



AIMCo Realty  
September 2021

# Green Financing Framework





## Company Overview

AIMCo Realty Investors LP (“AIMCo Realty”) is the primary vehicle of the Alberta Investment Management Corporation (“AIMCo”) to invest in Canadian real estate on behalf of AIMCo’s public pension, endowment and government fund clients. AIMCo Realty provides exposure to domestic real estate through direct holdings diversified across property types and geographies. AIMCo Realty also invests in niche market strategies and sectors through externally managed Canadian opportunity funds, as well as Canadian public real estate equities and REITs. AIMCo Realty’s real estate portfolio currently consists primarily of direct investments with joint venture partners in high-quality office, retail, industrial and multi-unit residential properties in Canada’s major centers with a focus on the primary markets, being the Greater Toronto Area, Greater Vancouver Area, Montreal, Calgary, Edmonton, and Greater Ottawa. AIMCo Realty strives to maximize returns for each of its clients through a combination of core and opportunistic real estate strategies that achieves each client’s unique objectives through an investment platform that benefits from economies of scale. AIMCo Realty is one of Canada’s major institutional investors in Canadian real estate.

AIMCo, a Crown corporation, is one of Canada’s largest and most diversified institutional investment managers, investing on behalf of public pension, endowment and government funds for the Province of Alberta. AIMCo’s vision is to enrich the lives of Albertans by building prosperity, security and opportunity across generations. As of December 31<sup>st</sup>, 2020, AIMCo held \$118.6B Assets Under Management, with demonstrated long-term investment performance of 6.1% over four-years and a 7.75% ten-year annualized rate of return.

## Sustainability Initiatives at AIMCo Realty<sup>1</sup>

AIMCo Realty strives to uphold and exemplify AIMCo’s corporate values of excellence, transparency, humility, integrity and collaboration in business processes. AIMCo Realty believes that a company’s long-term investment performance is positively impacted by its adherence to ESG principles. As such, AIMCo Realty considers material ESG factors in its investment processes, and regularly updates and maintains its ESG best practices through a set of Real Estate Sustainability Guidelines. Furthermore, AIMCo Realty, as part of AIMCo, is governed by AIMCo’s overall Responsible Investment Policy to aid in the company’s goal of achieving superior risk-adjusted investment returns over the long term. The company’s objective is not merely to identify ESG risks and opportunities but to actively contribute to better investment outcomes through responsible investment activities.

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<sup>1</sup> AIMCo’s sustainability initiatives outlined henceforth apply to AIMCo Realty Investors LP and are noted as such throughout the Framework.

*“Our objective is to identify opportunities to continuously improve the performance of our assets including on ESG factors to enhance their competitiveness and value. This reduces operating costs, attracts quality tenants, mitigates risk and serves to meet increased demand for sustainable assets in capital markets, while contributing to risk-adjusted returns for our clients.”*

*Micheal Dal Bello, SVP Real Estate*

Guided by its Real Estate Sustainability Guidelines, AIMCo Realty assesses the enterprise risk management systems that oversee material ESG risks, including climate change, health and safety, and cybersecurity. AIMCo's real estate assets participate in the GRESB Survey, which requires asset-level disclosure of environmental risk management and continue to demonstrate excellent results through the consistent achievement of a 4-Star GRESB Rating or greater. AIMCo's real estate portfolio has been monitoring material environmental metrics and has set targets (i.e. for water efficiency, energy efficiency, and waste diversion) that office and retail properties in the Canadian real estate portfolio are expected to meet. AIMCo Realty conducts due diligence on its portfolio by assessing the performance of assets relative to ESG metrics and reviewing capital expenditure plans of property managers to ensure sustainability targets are met or exceeded.

## ESG FOCUS AREAS

AIMCo Realty is committed to implementing best practices in key focus areas across the environmental, social and governance domains to guide corporate practices. AIMCo Realty, under parent organization AIMCo, is responsible for implementing this framework into AIMCo Realty's investment philosophy.

These focus areas are denoted below.

### Environmental Focus Areas

- **Climate Change:** Climate change has emerged as one of the most pressing systemic risks to date. We recognize the business imperative of integrating climate change considerations into our investment strategies and view the physical, regulatory and reputational risks of climate change as material to our clients' objectives.
- **Environmental Management & Disclosure:** We believe that companies exhibiting better disclosure of their environmental mitigation strategies, performance and related material environmental metrics are likely to demonstrate better risk-adjusted performance over the long run.
- **Water Risk:** Access to water is both a fundamental human right and a critical sustainable development challenge. Water stress, flooding and drought can translate into significant risks for businesses, the environment and society at large.

