

2017-2018

AIMCo'S RESPONSIBLE INVESTMENT (RI) JOURNEY

2008 The Alberta Investment Management Corporation Act establishes AIMCo.

AIMCo becomes a signatory to the UN-backed Principles for Responsible Investment (PRI).

2010

2011 AIMCo's first dedicated Responsible Investment hire.
AIMCo becomes a signatory to CDP & CDP Water.

AIMCo's Board adopts a RI Policy.

2012

AIMCo's RI Committee is formed & approves Proxy Voting & Real Estate Sustainability Guidelines.

2013 AIMCo adopts Engagement & Exclusions Guidelines.

AIMCo's RI team grows to two full-time employees (FTEs).

2014

AIMCo adopts Infrastructure & Timber Sustainability Guidelines.

2015 AIMCo co-founds GRESB Infrastructure.

AIMCo conducts its first CO₂ footprint.

2016 AIMCo's CEO joins the Canadian chapter of the 30% Club.

AIMCo's RI team expands to three FTEs reporting to the CIO.

AIMCo becomes a signatory to the Coalition for Inclusive Capitalism.

2017 AIMCo is recognized as one of "The 25 Most Responsible Asset Allocators" globally.

AIMCo files its first shareholder proposal requesting say-on-pay at a Canadian issuer.

AIMCo joins the G7 Investor Leadership Network.

2018

AIMCo's RI team grows to five FTEs.

AIMCo adopts Private Equity Sustainability Guidelines.



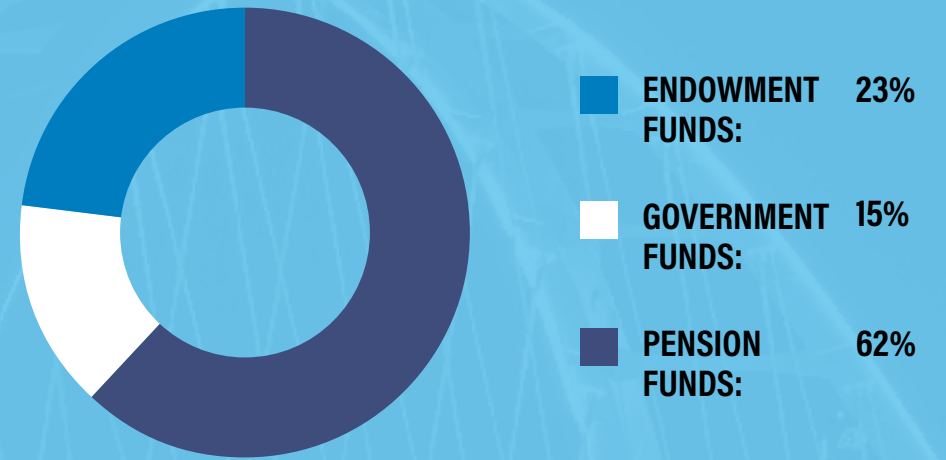
RESPONSIBLE INVESTMENT REPORT

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Alberta Investment Management Corporation (AIMCo) is one of Canada’s largest and most diversified institutional investment managers with over \$103 billion of AUM.

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



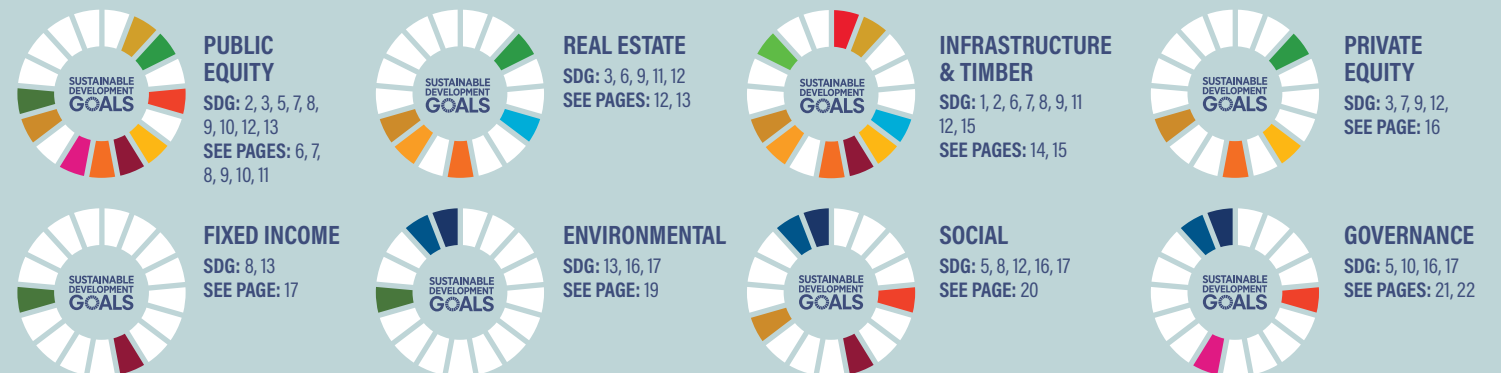
WHAT IS RESPONSIBLE INVESTMENT?

