



FUTURE IN FOCUS



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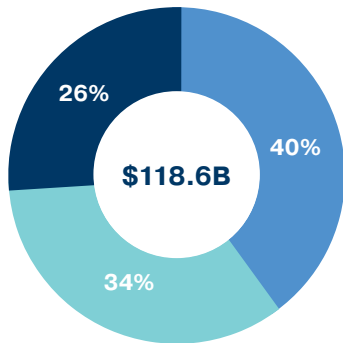
OVERVIEW

**As AIMCo renews its focus on helping our clients build a better financial future for Albertans, our Responsible Investment philosophy remains vital.**

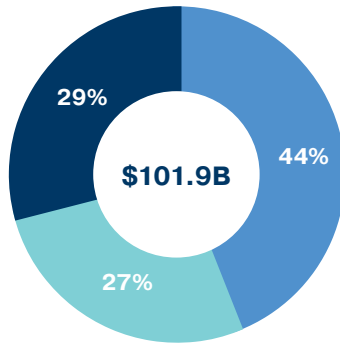
We concentrate on enhancing and protecting long-term stakeholder value by considering the impact of environmental, social and governance (ESG) factors on investment risk, opportunities and performance.

Our annual Responsible Investment Report aims to provide transparency around how we integrate sustainability considerations in the critical work of helping our clients secure long-term prosperity for the people of Alberta they represent.

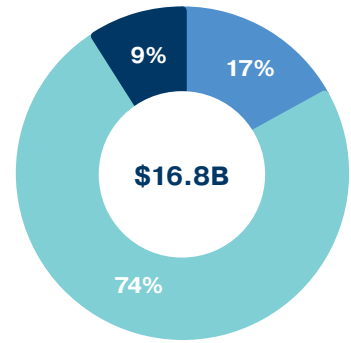
2020 ASSET MIX



AIMCo Total



Balanced Funds



Government & Specialty Funds

● **Public Equities**

● **Money Market & Fixed Income**  
Money Market, Fixed Income,  
Mortgages, Real Return Bonds,  
Private Debt & Loan

● **Illiquid Markets**  
Infrastructure, Real Estate,  
Renewable Resources,  
Private Equity

For calendar year ending  
December 31, 2020

## CEO MESSAGE

I was honoured to join AIMCo as CEO on July 1. As Alberta's investment manager, our top priority is helping our clients secure the financial future of the Albertans they serve.

As we look to the future, our client focus has sharpened. Taking guidance from our clients, we will approach investing on their behalf with a long-term view. That view will take into account the environmental, social and governance (ESG) factors that are re-valuing financial assets. Our job is to deliver risk-adjusted net returns in excess of our clients' objectives, and to be sure to take these factors into account in doing so.

Alberta is the energy hub of Canada and a centre of generation, production, research, know-how and technology. Our province can offer leadership that promotes economic development and positions both energy producers and consumers to succeed in a low-carbon economy. At AIMCo, we intend to invest additional resources in support of a climate strategy that spans asset classes. It will include goals and a made-in-Alberta response that capitalizes on local know-how and our home field advantage. We intend to integrate climate risk and opportunity assessments into our investment processes.

It is well documented that diversity along multiple dimensions maximizes organizational performance. Beyond counting people, a truly equitable workplace results in more employee freedom to innovate. At AIMCo, we are accelerating our diversity, equity and inclusion (DEI) efforts, building on a diverse employee

base, to achieve this objective. As a 2021 Catalyst Honouree, I am personally committed to championing our DEI initiatives.

Governance is the final leg of the ESG stool and long a priority among institutional investors. In 2021, we substantially advanced our risk governance. Looking ahead, we will promote efficiencies in streamlining our decision-making processes and we will require strong governance among our investee funds and companies.

I hope you will enjoy this 2021 edition of our Responsible Investment Report and I'd like to thank our Responsible Investment team for their important work. Together, we are seeking long-term value for our clients and their beneficiaries, while contributing to positive change for the economy, environment and society as a whole.

**Evan Siddall**  
*Chief Executive Officer*



## VP MESSAGE

Our annual Responsible Investment (RI) Report is an opportunity to share AIMCo's progress on our RI journey, now in its 11th year.

The world is changing and so is our role as an investor. We have the honour and responsibility of investing on behalf of our 32 clients, and stewardship is a role we take very seriously. Thinking long into the future, we seek out the highest quality assets around the globe — those responsible, sustainable businesses that care about, and are focused on, preparing for the future and a just transition to a low-carbon economy.

The global pandemic served as a wake-up call on the materiality of systemic risks such as climate change, human capital management and diversity, equity and inclusion (DEI). Changes in stakeholders' views of the social purpose of the organization have increased investors' attention to environmental, social and governance (ESG) factors in voting and investment processes.

Global efforts are underway to standardize ESG reporting frameworks to encourage a more robust, decision-useful and comparable ESG data landscape. As a case in point, we've just completed our third Task Force for Climate-related Financial Disclosures (TCFD) report and welcome the news that an office of the new International Sustainability Standards Board will be located in Montreal.

Leadership in sustainable investing requires a nimble mindset to adapt to emerging issues. We are continually advancing our ESG analytics

capabilities and practices to better capture risk and value for our clients. This year, we joined Partnership for Carbon Accounting Financials (PCAF), a global thinktank, to inform our processes as we expanded our carbon footprint across all asset classes. We are on track, once again, to double our volume of ESG due diligences in 2021, evidence of deepening ESG integration.

We are working on being more efficient and proactive in our processes, adding DEI and climate disclosure to every engagement and in developing ESG analytics such as a scorecard for private equity to more effectively capture ESG performance trends.

Our responsible investing journey is ongoing, and it's a story we're proud to share with you.

**Alison Schneider**  
***Vice President, Responsible Investment***





## OUR CLIENTS

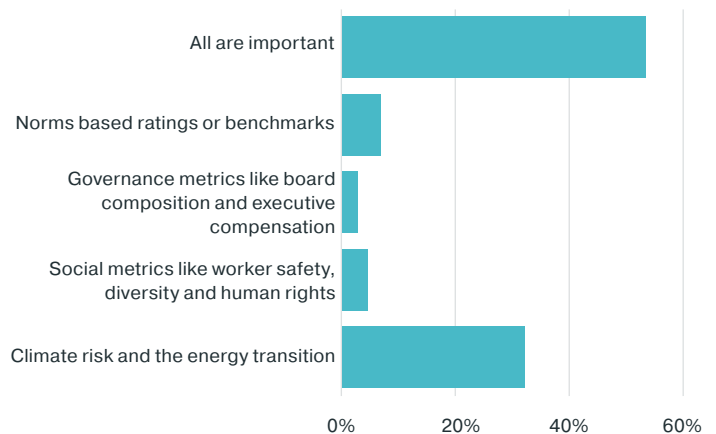
Our clients are at the core of everything we do. Each client operates within unique parameters, and we are committed to delivering the best possible long-term investment returns to meet their objectives. We systematically consider material ESG factors within investment processes in accordance with our fundamental responsibility to clients.

We strive to communicate regularly on responsible investment matters with clients, through quarterly and annual reporting, website updates and one-on-one presentations. AIMCo hosted our first ESG-focused, virtual investment symposium in May 2021, with over 200 attendees. Summaries of the symposium discussions were made available on our website.

The symposium provided us an opportunity to engage with clients and stakeholders on how they value ESG integration, and on their concerns regarding climate change and the energy transition. A live poll demonstrated that the majority of participants believe governance, social and climate factors are all important to consider in investment processes, with a third of attendees choosing climate risk as the priority.



### THE BIGGEST PRIORITY IN INTEGRATING ESG FACTORS SHOULD BE?



“

“Addressing ESG issues is an important element of risk management at LAPP. The impact of ESG factors on our fund’s long-term risk and returns has become the subject of increasing attention for us. We see it as critically important that LAPP and AIMCo collaborate and be aligned in our respective approaches to RI and ESG factor integration.”

**Chris Brown**  
**President & CEO, Local Authorities**  
**Pension Plan (LAPP) Corporation**



## GOVERNANCE

AIMCo has built a robust governance framework to inform our ESG-integration activities. Reflecting AIMCo's core value of transparency, our RI-related policies, guidelines and statements are available on our [website](#).

