

Responsible Investment Report

2016 – 2017



Profile

AIMCo is one of Canada’s largest and most diversified institutional investment managers with more than \$100 billion of assets under management (AUM).

Alberta Investment Management Corporation (AIMCo) was established in 2008 as a Crown Corporation to provide investment management services for specified pension, endowment and government funds in the Province of Alberta.

Our 32 clients are increasingly focused on responsible investing and its impact on investment risk and return.

What is Responsible Investment?

Responsible Investment is focused on enhancing and protecting long-term stakeholder value by considering the impact of environmental, social and governance (ESG) factors on investment risk and performance, alongside traditional financial and economic analysis. The implementation of RI varies by asset class, but our guiding philosophy remains the same: the consideration of ESG factors and related information enables better investment decisions and supports long-term stakeholder value.

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CEO Message

Investing to earn impressive returns on behalf of all Albertans is our core business at Alberta Investment Management Corporation (AIMCo). Doing so in a manner that not only earns the returns our clients need, but also considers the long-term implications and sustainability of our investments is the core of our Responsible Investment (RI) commitment.

Working closely with AIMCo's investment teams, we are focused on closely integrating environmental, social and governance (ESG) factors into our investment process, actively engaging with investee companies, and advocating for fair and efficient capital markets to protect clients' investments over the long term. AIMCo has been a signatory to the UN Principles for Responsible Investment since 2010, and we are proud of our record, which you will find in this report.

The global trend toward increased transparency and disclosure is making for exciting times as a responsible investor. More than ever before, stakeholders are interested in, and better informed of, companies' ESG performance and recognition of shareholder rights. Across all jurisdictions, there is evidence of increased company ESG disclosure, corporate governance reforms and enhanced shareholder voice.

AIMCo chooses to lead by example, and we are evaluating an expanding universe of global, interconnected risks that require the adoption of sophisticated analytical frameworks and a coordinated investor response. Last year, we conducted carbon footprinting across our public equities portfolios, using the results to inform our response to the FSB Task Force on Climate-related Financial Disclosures (TCFD) Phase I and II consultations.

AIMCo collaborates with peers, companies, policymakers and regulators on key initiatives that seek to advance the field of RI. Specifically, AIMCo has joined peers in advocating for corporate governance improvements such as mandatory say-on-pay, board gender diversity and the ability to vote against directors in Canada. We participate in several RI-related committees and investor working groups, such as a PRI advisory committee focused on the UN Sustainable Development Goals.

Responsible Investment is the embodiment of AIMCo's commitment to doing business the right way, and we encourage the companies we invest in to adhere to the same high standards of corporate governance that our clients expect of us. I encourage you to learn more about our commitment to RI on our website, www.aimco.alberta.ca.

Responsibly Yours,



Kevin Uebelein
Chief Executive Officer
Chair, Responsible Investment Committee
Alberta Investment Management Corporation (AIMCo)



Responsible Investment at AIMCo

Our Philosophy

AIMCo's approach to Responsible Investment (RI) is guided by our core values, our fiduciary duty to clients and our long-term investment horizon. The integration of environmental, social and governance (ESG) factors into our investment analysis and decision making is integral to promoting long-term shareholder value. We expect companies to appropriately assess and publicly disclose any material ESG risks.

AIMCo encourages responsible corporate behaviour and believes that companies which are able to respond effectively to changing circumstances are better positioned over the long term.

Our Core Values

AIMCo strives to uphold and exemplify our corporate values of integrity, excellence, transparency, collaboration, and humility in the incorporation of RI into our business processes.

Fiduciary Duty

Our fiduciary duty to act in the best interest of our clients includes the responsibility to consider ESG factors in our investment processes, and to protect against systemic risk. AIMCo has a well-diversified asset allocation strategy and does not solely rely upon traditional financial analysis to assess risk and value.

Long-Term Investment Horizon

As a global institutional investor, AIMCo strives to meet our clients' financial needs, which range from pension plan liabilities with varying time horizons to mid- and longer-term goals for government funds. Pension plans comprise the majority of AIMCo's assets under management. Pension plans need to be long-term investors, as investment income and contributions are used to pay pension benefits to retirees, now and in the future.

Dale MacMaster *Chief Investment Officer*

The connection between Responsible Investment and stronger risk-adjusted returns is becoming increasingly clear. By embedding ESG considerations into our investment process, we can flag potential risks across asset classes that traditional financial indicators may miss. Ultimately, this approach leads to better quality information which informs better investment decisions and produces sustainable, long-term value for AIMCo's clients.