Responsible Investment (RI) 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.

SUSTAINABLE DEVELOPMENT GOALS



ASSESSMENT OF SDG PROGRESS AT AIMCo



CEO MESSAGE

Ten years ago, at our inception in 2008, AIMCo committed to acting as a responsible steward of our clients' investments. In 2010, we became a signatory to the UN-backed Principles for Responsible Investment (PRI), making a public commitment to integrating consideration of ESG matters across the investment decision-making process. Since then, not only has the scope of responsible investment at AIMCo widened, but the RI space itself has evolved, as has our leadership in the space.

Our approach to RI is guided by our fiduciary duty, our core values and a long-term investment horizon. Our objective is not to merely identify ESG risk and opportunity, but to actively contribute, through our RI activities, to better investment outcomes for our clients and all Albertans. The UN Sustainable Development Goals (SDGs), adopted in 2015 by 193 countries, represent a cogent platform to address broad societal challenges, with implications for investors to consider how our investment decisions, active management and advocacy activities impact society at large. Key ESG focus areas we continue to address include how companies are preparing for climate change and the global energy transition, how to ensure safety and respect for human rights across the supply chain, and how to encourage gender equity on boards.

We are proud to say that AIMCo exemplifies global leadership in charting new ESG frontiers, whether by our recent participation in the G7 Investor Leadership Network, our role in co-founding GRESB Infrastructure, our contributions to advocacy and thought leadership, or by our membership on various RI-related boards and committees such as the Canadian Coalition for Good Governance. I encourage you to learn more about our RI journey on our website, www.aimco.alberta.ca.

Responsibly yours,



Kevin Uebelein

AIMCo is collaborating with other global institutional investors on an initiative advanced by the Government of Canada in June 2018 to address three key G7 objectives:

- 1. Strengthening expertise in sustainable infrastructure:** To address the gap between critical investment infrastructure and the pace of growth, the group will launch a fellowship program in 2019 with a focus on building capacity by sharing infrastructure expertise.
- 2. Increasing gender equality in global capital markets:** To increase career opportunities in finance for women worldwide, the group will commit to adopting diversity policies inspired from global best practices and partner with the CFA Institute to set up an internship program for University women in select developing markets.
- 3. Advancing climate-related financial disclosures:** To encourage wider spread adoption of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) framework, the group will identify current and best practices, publish a guidance document for investors, integrate this guidance in their own disclosures and promote further adoption of the TCFD recommendations by investee companies.



CIO MESSAGE

At AIMCo, RI applies to all assets under management, as set out in our board approved RI policy. The business case for paying attention to material, industry-specific ESG metrics continues to build, especially over the long-term. However, the process of ESG integration across assets and all stages of the investment decision-making process is an ongoing journey in and of itself.

Looking back, the scope of RI has widened and deepened across asset classes and investment processes and accordingly, our RI team and the use of ESG data has grown. In the early days of our RI journey, our focus was on public equities and proxy voting. We subsequently adopted sustainability guidelines for various asset classes, namely real estate (2012), infrastructure (2014) and private equity (2018). We commenced ESG analytics in 2014 and calculated our first carbon footprint in 2016. We began conducting private equity ESG due diligence more recently, in 2017.

We encourage our real estate and infrastructure assets and funds to participate in the annual GRESB survey, with favourable results. For example, real estate received a 5-star GRESB rating three years in a row. Our PRI survey scores now rank AIMCo as one of the most sustainable investment managers globally, and we received the Bretton Woods Top 25 Asset Allocator award in 2017.

Over the years, we've engaged with many issuers on ESG matters. By championing a "voice over exit" approach and participating in advocacy efforts, we promote responsible business practices, better corporate governance and contribute to more sustainable financial markets. This helps us to enhance the long-term value of our clients' investments.

Last but certainly not least, we strive to inspire client confidence by regularly reporting on our RI activities. We are always happy to answer client questions at:

AIMCoResponsibleInvestment@aimco.alberta.ca.

