



Stewardship Report

Sustainable Investing

August 2024







AIMCo is guided by one purpose, to help our clients secure a better financial future for the Albertans they serve. The long-term financial health and prosperity of our clients are intrinsically linked to the performance of the companies we invest in. We place a high value on the practice of integrated active ownership activities, like proxy voting and engagement, to promote long-term, sustainable value for our clients. We prioritize exercising shareholder voice on material environmental, social, and governance (ESG) issues, which can significantly influence the value of the investments we make on behalf of our clients.

AIMCo's stewardship approach is guided by our policy framework, which includes:

- [Responsible Investment Policy](#)
- [Proxy Voting Guidelines](#)
- [Engagement Guidelines](#)

The Power of Proxy Voting

The proxy voting system is a fundamental tenet of shareholder rights, providing a mechanism for shareholders of publicly traded companies to exercise voice on important corporate governance and ESG matters at annual general meetings (AGMs) or special shareholder meetings that promote sustainable, long-term value.

Our clients delegate proxy voting to AIMCo and our proxy voting records are publicly available on our [website](#).

2024 Proxy Voting Season Recap

July 1, 2023 - June 30, 2024

AIMCo's Influence

AIMCo voted at
4,277 shareholder meetings

AIMCo voted on
47,490 ballot items

AIMCo voted on
890 shareholder proposals

Shareholder Meetings by Geography



Overview of Proxy Season

From high-profile proxy contests to new shareholder proposal themes and high volumes of shareholder proposals that followed trends from the previous year, 2024 was another active proxy season.

In 2024, we voted on high-profile proxy contests that were covered in the media, including Disney, where significant disputes among the company's board and key shareholders arose over concerns related to operations, corporate governance and value creation. Proxy contests highlight the dynamics between shareholder activism and corporate governance, and the importance of proactive shareholder engagement with all types of shareholders.

Despite the volume of shareholder proposals increasing, average support levels in 2024 for environmental and social (E&S) shareholder proposals have continued to decrease from their 2021 highs, whereas support has increased for governance proposals centred around shareholder rights. The drop in support levels for E&S proposals may be attributed to more prescriptive proposals making it onto the ballot; investors increasingly adopting a case-by-case evaluation approach in response to amplified scrutiny of ESG issues; and/or progress made by companies in addressing ESG concerns that renders some proposals duplicative.¹

There was a noticeable uptick this year in the number of shareholder proposals that were either withdrawn or omitted from ballots. This was driven in part by the SEC allowing increased requests from companies to exclude certain proposals, such as those deemed to be micromanaging company activities.²

The 2024 proxy season also saw the emergence of biodiversity proposals. Biodiversity proposals, which were relatively new to the proxy voting scene, reflected concerns among shareholders about the impact of corporate activities on the variety of living species on Earth.³

Artificial Intelligence (AI) proposals were more prominent during the 2024 proxy season, including proposals on the ballots of several large technology companies such as Netflix, Apple, Alphabet, and Meta. These proposals recognize the impact of AI on various aspects of business, including policymaking, risk management, and even workers' rights, and the need for transparent disclosure on the responsible use of AI.

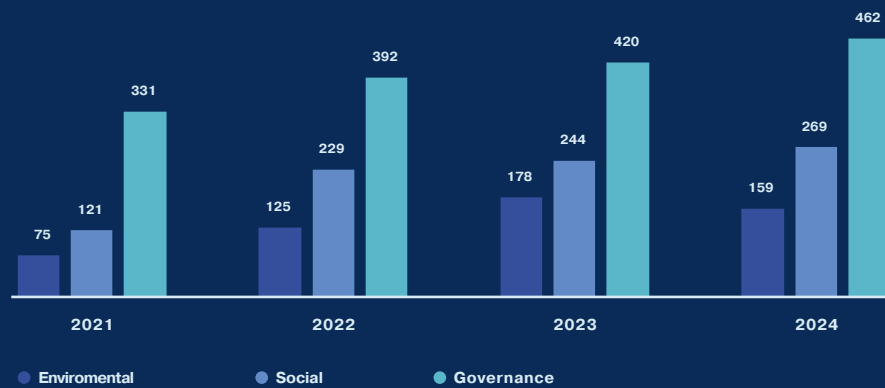
¹ (RBC Capital Markets, 2024)

² (Harvard Law School Forum on Corporate Governance, 2024)

³ (National Geographic, 2024)

Shareholder Proposals

Shareholder Proposals by Pillar, Voted on by AIMCo



Top five environmental-related shareholder proposal themes AIMCo voted on in 2024

- » Greenhouse Gas (GHG) Targets
- » Say on Climate
- » Climate Lobbying
- » Plastic Packaging
- » Circular Economy