Our ESG Focus Areas

Environment

Climate Change

Environmental Management
& Disclosure

Governance

Shareholder Rights

Pay for Performance
& Board Diversity

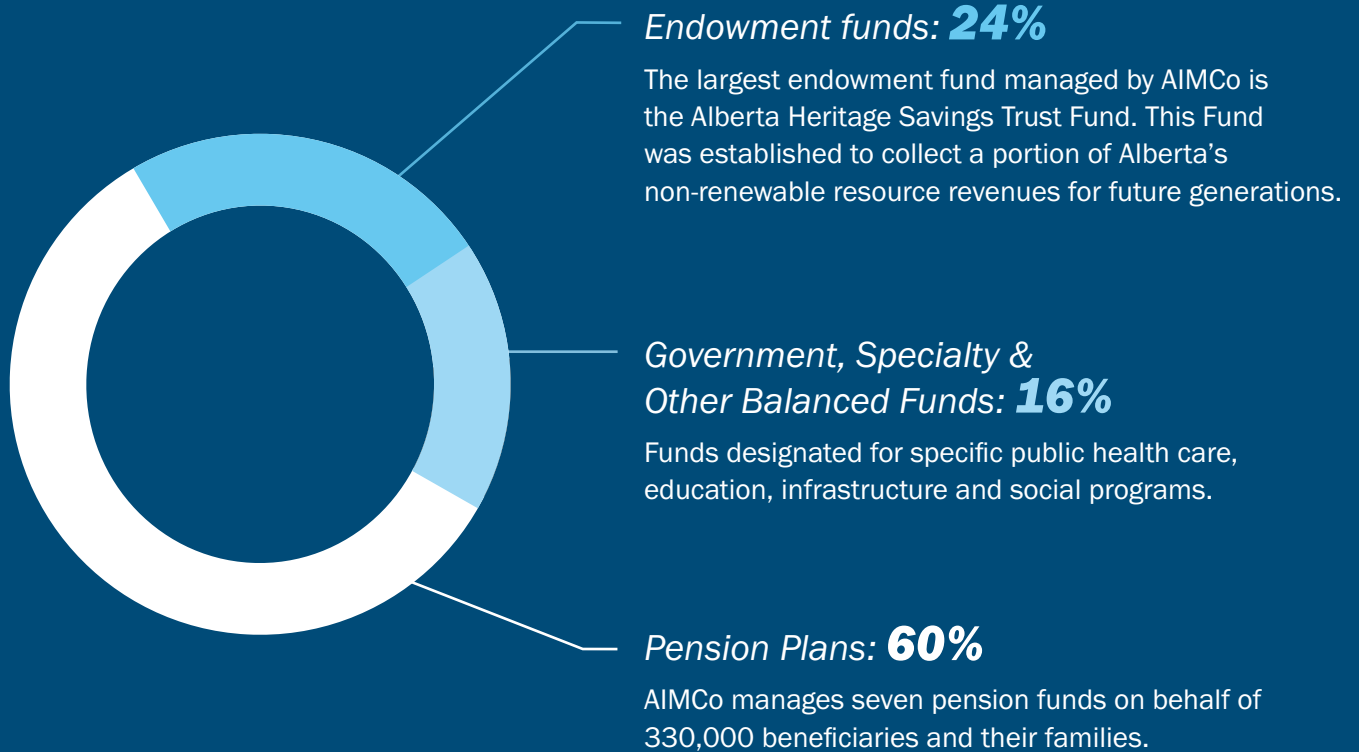
Social

Supply Chain Risk

Worker Safety
& Human Rights

Assets Under Management By Client Type:

as of December 31, 2016



Responsible Investment Pillars

AIMCo's RI Pillars align with the United Nations-backed Principles for Responsible Investment (PRI), with more than 1,750 signatories from over 50 countries representing approximately US\$70 trillion in assets under management.



Structure Highlight:

Three senior VPs join the RI committee (pg. 5)

Investment Highlight:

AIMCo revises proxy voting guidelines to encourage board diversity (pg. 7)

Engagement Highlight:

AIMCo presents viewpoint on supply chain risk to the Retail Council of Canada (pg. 17)

Advocacy Highlight:

Kevin Uebelein endorses TCFD final recommendations (pg. 18)

Reporting Highlight:

AIMCo outperforms peers in 2016 PRI Assessment (pg. 19); AIMCo Real Estate awarded 'Green Star' status by GRESB (pg. 12)

Structure

AIMCo's Responsible Investment structure is rooted in our fiduciary duty as outlined in the Alberta Investment Management Corporation Act.

AIMCo's [Responsible Investment Policy](#) and [associated guidelines](#) are approved by our Board of Directors and apply to all assets under management. Our Responsible Investment Committee (RIC) is chaired by our CEO, and is comprised of our CIO and senior executives from all asset classes, as well as from Legal, Compliance, Risk, Communications, and Client Relations. This year, the RIC welcomed three senior vice presidents from Real Estate, Infrastructure & Timber, and Private Equity. The Committee is responsible for broad oversight of AIMCo's RI strategy, activities and procedures. The RI team is responsible for the day-to-day implementation of our strategy and reports to AIMCo's CIO.

Responsible Investment Team

Alison Schneider (Centre left)

Director

Viridiana Ramirez Lopez (Centre right)

Co-op Student

Martin Kholmatov (Middle)

Senior Specialist

Erikk Opinio (Far right)

Student Intern

Ashton Paulitsch (Far left)

Analyst



Investment Process

The integration of ESG factors into AIMCo's investment processes is central to our Responsible Investment philosophy.

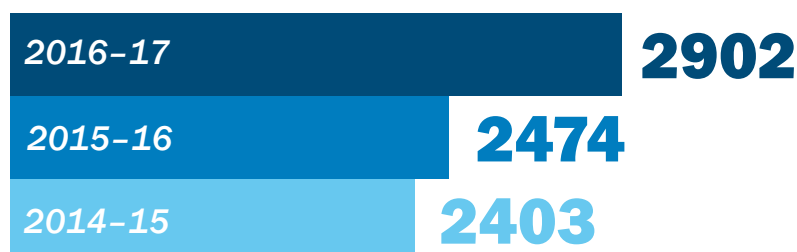
Proxy Voting

Exercising Shareholder Voice to Maximize Shareholder Value

To ensure we maximize shareholder value, every ballot item is reviewed internally by AIMCo's Responsible Investment team. Proxy voting decisions are made using information from several proxy service providers and our own independent research. We vote with our clients' best interests in mind—we do not always agree with management or with our proxy service providers' recommendations. We did, however, support 87% of managements' proposals last year, reflective of an improving corporate governance landscape.

Our Proxy Voting Guidelines are regularly updated and approved by the Responsible Investment Committee to reflect evolving issues and trends. Additional information about AIMCo's proxy voting processes and procedures, along with our proxy voting history and rationale, can be found on our [website](#).

Year-Over-Year Change
in Number of Meetings,
all AIMCo Public Equity
Holdings



AIMCo Demonstrates Highly Robust Proxy Voting Processes

2016-17 Proxy Voting Season Performance (July 1, 2016 – June 30, 2017)

**Voted on
shares valued
at \$40 billion**

**Reviewed and
approved over
30,000 ballots**

**Voted on 99%
of the 2,902
meetings across
our portfolios**

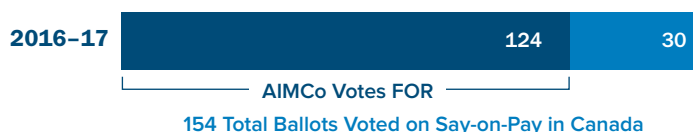
Key Proxy Voting Topics

Say-On-Pay

Say-on-pay is a useful means of expressing shareholder satisfaction with the executive compensation structure and its alignment with company performance. Where say-on-pay is on the ballot, shareholders have a voting option other than voting against a director. Globally, say-on-pay is either mandatory or voluntary for issuers to have on the ballot, while the voting outcome is either binding or non-binding for the issuer. In Canada, the vote is voluntary and advisory. Slightly over 50% of Canadian issuers listed on the S&P/TSX Composite Index have say-on-pay on the ballot; however, voluntary adoption has slowed.

AIMCo supported 81% of say-on-pay votes in Canada last year. We continue to advocate for mandatory, non-binding say-on-pay with four Canadian provincial securities commissions: Ontario, Alberta, British Columbia, and Quebec.