### Social Focus Areas

- **Worker Safety & Human Rights Across the Supply Chain:** We expect companies to actively uphold basic human rights, including adopting high standards of occupational health and safety for their direct operations while working to ensure the goods they source from across their supply chain are free from forced or child labour, or human rights abuse.



- **Data Privacy:** Data is becoming one of the most important assets held by companies and is a significant driver of financial value in today's economy. We seek assurances from companies that appropriate safeguards are in place to uphold data privacy and to protect against operational, financial and reputational risk.

### Governance Focus Areas

- **Shareholder Rights:** Shareholder support is required for key matters such as the election of directors, approval of financial statements and where fundamental structural changes to the business are being proposed. We believe that exercising shareholder rights promotes shareholder value.
- **Pay for Performance:** We encourage appropriately designed executive compensation practices which can align investor and management interests by awarding pay for performance and encouraging long-term company growth.
- **Board Diversity:** We believe that diverse, competent and independent boards promote board effectiveness, robust risk management, stronger corporate governance and lead to better risk-adjusted performance over the long term.

### DEMONSTRATED COMMITMENT TO RESPONSIBLE INVESTMENT

AIMCo Realty specifically manages its real estate portfolio with ESG considerations in mind. AIMCo Realty is guided by AIMCo's five Responsible Investment Pillars in investment decision making.

*"AIMCo integrates environmental, social and governance factors into our investment decision-making processes to unlock investment opportunities, mitigate risk and identify drivers of long-term growth. We are committed to progressing in our responsible investing journey to deliver value to our clients."*

*Dale MacMaster, CIO*

### Responsible Investment Pillars



## AIMCo'S BROADER RESPONSIBLE INVESTMENT PILLARS

- **Build:** The governance of responsible investment at AIMCo begins with our Board-approved Responsible Investment Policy which applies to all assets under management. Our Responsible Investment Committee oversees the Responsible Investment strategy and approves all related guidelines and ESG Focus Areas.
- **Integrate:** Consideration of ESG factors enables better-informed investment decisions and supports long-term stakeholder value. The diversified nature of our portfolios calls for a tailored approach to manage relevant ESG risks and opportunities.  
**Pre-Investment:** We use a responsible investing lens to evaluate potential investments' governance framework and ESG performance. This informs our voting stance at publicly traded companies and assists portfolio managers in their investment evaluation and decision-making processes.  
**Post-Investment:** We track ESG initiatives, risks and performance at investee companies and may follow up to engage on key ESG topics or to more fully address company ESG policies and practices.
- **Influence:** We are committed to acting as a responsible steward of our clients' investments to promote sustainable, long-term value. Our stewardship activities include proxy voting and engagements. We are guided by our 'voice over exit' philosophy — we prefer to exert our influence as a shareholder to drive positive change rather than divest from a company and unnecessarily reduce the investible universe.
- **Advocate & Collaborate:** AIMCo actively contributes to investor dialogue, demonstrating thought leadership and advocacy in alignment with our ESG focus areas. We advocate for best ESG disclosure and corporate governance practices, through reasoned commentary to national and international bodies and regulators and contribute to various ESG themed investor working groups.
- **Inform:** AIMCo demonstrates transparency and accountability by publicly disclosing our responsible investing activities and guiding documents to foster client confidence. We report to our clients and internal stakeholders on a regular basis and yearly through the AIMCo Annual Report, Responsible Investment Report, PRI Transparency Report, GRESB surveys and its website.

In addition, AIMCo issues a Taskforce on Climate-related Financial Disclosures ("TCFD") aligned report, recently adding scenario analyses in 2020 employing the International Energy Agency's World Energy Model and outlining opportunities and risks under mid- and long-term scenarios. AIMCo measures the absolute emissions and emissions intensity of its portfolios and tracks top contributors to emissions by sector across its investment portfolio.

Notwithstanding AIMCo's philosophy of 'voice over exit', AIMCo's Investment Exclusion Guidelines allow for the exclusion or divestment of select investments meeting exclusions criteria and/or which pose significant, material ESG risks. Potential reasons for divestment may include, but are not limited to, the following:

- Instances of contravention of law, (e.g., the Special Economic Measures Act or the United Nations Act) regulations or governmental policy
- To comply with client investment policies agreed to by AIMCo
- Company and/or managers of the investment are acting with disregard for generally acceptable international business practices, as determined by AIMCo
- Consideration of AIMCo's ability to effect positive change

- Where the costs associated with continued ownership outweigh the potential benefits
- Risk of reputational harm to AIMCo or the investment manager's clients.