Sincerely,



Dale MacMaster



KEY SUCCESS DRIVERS



RI OBJECTIVES:

INVESTMENT PERFORMANCE

- Focusing capital on long-term
- Capture ESG risks and opportunities across asset classes
- ESG data integration

CLIENT SATISFACTION

- Client objectives/mandates and RI
- Client reporting

DOING BUSINESS THE RIGHT WAY/PEOPLE

- Exercise shareholder voice
- Voice over exit
- Engagements and advocacy

RESPONSIBLE INVESTMENT AT AIMCo

OUR PHILOSOPHY

AIMCo's approach to RI is guided by our core values, our fiduciary duty to clients and our long-term investment horizon. As a PRI signatory, we are committed to integrating ESG factors into our investment processes, active ownership and engagement practices, to advocate and collaborate to promote the principles, and to demonstrate transparency by reporting on our RI activities. We recognize that consideration of ESG factors may impact the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time.

FIDUCIARY DUTY

As fiduciaries, our goal is to maximize returns within an acceptable level of risk, as determined by our clients. To protect against systemic risks, such as climate change, we must consider more than just financial metrics. Alongside traditional financial analysis, we embrace ESG factors as core components of our investment processes, trusting that a thoughtful and considered approach is in the best interest of our clients now and in the future.

LONG-TERM INVESTMENT HORIZON

AIMCo is an investor fiduciary focused on preservation of capital over the long-term to enable our clients to meet their financial obligations. AIMCo invests pension funds, which serve 330,000 beneficiaries, as well as local and provincial government funds with impacts for all Albertans. The work we do influences outcomes fundamental to building prosperity, security and opportunity across generations.

RESPONSIBLE INVESTMENT PILLARS



ESG FOCUS AREAS



ENVIRONMENT
CLIMATE CHANGE
Environmental Management
& Disclosure

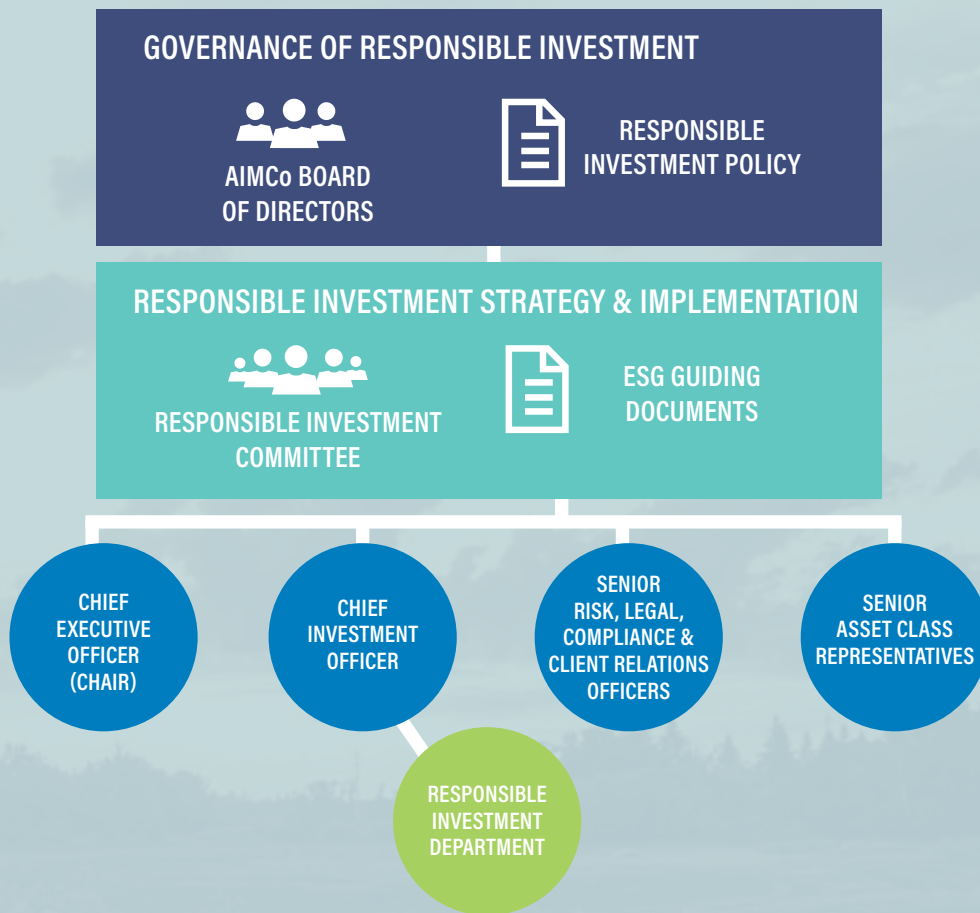


SOCIAL
SUPPLY CHAIN RISK
Worker Safety
& Human Rights



GOVERNANCE
SHAREHOLDER RIGHTS
Pay for Performance, Board Quality
& Board Diversity

STRUCTURE



AIMCo's RI structure emanates from our founding documents as outlined in the Alberta Investment Management Corporation Act. AIMCo's board of directors approves the RI Policy which applies to all assets under management. Our RI Committee, which is chaired by our CEO and comprised of senior executives from across the organization, is responsible for broad oversight of RI strategy, policies, guidelines, and our ESG focus areas. The RI team is responsible for the day-to-day implementation of our strategy and reports directly to AIMCo's CIO.

