



Stewardship Report

Responsible Investment

October 2022

Our fiduciary duty to act in the best interest of our clients includes a meaningful commitment to investment stewardship. Through integrated active ownership activities such as proxy voting and engagement on behalf of our clients, we seek to influence long-term corporate performance and exercise shareholder voice.

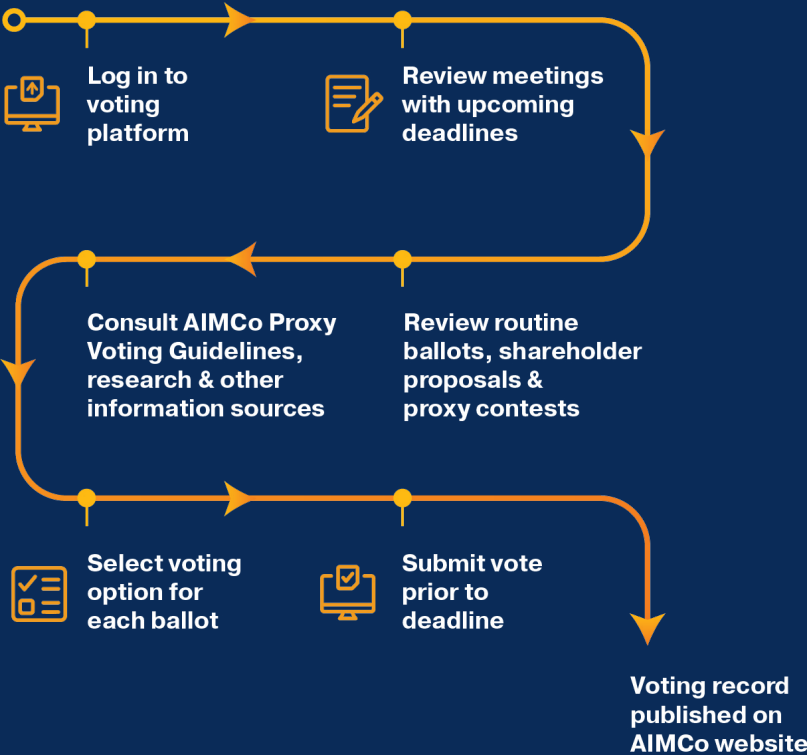
Our stewardship approach is guided by our policy framework, which includes our:

- Responsible Investment Policy
- Proxy Voting & Engagement Guidelines
- Environmental, Social & Governance (ESG) focus areas

Why Does Proxy Voting Matter?

Proxy voting is an important ownership tool, allowing shareholders to have a voice on fundamental governance matters such as the election of the board of directors and executive compensation, and on a range of complex ESG issues through shareholder proposals. Our clients delegate their proxy voting to AIMCo. By voting on their behalf in thousands of meetings for publicly held assets each year, AIMCo is able to amplify shareholder concerns to investee companies on key ESG matters and promote sustainable, long-term value. Our proxy voting records are publicly available on our [website](#).

How Does Proxy Voting Happen?



AIMCo's Influence

As we onboarded more clients and external managers, our global exposure and influence expanded. Consequently, AIMCo has an even greater opportunity to advocate for important ESG issues that impact long-term corporate performance on an international scale in the context of each jurisdiction (e.g. upholding greater governance standards across Latin American companies or increasing company disclosure across Asia Pacific).

AIMCo voted at
3,671 shareholder meetings

AIMCo voted on
746 shareholder proposals



July 1, 2021 - June 30, 2022

Shareholder Meetings by Geography

- Canada & U.S. 33%
- Asia Pacific 37%
- Rest of the World 2%
- Europe 18%
- Latin America 10%



Proxy Voting Season Recap: Shareholder Proposals

Filing a shareholder proposal — a recommendation formally submitted to a publicly traded company advocating for a specific course of action — can be an effective tool for investors to exercise shareholder voice.

The 2022 proxy voting season was a season to remember, hitting a new record for the number of environmental and social (E&S) related shareholder proposals on ballots. According to RBC Capital Markets¹, much of the increase was driven by updated guidance from the U.S. Securities & Exchange Commission on how they would be handling no-action requests, which made it more difficult for companies to exclude environmental and social shareholder proposals.