## RESPONSIBLE INVESTMENT INDUSTRY LEADERSHIP AND COLLABORATION

Under parent AIMCo, AIMCo Realty participates in broader dialogue with other institutional investors in order to contribute to the evolving field of responsible investment. As a Principles of Responsible Investment (“PRI”) signatory since 2010, parent company AIMCo has committed to the United Nations-backed PRI, which represent best practices in responsible investment, as well as collaboration and consistency with like-minded signatory peers. In 2020, AIMCo exceeded the peer benchmark in all categories of the PRI survey. AIMCo is also a signatory member of several additional organizations and collaborative initiatives committed to Responsible Investment, some of which include:

- Canadian Coalition for Good Governance
- Climate Engagement Canada
- Climate Action 100+
- CDP (formerly Carbon Disclosure Project)
- GRESB (formerly Global Real Estate Sustainability Benchmark)
- International Corporate Governance Network
- Investor Leadership Network (ILN)
- Pension Investment Association of Canada
- REALPAC (Real Estate Property Association of Canada)
- Responsible Investment Association
- Sustainable Finance Action Council
- The 30% Club

These organizations often advocate on behalf of their members and may invite AIMCo Realty to play a role in collaborative engagement with investee firms or with regulators. AIMCo Realty supports the principle of collaborative engagement with institutional investor peers to encourage transparency and improve ESG performance across AIMCo Realty's investment portfolio.

## TRANSPARENCY AND REPORTING

AIMCo Realty is committed to transparency and accountability by publicly disclosing responsible investing activities and guiding documents to foster client confidence. AIMCo Realty reports to clients and internal stakeholders both on a regular basis and annually through the AIMCo Annual Report, Responsible Investment Report, PRI Transparency Report and GRESB surveys.

## Overview of Framework

In support of these practices, AIMCo Realty established the following Green Financing Framework (the “Framework”) which complies with the Green Bond Principles (the “GBP”) developed by the International Capital Markets Association as of June 2021, the Green Loan Principles (the “GLP”) developed by the Loan Market Association as of February 2021. This Framework is based on the four core components of the GBP:


1. Use of Proceeds

2. Process for Evaluation and Selection
3. Management of Proceeds
4. Allocation and Impact Reporting











AIMCo Realty has developed a Green Financing Framework under which AIMCo Realty or any of its subsidiaries may issue Green Financial Instruments including Green Bonds, Green Loans, or other financial instruments (hereinafter referred to as the “Green Financing Instruments”) to support the investment manager’s commitment to integrating environmental, social and governance factors into investment decision-making processes.

## Use of Proceeds

AIMCo Realty intends to allocate the net proceeds from the issuance of Green Financing Instruments (including, but not limited to, bonds and loans) to finance and/or re-finance one or more Eligible Green Projects outlined below. Each Eligible Green Project Category is aligned to the corresponding applicable United Nations Sustainable Development Goals (“UN SDGs”).<sup>2</sup>

Eligible Green Project Categories	Eligible Investments	Alignment with UN SDGs
<b>Green Buildings</b>	<p>Investments related to the purchase, development and/or re-development of properties that have received or are expected to receive at least one of the following green building certifications (or other equivalent green certification):</p> <ul style="list-style-type: none"> <li>• LEED: Gold, Platinum</li> <li>• BOMA BEST: Gold or Platinum</li> <li>• BUILT GREEN: Gold or higher</li> <li>• Minimum 20% energy efficiency improvement over accredited baseline (i.e. national building code, ASHRAE 90.1) for LEED Silver or other equivalent (including DGNB Silver, BREEAM Very Good, BOMA BEST Silver, BUILT Green Silver)</li> </ul>	   
<b>Energy Efficiency</b>	<p>Investments or expenditure in systems or equipment that reduce energy consumption or improve energy efficiency by at least 20% in properties, including, but not limited to:</p> <ul style="list-style-type: none"> <li>• LED and other energy efficiency lighting</li> <li>• Smart meters, load control systems, sensors or building information systems</li> <li>• Energy efficient roof improvements and Sustainability oriented construction materials</li> <li>• Refrigeration, and electrical equipment and software systems</li> </ul>	 

<sup>2</sup> [United Nations Sustainable Development Goals](#)