RESPONSIBLE INVESTMENT TEAM

RI Team (from left to right): Viridiana Ramirez Lopez, Analyst; Martin Kholmatov, Senior Responsible Investment Specialist; Ashton Rudanec, Analyst; Alison Schneider, Director; Erik Opinio, Analyst; Adewunmi Adekanmbi, Intern



INVESTMENT PROCESS

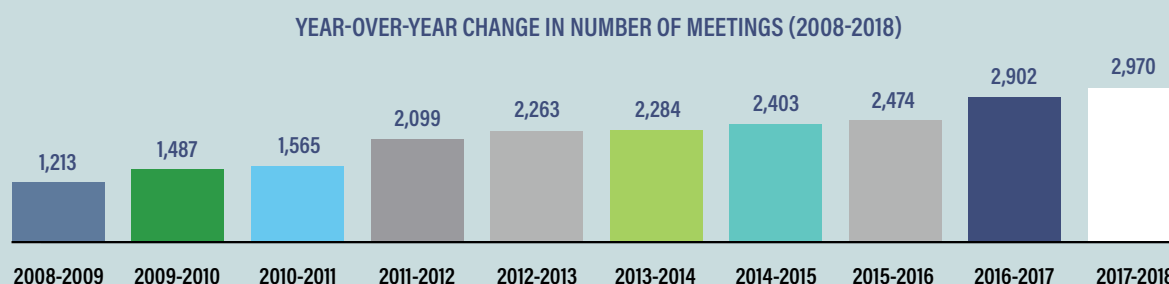
PROXY VOTING: PUBLIC EQUITIES

Proxy voting on our shares held in publicly traded assets allows AIMCo to exercise shareholder voice on behalf of our clients. Every ballot item is carefully reviewed by AIMCo's RI team and voting decisions are made in alignment with our bespoke proxy voting guidelines. These are updated annually to reflect corporate governance best practices and are available at www.aimco.alberta.ca. Proxy research from service providers, combined with our own independent research, serves to inform our voting decisions. We always vote with our clients' best interest in mind and do not always agree with management, our peers or the recommendations of proxy service providers. As a result, last year we did not support 13% of management proposals.

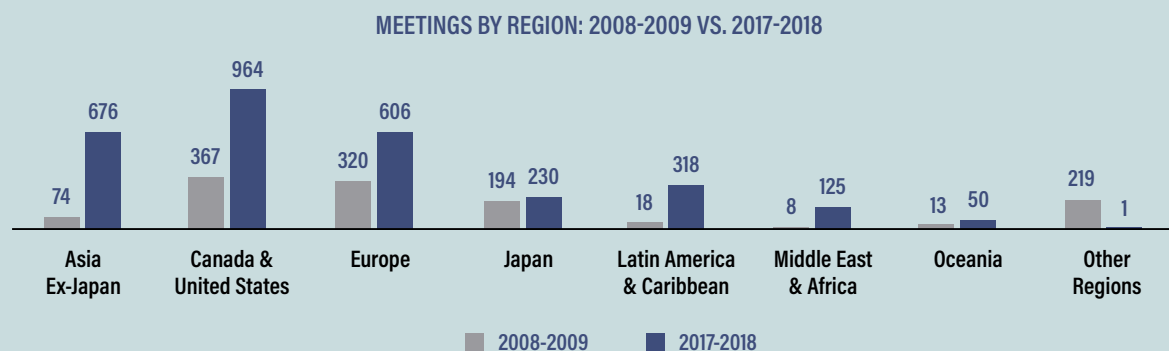
JULY 1, 2017 TO JUNE 30, 2018 PROXY VOTING SEASON PERFORMANCE

Voted on 98.2% of the 2,970 meetings across our portfolios.

Reviewed and approved over 4,000 ballots and more than 30,000 ballot items.



Over the past decade we have voted at 21,660 company meetings, with 2,970 meetings occurring in our tenth year alone. This represents a 145% increase in the number of meetings we voted on in 2017-2018 compared to 2008-2009.



AIMCo is a global investor—we proxy vote on meetings spanning 60 countries. The most significant change in our voting by region over the past 10 years is for Asia excluding Japan, which increased from 6% of total company meetings in 2008-2009 to 23% of meetings in 2017-2018, reflecting relatively higher market exposure in voting equities in those markets.