The majority of E&S shareholder proposals related to:

- Political and lobbying activity disclosure
- Climate governance and strategies
- Workforce practices
- Diversity, equity and inclusion (DEI)

However, we witnessed a decline in the quality of E&S proposals that resulted in reduced support from shareholders in 2022 compared to the prior year.

Social Issues Move Swiftly

In response to the U.S. Supreme Court's overturning of *Roe v. Wade*, shareholder proposals were filed quickly, calling on prominent retailers to report on the risks to their workforce if states were to enact policies restricting reproductive health care.



Climate

Climate-related proposals in 2022 often highlighted setting greenhouse gas reduction targets, identifying Scope 3 emissions and setting both near and long-term targets.

Within the energy sector, support for E&S proposals on ballots saw a sharp decline in 2022. We attribute the decline in support to the proposals being overly prescriptive or duplicative, with several heavy emitters having already established climate disclosures and targets in alignment with the Task Force on Climate-related Financial Disclosures (TCFD), Science Based Targets Initiative (SBTi) and Climate Action 100+ frameworks. In addition, the decline in support may reflect heightened energy security concerns in the wake of the war in Ukraine.

¹ (Mahaffy, Bardmesser, & Calvasina, 2022).



Workforce Practices & DEI

Throughout the 2022 proxy voting season, there was a rise in proposals related to human capital management topics, including DEI. Proposals surrounding racial equity audits captured notable interest by shareholders, while other DEI-related proposals focused on issues ranging from harassment transparency, discrimination support and enhanced whistleblowing policies and strategies, to disclosure on median racial and gender pay gaps. Other proposals were put forth relating to labour practices at consumer companies, including addressing working conditions, paid sick leave policies and risks from increasing labour market pressures.



Governance

Continuing a trend from the 2021 season, an increasing number of governance proposals sought to reduce the threshold required for shareholders to call special meetings, an important step in enhancing shareholder rights.

Shareholder Proposals by ESG Pillar: 2020-2022

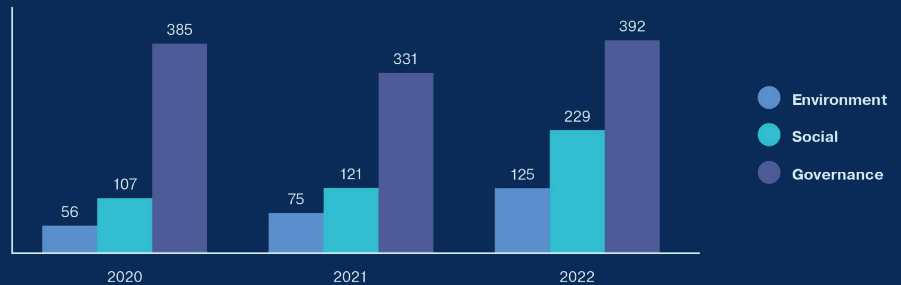
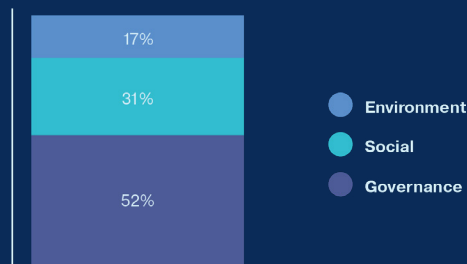


Chart reflects year-over-year proxy season changes from July 1 of the previous year to June 30 of the year being monitored.

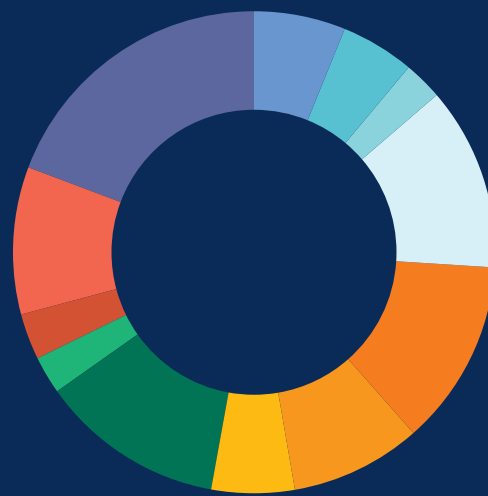
Shareholder Proposals by ESG Pillar: 2022 Proxy Season



Why Does Engagement Matter?