### AIMCO BOARD OF DIRECTORS

- Approves Responsible Investment Policy which applies to all assets under management

### RESPONSIBLE INVESTMENT COMMITTEE (RIC)

- Chaired by Chief Investment Strategy Officer, the RIC is comprised of senior executives across AIMCo
- The RIC oversees RI strategy and approves all sustainability-related guidelines and ESG focus areas

### RESPONSIBLE INVESTMENT DEPARTMENT

- Executes RI strategy
- Conducts ESG stewardship activities and supports investment teams with ESG analytics across public & private markets

In addition to oversight from the RIC, all asset classes and investment facing departments such as Client & Stakeholder Relations, Risk Management and Communications have regular RI touchpoints. Real Estate, Infrastructure & Renewable Resources and Private Equity have each adopted their own sustainability guidelines and custom approaches to ESG portfolio analytics. To further ESG integration, Sustainability committees meet regularly to evaluate ESG trends and ensure our protocols meet industry best practices.

## ESG Focus Areas



### Environment

CLIMATE CHANGE  
ENVIRONMENTAL MANAGEMENT  
& DISCLOSURE  
WATER RISK



### Social

HUMAN CAPITAL MANAGEMENT  
DATA PRIVACY  
HUMAN RIGHTS ACROSS THE  
SUPPLY CHAIN



### Governance

SHAREHOLDER RIGHTS  
PAY FOR PERFORMANCE  
BOARD DIVERSITY







## STRATEGIC PRIORITIES

By viewing AIMCo's assets through an ESG lens, we believe we can add value and ensure we are protecting our clients' interests over the long term. To that end, our three responsible investment strategic priorities are:

1. **INTEGRATING ESG INTO THE INVESTMENT PROCESS**
2. **ADVANCING STEWARDSHIP AND ADVOCACY**
3. **NAVIGATING THE TRANSITION TO THE LOW-CARBON ECONOMY**

# 1

## STRATEGIC PRIORITY: Integrating ESG into the Investment Process

Consideration of ESG factors enables better-informed investment decisions and supports long-term stakeholder value. AIMCo's RI journey continues to evolve across asset classes and investment processes. The diversified nature of our portfolios calls for a tailored approach to manage ESG risks and opportunities across industry sectors, jurisdictions and investment strategies. Globally, over 4,000 PRI signatories representing over USD 80 trillion in assets under management are agreed that integration of material ESG factors into investment processes is fundamental to fiduciary duty.

### 2020-2021 ESG INTEGRATION HIGHLIGHTS



Conducted 180 engagements with companies in 11 countries



Conducted ESG due diligence and screening on 27 investment deals worth ~\$6 billion



External manager dashboard update showed considerable improvement in ESG integration across our public equities' external managers



GRESB Infrastructure average score for direct holdings 84 versus GRESB mean score of 72 & 1 sector leader



24% of our direct infrastructure assets by AUM committed to net zero by 2050



Over 90% of Canadian Real Estate is LEED/BOMA/Fitwell certified

## Public Equities

The Public Equities team manages assets across domestic, global and emerging market portfolios. Over the last year, the RI team completed ESG due diligence for three incoming external managers, representing \$1.1 billion in potential investments.

We maintain our external manager ESG dashboard which tracks the ESG performance for fund managers as well as their underlying investee entities. We conducted customized ESG performance analysis for the Public Equities' portfolio. The RI team also prepared monthly research briefs for portfolio managers and conducted bi-monthly meetings.

Our future plans include conducting further analysis on potential correlations between ESG performance and financial performance, as well as engaging with more of our external managers.

## Fixed Income

AIMCo's Fixed Income portfolios provide capital preservation, liquidity and superior risk-controlled return relative to benchmark for our clients, while ensuring ESG risks and opportunities are considered early in the investment process.

The past year provided more opportunities for ESG integration across Fixed Income portfolios. Given the UNPRI's efforts to focus on ESG integration across specific fixed-income sub-asset classes, 2020 was the first time that AIMCo's Private Debt & Loan, Mortgages and Private Placement teams were included in the annual PRI survey. The survey results should provide us with additional insights into the strengths and potential gaps in our current ESG integration efforts in these sub-asset classes. The number of due diligences that the RI team participated in significantly increased, almost doubling for Private Debt & Loan compared with the previous year.

As we look to the future, green and sustainability-linked bonds are soaring in popularity as the world aims to "build back better" in the recovery from COVID-19, with their growth beating even the most optimistic expectations. According to the Financial Times, issuance of green, social, sustainable and sustainability-linked bonds in the first six months of 2021 was over \$450 billion, higher than for the full year 2020.

## Real Estate

AIMCo's Real Estate team focuses on global themes such as demographic trends, urbanization, emerging technology and lifestyle choices in building our portfolio of choice assets around the world. We strive to continuously improve the ESG performance of our assets, ultimately enhancing their competitiveness and value.

For instance, we collect sustainability-related data from our assets, and have established targets for energy consumption, water usage and waste diversion. Our focus on eco-efficiencies reduces operating costs, attracts quality tenants, mitigates risk and serves to meet high demand for sustainable assets, while contributing to risk-adjusted returns for our clients. We pursue green building certifications where available and encourage investee assets and funds to participate in the GRESB sustainability benchmarking assessment. In 2020-2021 AIMCo Real Estate enlisted a full-time sustainability manager to further drive ESG integration and decarbonization efforts.

Looking ahead, AIMCo Realty Investors recently adopted a bespoke Green Financing Framework in support of its commitment to sustainability principles, a significant milestone which demonstrates the ongoing development of AIMCo's Real Estate sustainability program. The Green Financing Framework is aligned with the International Capital Markets Association (ICMA) and Loan Market Association (LMA) Green Bond Principles and will enable AIMCo to issue green bonds, green loans or other financial instruments to finance eligible green projects and continue to create long-term value for our clients. We are also exploring ways to further reduce the environmental impact of our Canadian properties by using a strategic combination of retrofits and purchase of renewable energy credits and carbon offsets.



## Infrastructure & Renewable Resources

The Infrastructure portfolio comprises diversified global investments in essential services such as power generation, water utilities, energy, telecommunications and transportation, while the Renewable Resources portfolio comprises investments in timberland and agriculture. Together, these assets play an important role in addressing key societal challenges while providing our clients with stable, inflation-hedged cashflows over the long term.

With \$3.2 billion in renewable energy, timberland and agriculture investments, the portfolio is uniquely positioned with respect to climate resilience. Over the reporting year we completed nine ESG due diligences with over \$1.6 billion in commitment value. Our efforts focused on how prospective investments can create value for our clients' infrastructure portfolio through greater focus on sustainability and ESG. AIMCo is a co-founder of GRESB Infrastructure, the leading global sustainability benchmarking tool for real assets, and is a member of the interim GRESB Foundation Board that advises GRESB and owns and governs the GRESB standards.

AIMCo is collaborating with 11 financial institutions through a working group convened by the Partnership for Carbon Accounting Financials (PCAF) to draft industry guidance specific to emissions-removal reporting, which will be especially relevant for our renewable resources and renewable energy investments.



Integrating ESG into our investment decisions and being responsible stewards of our clients' assets are non-negotiables. We are focused on spotting and managing ESG risk and opportunities to deliver added value to our clients."

**Amit Prakash**  
*Chief Investment Strategy Officer*



## Private Equity

AIMCo's Private Equity portfolio is comprised of two primary strategies — fund investments and a separate strategy focused on a combination of direct and co-investments. Our Private Equity investment processes consider ESG factors during the selection of our fund partners and in identification of value creation opportunities for our direct and co-investments. ESG considerations are firmly embedded in our due diligence process with all prospective investments requiring Investment Committee approval undergoing an ESG due diligence or screening.

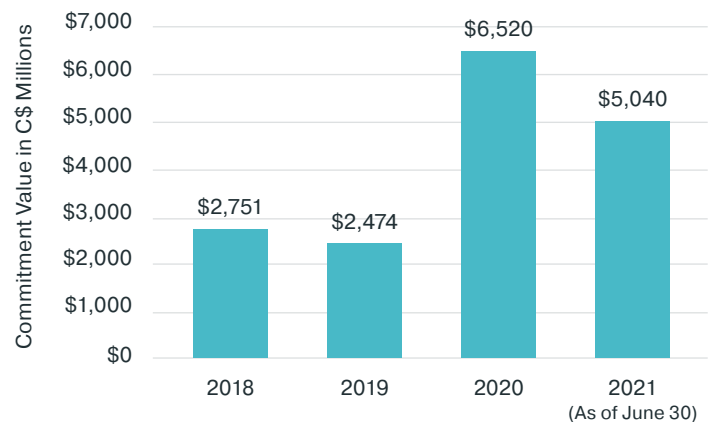
In 2020-2021, we expanded AIMCo's carbon footprint analysis to include Private Equity investments to further identify sources of climate-related risks and opportunities across the portfolio. Our latest carbon footprint analysis demonstrates that Private Equity's sector focus on consumer, business & financial services, technology and healthcare has resulted in a trend of diversification away from carbon intensive sectors, positively impacting AIMCo's total carbon intensity.