Top five social-related shareholder proposal themes AIMCo voted on in 2024

- » Lobbying & Political Donations
- » Labour Relations, including AI
- » Diversity, Equity & Inclusion
- » Board Oversight of Discrimination
- » Human Rights

Top five governance-related shareholder proposal themes AIMCo voted on in 2024

- » Simple Majority Vote
- » Independent Chair
- » Right to Call Special Meeting
- » Board Size & Composition
- » In-Person Shareholder Meetings

Proxy Voting Spotlight

Voting our Securities on Loan

AIMCo has a Securities Lending program overseen by our Collateral Management team that earns additional income for our clients. To maximize the usage of our inventory, our agent lender will lend out fixed income and equity securities from participating AIMCo funds to an approved list of borrowers that satisfy a minimum rating requirement. AIMCo holds the right to request a partial or full recall of a loan at any time. Each loan is fully collateralized and earns market competitive rates.

To allow AIMCo to exercise voice on behalf of our clients through proxy voting, all shares on loan with an upcoming record date are automatically recalled ahead of the shareholder meeting through an automated recall program. To optimize earnings, the position size and lending rates of shares on loan subject to recall are monitored by the Collateral Management team. Substantial earners are identified to the Sustainable Investing team, who advise whether the entire loan position is required for voting purposes. If no contentious or impactful issues are present on the proxy ballot, a percentage of the loan position is recalled, maintaining high earning loans while exercising shareholder voice.

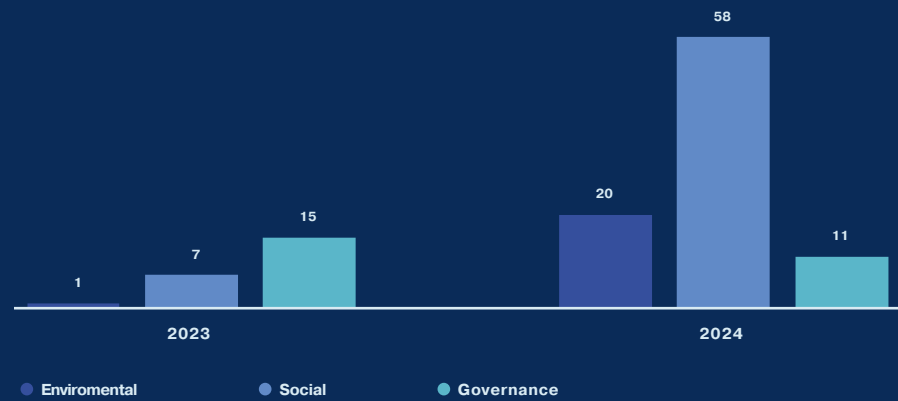
Anti-ESG Shareholder Proposals

In the post-pandemic economic landscape, the costs associated with incorporating ESG initiatives like transitioning to renewable energy sources have come into focus. This has occurred alongside a growing anti-ESG sentiment among some shareholders, largely driven by the politicization of ESG issues.

The number of anti-ESG shareholder proposals on the ballot increased significantly in 2024, with AIMCo voting on four times as many anti-ESG proposals compared to the previous year.

Such proposals challenged the purpose and implementation costs of ESG programs, such as the relevance of diversity, equity and inclusion (DEI) initiatives, political activities, and the validity of companies setting climate targets. The majority of anti-ESG proposals in 2024 related to social factors such as DEI, discrimination, civil rights and charitable contributions. Since the introduction of proposals from anti-ESG proponents a couple of years ago, there has been very little shareholder support (~2-3% on average).⁴ This was still the case in 2024.

Anti-ESG Shareholder Proposals, Voted on by AIMCo (2023-2024)



We evaluate shareholder proposals on a case-by-case basis, carefully examining the proponent and the course of action they are advocating for to determine our voting stance.

⁴ (RBC Capital Markets, 2024)

The Power of Engagement

Engaging individually or through collaborative investor initiatives builds a deeper, more direct connection to the companies we are invested in on behalf of our clients. When investee companies better understand the views of asset owners and managers on material ESG issues, they are more likely to drive positive change that enhances the long-term value of our clients' investments, consistent with our fiduciary duty. Our "voice over exit" philosophy means we prefer to leverage our influence as investors to spur ongoing, constructive dialogue on best ESG practices rather than to divest and unnecessarily reduce the investible universe.

From July 1, 2023, to June 30, 2024, we conducted 112 engagements (a 9% year-over-year increase) with investee companies and external managers across our public and private market holdings in a variety of sectors.