Engaging individually or through collaborative initiatives on behalf of our clients with investee companies on key ESG issues such as climate change, worker rights across the supply chain and board diversity is a key pillar of the RI program at AIMCo, demonstrating active management and our “voice over exit” philosophy. We prefer to leverage our position as investors to spur ongoing, constructive dialogue on best ESG practices to drive positive change that delivers value for our clients, rather than to divest and unnecessarily reduce the investible universe. From July 1, 2021, to June 30, 2022, we conducted 161 engagements across our public, and private market holdings in a variety of sectors.

Percentage of Engagements by Sector



Case Study: Engaging on Climate

Capital Power

In Q4 2021, our engagement campaign focused on climate change, specifically, the companies in our Public Equities portfolio with higher carbon emissions intensities. These companies tend to be in the energy, utilities, industrials and materials (mining) sectors. As the world moves to a lower carbon economy, it is important for investors like AIMCo to understand the sector-specific transition strategies used by high emitting companies.

Alberta had a plan to phase out all remaining coal-powered electricity generation by the end of 2030 but is on track to meet this goal even sooner. One of the companies in our portfolio that is working to phase out their coal assets is Capital Power, a North American wholesale power producer headquartered in Edmonton, Alberta. In early January 2022, we had a positive engagement with Capital Power and learned that in electricity generation there is a trifecta that has to exist — reliability, affordability and sustainability.

Severe weather events are expected to increase in Alberta over time and the province will require baseload generation that is decarbonized and reliable. Capital Power sees decarbonized natural gas-powered generation as key to their generation mix. Currently, the company is repowering Genesee Generating Station 1 and 2 to natural gas. Repowering is different than conversion. Conversion means changing the fuel, while repowering means replacing the insides with all new components. The conversion at Genesee will increase plant capacity by 60%, reduce emissions by 40% and position the units to be hydrogen ready. Genesee Generating Station 3 is being converted to natural gas, with Capital Power also progressing its plans to build the Genesee Carbon Conversion Centre (GC3) — the world's largest commercial scale production facility of carbon nanotubes (CNTs). Possessing exceptional chemical, electronic, mechanical and optical properties, CNTs have many different applications, from energy storage and composite structures to sports equipment, textiles and body armour. Once complete, the facility will be capable of producing up to 7,500 tonnes of CNTs annually. We look forward to future dialogue with Capital Power on climate-related risks and opportunities.



Case Study: Engaging on Diversity

Marathon Petroleum Corporation

As a signatory to the Canadian Investor Statement on Diversity & Inclusion and a member of the 30% Club Canada Chapter, AIMCo believes that promoting diversity and inclusion is not only the right thing to do — it is good for business and society. A growing body of research shows that higher levels of diversity and inclusion are associated with improved corporate financial performance, employee engagement and reputation, and a stronger governance and risk profile. AIMCo supports full disclosure of Nominating Committees' recruitment processes in seeking qualified, diverse board nominees in accordance with relevant market protocols and best practices.

In Q2 2022, AIMCo set out to engage with target investee companies to better understand their perspectives and strategy with respect to diversity and inclusion, as well as any efforts made to improve the representation of women and other under-represented groups across the organization. As part of this diversity and inclusion focused engagement campaign, AIMCo sent an invitation for dialogue to Marathon Petroleum Corporation, an American downstream energy company. The engagement was a result of previously voting in alignment with our Proxy Voting Guidelines against the Nominating Committee Chair in 2021, and against all members of the Nominating Committee in 2022 for having fewer than 30% female directors, and no improvement in its board gender diversity year-over-year with no stated commitments.

Through a positive engagement with Marathon Petroleum Corporation in Q2 2022, we learned more about their organization-wide diversity and inclusion efforts such as employee network chapters, external recruitment targets, post secondary partnerships and ESG performance metrics tied to compensation. We discussed investor expectations with the company around board gender diversity, sharing best practices, opportunities such as the adoption of a formal board diversity policy and targets, and a curated list of resources to support the next stage of their diversity and inclusion journey, which includes the search for a new board member due to an unexpected vacancy. We were pleased with the engagement and the company's commitment to advancing diversity and inclusion and look forward to ongoing dialogue with Marathon Petroleum Corporation.



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