As we look to the future, we are developing an ESG scorecard for our private equity fund managers.

## ESG DUE DILIGENCE

Investment professionals across AIMCo collaborate on comprehensive due diligence reviews, which include an assessment of the investee's expected alignment with AIMCo's RI-related policies, asset class-specific sustainability guidelines and with global ESG standards, normative industry practices and key AIMCo commitments. In 2020, we conducted ESG due diligences for more than \$6 billion of potential investment opportunities, more than doubling the annual volume of previous years, demonstrating AIMCo's concerted focus on furthering ESG integration across asset classes.

### ESG DUE DILIGENCE 2018 TO Q2 2021









## INTEGRATING ESG, A PERSPECTIVE FROM OUR INVESTMENT PARTNERS

AIMCo engages best-in-class external managers in public and private markets that provide fund diversification and liquidity advantages, as well as specialized sector and market knowledge for the benefit of our clients. The RI team regularly monitors external fund managers' ESG approach, performance, and practices. Fidelity Investments Canada is one of our public equity external manager partners, who we invited to discuss the current integration of ESG within their funds and their future plans as they continue integrating ESG into their investment process.



Jenn-Hui Tan  
Global Head of Stewardship & Sustainable Investing, Fidelity

Q

**Can you discuss how ESG considerations are being integrated into investment decisions at Fidelity today?**

A

Fidelity believes that in the long term, more sustainable businesses produce better outcomes both for financial stakeholders and for society as a whole.

In 2019, Fidelity launched its proprietary sustainability research and ratings system. Alongside buy/sell recommendations, investment analysts also prepare ESG research ratings which assess the sustainability characteristics of the issuer alongside traditional fundamental factors. This approach to ESG research serves as our primary method of integration and is differentiated in its forward-looking emphasis and use of company interaction and due diligence by fundamental analysts as its main input.

We also see company engagement as a major driver of our approach to sustainability. In 2020, Fidelity conducted 716 ESG-specific engagements with companies. We believe engagement can play a major role in achieving a transition to a more sustainable economy.

Q

**What do you see as the next steps in Fidelity's ESG journey?**

A

In 2021, we set out a new voting policy which clarifies our expectation that companies should be taking a proactive approach towards sustainability. We added specific policies covering climate and gender diversity and will expand this further in the future.

The company will deliver further sustainability and climate-focused solutions to give clients greater access (across asset classes) to opportunities to mitigate risks and meet their responsible investment aims.

At the same time, we also recognise that we have a responsibility to conduct our own business in the same way we expect from the companies in which we invest. In 2021, we set a target to achieve net zero across our operational carbon emissions by 2030 and we published our first corporate sustainability report setting the KPIs we will use to measure progress. We expect to improve on our own ESG standards, just as we expect from others.

## INTEGRATING ESG EARLY IN THE FIXED INCOME INVESTMENT PROCESS

AIMCo's Fixed Income portfolio is fully diversified, spanning both public and private markets to ensure superior risk-adjusted returns for our clients. Within our Fixed Income portfolios, material ESG considerations are integrated and assessed alongside traditional financial factors to manage downside risks.



**Sandra Lau**  
Executive Vice President, Fixed Income, AIMCo

Q

### How do you integrate ESG across the different Fixed Income portfolios?

A

Our approach to ESG integration varies by portfolio but is always guided by best practice. Our team reviews ESG factors early in the investment process as a key feature of credit quality. This approach allows for early detection of potential gains or losses and thus lowers the risk of debt issuers not honouring their financial and contractual obligations.

For public debt, our Credit Research team continuously reviews credit views on issuers, offering Notional Ratings and opinions on credit quality to our portfolio managers. This includes the assessment of material ESG risk factors such as corporate governance, product quality, labour union relations and greenhouse gas emissions.

For private placements, ESG considerations are included in the due diligence risk assessment process to identify credit relevant issues that may occur over the life of the investment. In mortgages, ESG considerations are first evaluated in the screening of an investment and continue to be featured in our mortgages underwriting models. We review fund manager governance, ESG integration into the investment process, reporting transparency and company ESG policies.

Q

### What ESG trends are you seeing in fixed income investing?

A

We are noticing some key trends in the space which will ultimately increase transparency, standardization and liquidity of ESG-related debt products.

One is the adoption of standards for a better understanding of the ESG-related impact of an issuer. In mortgages, for example, as the real estate industry increasingly adopts certifications like LEED and BOMA BEST, it will facilitate the assessment of ESG for mortgage lenders like us.

The second trend is the requirement of specific performance on ESG issues as a negotiating tool for lenders. In private placements, we are seeing the inclusion of covenants related to covering reclamation costs or meeting carbon sequestration targets, ensuring ESG performance and providing lenders a voice if performance falls short.



Continued

For corporate and government bonds, we see the issuance and trading of transition, sustainability, social or green bonds for environmental and social purposes such as bonds that aim to help meet emissions-related targets. In fact, AIMCo has an exposure of around \$150 million in green, sustainable and sustainability-linked Canadian corporate and government bonds. Although we are still in early days for bonds of this nature, we believe the market will eventually mature to price such issues more efficiently.

## MONITORING & BENCHMARKING ESG PERFORMANCE

Reporting to the UN-backed Principles for Responsible Investment (PRI) and GRESB allows us to compare and benchmark our ESG-integration processes to our prior performance and against industry peers. The outputs of PRI and GRESB are shared with our clients and publicly, demonstrating our commitment to transparency and accountability.

### Principles for Responsible Investment

AIMCo became a signatory to the [UN-backed Principles for Responsible Investment \(PRI\)](#) in 2010. We report on our responsible investment activities through the annual PRI survey. We share the evaluations and survey outputs of the PRI with our clients for transparency and accountability. However, as a result of extensive feedback from over 4,300 investor signatories regarding significant survey updates, the 2021 survey results are delayed until early 2022 and the PRI has made the decision to postpone the 2022 reporting cycle until 2023. The PRI's decision to postpone the survey demonstrates responsiveness to investor signatories and willingness to revisit the reporting framework to meet the needs of its global signatory base.



### GRESB

Since its inception in 2009, [GRESB](#) has served as an ESG reporting and benchmarking resource for the real estate sector — and for the infrastructure sector since 2015. The 2021 GRESB ESG benchmark now includes ESG performance data for over 2,200 real estate and infrastructure funds, companies and assets.



In the 2021 survey, AIMCo Real Estate maintained its four-star rating while all participating infrastructure assets improved their year-over-year scores and two infrastructure assets reported for the first time.



## ADVANCING ESG INTEGRATION IN REAL ESTATE

Epic Investment Services is a unique AIMCo strategic partner that provides property and investment management services to our Real Estate portfolio. They collaborate with AIMCo professionals on sustainability-related targets, reporting, program implementation and performance. Epic is a Canadian-based asset manager with over \$17.5 billion in assets under management and a portfolio comprising over 30 million square feet of office, retail, industrial and multi-family residential properties.



**Meghavi Patel**  
Sustainability Manager,  
Epic Investment Services

Q

What are some examples of sustainability-focused efforts that EPIC implemented in the AIMCo Real Estate portfolio this year?

A

**Meghavi:** We've introduced energy management, green certification, and tenant engagement programs to the AIMCo properties we manage. This ultimately reduces ESG risks while improving tenant satisfaction. We created and sent our Energy Conservation Measures survey to AIMCo property managers to identify high-value capital expenditures that can be implemented to improve energy management and reduce the environmental footprint of the properties.

Q

Looking into the future, what are the key sustainability issues for the real estate sector?

A

**Steven:** The commercial real estate sector is undergoing significant change as it attempts to respond to concerns regarding climate change, health and well-being, social justice, inclusivity and affordability. We are challenging ourselves, in collaboration with our partners, to create a truly modern, adaptive and value-creating business proposition.