Percentage of Engagements by Sector

July 1, 2023 - June 30, 2024



In last year's Stewardship Report, we outlined our outcomes-based and sector-specific engagement approach. The approach centres on engagement campaigns conducted with issuers from a specific sector focused on ESG Key Performance Indicators (KPIs) that are material to that sector instead of generic ESG topics. The primary aim of this revision was to enhance comparability and benchmarking amongst companies and sector leaders, which would in turn allow for more focused and effective engagements.

During this past year, we launched two sector-specific engagement campaigns — one for the extractives and minerals sector, and another for the food and beverage sector.

Extractives & Minerals

Engaging with companies in the extractives and minerals sector was selected as a campaign this past year due to the associated environmental and social impacts. The extraction and processing of natural resources often involves significant environmental risks including GHG emissions, deforestation, loss of biodiversity and water pollution. There are also important social factors to consider such as human rights, health and safety, and stakeholder management. Managing these environmental and social risks requires strong governance, including executive compensation aligned with performance, transparent disclosures and a diversity of thought around the board table.

Through our engagement campaign with these companies, we advocated for improvements or the adoption of recommended ESG approaches in several areas. For instance, we advocated for transparency with respect to trade associations and the implementation of short and medium-term climate targets. In most cases, post-engagement, we lent our support by providing examples of effective ESG reporting approaches or pointing to additional resources such as membership in The Oil & Gas Methane Partnership (OGMP).

Material Topics for Engagement

- | | |
|----------------------|--|
| Environmental | <ul style="list-style-type: none">» Climate Disclosures» Climate Strategy & Targets» Biodiversity, Land Use, Emissions & Waste» Governance of Environmental Factors |
| Social | <ul style="list-style-type: none">» Stakeholder Management» Health & Safety» Human Rights & Supply Chain |
| Governance | <ul style="list-style-type: none">» Board Diversity» ESG Targets Tied to Compensation» Diversity Targets» Overall Reporting & Disclosures |

Environmentally, food and beverage companies are at the forefront of issues such as sustainable sourcing, waste management, and the impacts of climate change on agriculture. Their operations affect land use, biodiversity, water resources, and carbon emissions. Socially, food and drink companies have a direct impact on consumer health and nutrition and require strong management of product safety and quality. They also have a responsibility to ensure fair labour practices and good working conditions within their supply chains. From a governance perspective, ensuring transparency around lobbying activities, aligning executive compensation with ESG performance and maintaining a diverse board enables companies in this sector to manage risks.

For some issuers, we advocated for climate targets, and for others, we emphasized the importance of reducing plastic usage and packaging waste. With certain companies, our focus was on encouraging the implementation of stronger policies related to fair labour practices. In all cases, we discussed biodiversity risk. Like our extractives and minerals campaign, we offered resources to companies when required, such as examples of effective target-setting and climate disclosures.

Material Topics for Engagement

Environmental

- » Climate Disclosures
- » Climate Strategy & Targets
- » Biodiversity
- » Sustainable Sourcing
- » Water Targets
- » Plastic Usage & Packaging Waste

Social

- » Nutrition & Health
- » Product Safety & Quality
- » Responsible Marketing & Transparent Labelling
- » Occupational Health & Safety
- » Supply Chain Labour Standards & Decent Work

Governance

- » Board Diversity
- » ESG Targets Tied to Compensation
- » Advocacy & Lobbying

Engagement Case Studies

CASE STUDY

Wendy's



As part of AIMCo's 2023 food and beverage sector engagement campaign, AIMCo engaged with Wendy's, an international fast-food chain and a major player in the food and beverage industry.

Given the release of recommendations from the [Task Force on Nature-related Financial Disclosures \(TNFD\)](#) at the time, biodiversity was identified as a material ESG topic for discussion along with climate goals, water usage and metrics, healthy menu alternatives, and health and safety practices. Our engagement objectives for Wendy's included encouraging the company to set a medium-term climate target within two years and to expand biodiversity disclosures.

In our engagement with Wendy's, we learned the company had committed in February 2023 to a science-based target for greenhouse gas emissions reductions across Scope 1, 2 and 3 by 2030 against a 2019 baseline year and would in the future refresh their process to set climate goals beyond 2030. Wendy's was also defining the implications and significance of biodiversity within the context of their corporate sustainability efforts.

Our engagement with Wendy's extended beyond our meetings. In an effort to foster open dialogue, we sent a follow-up email to key members of the Wendy's team. The email elaborated on responsible marketing and advertising policies referenced to the [World Benchmarking Alliance's Food and Agriculture Benchmark](#) which shared relevant examples of successful practices in the restaurant and food services sector.

