, social and environmental consequences.
    - Investors have set high expectations for investee companies to mitigate climate-related risks.
- *The Company's current climate-related actions are inadequate.*
    - The Company has not completed necessary emissions disclosure, nor has management set a timeline to do so.
    - The company lacks adequate emissions reductions targets and transition plans.
- *The company's growth strategy should not prevent climate action.*
    - While Dollarama has an aggressive growth plan for the coming decade, companies with similar growth trajectories have made 1.5-degree aligned reduction commitments.
    - A failure to take climate action puts the company's long-term continued growth at risk.

The Company Faces Material Risk

The most recent Intergovernmental Panel on Climate Change (IPCC) report states that the window for limiting global warming to 1.5 degrees, and thereby avoiding the most catastrophic impacts of climate change, is quickly narrowing and that immediate, sharp emissions reductions are required of all market sectors and industries.[1] The Company will remain exposed to material financial risk if climate change is not addressed sufficiently, including:

1. **Operational risk –** The environmental impacts of climate change can lead to higher costs and disruptions along company supply chains. Such risks have been acknowledged by the Company, citing weather as a potential logistics disruption and rising prices of fuel and carbon as risks for operational cost increases.
2. **Competitive risk –** The Company is ceding competitive advantage to its peers who are making progress toward science-based emissions reduction goals, securing investor confidence and consumer choice alike. Failure to adequately mitigate supply chain emissions weakens Dollarama's reputation, as shifting consumer demand and public awareness campaigns target companies linked to negative environmental impacts. The Company's current aggressive growth strategy may be

[1] https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf

significantly undermined in the following decade if it fails to act to prevent catastrophic climate change.

Dollarama notes it "has not undertaken a formal climate-related risks, opportunities and scenarios analysis".[2] The resolution in question aims to support the Company in better addressing and managing climate risk, a thorough understanding of which the company has not demonstrated in public materials.

The Company's Current Climate Targets, Disclosure and Plan are Inadequate

The Proposal reflects investor expectations for climate action. This includes the Climate Action 100+ initiative, a global coalition of 700 investors with over $68 trillion in assets, and Climate Engagement Canada (CEC), a Canadian investor initiative representing $4.4 trillion in assets under management. Both initiatives have developed company benchmarks outlining metrics of climate accountability, including: 1) a net-zero goal; 2) short, medium, and long term GHG reduction targets aligned with the Paris Agreement and net-zero goals; and 3) a transition action plan, among other indicators. This proposal will guide the disclosure and commitments necessary for strengthening investor trust assurance and align the Company with these leading benchmarks.

Investor Expectations	Dollarama
1.5 degree aligned 2030 target	x
1.5 aligned 2050 target	x
Full value chain measurement and reporting	x
Robust climate transition plan	x

Table 1: Comparison of Dollarama's current commitment against investor expectations per CA 100+ and CEC Benchmarks

Dollarama Lacks Long Term, 1.5 Degree-Aligned Targets

Dollarama has set the target of reducing scope 1 and 2 emissions intensity by 25 percent by 2030. This target neither puts the Company on track to achieve net-zero emissions by 2050 nor aligns the Company with limiting warming to 1.5 degrees. There is broad consensus among scientists, state actors, and investors that companies must set and

[2] https://www.dollarama.com/en-CA/corp/wp-content/uploads/2022/06/2022-Climate-Strategy-and-ESG-Report.pdf

achieve targets aligned with a 1.5 degree scenario in order to prevent the most catastrophic economic, human, and environmental impacts of climate change.
Over 1600 companies have committed to align target setting to 1.5 degrees of warming using the Science Based Target Initiative (SBTi) guidelines. These guidelines are a trusted measure of company alignment with the Pars Agreement. Dollarama's existing target falls short on several fronts:

a) A 2030 target must reduce emissions by 50 percent from the baseline year;

b) The 2030 target must be paired with a 2050 net-zero emissions target; and

c) The target must account for Scope 1, 2 and 3 emissions.

Close peers have taken climate risk mitigation leadership relative to Dollarama. Dollar Tree, a company with a similar growth strategy having opened 464 new stores in 2022[3], recently committed to releasing a science-based, net-zero target by June of 2024.[4] Discount retail peers Walmart Inc. and Zebra A/S (Flying Tiger Copenhagen) both have 1.5 degree-aligned targets verified through the SBTi.[5] Given SBTi alignment, these companies also all have Scope 3 emissions reduction targets. Similarly, Loblaw Ltd and Empire Ltd have both committed to setting targets aligned with SBTi .[6]

Current Disclosures are Incomplete

In FY2020, the Company identified a goal to disclose Scope 3 emissions.[7] Three years later, no actual or estimated Scope 3 emissions have been disclosed and the Company has not communicated a time-bound plan to do so.