<b>Renewable Energy</b>	<p>Investments aimed at providing renewable energy including, but not limited to, wind, solar or geothermal. Geothermal projects are expected to result in direct emissions &lt;100 grams of CO<sub>2</sub>/kWh.</p>	   
<b>Sustainable Water and Wastewater Management</b>	<p>Systems or equipment that minimize water consumption or improve water-use efficiency by 20%:</p> <ul style="list-style-type: none"> <li>• Installation of water efficient products or technologies</li> <li>• Xeriscaping/drought-tolerant landscaping</li> </ul>	
<b>Clean Transportation</b>	<p>Investments in infrastructure to accommodate electric vehicles, connectivity to public transport or other clean transportation, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Infrastructure or charging station to accommodate electric vehicles or nonmotorized transport such as cycling and walking</li> <li>• Infrastructure in, or improvements to infrastructure, in real estate properties dedicated to creating or improving connectivity to mass public transportation</li> </ul>	 
<b>Climate Change Adaptation and Resilience</b>	<p>Measures that build adaptability and resilience to climate change, such as:</p> <ul style="list-style-type: none"> <li>• Expenditures related to design, construction, maintenance and upgrades of buildings/assets for the adaptation to more frequent and extreme weather events caused by climate change, such as through flood defense improvements, which will require and include feasibility studies</li> <li>• Storm water waste management</li> </ul>	  



## Process for Project Selection and Evaluation

AIMCo Realty will appoint a Green Financing Working Committee (the “Committee”) to oversee the implementation of its Framework. The Committee will comprise members representing various departments, including Responsible Investment, Finance, Investment Management and Portfolio Management. For the avoidance of doubt, other representatives of AIMCo may be admitted as additional members of the Committee.

The Committee will identify projects that satisfy the Eligible Green Projects criteria set forth in the “Use of Proceeds” section. Projects identified will be approved by AIMCo’s Realty’s senior management team.

A list of Eligible Green Projects will be maintained in a Green Financing Register and will include the project name and location, description of the use of proceeds, reference to the relevant eligibility criteria and amount allocated. The relevant information of each Green Financing Instrument will also be documented in the Green Financing Register. The Committee will oversee the Green Financing Register.

The Committee will assess environmental and social risks associated with projects financed to ensure alignment with AIMCo Realty’s risk management processes, including the Real Estate Sustainability Guidelines, and the sustainability priorities outlined in this Framework. This oversight of environmental and social risks is in addition to AIMCo Realty’s investment team’s review and assessment of environmental and social risks through its underwriting and operating of investments, and general oversight by AIMCo’s management investment committee, which includes representation from AIMCo’s Responsible Investment group.

## Management of Proceeds

The net proceeds from a Green Financing Instrument issue will be deposited to AIMCo Realty’s general account and be earmarked for allocation to Eligible Green Projects in accordance with the Framework.

All relevant information regarding the issuance of Green Financing Instruments and the Eligible Green Projects financed by such Green Financing Instruments will be kept in a Green Financing Register.

AIMCo Realty will allocate an amount equal to these net proceeds to approved eligible projects listed in newly established Green Financing Register.

Net proceeds may be used for investments associated with Eligible Green Projects made by AIMCo Realty in the last 24 months preceding the issuance of a Green Financing Instrument.

AIMCo Realty intends to utilize net proceeds within 36 months of an offering.

Prior to allocation, net proceeds of a Green Financing Instrument issuance may be utilized, in part or in full, for repayment of debt, held in cash or cash equivalents or for general corporate purposes.

## Reporting

AIMCo Realty will engage a third party to complete an annual verification of its allocation of net proceeds issued to Eligible Green Projects until full allocation.

In addition, until full allocation, AIMCo Realty will provide annual updates via [the Real Estate section of AIMCo's website](#), including relevant information such as Eligible Green Projects, amount allocated to Eligible Green Projects by project category, a list of eligible projects financed with amount allocated and a brief project summary, and the balance of unallocated net proceeds.

AIMCo Realty may also report on impact metrics for certain projects where feasible, such as:

Eligible Green Project Categories	Impact Reporting Metrics
<b>Green Buildings</b>	<ul style="list-style-type: none"><li>• Type of certification including level by property (i.e. LEED)</li><li>• Energy usage for buildings (kWh/m<sup>2</sup>)</li><li>• Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)</li><li>• Annual energy savings (MWh/m<sup>2</sup>)</li><li>• Floor space of green real estate (m<sup>2</sup>)</li></ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"><li>• Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)</li><li>• Annual energy savings (MWh/m<sup>2</sup>)</li><li>• Annual energy gains relative to an established baseline (%)</li></ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"><li>• Renewable energy capacity added/rehabilitated (MWh)</li><li>• Annual power output (MWh)</li></ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"><li>• Annual water savings (m<sup>3</sup>) or percentage reduction in water use</li></ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"><li>• Electric vehicle charging stations installed (#)</li><li>• Expected energy savings (MWh/year)</li></ul>
<b>Climate Change Adaptation and Resilience</b>	<ul style="list-style-type: none"><li>• Feasibility studies conducted (#)</li></ul>

## External Review

AIMCo Realty obtained an independent second party opinion from Sustainalytics on its Green Financing Framework, indicating alignment with the Green Bond Principles and Green Loan Principles. This opinion is available [on AIMCo's website](#).