KEY PROXY VOTING TOPICS: PUBLIC EQUITIES

Although certain proxy voting topics remain important year after year, such as director independence, some are of heightened concern and urgency during the proxy season. In 2017-2018, these included the ongoing issues of gender diversity on boards and in executive officer positions, say-on-pay at Canadian issuers and the state of climate-related disclosure at companies in the extractives sector. New shareholder proposal topics included gun control, the opioid crisis, drug pricing risk and prison labour in the supply chain.

INVESTOR PRESSURE AND PROXY VOTING OUTCOMES

Exercising shareholder voice through proxy voting, engagements and filing shareholder proposals is an important function of shareholder rights and responsibilities which encourages improved corporate disclosure and risk management practices. Investors are stepping up pressure on boards on key issues with positive results:

- This proxy season, issuers in developed country markets featuring zero women on the board received the highest ever level of investor opposition to their director elections. Globally, board gender diversity is improving, albeit at differing rates for each market. Women now comprise 21% of board seats at the S&P 500 in 2017 compared to 14% in 2015, yet still only comprise 14% of board seats at TSX issuers.
- Following The Walt Disney Company's first-ever failed say-on-pay vote with 52% of shareholders voting against the compensation plan, the company announced an overhaul of its board and executive teams.
- In the wake of repeated acts of gun violence in the USA, Sturm Ruger shareholders supported a shareholder proposal requesting the company publish a report on its gun safety measures.

GLOBAL CORPORATE GOVERNANCE UPDATES



CANADA & USA

In 2017-2018, the issue of climate liability surfaced in the USA, with a wave of lawsuits filed by the cities of Oakland, CA, New York, NY and Boulder, CO against the oil majors – Exxon Mobil, Chevron and BP – seeking compensation for the projected costs of future sea level rise due to climate change. Although the lawsuits filed by New York City and Oakland were dismissed in June 2018, they demonstrate rising public concern with climate change and producer responsibility.

Recognizing the role of finance in facilitating the transition to the low carbon economy, the Government of Canada set up its own high-level expert panel on sustainable finance in April 2018, with a mandate to consult with Canada's financial market participants and to then provide recommendations to the Government.



ASIA

In June 2018, the Tokyo Stock Exchange revised its 2015 Corporate Governance Code, with recommendations for issuers to disclose their cross-share holdings – the practice of issuers owning shares in each other – and to improve board diversity. Currently, 61% of Japanese issuers feature cross-share holdings, while 50% of issuers have no women on the board. These updates continue to demonstrate Japan's interest in pursuing best corporate governance practices.

Malaysia's new Corporate Governance Code addresses three core principles: board leadership and effectiveness, audit risk management and corporate reporting. Companies must either comply with its directives or demonstrate how they have implemented an alternative course of action—an interesting shift from the “comply or explain” model.



EUROPE

In 2018, the EU High Level Expert Group issued a report recommending that investors seek and incorporate clients' ESG preferences into their investment decisions, examine the materiality of risks and value drivers, including ESG risks, and consider the investment time horizons of client beneficiaries.

Europe's General Data Protection Regulation (GDPR) was adopted in May 2018 in response to several serious data breaches, introducing regulations for data collection, data privacy and data sharing, with substantial fines for non-compliance.

French issuers are now subject to two levels of binding say-on-pay votes—first, a majority of shareholders must approve the principles and criteria for executive compensation; and then they are to approve compensation payable to executives for the prior year, or variable pay will not be awarded.



LATIN AMERICA & CARIBBEAN

Following various corruption scandals, Brazil, Argentina and Peru passed new anti-corruption legislation in 2017 which imposes criminal or administrative liability on companies and individuals found guilty of misconduct and bribery.



OCEANIA

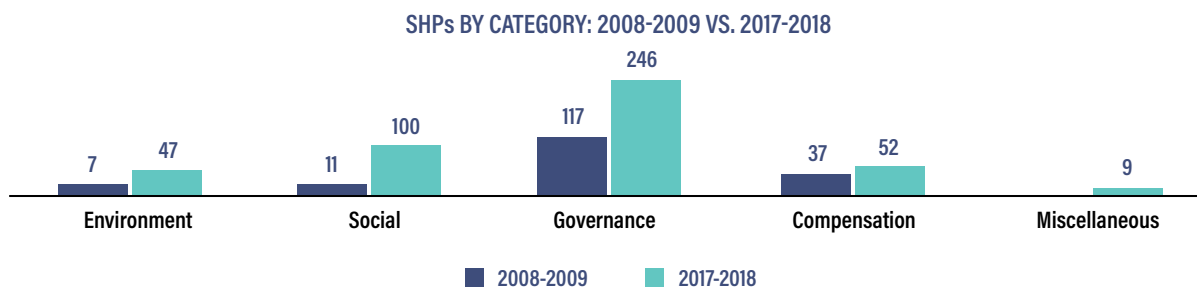
The Australian Council of Superannuation Investors released the first stewardship code for Australian asset owners. Adoption of the Code is voluntary; however, signatories must release a stewardship statement by September 2019.