**Steven Pacifico**  
Vice President of Sustainability,  
Innovation and National Programs,  
Epic Investment Services

### AIMCo Real Estate Performance – Epic-Managed Properties

In 2020, as compared with 2019, we achieved:

- Cost Savings: \$520,000 in operational savings
- Energy Efficiency: 11% decrease in energy consumption
- GHG Emissions: 5% decrease in GHG emissions
- Green Certifications: 100% of buildings are green certified
  - 3 LEED Gold Buildings
  - 44 BOMA BEST Certifications

## RETHINKING WATER AND WASTEWATER SYSTEMS

Iguá Saneamento S.A. (Iguá) is a water and sewage service holding company currently operating 18 concessions and contracts across five Brazilian states and providing sanitation services for more than six million people. In early 2021, supported by two major Canadian institutional investors including AIMCo, Iguá won the auction for a water and sewage concession in Rio de Janeiro. This will expand Iguá's operations and add an additional one million people to its client base. Sustainability is at the core of Iguá's operations, and we asked them to share their vision of becoming an ESG leader in their industry.



**Rosane Santos**  
Sustainability Director, Iguá

Q  
A

### What are some of Iguá's ongoing sustainability initiatives?

Iguá has set a strong ESG agenda, aiming to be recognized as a leader within the water and sanitation market. Among the initiatives we are developing, we would highlight the water security plan for all our operations, the water loss management plan and the wastewater program. Our water security plan strengthens our operations by addressing water supply issues in advance of impacts from climate-change-related risks, to ensure effective water stewardship to our clients. Our water loss management plan improves leakage detection through the installation of sensors and software to reduce network repair times and enable detailed monitoring. Finally, our wastewater program diverts sludge from sewage treatment to compost used in agricultural activities. Our goal is to have 75% of all wastewater sludge diverted to compost by 2025.

Q  
A

### What does being a sustainable water utilities service provider of the future mean to Iguá?

By managing a resource that is critical for our survival and considering its finite nature, a company's sustainable approach means a long-term commitment with society, not only as a service provider, but also as an effective steward that inserts itself within its community and contributes to a good quality of living. For us, working in water and wastewater treatment is more than a business activity — it is a large-scale commitment to life, people, the environment, partners and sustainable development in Brazil. From the very beginning, we believed that it was necessary to transform the water sector, and, to that end, we created ways to promote innovation inside and outside Iguá. With Iguá Lab, we created the necessary bridges between our sector and the start-up ecosystem to help solve old challenges and to incorporate practices used in other markets into our business. This thinking is also embedded within the company, with internal programs to encourage innovation.

#### Iguá's Growing Network in Brazil

In 2020, Iguá added

- 50+ kilometers of new water distribution networks
- 10+ million new water connects
- 63+ kilometres of wastewater collection networks
- 6 million new wastewater connections









## SCALING THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY

Benevity is a leading provider of global corporate purpose software based in Calgary, Alberta. Benevity's technology connects employees and customers to companies' corporate giving and employee engagement initiatives and helps companies magnify their ESG goals. In December 2020, AIMCo Private Equity partner, Hg, became the majority investor in Benevity. We asked Benevity to discuss their platform and the market opportunity.



**Kelly Schmitt**  
Chief Executive Officer, Benevity

Q

**Describe Benevity and its technology platform — how does it scale the impact of corporate purpose initiatives and increase employee engagement?**

A

Benevity is an early B Corporation that designs software to power purpose-driven business for hundreds of the world's most iconic brands, including 27% of the 2021 Fortune 500. Through an integrated suite of community investment and employee, customer and non-profit engagement solutions, we empower companies and their people to do good on their own terms in a holistic, personal and experiential way. In 2020, Benevity and our clients donated \$2.3 billion, volunteered 6.9 million hours, completed 193,000 positive actions, awarded 92,000 grants and supported 202,000 non-profit organizations around the world.

Q

**How does Benevity envision corporate social responsibility (CSR) evolving in the future?**

A

For years, CSR has been the way companies have demonstrated their commitment to positive social impact. But corporate purpose is evolving in an era of stakeholder capitalism, as employee and consumer expectations drive the need for businesses to adapt. A few years ago, we published a [study](#) that showed that employees who engage in giving and volunteering through their companies are up to 57% less likely to churn. And in a more recent [survey](#), 40% of employees said they would likely quit their jobs if their company did not prioritize addressing social or racial injustice. This critical link between CSR actions and employee retention and engagement is one that all companies should be paying close attention to during this time of the “great resignation,” in which talent is scarce. We are also operating in a context in which ESG has evolved from a risk-mitigation approach to a value-creation approach — statistics show that companies that invest in ESG perform better on a number of business metrics. We believe, however, that there's also going to be a move towards engagement-driven ESG, focused on engaging stakeholders in determining investment and impact solutions. Corporate purpose, CSR's more evolved form, is the way that companies can make ESG more tangible and engaging for a broad array of their stakeholders including employees, customers and communities, and turn their commitments, targets and statements into tangible action.

### **Benevity's Platform Successes**

Benevity's clients are empowering a movement of:

- \$5 billion total donations
- 32 million volunteer hours
- 1 million grants awarded
- 251,000 causes supported

## DRIVING SUSTAINABILITY SOLUTIONS IN AGRICULTURE

Globally, agriculture is facing considerable challenges due to climate change and changing consumer preferences for healthier foods. Securing the world's food supply for future generations requires critical assessment of current agricultural practices and structure, including the infrastructure and technology in food distribution systems. AIMCo is invested in Equilibrium's Controlled Environment Foods Fund which aims to build a diversified portfolio of advanced technology indoor and greenhouse growing facilities. We asked Equilibrium to discuss how innovative food production methods are playing a role in addressing the sustainability challenges the agriculture sector is facing.



Kevin Brennan  
Principal, Equilibrium

Q

How does Equilibrium address sustainability challenges and what role does innovation play?

A

Equilibrium innovates institutional quality financial products that offer sustainability at their core as strategic advantage. We frame our approach in active principles and values — long-term, resilient, integrated, at-scale solutions managed by motivated people who have the humility to learn, and the conviction to apply the learning, every day. We teach:

- That we are in this together, all of us as a community, and reinforce that teaching through application of Benefit Company principles
- That doing the right thing is a strategic necessity, not only an ethical statement
- That thoughtful innovation in response to learning is a strategic necessity

Q

What are the emerging trends in agriculture and what does the future of farming look like from Equilibrium's perspective?

A

Farming faces the necessity to adapt and evolve in the face of epochal change in weather, humidity, and temperature patterns that are disrupting traditional field farming regions and cycles in extreme and unpredictable ways. Advanced technology greenhouses are increasingly key to a sustainable, lower carbon, water-efficient "future of farming," as they address and help manage and overcome these increasingly devastating risks. The farming practices and technology innovation curve in controlled environment agriculture materially drives its expansion rates. For example, installing advanced LED lighting in a produce facility in our portfolio is expected to increase yields, while reducing electricity usage by 25% and saving 10 million kWh per year — all in a facility that already uses a fraction of the water, and produces an order of magnitude more yield per acre, than its field agriculture counterparts.

### Equilibrium's Sustainability Impacts

Equilibrium has selected five impact metrics to measure and report across their platforms. Equilibrium reported the following achievements for 2019:

- \$525 million additional capital deployed
- 125,785 metric tonnes of carbon equivalents sequestered
- 43+ million kilowatt hours of renewable energy generated
- 7+ billion liters of water reused, recycled & saved
- 951 full-time employment enabled

## 2

## STRATEGIC PRIORITY: Advancing Stewardship and Advocacy

**For AIMCo, acting in our clients' best interests includes a commitment to be responsible stewards. We endeavour to positively influence corporate behaviour through our active ownership activities such as proxy voting and engagement.**

We champion a “voice over exit” philosophy, preferring to leverage our position as investors to positively influence corporate behaviour rather than to divest and unnecessarily reduce the investible universe. We believe that corporate disclosure of material ESG factors is a common good, essential for the effective functioning of capital markets. After all, what gets measured, gets managed. Our policy framework — including our Responsible Investment policy, proxy voting and engagement guidelines, and our ESG focus areas — guide our voting and engagement stance.