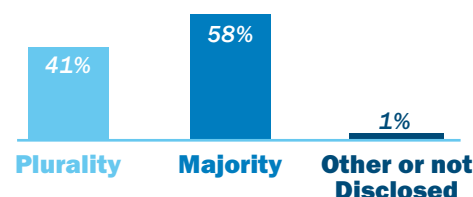
Support for Say-on-Pay,
Canadian Issuers



Majority Voting

Around the world, majority voting is increasingly viewed as a corporate governance best practice. In Canada, majority voting is still voluntary, with boards retaining discretion to keep directors even if they do not have majority shareholder support. Shareholders are unable to vote against directors of Canadian publicly traded companies, which AIMCo considers to be an impediment to a shareholder voice and necessary for a ‘true’ majority voting system. Approximately 60% of AIMCo’s Canadian issuer holdings have voluntarily adopted a majority voting policy. AIMCo supports Bill C-25, a proposed amendment to the Canada Business Corporations Act (CBCA), which would allow shareholders to vote against a director. Bill C-25, which is expected to become law by the end of 2017, would require all CBCA incorporated companies to adopt majority voting.

Voting Method for Directors, Canadian Issuers



Gender Diversity

Globally, the call for more gender diversity on corporate boards is gaining momentum. Diverse boards offer a wide range of perspectives and competencies which ultimately leads to stronger corporate governance. Numerous studies demonstrate that companies with more female directors exhibit, on average, higher return on invested capital and return on equity, with fewer governance-related controversies. Canada also continues to lag other developed country jurisdictions with respect to percentages of women on boards.

Last spring, our Responsible Investment Committee approved a new voting guideline to encourage improved board diversity in developed country markets.

Proxy Voting Guidelines Update: Gender Diversity

“AIMCo may [...] vote against or withhold our vote from the chair of the nominating committee in developed country markets where the issuer exhibits low levels of board gender diversity, such as where there have been no women on the board for the last two or more years, with no stated targets to achieve gender diversity.” – AIMCo Proxy Voting Guidelines, **2017**

Global Corporate Governance: Year in Review

Proxy Voting

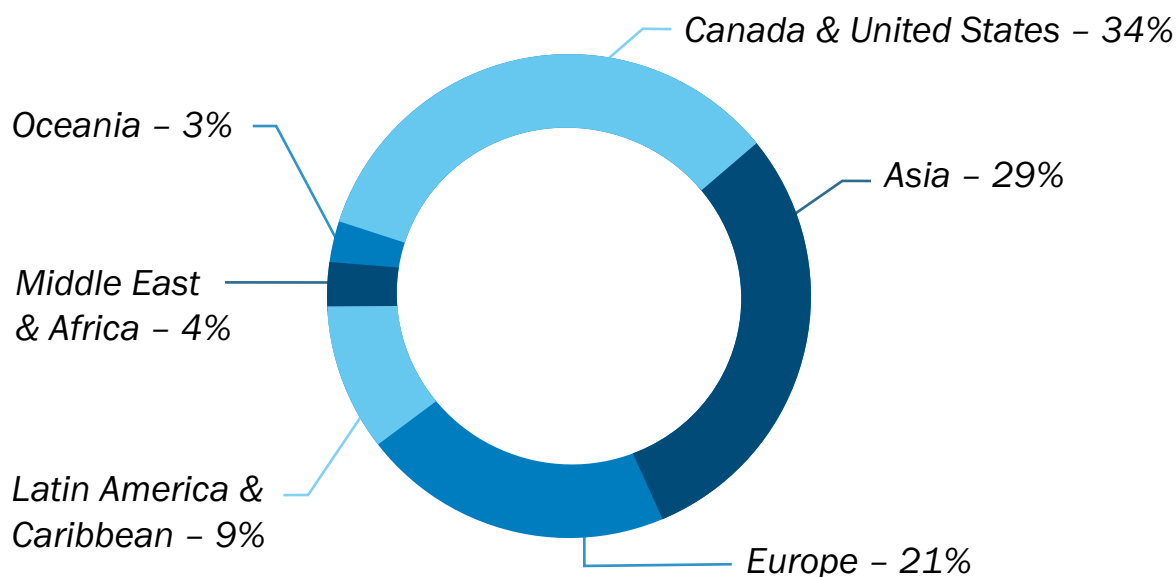
Boards continue to face mounting pressures from shareholders, policy makers and regulators to be more transparent, diverse, to engage with shareholders and to demonstrate robust corporate governance processes. Globally, there are calls for better risk management and greater disclosure of ESG performance against key metrics. Risk and governance committees of the board are taking a more active role in scenario planning and mitigation strategies.

Institutional investors support long-term value creation. AIMCo encourages companies to uphold corporate governance and stewardship codes where they exist, specific to each market the company operates in.

Recent reforms in Japan, India and Brazil demonstrate that regulators and policy makers are focused on improving overall board quality. The reforms encourage higher levels of director independence, board diversity and refreshment, and increased oversight of the board with specific attention to systemic risks such as cybersecurity and climate change. In developed markets, director liability and class action lawsuits against companies are on the rise, heightening the need for board accountability.

Global Operator. Local Champion.

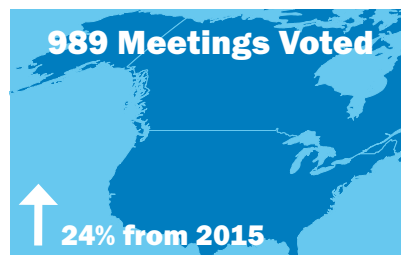
AIMCo proxy voted on more than 2800 meetings spanning 60 countries.



Remco van Eeuwijk *Chief Risk Officer*

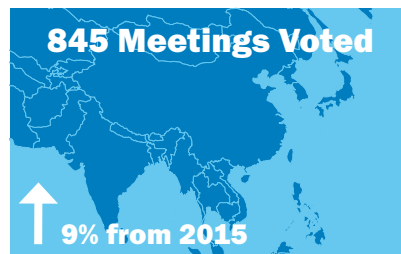
AIMCo's mandate is to maximize the return per unit of risk for our clients. Risks are constantly evolving, and this includes ESG risks. Integrating the management of ESG risks in the investment process continues to gain traction with institutional investors, because smart management of these risks can both mitigate unrewarded risks and generate additional returns.