SHAREHOLDER PROPOSALS: PUBLIC EQUITIES

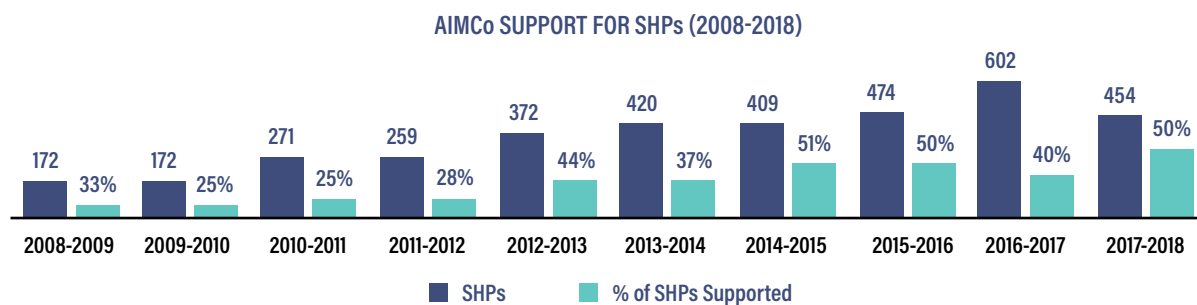
The ability to submit a shareholder proposal for voting at annual general meetings is an important shareholder right which allows shareholders to exercise voice. AIMCo co-filed a shareholder proposal for the first time in December 2017, requesting that a Canadian issuer adopt say-on-pay, which was subsequently withdrawn once the issuer agreed to the request—a most successful outcome.

Although shareholder proposals are not binding, the overall level of shareholder support for a proposal may prompt issuers to engage with shareholders and address the ESG topic at hand. Institutional investors generally monitor company response to prior years' shareholder proposals garnering high levels of shareholder support. An insufficient company response may prompt investors to resort to other ways to exercise voice such as withholding their votes from the election of individual directors.

The sheer number of shareholder proposals (SHPs) has increased globally over the past decade, reflecting increased shareholder activism and a more sophisticated shareholder base. The overwhelming majority of shareholder proposals in any given year remain governance-themed. The largest rate of increase was for socially themed proposals, which increased nine-fold from 2008-2009 to 2017-2018.



AIMCo carefully considers whether the shareholder proposals we vote on enhance shareholder value and are aligned with AIMCo's proxy voting guidelines and corporate governance principles. AIMCo does not support duplicative, overly prescriptive or unclear proposals. Last year, AIMCo supported 50% of shareholder proposals—a 10% increase compared to 2016-2017 and one of the highest in our 10-year history, which speaks to the increased sophistication of proposals.





ENVIRONMENT

Companies continue to face mounting pressure from shareholders to disclose their carbon emissions and strategy to address climate-related risks. However, the momentum of shareholder proposals related to carbon disclosure slowed in 2018 compared to 2017, a sign of investor influence as companies took proactive steps to address shareholder concerns.

NOTABLE ENVIRONMENT SHAREHOLDER PROPOSAL:

CHEVRON CORPORATION

PROPOSAL: That the Company issue a report regarding how it is monitoring and managing the level of methane emissions from its operations

AIMCo VOTE: For **ESTIMATED OVERALL SUPPORT: 45%**



DRUG PRICING RISK

Fueled by mounting public concern regarding exorbitant drug pricing, several shareholder proposals were filed requesting disclosure of any links between executive compensation and drug price increases at pharmaceutical companies. AIMCo supported three such shareholder resolutions in 2018 at Eli Lilly, Biogen and Vertex Pharmaceuticals.

NOTABLE DRUG PRICING SHAREHOLDER PROPOSAL:

ELI LILLY AND COMPANY

PROPOSAL: That the Company produce a report describing the relationship between drug pricing and executive compensation

AIMCo VOTE: For **ESTIMATED OVERALL SUPPORT: 18%**



OPIOID CRISIS

In 2017-2018 AIMCo supported all shareholder proposals on the ballot which requested companies to report on their response to the opioid crisis. Such disclosures demonstrate producer responsibility and serve to reassure shareholders that risks are being addressed.

NOTABLE OPIOID CRISIS SHAREHOLDER PROPOSAL:

DEPOMED, INC.