### Proxy Voting

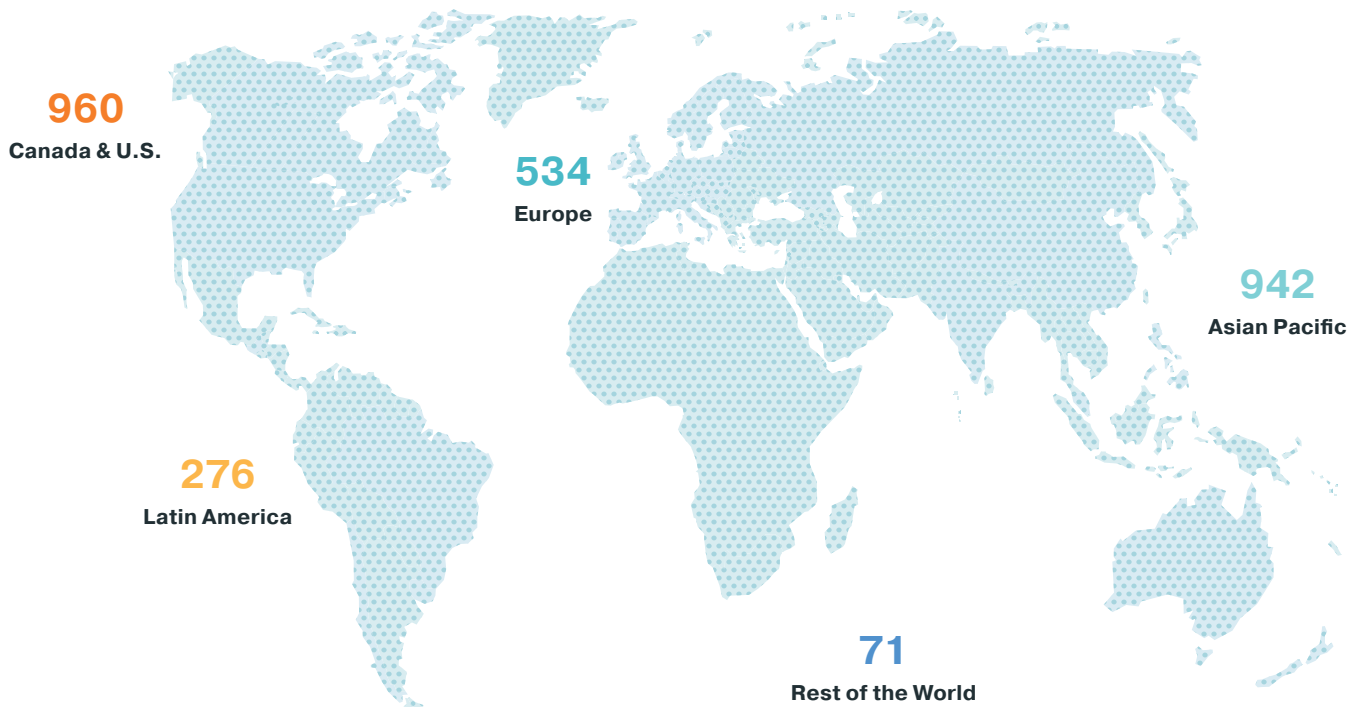
Proxy voting allows shareholders to have a voice on fundamental governance matters such as the election of the board of directors and executive compensation, while offering a venue to communicate shareholder concerns. For AIMCo, it is an invaluable ownership tool that encourages our investees to consider shareholder voice on key ESG matters.

We support shareholder proposals that request companies report and disclose how the company manages relevant ESG risks unless the company already has the requested reporting protocols in place. Similarly, AIMCo will generally vote against proposals that place undue constraints on the issuer, such as short timelines for reporting, or that do not align with enhanced shareholder value.

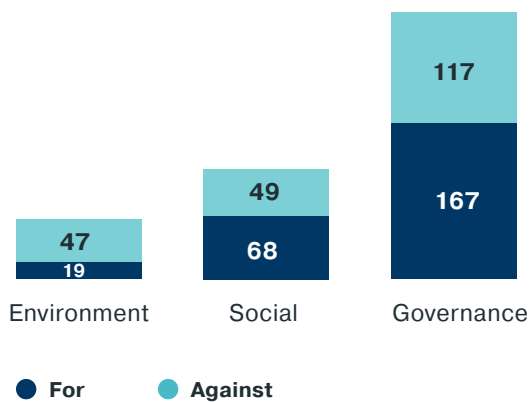
From July 1, 2020, through June 30, 2021, we voted at 2,783 shareholder meetings globally, reviewing over 30,639 ballot items. Our proxy voting guidelines, research from third-party firms and internal assessments inform our voting decisions, while keeping clients' best interests in mind.



## MEETINGS BY REGION



## VOTES ON SHAREHOLDER PROPOSALS, 2020-2021



As a result of the COVID-19 pandemic, most annual and special meetings continue to be held virtually or in a hybrid manner (in person and virtual). AIMCo continues to evaluate the impacts that virtual meetings are having on shareholders' ability to meaningfully participate and exercise voice, especially for those issuers planning to continue holding hybrid meetings.

## Increased Focus on Social Equity and Climate Change

We continued to notice an increased focus on climate change and social equity-themed proposals this proxy voting season.

Overall, we witnessed a dramatic improvement in representation of women on boards globally in 2021, the result of several years of concerted focus by regulators, investors and market participants. Only 3% of the companies we voted on across our global Public Equities portfolio featured zero women on their boards, and correspondingly, our votes against directors due to diversity concerns decreased year-over-year. In Canada, all 240 companies on the TSX Composite now have at least one woman on the board and within the TSX, 60 women hold just over 30% of board seats.

### US, EU, CAN, & OC: DIRECTOR ELECTIONS - VOTES AGAINST/ABSTAIN/WITHHOLD



● Due to Other Governance Concerns    ● Due to Gender Diversity Concerns

During the proxy season we observed a shift in market sentiment as shareholder proposals increasingly focused on diversity beyond gender, inclusive of other underrepresented groups. AIMCo supported a series of shareholder proposals at U.S. and Canadian firms that requested companies analyse potential adverse impacts of policies and practices on Black, Indigenous and people of colour (BIPOC). Racial equity audits and similar assessments can help companies identify barriers to diversity, equity and inclusion.

In the Canadian market we witnessed improved diversity disclosure, as issuers incorporated under the Canada Business Corporations Act (CBCA) endeavoured to comply with the provisions of Bill C-25 requiring them to report on representation of women, Indigenous Peoples, people with disabilities and visible minorities. While Canada's issuers are increasingly adopting diversity policies, targets and improving overall diversity disclosure and representation of women on boards, representation of women at the executive level and broader representation of diverse groups is still lagging.



Our approach to responsible investment is predicated on the belief that well-run, well-governed organizations with sound ESG practices will perform better over the long run."

**Dale MacMaster**  
Chief Investment Officer



Shareholder Proposal	Company Name	AIMCo Vote	Reason for Support
Shareholder Proposal Regarding Report on Indigenous Diversity	TMX Group Ltd.	For	AIMCo expects investee companies to disclose diversity data on an annual basis with specific application to the representation to Black, Indigenous and people of colour (BIPOC), with the ultimate aim of being aligned with the racial and ethnic demography of the country of incorporation to inform and manage oversight of associated risks.
Shareholder Proposal Regarding Company Plan to Promote Racial Justice	Abbott Laboratories		
Shareholder Proposal Regarding Racial Equity Audit	Amazon.com Inc. Bank Of America Corp. Citigroup Inc JPMorgan Chase & Co. State Street Corp. Wells Fargo & Co.		
Shareholder Proposal Regarding Racial Impact Audit	Johnson & Johnson		

This year we witnessed a new type of proposal, called “say on climate”, requesting that shareholders vote on companies’ climate action plans. While AIMCo expects and fully supports investees’ efforts to adopt climate-related plans, we are of the view that it is not the ultimate role of shareholders to approve and oversee company strategy, rather, this is the role of the board. We evaluated these proposals on a case-by-case basis and offer the following examples of how we vote.