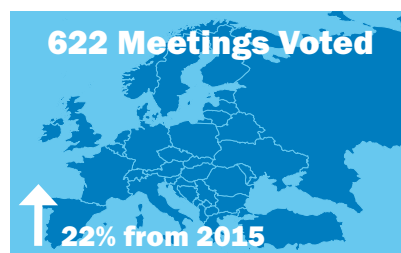
Canada & United States – Proxy Access

Proxy access enables shareholders to propose director nominees for consideration to the board, facilitating greater shareholder representation and voice. By the end of June 2017, an ongoing campaign by investors succeeded in establishing proxy access rights at 60% of S&P 500 companies. In Canada, proxy access has been a longstanding provision of Canadian corporate law; however, thresholds required to file vary among provincial jurisdictions, triggering ongoing consultations.



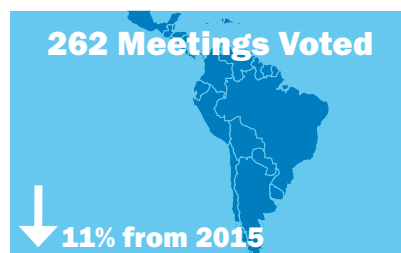
Asia – Corporate Governance Codes

New stewardship codes were introduced in Hong Kong, South Korea, Singapore, Taiwan and Thailand in 2016, signifying a regional ‘pivot’ to Responsible Investment. In 2015, Japan adopted a corporate governance code. Today, 78% of Japanese issuers have two independent directors on their board, up from 48% prior to the code’s adoption.



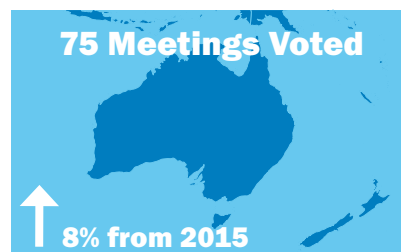
Europe – Mandatory ESG Disclosures

The revision of the European Commission’s IORP II Directive requires occupational pension funds to consider and disclose ESG in their Investment Policy Statements. The directive will significantly impact 56% and 31% of UK and Dutch occupational funds, respectively. France’s revised Energy Transition Law also requires institutional investors to disclose how ESG criteria are taken into account and how their policies align with the national low-carbon transition strategy.



Latin America & Caribbean – ESG Guidance & Shareholder Rights

Brazil, Chile and Peru’s stock exchange authorities have issued voluntary ESG disclosure guidance for their listed companies, fulfilling a commitment to the Sustainable Stock Exchanges Initiative’s campaign to close the ESG guidance gap for issuers around the globe. Beginning in 2017, Brazil’s Security and Exchange Commission will allow shareholders to vote by mail or email, rather than requiring that they (or their proxy) be physically present to cast their vote.



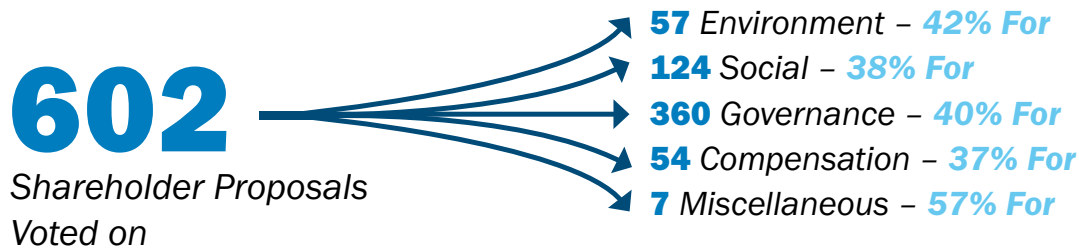
Oceania – Director Liability & Legal Precedent

The Australian Centre for Policy Development released a new legal opinion in October 2016 concluding that company directors who fail to consider climate change risks can be found liable for breaching their duty of care and diligence. Since 1998, the Australian Securities and Investment Commission (ASIC) won 22 cases against company directors, creating precedent for climate change litigators to sue company directors in the future.

Shareholder Proposals

Shareholder proposals are submitted for voting at annual meetings, subject to market-specific minimum holdings and advance notice requirements. The frequency and support of shareholder proposals reflects evolving regional and global shareholder concerns. AIMCo supports reasonable shareholder proposals aligned with our Responsible Investment philosophy and ESG focus areas.

Overall shareholder proposal support dropped by 10% compared to last year. This year, we witnessed an increase in shareholder activism in certain markets. The practice is commendable, but the proposals submitted were not defined or sophisticated enough yet to render support by AIMCo. We consider whether the proposals enhance shareholder value and we do not support duplicative, overly prescriptive or unclear proposals.



2016–17 Shareholder Proposal Distribution



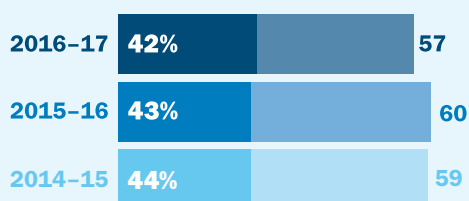
Peter Pontikes *Executive Vice President, Public Equity*

AIMCo has a distinct opportunity to positively influence corporate governance and board oversight of environmental and social factors. We exercise shareholder rights by proxy voting in accordance with our guidelines. By thoughtfully engaging with companies, and advocating for improved corporate ESG disclosure, we are protecting our clients' interests.



Shareholder Proposals Examples

Environmental Shareholder Proposals Support (% Votes For)



Our support for environmental shareholder proposals continues to be fairly consistent year-over-year. We supported 20 shareholder proposals encouraging issuers to disclose and report on environmental risk mitigation, performance and action on climate change.

Notable Environmental Proposal:

Tyson Foods Inc.

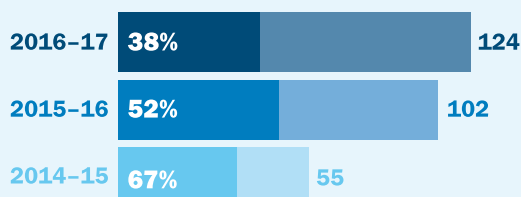
AGM Date: 02.09.2017

Proposal: That the Company implement a water stewardship policy designed to reduce the risks of water contamination at its own and its contractors' facilities.

AIMCo Vote: For

Rationale: Proposal is reasonable and will serve to assure shareholders that the company is appropriately managing risk.

Social Shareholder Proposals Support (% Votes For)



The number of socially-themed shareholder proposals has nearly doubled over the past four years, from 64 in 2012 to 124 this reporting year. However, our support for these proposals has decreased due to the submission of overly prescriptive or duplicative proposals.

Notable Social Proposal:

Enbridge Inc.