PROPOSAL: That the Company report on its response to the opioid crisis

AIMCo VOTE: For **ESTIMATED OVERALL SUPPORT: 60%**



CYBERSECURITY & DATA MANAGEMENT

Owing to several recent high-profile data security and privacy scandals at Equifax, Facebook, Fed-X, and other issuers, regulators across the globe have responded with enhanced data and privacy regulations in Europe, the United States, Japan and Argentina. Shareholders seek assurance that appropriate safeguards are in place, to protect against operational and reputational risk and to mitigate financial risk for non-compliance. AIMCo supported all shareholder proposals this past year which requested additional disclosure on cybersecurity, data privacy and risk oversight.

NOTABLE CYBERSECURITY & DATA MANAGEMENT SHAREHOLDER PROPOSAL:

FACEBOOK, INC.

PROPOSAL: That the Company report on the efficacy of its content policy enforcement

AIMCo VOTE: For

ESTIMATED OVERALL SUPPORT: 9%



WORKPLACE DIVERSITY

There was an increase in shareholder proposals seeking workplace diversity disclosures consistent with required data submissions to the Equal Employment Opportunity Commission (EEOC) in the USA, such as by gender and race. AIMCo supported 77% of diversity related proposals this past proxy season.

NOTABLE WORKPLACE DIVERSITY SHAREHOLDER PROPOSAL:

WALMART INC.

PROPOSAL: That the Company prepare a report to demonstrate that it does not have any racial or ethnic pay gaps

AIMCo VOTE: For

ESTIMATED OVERALL SUPPORT: 7%

ASSET CLASS SPOTLIGHT:

REAL ESTATE

AIMCo invests in domestic and international real estate assets and funds on behalf of our clients. AIMCo's real estate investment professionals proactively identify opportunities to improve the sustainability performance of our assets. This reduces operating costs, attracts quality tenants, mitigates risk and serves to meet increased demand for sustainable assets in capital markets. We set sustainability performance targets for the portfolio, invest in assets with green building certifications where feasible and participate in industry sustainability benchmarking assessments.

HIGHLIGHTS

2012

AIMCo real estate is the first asset class to adopt bespoke sustainability guidelines.

2015

AIMCo's real estate professionals commence annual reporting to GRESB to track ESG performance relative to a peer benchmark and sector leaders.

AIMCo's real estate team integrates sustainability metrics into a dashboard to track & compare environmental indicators across core real estate assets.

2017-2018

AIMCo's nearly \$18 billion real estate portfolio includes core long-term, direct investments in quality properties located in Canada's major cities as well as high-quality opportunistic investments in foreign markets with long-term growth characteristics.



G R E S B
★ ★ ★ ★ ★ 2018

For three consecutive years, AIMCo was recognized with five green stars –the highest possible rating under the GRESB assessment–demonstrating our continued world class sustainability management and performance.

AIMCo's overall GRESB score increased by 30 points since our first benchmark report in 2015. Since 2016, we have consistently scored higher than both our peer group and the overall GRESB average.



2010-2017 REAL ESTATE PORTFOLIO SUSTAINABILITY PERFORMANCE:

- 22% ↓ in energy consumption (kWh/sq.ft)
- 31% ↓ in GHG emissions (tCO₂/sq.ft)
- 22% ↓ in water withdrawal (L/sq.ft)
- 24% ↑ in waste diversion (t)

FEATURE REAL ESTATE INVESTMENT: YORKDALE

Co-owned by AIMCo and Oxford Properties and managed by Oxford Properties Group, Yorkdale is Canada's leading shopping centre. Spanning 2 million square feet with 270 stores, Yorkdale is the top Canadian mall by sales per square foot and is one of the busiest malls in the country by annual pedestrian count, with 18 million visitors last year.

Beyond its exclusive line-up of first-in-Canada global prestige brands, Yorkdale stands out for its commitment to sustainability. The shopping centre has received numerous prestigious awards and certifications, such as BOMA BEST Platinum, for striking a balance between sustainability and a premier shopping experience.

Yorkdale was one of the Canada's first shopping centres to implement a recycling program and has continually raised the bar on its waste reduction targets each year. In 2012, a \$220 million expansion project ushered in several new eco-conscious concepts including a compost for organic food waste, low-flow toilets to conserve water and a living rooftop with 150,000 square feet of greenery that saves energy by reducing atmospheric heating, mitigating local air pollutant and managing surface water runoff.

A highlight of Yorkdale's Green Program is a rooftop solar panel installation – one of the largest in the greater Toronto area – with more than 600 panels and seven inverters spanning over one kilometer. The panels produce approximately 234,140 kWh annually – equivalent of the annual energy consumption of 40 residential homes – and will contribute to improvements in overall energy use over time. Recent additions including a best-in-class urban garden and the adoption of two bee hives on the Yorkdale rooftop continue to make a positive impact on the community and surrounding ecosystem.