Climate proposals we generally support	Climate proposals we do not support
<ul style="list-style-type: none"> <li>✓ Requests to approve the disclosure of an investee’s climate plan</li> <li>✓ Requests to approve climate strategy with reassurance that the Board remains responsible for oversight of climate-related risks and opportunities</li> <li>✓ Consultative vote on climate reporting</li> </ul>	<ul style="list-style-type: none"> <li>✗ Requests to approve the climate strategy itself without clarity on the board’s responsibility towards it</li> <li>✗ Deferring the approval of strategy to shareholders</li> <li>✗ Requests that are duplicative given current disclosure and strategy regarding climate-change risks, policies and opportunities</li> </ul>







## ENGAGEMENTS

**Engaging with firms in our portfolios on ESG issues is a key pillar of the RI program at AIMCo and demonstrates active management and our “voice over exit” philosophy. By engaging with companies, individually or through collaborative initiatives, we are able to promote and encourage best ESG practices and influence corporate behaviour. Engagement allows us to advocate for change and seek clarification on business strategy where we have concerns.**

Over the past year, our engagement focus areas were climate change, human rights across the supply chain, cyber security, diversity and executive compensation aligned with performance. During all individual engagements, we enquired about firms’ experiences during the pandemic, and records on diversity and strategy on climate change.

We are active members of the 30% Club of Canada, and collaborate with peers to promote diversity, equity and inclusion at investee companies. In October 2021, AIMCo co-authored the Responsible Investment Association (RIA) Canadian Investor Statement on Diversity and Inclusion, which encourages companies to mirror Canada’s representation of racial and ethnic demography within their organizations.

In November 2020, AIMCo, in collaboration with our Canadian peers, issued a joint statement calling on companies and investors to provide consistent and complete ESG information to strengthen investment decision-making and better assess and manage their collective ESG risk exposures.

AIMCo also participates in the PRI’s global collaborative engagement initiative, Climate Action 100+, which targets heavy greenhouse gas emitters to discuss their progress and strategy to curb emissions and strengthen disclosure. Although globally we have seen an improvement in climate-related disclosure, of the 228 companies listed on Canada’s S&P/TSX Composite Index only 23% align their climate reporting with the TCFD recommendations. In June, G7 nations endorsed mandatory climate-related financial disclosures based on those recommendations.

From July 1, 2020, to June 30, 2021, AIMCo engaged with 137 companies across our public and private market holdings and in a variety of sectors.



**180**

**Total Engagements**



**11**

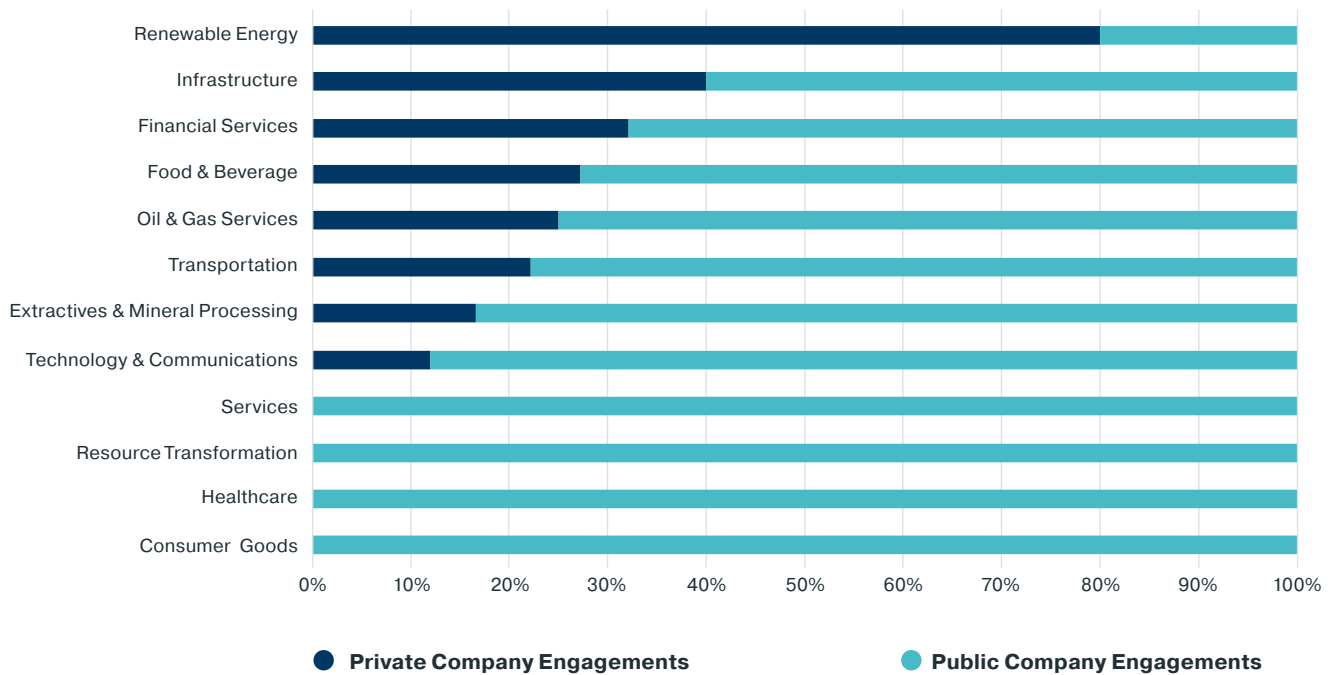
**Countries Actively Engaged**



**81**

**Letters Sent**

#### ENGAGEMENTS BY SECTOR



## Engagement Highlights

To showcase the variety of our engagements across our ESG focus areas, we have included four highlights from the past year — three engagements with companies in our clients' Public Equities portfolios, each focused on one E, S, or G topic, and one comprehensive ESG engagement with a private company.



### Environment – Circular Economy

As a Canadian manufacturer of industrial and consumer packaging with a global footprint, sustainability is in Cascades' DNA. The company has been a pioneer in incorporating recycled materials into its production, with over 80% of their raw materials in North America and Europe coming from recycled fibres. Cascades has developed sustainability plans since 2010 and during our engagement, the company reiterated its commitment to ESG transparency following the SASB materiality framework which includes disclosure on issues such as energy, emissions, water, human capital and health & safety.

Looking to the future, Cascades' 2021-2025 renewed Sustainability Action Plan includes a greenhouse gas emissions reduction plan that has been approved by the Science Based Targets initiative (SBTi), product development that supports the circular economy and follows eco-design principles, and an alignment with the Sustainable Development Goals.

### Social – Labour Management During the Pandemic

The Hershey Co. was deemed an essential business during the COVID-19 pandemic to keep the food supply chain running and create a sense of normalcy. In our engagement with this global chocolate producer, we learned about the impact of COVID-19 on their labour and supply chain management.



Although the company's office workers transitioned seamlessly to a work-from-home environment, the company's manufacturing and sales teams, who could not work remotely, had to adapt to new on-site working conditions for their safety and security. Measures taken by the company for on-site workers included the implementation of staggered schedules, personal protective equipment and increased cleaning and sanitation. Over the months of the pandemic, Hershey focused on listening to its workers and made adjustments and improvements where needed. In addition to changing their operations, we also learned that the company partnered with Penn State Health to provide masks to nursing homes and retirement centers, at no cost.



## Governance – Executive Compensation

Tanger Outlet Centers is a real estate investment trust and leading operator of open-air, upscale outlet shopping centres across North America. In its 2020 AGM, the company received low support for its advisory vote on executive compensation, including qualified support from AIMCo with concerns regarding a disconnect between pay and performance. Our engagement with the company focused on executive compensation, including changes the company made to the 2021 program, based on shareholder feedback.

Over the past year, Tanger conducted two broad shareholder engagement campaigns and subsequently made changes to its executive compensation package based on feedback, including the elimination of certain legacy, single-trigger change in control provisions. In doing so, Tanger further aligns itself to market practices on severance packages. The company also expanded its executive ownership guidelines to apply to all named executive officers. Together, these changes help to align executive pay, company performance and the interests of the company and its shareholders.

**Tanger**Outlets

## Private Company Engagement – Comprehensive ESG

A trend of increased activism in the mining sector globally reflects growing public awareness and concern regarding the mining industry's record on ethical conduct, health and safety and mitigating environmental impacts. AIMCo recently engaged representatives of Emergent Technology & Payments (EmTech) and Responsible Gold™ during our investment due diligence for a Fixed Income co-investment. We chose to support the deal that integrates Responsible Gold™ Standards (Standards) into the gold supply chain.