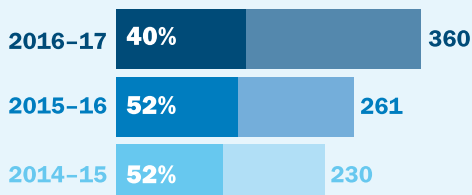
AGM Date: 05.11.2017

Proposal: That the Company provide a report on the due diligence process in regards to social and environmental risks, including indigenous rights.

AIMCo Vote: For

Rationale: Both the Company and shareholders will benefit from increased disclosure on environmental and human rights-related risks.

Governance Shareholder Proposals Support (% Votes For)



Our support for governance proposals, which account for more than 50% of all shareholder proposals we vote on, dropped by 12% from previous years. Globally, shareholder activism for good corporate governance is growing, but proposals in markets where activism is being established still lack clarity or are overly prescriptive.

Notable Governance Proposal:

Canfor Corp.

AGM Date: 04.26.2017

Proposal: That the Company adopt a board diversity policy and provide a report to shareholders on its plans to increase board diversity.

AIMCo Vote: For

Rationale: AIMCo supports the adoption of diversity policies and disclosure of measures to facilitate board and executive level gender diversity in alignment with NI 58-101.

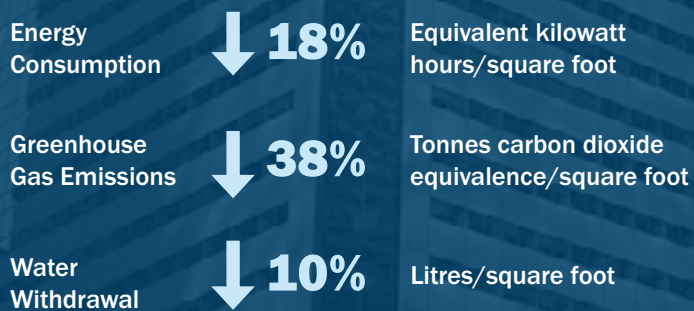
Asset Class Spotlight: Real Estate



AIMCo’s real estate department adopted bespoke sustainability guidelines in 2012, and evaluates ESG performance across the investment portfolio. We invest in assets with green building certifications wherever feasible, participate in industry assessments for real estate sustainability and pursue sustainability performance targets. In 2016, AIMCo was recognized with five green stars—the highest possible under the Global Real Estate Sustainability Benchmark (GRESB) Assessment—demonstrating leading sustainability management and performance. Looking ahead, AIMCo will continue to exhibit best-in-class sustainability policies, processes and performance.

2010–16 Real Estate Portfolio

Sustainability Performance:



2016 PRI Assessment Report Score



Feature Investment: First Canada Place Toronto, Ontario

First Canada Place is Canada’s tallest skyscraper and has been certified Gold under the LEED for Existing Buildings program since 2012.

In 2016, compared to 2010, First Canada Place saved:

Enough energy to power **838** households for a year.

Greenhouse gas emissions equivalent to the emissions from **2,575** passenger vehicles.

Enough water to fill **45** Olympic-sized swimming pools.

Enough waste to fill **39** trucks of garbage.

Micheal DalBello *Senior Vice President, Real Estate*

We track ESG performance across the portfolio using an in-house sustainability dashboard across our domestic real estate assets. The dashboard enables us to compare results from prior years for each manager and set evidence-based targets for performance improvements.

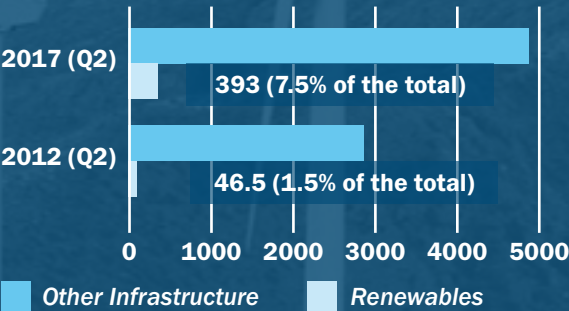


Asset Class Spotlight: Infrastructure & Timber



Infrastructure investments provide essential public services and offer resilient pathways to sustainable economic growth. AIMCo’s infrastructure portfolio has expanded to 13 countries, and features a larger proportion of direct investments. Core infrastructure assets, with their long-term, inflation-sensitive cash flows are well-matched to clients’ investment horizon and diversify the portfolio. AIMCo adopted bespoke infrastructure sustainability guidelines in 2014. We co-founded GRESB Infrastructure in 2015—a global sustainability benchmarking tool to help investors identify best and normative ESG practices for infrastructure funds and assets. We continue to play a leadership role in GRESB, as an active member of the advisory board.

AIMCO's Infrastructure Investments (CDN\$ million)



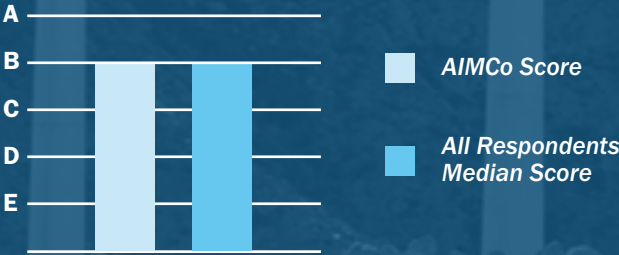
Over the last five years, the infrastructure portfolio’s investments in renewable energy projects have increased from 1.5% to 7.5% of AUM in the portfolio, including significant investments made in the past year. This reflects growing demand for low-carbon infrastructure and the attractiveness of these opportunities in terms of expected returns over the long run.

Feature Investment: D.E. Shaw Renewable Investments (DESRI)

AIMCo is investing up to US\$520 million to support DESRI, a member of the D.E. Shaw Group, in its growth strategy. DESRI is focused on owning and managing a US portfolio of long-life, contracted renewable energy facilities (total generation capacity of 1000MW).

In partnering with DESRI, AIMCo is helping to finance quality projects that deliver clean, affordable energy to communities, contributes to lowering GHG emissions and also creates value for our clients.

2016 PRI Assessment Report Score



Ben Hawkins *Senior Vice President, Infrastructure & Timber*

Infrastructure investments are long-term investments in real assets which provide essential services to society. Given the importance and profile of these assets to various stakeholders, we consider it prudent to assess ESG factors, safety practices, and the company’s overall approach to managing community relations to identify ways to minimize unnecessary costs and reduce risk, maximizing long term value.