In May 2024, AIMCo was pleased to see a commitment to pursue the establishment of a biodiversity target within Wendy's 2023 [sustainability report](#). The report recognizes that commodity production plays a significant role in deforestation and land conversion, contributing to biodiversity loss. Wendy's has since implemented a forests roadmap which includes conducting a deforestation risk assessment (completed),

commodity-specific action plans to address deforestation risk, submitting a Forests, Land and Agriculture (FLAG) target to Science Based Targets Initiative (SBTi) for review and approval, and engaging with suppliers to implement commodity-specific action plans.

Even though Wendy's is still in the process of determining longer term climate targets, their latest sustainability report is an encouraging sign of progress. Their forests roadmap will guide efforts to preserve biodiversity and minimize waste and aligns with Wendy's sustainable packaging goals.

CASE STUDY

Enbridge



As part of our comprehensive and pragmatic approach to proxy voting, we endeavour to explore various viewpoints and research sources to inform our vote on certain shareholder proposals, especially if the proposal may be unique or complex.

Enbridge Inc. is an energy infrastructure company headquartered in Alberta, with operations in Canada and the United States. AIMCo proactively engaged with Enbridge ahead of its 2024 AGM to delve deeper into a specific shareholder proposal calling for the disclosure of all material Scope 3 emissions.

Our engagement was also an opportunity for AIMCo to better understand Enbridge's climate strategy, current climate targets, capital expenditures tied to emissions, and climate scenario analysis.

Through our engagement, Enbridge highlighted a multitude of challenges associated with reporting downstream Scope 3 emissions from pipeline/midstream operations. The primary hurdle for the company was the absence of clear regulatory guidelines or universally acknowledged methodologies for such reporting. Despite this issue, Enbridge demonstrated commitment to transparency by expanding its Scope 3 disclosures where feasible methodologies exist.

Before voting, we also met with the shareholder proposal proponent, Investors for Paris Compliance (I4PC), a group who works with investors to hold publicly traded Canadian companies accountable to their net-zero promises. This was an opportunity to discuss I4PC's expectations for companies' climate-related disclosures and their rationale for the proposal at Enbridge.

Engaging with both Enbridge and I4PC allowed us to contrast perspectives. These meetings also provided us with a more holistic view of stakeholders' climate expectations and the pressures facing companies, especially in energy-related sectors. Equipped with this deeper understanding, our team was in a better position to evaluate the proposal's merits and make an informed decision. AIMCo voted against the proposal due to the current complexity and lack of standardization in calculating the requested emissions for the midstream sector, and Enbridge's recent efforts to expand its Scope 3 disclosures where feasible methodologies exist. However, AIMCo will continue to monitor Enbridge's disclosure approach as reporting standards and methodologies evolve.

CASE STUDY

American Century Investments



At AIMCo, we go beyond engaging with public and private portfolio companies. We extend our stewardship focus to include relationships with our external partners and fund managers. Our relationship with American Century Investments (ACI) serves as a prime example.

The compatibility of AIMCo and ACI's shared values is evident. Both organizations are dedicated to protecting and caring for the communities in which we operate, with a strong commitment to ESG principles. ACI, distinguished by its unique ownership structure, directs over 40% of the company's profits to its controlling owner, the Stowers Institute for Medical Research, a globally recognized biomedical research organization committed to defeating life-threatening diseases.

Partnering with managers like ACI allows AIMCo to diversify our clients' portfolios across different sectors, regions, and asset classes, and helps mitigate risk. Additionally, these partnerships can provide access to unique investment opportunities and expertise in specific investment strategies outside of AIMCo's in-house investment approach.

Before establishing partnerships, we undertake due diligence, but the process does not end at onboarding. Post-investment monitoring is critical to ensuring we mitigate all forms of risk. AIMCo developed an external manager assessment to quantitatively measure and track our partners' performance in various aspects of sustainable investing. The assessment informs us on how best to engage with our managers to ensure they're delivering long-term, sustainable value to our clients. Key factors

influencing our assessment includes past or present ESG controversies, the robustness of the partner's ESG policies, their stewardship activities, and the transparency of their ESG disclosures and reporting.

Through pre- and post-investment monitoring, our external manager assessment results, and multiple engagements with key members of ACI's Sustainable Investing team, the firm demonstrated how it exhibits ESG leadership through established policies, ESG governance, stewardship activities, and transparent reporting. An example of this is American Century's proprietary Sustainability 360™ (S360™) platform. This innovative ESG tool was developed to bring together a wide range of ESG datasets, a quantitative scoring model and information related to engagement activities. The tool provides a holistic view of sustainability-related risks and opportunities at both the individual issuer and portfolio level to inform investment decision-making.

Engaging with managers like American Century Investments provides us with unique opportunities to learn about the innovative ways managers research, track, and commit to sustainability and ESG principles. Our relationship with external partners is not just about diversifying clients' portfolios or mitigating risk, but collectively growing our understanding of sustainable investing.