Developed by EmTech, the Standards signal a new approach to sustainability, transparency and operational excellence in mining, specifically for the gold supply chain. Consumers and market participants alike can be assured that products declared under the Responsible Gold™ label meet with best-in-class ESG assurance standards and blockchain-based provenance and chain of custody traceability, mitigating the supply chain trust gap, potential reputational and operational risks while enhancing long-term cash flows.



## ADVOCACY AND COLLABORATION

**AIMCo recognizes the role investors play in promoting sustainable deal flow and is an active member of the Canadian and international responsible investment community. We respond to public consultations, and advocate for best corporate governance and ESG disclosure practices to advance sustainable capital markets and ultimately benefit our clients, beneficiaries and society at large.**

### **International Financial Reporting Standards (IFRS) Foundation Consultation**

In April 2021, the Trustees of the IFRS Foundation proposed amendments to the Foundation's Constitution that would enable the creation of a new sustainability standards board under the governance of the Foundation. The IFRS Foundation requested stakeholder input and AIMCo responded to the consultation with support for the creation of an International Sustainability Standards Board (ISSB) to standardize climate-related and ESG reporting across the fragmented and busy ESG data disclosure landscape.

### **Canadian Association of Pension Supervisory Authorities (CAPSA) ESG Committee**

CAPSA's ESG committee is focused on developing principle-based guidelines on ESG integration for Canadian pension funds. AIMCo serves on the fiduciary duty sub-group advising CAPSA on components of fiduciary duty that are most relevant to consideration of ESG factors.

### **Sustainable Finance Action Council (SFAC)**

SFAC is focused on providing the financial sector with input on the foundational market infrastructure needed to attract and scale sustainable finance in Canada. The work of SFAC was paused during the run up to the federal election in September 2021. AIMCo has contributed to efforts to create a transition taxonomy for Canada to fund sustainable or transition-related business activities, which continues to be debated by participating entities.

### **Partnership for Carbon Accounting Financials (PCAF)**

PCAF is an industry-led partnership facilitating financial industry alignment with the Paris Climate Agreement through the development of a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with financial investments. AIMCo colleagues participate in four working groups, collaborating with industry peers to develop guidance and implement standards.

AIMCo is a founding partner of the Investor Leadership Network (ILN), a collaborative network of leading investors taking action on key sustainability themes, namely, to accelerate sustainable infrastructure in emerging markets, foster diversity and inclusion in capital markets and encourage robust climate disclosure practices.



### Sustainable Infrastructure Fellowship Program



**AIMCo Representative:**  
**Ahmed Mubashir**

*Director, Infrastructure & Renewable Resources*

**Update:** The main goals of the program are to share best practices on integrating ESG factors into the investment process and to grow a global network of sustainable infrastructure professionals. AIMCo's Infrastructure and Responsible Investment teams delivered two sessions during 2021, including one on Sustainable Infrastructure, to a group of 33 Fellows from around the world.

### Diversity in Investment



**AIMCo Representative:**  
**Sarah Esler**

*Senior Portfolio Manager, Mortgages*

**Update:** The ILN is developing an Inclusive Finance framework designed to help investors factor diversity, equity and inclusion (DEI) into investment decisions. In August 2021, the committee published [Creating a More Inclusive Economy](#), an assessment of how member investment teams are approaching DEI.

### Climate Change Action Committee



**AIMCo Representative:**  
**Alison Schneider**

*Vice President, Responsible Investment*

**Update:** The Climate Change Action Committee continues to expand on its climate change mitigation tools for investors. In 2021, the ILN began working with investors to develop a [Physical Climate Risk Toolkit](#) that will provide a practical framework to identify and understand physical risk for new and existing investments.



## Sustainable Development Goals

The Sustainable Development Goals (SDGs) provide a universal framework for environmental, economic, and social development up to, and beyond, the year 2030. Institutional investors play a pivotal role in financing sustainable deal flow through long-term investment choices and stewardship opportunities. AIMCo is an active member of the PRI SDG Advisory Committee, which advises PRI on how investors interpret and track their progress relative to the SDGs.



## DIVERSITY, EQUITY, AND INCLUSION HIGHLIGHTS

AIMCo is committed to the growth, development and success of our employees, clients, portfolio corporations and suppliers by building a diverse, equitable, inclusive and respectful work environment. Diversity, equity and inclusion (DEI) feature strongly in our investment process integration and stewardship activities.



**AIMCo developed a comprehensive DEI strategy** supported by an Action plan & issued a formal DEI Statement of Commitment

Signed the Responsible Investment Association (RIA) Canadian Investor Statement on Diversity & Inclusion along with investors representing **over \$2 trillion in assets under management**

**Hosted the 3rd annual International Women's Day event** with a panel themed An Equal World is a Changed World

**Diversity considerations** are featured across all engagements and investment due diligence

Supported shareholder proposals advocating for greater disclosure on **diverse representation** at organizations

Active member of **30% Club of Canada** since 2016 and adopted a board diversity statement

**Women on Boards** threshold for proxy voting remained at 25%, increasing to 30% in 2022

**AIMCo achieved EDGE Assess certification** in 2020 and is currently working towards obtaining the EDGE Move certification in 2022

## 3

## STRATEGIC PRIORITY: Navigating the Transition to the Low-carbon Economy

AIMCo views climate change as a systemic risk and one of the most pressing issues of our time. Global warming continues to accelerate, while the window of opportunity for countries to reduce greenhouse gas emissions is narrowing. Climate change has the potential to significantly impact asset value and the risk return profile of many industries. To continue to protect and grow the value of our clients' funds, we must address climate-related risks and opportunities in our investment strategies.

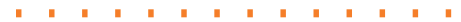
We view the physical, or weather related, and transition, or policy and market related risks of climate change as material to our clients' objectives. AIMCo supports the Task Force on Climate-related Financial Disclosures (TCFD) framework and the goals of the Paris agreement to keep global warming within 2 degrees, and ideally 1.5 degrees Celsius by the year 2100. Scientific consensus posits that carbon neutrality or 'net zero' is required by the year 2050 to keep global warming at bay. The International Energy Agency finds the most feasible pathway to carbon neutrality requires investment in the energy transition at scale, representing a massive investment opportunity.

It is our responsibility, as a leading institutional investor, to endeavour to understand and adapt to the fast-changing world around us which includes identifying, managing, addressing and reporting on climate-related risks and opportunities. We are actively testing different ways to measure our climate exposure, and to appropriately incorporate climate change into our investment processes, stewardship and advocacy activities.

AIMCo is currently developing a climate action plan informed by internal analysis and focused on our overarching goal of making real world impact to reduce global greenhouse gas emissions while continuing to achieve our investment return objectives. We will consider viable options to decrease the portfolio's emissions trajectory over time. We intend to consult with clients on this plan in early 2022 with a goal of releasing climate-related targets early next year.



### CLIMATE-RELATED HIGHLIGHTS



Climate change **considerations** feature across our engagements and due diligence



Delivered our **3rd TCFD Report**



Active member of Climate Action 100+ and **co-founder of Climate Engagement Canada**



AIMCo's investment carbon footprint calculation includes **all 5 assets classes**



**Quantitative scenario analysis** was completed using MSCI Climate Value-at-Risk model



Supported climate-related shareholder proposals **requesting increased disclosure of climate data and strategies**







## Featured Engagement

AIMCo regularly engages with investee companies to understand their climate-related stance and plans as part of our strategy to manage and address climate-related risks and opportunities in our portfolios. Stantec Inc. is a holding in our client's Public Equities portfolios, and we invited Kate Jack and Susan Walter to discuss how this company is creating low-carbon solutions through smart mobility initiatives.

Stantec Inc. provides professional consulting services in infrastructure and facilities for clients around the world. They are an industry leader in smart city projects that make communities sustainable, healthy and resilient. The company has been ranked as the most sustainable corporation in North America and the fifth most sustainable in the world.



**Kate Jack**

*Connected and Autonomous Vehicle (CAV) Deployment Lead, Transportation*

Q

**What can you tell us about the smart mobility project in Florida?**

A

**Kate:** Over the past two years we have been working with the city of Jacksonville to revitalize the downtown core by introducing autonomous vehicles and overall adoption of smart mobility systems. Through these projects we can address the balance of equity and encourage small and minority businesses to develop in Jacksonville's core. We are looking to introduce a connected hub that will serve to improve communications and revitalize a neglected area.