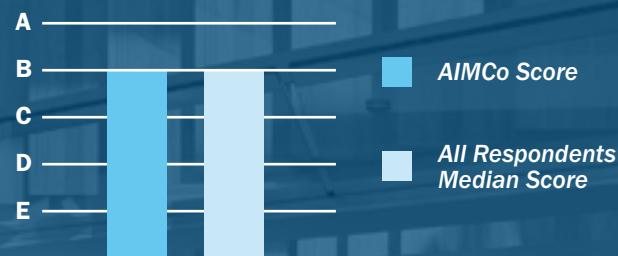
Asset Class Spotlight: Private Equity

The holding periods for portfolio companies in private equity (PE) tend to be significantly longer than for public equities, increasing the likelihood that ESG outperformance will positively influence company valuation. However, privately held companies are not always subject to the same level of regulatory reporting and disclosure as public equities. This creates both a due diligence challenge and an opportunity for AIMCo's portfolio managers, who can promote best-in-class ESG practices, factoring into risk-adjusted returns.

Rigorous Due Diligence

Portfolio managers evaluate PE funds' and assets' ESG performance during on-site diligence visits. The Responsible Investment team contributes to the due diligence process by conducting its own ESG analysis for assets and funds, providing additional insights. PE will engage external environmental advisors to provide additional expertise and analysis on various ESG risks where deemed appropriate.

2016 PRI Assessment Report Score



Feature Investment: Permira VI

AIMCo invested in the Permira VI Fund in 2016, encouraged by the fund's track record of building lasting value for its portfolio companies and investors, and its focus on sustainability. Permira Group is a PRI signatory and is committed to upholding the UK Modern Slavery Act beyond the scope of its UK operations and investee companies.

Permira was awarded the Responsible Investment Award from the British Private Equity and Venture Capital Association in 2012 in recognition of the quality of the ESG monitoring of their portfolio. It has a dedicated ESG reporting team and an in-house data management system that tracks financial and ESG data.

Peter Teti *Senior Vice President, Private Equity*

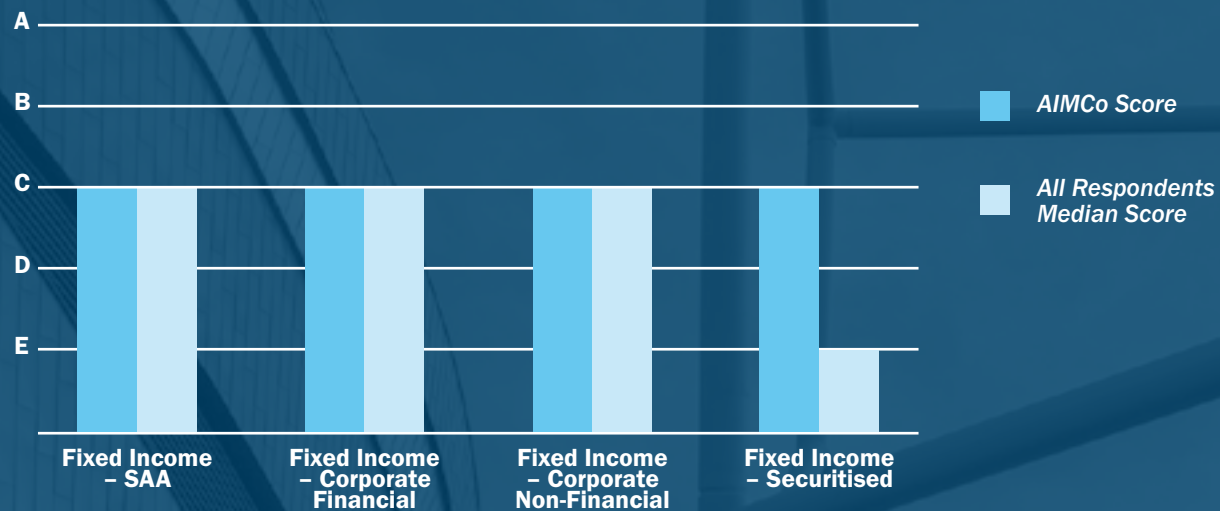
Private equity actively considers ESG across the investment process. Our portfolio managers sit on select investee company boards, retaining board oversight. We proactively included an RI due diligence component this year, providing us with valuable insights into the quality of governance and management processes at these PE funds and investee companies.



Asset Class Spotlight: Fixed Income

AIMCo invests more than one-third of its assets under management in a variety of fixed income instruments, including corporate and sovereign debt, including green bonds. The fixed income team employs a holistic approach to ESG—integrating the analysis of governance issues into security selection, portfolio construction and where appropriate, corporate bond issuers’ track record on material environmental and social issues—contributing to better-than-benchmark performance in 2016.

2016 PRI Assessment Report Score



Sandra Lau *Executive Vice President, Fixed Income*

As debtholders we have limited influence over corporate governance, but ESG risks and events can impact corporate bond ratings, sovereign debt ratings and overall issuer creditworthiness. The process of incorporating ESG is different for fixed income than for equities, and occurs earlier, at the pre-investment stage. At AIMCo, we have developed our own internal notional credit ratings system for corporate debt which includes ESG metrics.



Engagement Process

By engaging with companies, we build trusted relationships, foster corporate accountability and promote shareholder value.

AIMCo's engagement focus areas are: climate change, worker safety across the supply chain, shareholder rights and women on boards. Engagements are proactive and responsive. Sometimes companies reach out to us first. Our methods of engagement include e-mails, letters, phone calls and in-person meetings. We meet with select companies we've established a relationship with year-over-year, to better understand the company viewpoint and determine best and normative ESG practices for the industry.

Voice Over Exit

AIMCo champions a “voice over exit” approach, recognizing that divestment from the company merely changes the ownership of the security. We prefer to exercise our voice and have a meaningful engagement with the company to effect positive change where possible.

Environmental

AIMCo regularly connects with key players in the utilities, oil and gas, and mining sectors for updates on how they are managing environmental and social risks across their operations. This year, we engaged with Canadian issuers such as ATCO, Suncor and Goldcorp. Common themes emerged including reducing greenhouse gas emissions, capturing eco-efficiencies to reduce costs, community relations and worker safety.

Featured Engagement



In 2016 Goldcorp initiated a program to capture \$250M in sustainable efficiencies, with potential to increase the target beyond \$250M after 2018. The company is focused on reducing its environmental footprint and has set site-specific targets to increase energy efficiency, reduce fresh water usage, and eliminate slurry tailings, which will reduce the time and cost associated with remediation and mine closure. Goldcorp has pursued an innovative business model of installing water treatment plants underground, achieving eco-efficiencies in the process. Goldcorp demonstrates successful stakeholder engagement efforts and has signed collaboration agreements with 22 First Nations groups in Canada.

