



Responsible Investment Engagement Guidelines

April 2021

AIMCo endorses the Canadian Coalition for Good Governance's (CCGG) Stewardship Principles and is committed to being an effective steward of our clients' investments, consistent with our fiduciary responsibility. As such, we strive to incorporate ESG factors into our active ownership and investment processes, promoting sustainable business practices and encouraging companies to pursue best environmental, social and governance (ESG) practices, to benefit the market and society as a whole.

Engagement with investee firms is intended to create value and protect and enhance long term risk-adjusted investment returns for AIMCo's clients. Likewise, engagement with potential investees and fund managers during due diligence across asset classes is intended to gain valuable insights into business processes, strategy and culture, and reduce investment risk for our clients. These guidelines outline potential RI engagement choices, processes, and escalation strategies.

AIMCo champions a "voice over exit" approach, preferring to conduct meaningful engagement with the firm to effect positive change where possible, rather than divest so as not to reduce the investible universe. Engagement is intended to be both proactive and responsive, as deemed appropriate.

Figure A. below (page 2) outlines the main steps of the engagement process.

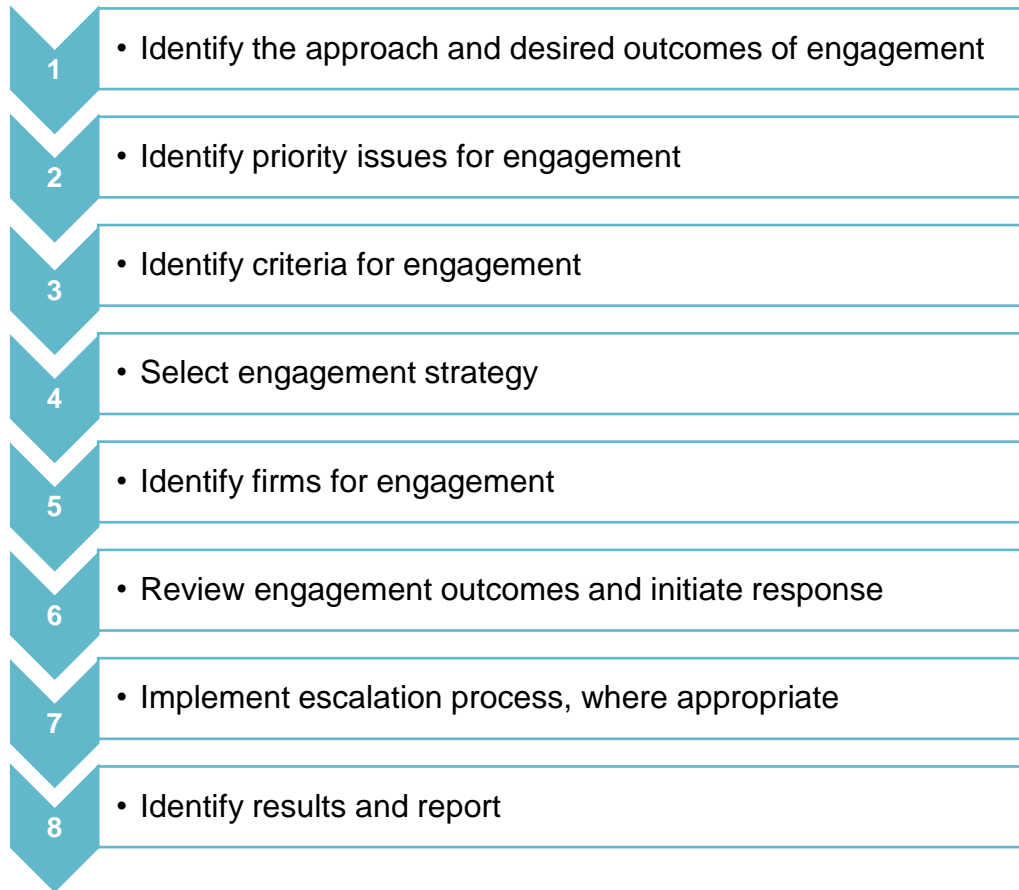
1.0 APPROACH AND DESIRED OUTCOMES

Engagement approaches vary with geographic markets, asset class, industry, ownership levels, the perceived egregious nature of an issue, and with ESG trends and regulations, and as such are case dependent. Any of the following approaches may instruct a particular engagement strategy:

1.1 Approaches

- The **universal owner** approach recognizes that institutional investment managers collectively steward a disproportionately large percent of the global economy, with commensurate responsibilities. Certain engagement activities may be pursued in order to positively influence responsible business practices for the long term.
- The **norms-based** approach compares firms' ordinary business practices with normative practices for the industry, or within a specific geographic market to identify and address gaps.
- The **best-practice** approach identifies firms that excel in a given ESG area, in order to set an example within the industry and to set higher expectations for potential investee firms.
- The **risk-based** approach identifies low probability, high impact tail risks and requests the investee firm to properly reveal, address, and/or directly mitigate or outsource these risks.
- The **relationship investing** approach focuses on higher concentration investments (5% or more of the issuer) and on improving the quality of the firm's governance in order to address operating risks and thereby enhance equity value.

