



# Responsible Investment Policy

Policy Owner: Chief Investment Officer

Effective: January 29, 2020

## Purpose

The Responsible Investment Policy (the “Policy”) describes how AIMCo implements the United Nations-backed Principles for Responsible Investment (PRI) while satisfying AIMCo’s obligations under applicable law and Investment Management Agreements with clients. AIMCo’s Board of Directors reviews and approves the Policy. The Responsible Investment Committee, chaired by the Chief Executive Officer and comprised of senior executives representing all investment functions, approves AIMCo’s environmental, social and governance (ESG) strategy, ESG focus areas and all Responsible Investment related guidance documents, such as proxy voting, exclusions and engagement guidelines and asset class specific sustainability guidelines.

## Our Philosophy

AIMCo is committed to ‘Doing Business the Right Way’ and, as such, strives to uphold and exemplify our corporate values of excellence, transparency, humility, integrity and collaboration in our business processes and to align our corporate strategy with the Policy.

AIMCo’s Responsible Investment philosophy is aligned with our investment mandate and total fund perspective. AIMCo believes that a company’s long-term investment performance is positively impacted by its adherence to ESG principles. Therefore, we believe that our consideration of material ESG factors in our investment process aids in our goal of achieving superior risk-adjusted investment returns over the long term. ESG factors can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and over time.

## Principles for Responsible Investment

As a PRI signatory, AIMCo has committed to the Principles for Responsible Investment (“the Principles”), which represent best practices in Responsible Investment, as well as collaboration and consistency with like-minded signatory peers. The Principles are:

Principle 1: *“We will incorporate ESG issues into investment analysis and decision-making processes.”*

Principle 2: *“We will be active owners and incorporate ESG issues into our ownership policies and practices.”*

Principle 3: *“We will seek appropriate disclosure on ESG issues by the entities in which we invest.”*

Principle 4: *“We will promote acceptance and implementation of the Principles within the investment industry.”*

Principle 5: *“We will work together to enhance our effectiveness in implementing the Principles.”*

Principle 6: *“We will each report on our activities and progress towards implementing the Principles.”*

## Integration of ESG Factors into Investment Analysis and Decision-Making Processes

AIMCo is committed to integrating the consideration of ESG factors agreed to by the Responsible Investment Committee (e.g. climate change, health and safety and board diversity) into our investment decision-making processes and across the investment lifecycle for both internally and externally managed investments. The importance of various ESG factors to the investment analysis and decision-making process necessarily varies with the nature of the investment.

## Exclusions and Exit

AIMCo prefers a policy of engagement over exclusions and divestitures, or ‘voice over exit.’ However, AIMCo may exclude or divest of certain investments for various reasons, which may include the following:

- Instances of contravention of law, (e.g. the *Special Economic Measures Act* or the *United Nations Act*) regulations or government policy
- To comply with client investment policies agreed to by AIMCo
- Where we determine that the company and/or managers of the investment are acting with disregard for generally acceptable international business practices
- Consideration of our ability to effect positive change
- Where the costs associated with continued ownership outweigh the potential benefits
- Risk of reputational harm to AIMCo or our clients

From time to time, the Director, Responsible Investment or the Responsible Investment Committee may make divestment recommendations to AIMCo executives, including the Chief Investment Officer and Chief Executive Officer, in accordance with the foregoing considerations.

## Stewardship Practices

AIMCo is committed to encouraging investee firms (“Investees”) to adopt policies and practices that contribute to long-term performance. We may, when deemed material and appropriate, engage with Investees directly in order to encourage best ESG practices (e.g., policies and protocols) or to address perceived gaps. AIMCo encourages all Investees to practice good governance, to address any potential negative environmental and community impacts of their operations and to uphold best labour practices, including occupational health and safety procedures.

AIMCo is committed to effective engagement with Investees. AIMCo proactively considers opportunities to add value to Investees, such as by promoting improved corporate governance and corporate responsibility measures. AIMCo may pursue engagements with Investees independently or in collaboration with other investors. Engagement methods include e-mails, letters, telephone calls and face-to-face meetings with executives or board members.

Proxy voting is an important component of active ownership. Recognizing the importance of good corporate governance in enhancing long-term shareholder value, AIMCo is committed to exercising proxy voting rights on behalf of our clients. AIMCo’s bespoke Proxy Voting Guidelines and Corporate Governance Principles describe AIMCo’s voting rationale and potential voting stance for interested stakeholders. AIMCo evaluates ballot proposals primarily based on our broad guidelines and principles but takes unique and specific circumstances into account. We fully expect Investees to comply with applicable laws and internationally determined standards of business behaviour and

encourage companies to disclose material ESG information.

In general, AIMCo expects Investees to adopt the following practices:

## ENVIRONMENT

- Strive to incorporate best industry practices to mitigate adverse environmental impacts
- Consider climate-related factors in business strategy and risk management across operations (e.g. manage/mitigate carbon emissions, water-use, pollution, address flood protection)
- Demonstrate transparency and accountability by adopting industry-specific or voluntary environmental reporting protocols, such as the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures

## SOCIAL

- Protect human rights, including data privacy
- Uphold freedom of association and the right to collective bargaining
- Implement robust supply chain management practices that respect international protocols
- Uphold best practice standards for occupational health and safety and regularly report on such matters
- Practice stakeholder engagement and/or community involvement

## GOVERNANCE

- Adopt a high-quality, diverse and independent board
- Maintain a reasonable number of board members
- Refrain from director slates or board interlocks
- Prohibit over-boarding
- Align executive compensation with performance
- Prohibit bribery and corruption

## Collaboration for the Advancement of Principles for Responsible Investment

AIMCo participates in broader dialogue with other institutional investors in order to contribute to the evolving field of Responsible Investment. AIMCo is a signatory member of several organizations and collaborative initiatives committed to Responsible Investment, including:

- Canadian Coalition for Good Governance
- CDP (formerly Carbon Disclosure Project)
- GRESB (formerly Global Real Estate Sustainability Benchmark)
- G7 Investor Leadership Network
- International Corporate Governance Network
- Pension Investment Association of Canada
- REALPAC (Real Estate Property Association of Canada)
- Responsible Investment Association
- United Nations-backed Principles for Responsible Investment
- The 30% Club

These organizations often advocate on behalf of their members and may invite AIMCo to play a role in collaborative engagement with investee firms or with regulators. We support the principle of collaborative engagement with institutional investor peers within membership organization as collaboration is an effective way to encourage transparency and improved ESG performance across AIMCo's portfolio.

## **Reporting on our Implementation of the Principles for Responsible Investment**

AIMCo is committed to timely and accurate disclosure of our Responsible Investment activities and proxy voting record. We disclose Responsible Investment activities in the annual PRI survey, the AIMCo annual Responsible Investment Report and through regular updates to clients and to the Responsible Investment section of our website.

## **Responsibility for Policy**

AIMCo's Board approves this Responsible Investment Policy. The Chief Investment Officer or the Director, Responsible Investment will report to the Executive Committee regarding compliance with this Policy not less frequently than annually and will cause this Policy to be reviewed at least every two years, and such review, including any recommended changes to the RI Policy, shall be presented to the AIMCo Board for approval. The Chief Investment Officer or the Director, Responsible Investment shall present this Policy to Executive Committee for approval before it is submitted to the Board.

## **Approval**

Presented to the AIMCo Board of Directors and approved on January 29<sup>th</sup>, 2020.