The SBTi requires companies to set Scope 3 targets when Scope 3 emissions are 40 percent or more of total Scope 1, 2, and 3 emissions. Peer company Dollar Tree recently reported a staggering 83 percent of the company's emissions are Scope 3.[8] It is credible to anticipate that Dollar Tree's emissions profile is comparable to Dollarama's.

Reporting Scope 3 emissions is becoming common practice. Peers including Dollar Tree, Walmart, Zebra A/S (Flying Tiger Copenhagen), and Empire Ltd report Scope 3 emissions.

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[3] https://corporate.dollartree.com/investors/news-events/press-releases/detail/240/dollar-tree-inc-reports-results-for-the-fourth-quarter
[4] https://corporate.dollartree.com/values/environmental-stewardship
[5] https://sciencebasedtargets.org/companies-taking-action
[6] https://sciencebasedtargets.org/companies-taking-action
[7] https://www.dollarama.com/en-CA/corp/wp-content/uploads/2022/06/2022-Climate-Strategy-and-ESG-Report.pdf, Pg 22
[8] https://www.dollartree.com/file/general/Corporate_Sustainability_Report.pdf

A Robust Plan to Reduce Emissions is Needed

In the 2023 Management Proxy Circular company response to this Proposal, Dollarama described its ESG reporting as "fulsome" and highlighted the release of a 2022 *Climate Strategy Roadmap*.[9] Dollarama's Climate Strategy Roadmap is a short description of four steps, three of which the company had already completed by the time of publication, including:

1) Measuring Scope 1 and 2 emissions;
2) Setting a target; and
3) Developing a TCFD-aligned roadmap.

The first step is inadequate, as it does not measure the majority of the company's emissions. The second step does not account for long-term emissions reduction and is not aligned with global guidance. It is unclear if the company asserts that the goal of the third step has been met by the *Climate Strategy Roadmap*. The remaining item in Dollarama's Roadmap is to measure and disclose of Scope 3 emissions, a pre-existing commitment (made in FY2020), which still has no timeline attached to it.

The Proposal encourages a greater focus on planned emissions reduction efforts that adequately address the company's emissions profile. While three actions to reduce emissions are briefly shared in the 2022 report, estimated emissions reductions and timelines associated with each action are unclear. Roadmaps must be substantial enough to build investor confidence in a company's management of the topics in question.

Growth Plans Should Not Prevent Necessary Emissions-Reductions

Dollarama aims to expand its retail operations by 514 stores by 2031. The company has asserted that the requested targets would be "incompatible with Dollarama's significant growth plans".[10] Emissions disclosure and reduction must be addressed by the company alongside its growth trajectory.

Expanding operations should not prevent a company from setting emissions reduction targets and developing a long-term decarbonization pathway. Peer examples illustrate the ability to manage aggressive growth and emissions mitigation:

[9] https://www.dollarama.com/en-CA/corp/wp-content/uploads/2023/05/DOL-2023-Proxy-Circular-EN-vFINAL.pdf, Pg B-7
[10] https://www.dollarama.com/en-CA/corp/wp-content/uploads/2023/05/DOL-2023-Proxy-Circular-EN-vFINAL.pdf, Pg B-7

1) Dollar Tree announced it will be setting a science-based net zero target by June of 2024.[11] The company also opened 464 new stores last year alone.[12]
2) Restaurant Brands International has set targets approved by the SBTi.[13] The corporation opened 309 net-new Tim Hortons stores in 2022, and across all brands, added 1266 new stores in the year.[14]

As long-term investors, it is essential to recognize the consequences of inadequate short- and medium-term actions to mitigate climate change. Without a sufficient climate action plan, the Company's current rapid growth trajectory could be easily followed by an extremely costly decline.

Recommendation

Dollarama's current targets, disclosure and *Climate Strategy Roadmap* do not provide necessary trust assurance to investors. As such, in order to better equip the Company to manage climate performance, we **recommend a vote FOR Proposal #3, Adoption of Net Zero Targets at Dollarama's Annual Meeting 9:00am EDT on June 7, 2023.**

Contact:

For questions or to discuss the proposal, please contact
Kyela de Weerdt
Manager, Corporate Engagement & Advocacy
SHARE
kdeweerdt@share.ca // 604-695-2039

[11] https://corporate.dollartree.com/values/environmental-stewardship
[12] https://corporate.dollartree.com/investors/news-events/press-releases/detail/240/dollar-tree-inc-reports-results-for-the-fourth-quarter
[13] https://sciencebasedtargets.org/companies-taking-action
[14] https://www.rbi.com/English/news/news-details/2023/Restaurant-Brands-International-Inc.-Reports-Full-Year-and-Fourth-Quarter-2022-Results/default.aspx#:~:text=2022%20Highlights%3A,Net%20Restaurant%20Growth%20of%204.3%25