Figure A. Engagement Process



2.0 PRIORITY ISSUES FOR ENGAGEMENT

The Responsible Investment Committee (RIC) will review priority ESG issues for engagement on an annual basis. The RI team proactively identifies companies to engage with that meet our criteria for engagement across ESG focus areas. Companies may be identified for displaying best ESG practices, or likewise for lagging performance or lack of disclosure on key ESG metrics. The RI team participates in ongoing collaborative engagements with peers through the Climate Action 100+ initiative and through the 30% Club and will engage with select companies in response to reports of adverse ESG practices or to third party requests for engagement.

2.1 ESG Focus Areas

AIMCo has identified the following as key ESG focus areas for engagement purposes:

- Environment:
 - Climate Change
 - Environmental Management & Disclosure
 - Water Risk
- Social:
 - Worker Safety & Human Rights Across the Supply Chain
 - Data Privacy

- Governance:
 - Shareholder Rights
 - Executive Compensation aligned with performance
 - Board Diversity

3.0 CRITERIA FOR ENGAGEMENT

Primary Considerations:

- **ESG Performance:** Firms displaying problematic, undisclosed, or particularly robust ESG practices may be selected for engagement according to our ESG focus areas
- **Materiality:** Companies may be flagged for exposure to, or performance on, a material ESG factor or based on financial materiality such as percent of the issuer owned, size in market or absolute dollars.
- **Geographic Locale:** Country of domicile and/or operations, compliance with local regulations.
- **Responsiveness to Firms' Request for Engagement:** We will respond to company requests to engage, wherever possible, such as regarding an upcoming proxy vote.
- **ESG Screening/Due Diligence:** AIMCo investment professionals may seek to engage with a potential investee company/fund manager across asset classes during the normal course of conducting an ESG screen or a due diligence on matters for further evaluation, depending on the deal size, investment type, and geographic jurisdiction of the entity.

Additional Considerations:

- **Probability of Success or Influence:** The likelihood of success and/or possible influence of investor peers.
- **Reputational Risk:** Potential for reputational risk that could impact investment performance and/or impede sustainable development outcomes.
- **Clients:** Response to concerns raised by AIMCo clients.
- **Conflict of Interest:** AIMCo is committed to avoiding, identifying and managing or avoiding any perceived or actual conflict of interest that may arise during the course of conducting engagements.

4.0 ENGAGEMENT STRATEGY

Engagement strategy can take several forms. Any of the below engagement options may be selected variously by selected individuals and duly implemented.

Forms of Engagement:

- In-person meetings, virtual meetings, telephone calls and written communications with company officials by AIMCo individually or in collaboration with investor peers or other member organizations.
- Advocacy-related engagement: In an effort to shape more sustainable capital markets we may advocate for better ESG disclosure and practices. We may raise issues with various levels of government, regulatory bodies, or industry associations where AIMCo perceives a need to exercise voice, as deemed appropriate.

5.0 FIRMS FOR ENGAGEMENT

Responsible Investment department will identify companies for engagement based key ESG focus areas and RIC-approved engagement criteria.

6.0 ENGAGEMENT OUTCOMES

AIMCo seeks to exercise voice, promote best ESG practices, evaluate company strategy, culture and processes to address ESG and, where appropriate, continue engagement with the entity.

Outcomes and possible AIMCo responses include:

POSITIVE OUTCOME:

Gain corporate commitment to beneficial change such as enhanced ESG disclosure or greater board diversity. AIMCo may consider amending proxy voting decisions and/or voting rationale prior to the voting deadline; and/or choose to withdraw any shareholder proposals that have been filed if issues under consideration are adequately addressed.

STATUS QUO OUTCOME:

No commitment to the beneficial change as requested by AIMCo. AIMCo may continue engagement either directly with the company, collaboratively with investor peers, or through more public disclosure, such as media statements.

NEGATIVE OUTCOME:

Entrenchment or deterioration of the original circumstances leading to the engagement

7.0 SUMMARY OF ESCALATION PROCESS

Unsuccessful engagement may lead to renewed forms of engagement which may be ultimately successful, or it may lead to the decision to exit.

Potential escalation strategies include:

- Requesting meeting(s) with more senior executives of the firm and/or with the chairperson of the board, or another board member.
- Collaborating with investor peers to request a joint meeting
- Individual or collective media statements requesting beneficial change.
- Voting against management, including publicly disclosing voting intent prior to the vote for key proposals, supplemented by public disclosure of voting rationale after the vote.
- Filing or co-filing shareholder proposals.
- Engaging in advocacy regarding the issue.
- Communicate the possibility of exit to the firm should concerns not be addressed.

8.0 RESULTS AND REPORTING

The Responsible Investment Committee will review the number of engagements, breakdown by ESG focus area and type of engagement on a quarterly basis; and it will review and approve the ESG focus areas and evaluate progress against objectives on an annual basis. AIMCo's proxy voting history, including the vote rationale, is publicly available on AIMCo's website. Significant engagements, barring disclosure of any confidential discussions with firms, may be disclosed in AIMCo's annual RI Report and/or shared with the UN Principles for Responsible Investment (PRI), investor peers and clients.