Social

Four years after the Rana Plaza factory collapse, AIMCo continues to engage with investee companies such as Canadian Tire, Gildan and Loblaw, whose supply chains extend to Bangladesh and across Asia. AIMCo fully expects investee companies to respect human rights across the supply chain, comply with applicable local market laws, such as the [UK Modern Slavery Act](#) and to uphold international agreements such as the [UN Guiding Principles on Business and Human Rights](#).

In June 2017, AIMCo presented an investor viewpoint on supply chain risk to company representatives from 17 Canadian companies at a Retail Council of Canada meeting. For most sourcing companies, their 'percent of buy' from Bangladesh and Asia in general remains strong or is growing, which reflects their relative confidence, and dependence on the Asian garment sector. Issuers are increasingly adopting a supplier code of conduct, tracking key metrics across all factories, incorporating audits beyond the level of first-tier suppliers and are enforcing consequences for non-compliance.

Featured Engagement



Loblaw exemplifies best practices in supply chain management and is a member of the [Accord on Fire and Building Safety in Bangladesh](#). In February 2017, Loblaw began to disclose its apparel and footwear contracted factory list which provides information to customers like the names and countries where the factories are located. Part of Loblaw's focus on sourcing responsibly includes a commitment to having "boots on the ground" and currently has 25 audit compliance managers living and working in some of the key countries from which it sources.

Governance

AIMCo is broadly focused on the governance topic of shareholder rights, and more specifically on the issues of say-on-pay and women on boards. We consider strong board governance, board diversity and compensation aligned with performance to be important factors for sustainable, long-term company growth. In Canada, the say-on-pay vote is voluntary and non-binding, and offers a means of issuer-shareholder communication on a key governance topic.

In 2017, we began writing to Canadian issuers where we voted against say-on-pay in order to initiate a discussion and obtain a better understanding of the company's executive compensation practices. Most companies responded positively and are willing to continue to discuss their executive compensation structure with us in the future.

Featured Engagement








AIMCo reached out to Southern Company in May 2017 to discuss their executive compensation structure and pay for performance alignment, which had received a below par rating by the proxy service providers. However, after receiving comprehensive evidence of Southern's efforts and strategy to align pay practices with long-term shareholder interests, AIMCo decided to vote 'for' say-on-pay at Southern Company.

Advocacy & Collaboration

We are an active member of the Canadian and international Responsible Investment community.

AIMCo participates in public policy dialogue within our corporate objectives and ESG focus areas. Our efforts are endorsed by the Responsible Investment Committee, driven by our clients and uphold AIMCo's national and international commitments. This participation includes the submission of reasoned commentary to regulatory, securities and other authorities, our working group memberships and public statements of support for local and global ESG initiatives.

Notable 2016–17 Advocacy Initiatives

	Initiative	Descriptor
 Principles for Responsible Investment	<u>Investor Statement on the COP21 Paris Agreement</u>	AIMCo joined investors urging G7 & G20 leaders to ratify and uphold their intended nationally determined commitments to mitigate carbon emissions.
	<u>Collaborative letter on the 4th Anniversary of the Rana Plaza Tragedy</u>	AIMCo affirmed its expectation that retail companies manage their global supply chains in a manner that upholds and respects human rights.
	<u>Letter to the US Securities and Exchange Commission</u>	AIMCo, along with 126 other signatories, wrote the SEC to support keeping Section 1502 of Dodd-Frank requiring companies using conflict minerals to disclose their source of such minerals.
	<u>AIMCo commentary to the Business Law Advisory Council</u>	AIMCo wrote to the Business Law Advisory Council in support of Bill C-25's proposal on majority voting for companies governed by the Canada Business Corporations Act.
	<u>United Nations Sustainable Stock Exchanges (SSE) Initiative</u>	AIMCo is a member of the Sustainable Stock Exchanges Investor Working Group which has been actively engaging with global stock exchanges and regulators to push for ESG disclosure guidance.



“Improved understanding of climate-related risks and opportunities is key to delivering on the Paris COP 21 agreement. AIMCo commends the TCFD for its role in developing this important, voluntary, climate-related disclosure framework and encourages companies to adopt its recommendations to enable better-informed markets. Disclosure of climate-related governance, strategy, risk and metrics will provide increasingly essential information for successful long-term investors.”

– **Kevin Uebelein, June 2017**

Reporting & Communications

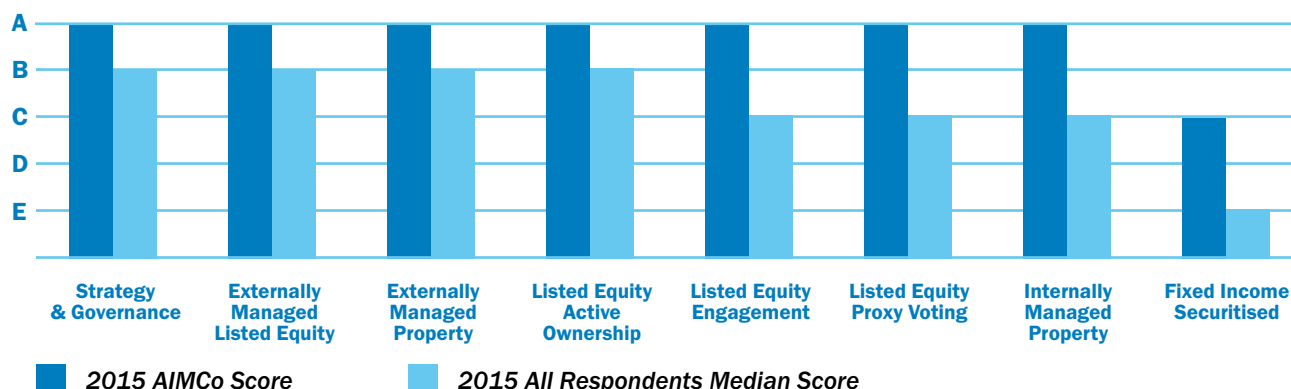
We demonstrate transparency by publicly reporting on our Responsible Investment activities.

We hold ourselves to the same level of robust corporate governance that we expect from our investees. We report to our clients in-person and through formalized reports such as our [Annual Report](#), [Responsible Investment Report](#), [Principles for Responsible Investment \(PRI\) Transparency Report](#) and a quarterly report on our Responsible Investment activities and progress. AIMCo's Responsible Investment policy, proxy voting guidelines, [exclusions guidelines](#), proxy voting record, voting rationale and [engagement guidelines](#) are all publicly available on our [website](#).