**Susan Walter**

*Executive Vice President, Infrastructure*

Q

**What is next for Stantec within the infrastructure and smart mobility space?**

A

**Susan:** Ultimately, we have set out a plan to knit together the most important aspects of every project, this includes asset improvement, connected vehicles and smart hubs, creating infrastructure that would deliver carbon solutions, electric vehicle charging systems that limit the carbon footprints of users, and more. We are looking at every project we can and applying a lens of sustainability and a future-focus mindset to ready-proof assets.

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT SUMMARY

With the evidence of unsustainable global warming mounting, it is imperative that AIMCo exhibit transparency and report on how we are managing, measuring and addressing climate-related risks and opportunities. This year marks our third report following the Task Force for Climate-related Financial Disclosures (TCFD) framework. What follows is a summary with the full report available on our [website](#).

### Strategy

AIMCo has been focused on tracking and better understanding the emissions profiles of our portfolios before adopting targets. AIMCo is committed to taking action, with the best available data and methodologies. Our strategy to manage climate-change risks is multifaceted and evolving, and includes:



1 Exercising shareholder voice by voting to promote climate-related disclosure



2 Engaging with investee companies to promote climate-related disclosure and help transition to a carbon-neutral future



3 Advocating with policymakers, regulators, and stock exchanges to encourage climate-related disclosure guidance



4 Taking an active role in collaborative research regarding appropriate management of key factors such as carbon, plastics, methane, and water, promote best practices and benchmark firms' performance on these metrics over time



5 Measuring emissions across asset classes to conduct historical and future-focused climate-related analysis to identify key drivers of climate risk and resilience

## SCENARIO ANALYSIS

The TCFD recommends investors conduct forward-looking scenario analysis to better understand potential investment risks and opportunities arising from various warming outcomes.

A range of scenarios should be chosen for both physical climate change impacts, such as severe weather events, and for transition-related impacts, like carbon pricing. The analysis should include a “business-as-usual” scenario, resulting in warming of greater than 2°C by 2100, contrasted with at least one low-carbon scenario, resulting in warming of less than 2°C by 2100.

In our 2021 scenario analysis, AIMCo utilized MSCI’s quantitative Climate Value at Risk (VaR) tool for our Public Equities and Corporate Debt portfolios. Climate VaR is designed to provide a forward-looking and returns-based assessment of climate-related risks and opportunities from both a bottom-up (company and sector level) and from a portfolio and fund-wide level. It is a quantitative model that integrates transition risk and physical risk scenarios out to the year 2100, using globally recognized climate models from Japan, U.S. and Europe.

**We employed three contrasting warming scenarios:**

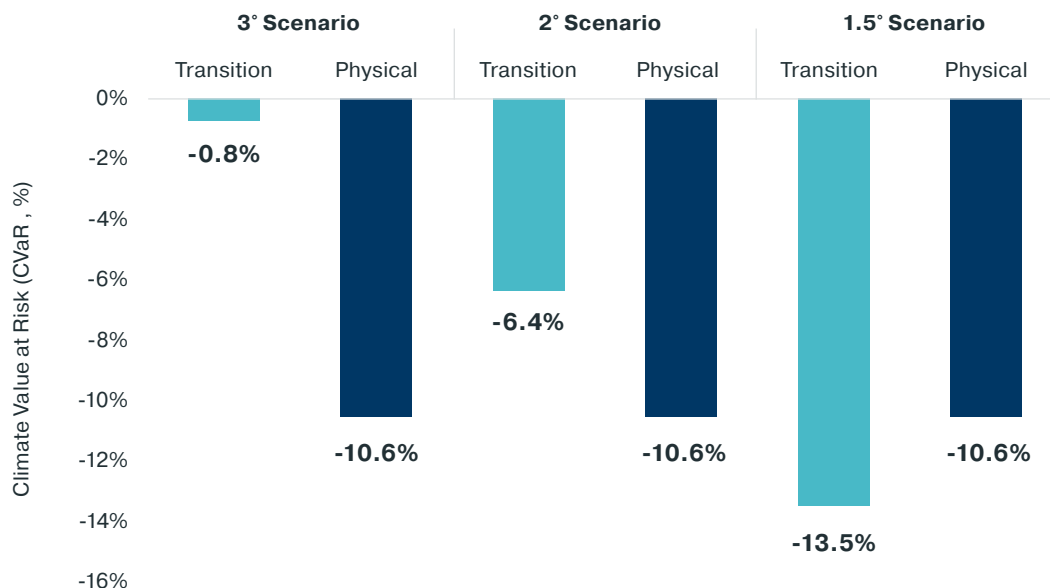
**A 3°C WARMING, OR  
“BUSINESS-AS-USUAL” SCENARIO**

**AN INTERIM, 2°C WARMING  
SCENARIO**

**A 1.5°C, OR PARIS  
ALIGNED SCENARIO**

The following table/graph offers a summary of some of the key results of our analysis, which represent MSCI’s assessment of the percentage of our public market portfolios value at risk under various warming scenarios, in the year 2080, then discounted using present value assumptions to today. As expected, the risk is significantly higher in a 1.5°C scenario, as more stringent policy and regulations result in higher transition risk, versus the 3°C scenario, which is essentially business as usual.

**AIMCO PUBLIC EQUITIES AND CORPORATE DEBT CLIMATE VALUE AT RISK BY SCENARIO & TYPE**





## METRICS & TARGETS: CARBON FOOTPRINT

The objective is to measure our carbon footprint across asset classes, which attributes emissions to the investor in alignment with generally accepted carbon footprint methodology. AIMCo monitors both the absolute emissions and emissions intensity of our holdings under two methodological approaches: Financed Emissions and the Weighted Average Carbon Intensity (WACI) methods.

Our carbon footprint calculations cover a portion of all five of AIMCo's asset classes, based on scope defined by the Partnership for Carbon Accounting Financials (PCAF), which was different than the scope we based our calculations on in last year's report. To allow for like-for-like comparison to our 2019 carbon emissions profile, we recalculated the 2019 carbon footprint using the same scope, providing a common denominator to help us better understand the carbon emissions trajectory of our portfolios. For more information on the scope included in our carbon footprint, please see the notes section on page 13 of our TCFD Report.

AIMCo Carbon Footprint	2019	2020
AIMCo Absolute Financed Emissions (tCO <sub>2</sub> e)	4,144,441	3,244,539
AIMCo Financed Emissions Intensity (tCO <sub>2</sub> e/\$million invested)	65	56
Weighted Average Carbon Intensity (tCO <sub>2</sub> e/\$million revenues)	360	280
Total AIMCo AUM (\$million)	\$118,762	\$118,639
AUM in Scope for Carbon Footprint (\$millions)	\$77,188	\$67,654
% of AUM Covered (in scope)	82%	85%

Our calculations demonstrated that AIMCo's portfolio emissions decreased in 2020 relative to 2019, whether from an absolute-emissions, weighted average carbon intensity (WACI) or a financed emissions-intensity perspective. In 2020, AIMCo's absolute emissions using the financed method were 3.2 million tonnes CO<sub>2</sub>e, down significantly from 2019's 4.1 million tonnes CO<sub>2</sub>e. Under the financed emissions method, AIMCo's portfolio emissions intensity was 56 tonnes CO<sub>2</sub>e/\$million invested, down from 65 tonnes CO<sub>2</sub>e/\$million invested in 2019. Under the WACI method, the 2020 result was 280 CO<sub>2</sub>e/\$million of revenue, a drop of more than 20% from 2019.

The across-the-board drop in portfolio emissions cannot be attributed to any one single factor but is the result of many, potentially converging factors including: COVID-19 impacts, changing valuations of our assets, changes in sector exposures such as reduced oil and gas exposures, year-over-year fluctuations in corporate revenue and actual changes in company carbon emissions. We plan on conducting ongoing analysis to discern whether certain factors can be quantitatively attributed.

As investor fiduciaries, our objective is to deliver value to our clients, while focusing capital on the long term. We strive to adopt best in class ESG-integration strategies across asset classes and investment processes to better identify our ongoing assessment of risk and value, and we are aligning our stance on ESG in our internal, corporate processes.

We aim to leverage our influence as a leading global investor to advance representation of diverse groups in the organization, facilitate the transition to the carbon neutral economy and promote a more sustainable financial system.

Our clients' views on ESG matters are important to us and AIMCo will seek to engage in meaningful and ongoing dialogue with our clients and wider stakeholders.