PRI Survey and 2016 Assessment Report

The United Nations-backed Principles for Responsible Investment (PRI) Survey assesses institutional investors' responsible investment programs across asset classes, and overall approach, strategy and governance relative to peers. In our PRI Assessment Report, we received above the median grade of all respondents in eight asset categories for the most recent survey period. We are above peers on Strategy & Governance, and for Externally Managed Funds—Listed Equity and Property. For Internally Managed Funds, we are above peers in five out of the 12 categories and on par for all others. We will continue to benchmark our ESG integration progress against our peers as we strive to become a world-class responsible investor.

RI Assessment Report Scores for Survey Period 2015:



Coalition for Inclusive Capitalism



In June 2016, AIMCo's CEO Kevin Uebelein committed to the [Coalition for Inclusive Capitalism](#), a global initiative to make capitalism more equitable, sustainable and inclusive. Bringing together business, investment, government and civil society leaders, the Coalition was established to regain public trust after the 2008 financial crisis. The Coalition for Inclusive Capitalism encourages asset owners, asset managers and asset creators to make commitments under any or all of the three Inclusive Capitalism pillars: promoting long-termism, integrating ESG considerations into investment and business practices, and improving workforce opportunity.

Going Forward

Responsible Investment is an ongoing journey rather than a destination.

Our priorities for Responsible Investment over the next year are to ‘carry on’ and stay the course—to continue down the path of ESG integration across asset classes, engaging with companies and policymakers, and exercising leadership on key initiatives that address improved corporate ESG disclosure and best sustainability practices.

We are constantly discovering new ways to support AIMCo’s value proposition to sustain long-term, risk-adjusted returns for our clients. Whether we are conscientiously engaging with companies, proxy voting to exercise shareholder voice, contributing to due diligence or conducting ESG portfolio analytics, it is our goal to do business the right way.

We are proud that our CEO sits on the board of directors for the [Canadian Coalition for Good Governance \(CCGG\)](#) and also is a member of the [30% Club Canada Chapter](#) that is working to accelerate board gender diversity at Canadian issuers by 2022.

Moving forward, we expect our key ESG focus areas of climate change, supply chain risks, and shareholder rights to remain unchanged. However, we are prepared to respond to new challenges as markets continue to evolve.

Our clients’ inputs and suggestions are invaluable in helping guide our efforts. Please direct any queries to AIMCoResponsibleInvestment@aimco.alberta.ca.

For further information on our Responsible Investing activities, please visit our website at www.aimco.alberta.ca.

Mark Prefontaine *Senior Vice President, Client Relations*

Our clients are our first priority—and they are increasingly interested in Responsible Investment. We trust our record on RI will serve to inspire clients’ confidence that we are focused on identifying and managing material ESG risks and opportunities across their portfolios.

We regularly inform clients of our RI activities, and are happy to respond to further RI related requests.



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What do the

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

mean for Investors?



AIMCo recognizes the important role that institutional investors play in financing sustainable deal flow. As an investor fiduciary we are committed to acting in the best interests of our clients, which includes a responsibility to integrate ESG considerations into our investment decision-making processes and to protect against systemic risk.

In September 2015, 193 governments adopted the Sustainable Development Goals (SDGs), a guiding framework for companies, investors, governments and civil society alike in their pursuit of sustainable development. The SDGs are comprised of 17 aspirational economic, social and environmental goals for 2030 and beyond.

We continue to engage with companies and policymakers on our key ESG focus areas of climate change, worker safety, board diversity and say-on-pay, while advocating for improved corporate governance and transparency. The SDGs support our commitment to doing business the right way and our mandate to create long-term value for our clients.

GOALS IN ACTION

AIMCo is a member of the [PRI SDG Advisory Committee](#), which helps investor signatories track their progress towards the SDGs.

Explore AIMCo's progress on these SDGs: gender equality, sustainable cities & infrastructure and climate action.

13 CLIMATE ACTION



How does AIMCo contribute to climate action?

- **Active Ownership:** We exercise shareholder voice by supporting reasonable shareholder proposals that seek to increase an issuer's transparency on their actions to manage climate-related risks.
- **Advocacy:** We are a member of the [PRI Methane Advisory Committee](#) that focuses on strengthening investor understanding of methane risk, and engaging companies in the energy and utilities sectors to improve reporting and reduction of methane emissions.
- AIMCo responded to the FSB TCFD Phase I and II Consultations for the development of recommended disclosures of decision-useful information to assess climate-related risks and opportunities.
- **ESG Integration:** AIMCo conducted carbon footprinting in 2016–17 for our public equity holdings and select client portfolios, in order to better understand our exposure to climate risk in a rapidly changing regulatory environment. This exercise captured useful, historical snapshots of the portfolio's absolute emissions and emissions intensity, relative to a composite benchmark. Key learnings from the carbon footprinting exercise informed AIMCo's response to the TCFD consultations and ultimately led AIMCo to support its recommendations. We continue to refine our approach to identifying climate-risk and resiliency, given limitations to data quality and availability, in order to provide decision-useful information to our clients, our portfolio managers and the RI committee.



5 GENDER EQUALITY



How does AIMCo contribute to gender equality?

- Board diversity is a key ESG focus area for AIMCo. We publicly supported the [Alberta Securities Commission's adoption of NI 58-101](#), requiring issuers to disclose the number of women on their board and the processes to recruit women to board and executive officer positions.
- We co-authored the [2016 ICGN Guidance on Board Diversity](#), which recognizes that skilled, diverse boards promote effective board governance and contribute to overall performance.
- AIMCo recently included a provision in our proxy voting guidelines to engage with companies that continue to exhibit low levels of board gender diversity.
- Our CEO, Kevin Uebelein, joined the 30% Club Canada Chapter in 2016, which advocates for 30% of board seats to be held by women at Canadian issuers, by 2022.



11 SUSTAINABLE CITIES AND COMMUNITIES



How does AIMCo contribute to sustainable cities and communities?

- AIMCo's real estate and infrastructure teams each have their own bespoke sustainability guidelines to better identify ESG risks and opportunities, increase value and drive portfolio performance.
- AIMCo is a co-founder of GRESB Infrastructure, a global sustainability benchmarking tool for real assets. GRESB helps investors identify best and normative industry practices, as well as ESG risks and opportunities. AIMCo's real estate and infrastructure teams participate in the GRESB survey each year.
- GRESB awarded our Canadian real estate portfolio 'Green Star' status for being a top 20% performer.



2016

Real Estate Assessment

AIMCo Realty Investors LP



GRESB

GRESB Average: 60

Green Star

Peer Average: 62



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