IN 2017, COMPARED TO 2016, YORKDALE SAVED:

- GHG EMISSIONS EQUIVALENT TO 66 PASSENGER VEHICLES DRIVEN IN A YEAR
- ENOUGH WATER TO FILL 4 OLYMPIC SWIMMING POOLS
- ENOUGH WASTE TO FILL 42,792 GARBAGE TRUCKS



The real estate sector has one of the highest carbon footprints – 30% of global annual GHG emissions and 40% of the world's energy consumption. Finding cost-effective ways to curb emissions and reduce consumption is not only sustainable, but good for business. Approximately 79% of our Canadian properties have green certifications which reduces the adverse per capita environmental impact of cities, promotes sustainable management and efficient use of natural resources and reduces waste generation through prevention, reduction, recycling and reuse.

ASSET CLASS SPOTLIGHT:

INFRASTRUCTURE & TIMBER

Investment in core infrastructure assets is well-aligned with our ‘Clients First’ commitment to diversify the portfolio while providing stable cash-flow to meet our clients’ long-term pension liabilities. Our infrastructure portfolio is responsive to the shifting global energy landscape, as traditional power generation, reliant on carbon intensive fossil fuels, is increasingly being replaced by renewables. This shift is not only good for the planet—it represents a tremendous investment opportunity, as evidenced by the growth of alternative energy investments in our portfolio over the last 10 years.

HIGHLIGHTS

2009

Infrastructure makes its first renewable investment in Firstwind LLC with an operating capacity of 274 MW.

2010

AIMCo invests in Forestry Investment Trust, its largest timber investment to date.

2014

AIMCo adopts bespoke Infrastructure & Timber Sustainability Guidelines.

2015

AIMCo co-founds GRESB Infrastructure, a sustainability benchmarking tool for infrastructure.

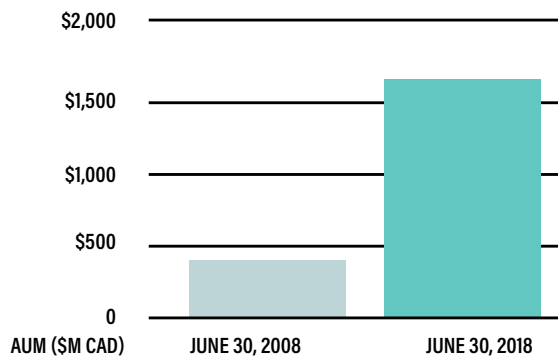
2017

AIMCo invests in sPower, its largest renewables investment to date & makes its first agriculture investment in Canadian farmland.

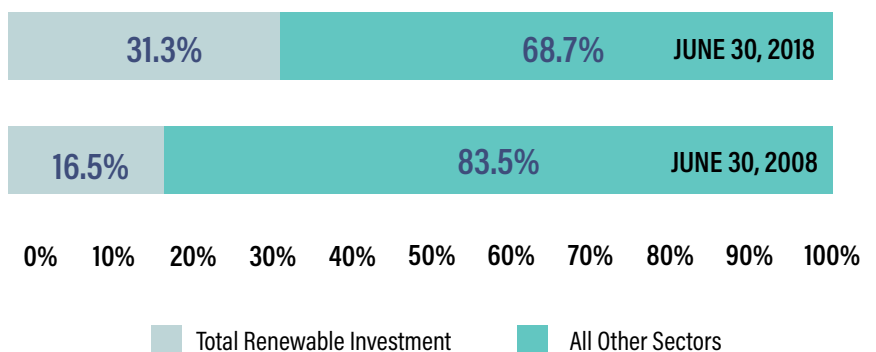
2018

AIMCo invests in Enel Green Power North America Inc. & increases its investment in Puget Sound Energy.

GROWTH OF TIMBERLAND PORTFOLIO (2008-2018)



GROWTH OF TOTAL RENEWABLES IN INFRASTRUCTURE & TIMBER PORTFOLIO (2008-2018)





FEATURE AGRICULTURE INVESTMENT: BONNEFIELD

AIMCo made its first agricultural investment in Bonnefield Canadian Farmland LP IV in 2017, encouraged by Bonnefield's incorporation of ESG practices into its investment model to help mitigate risks and leverage opportunities as we continue to build our farmland portfolio. Bonnefield became a PRI signatory in 2014, the first firm of its kind in Canada to do so. Guided by commitment to preserve farmland for farming, Bonnefield leases 100,000 acres to over 100 farm families across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia. It offers a range of support services to farmers, including financing solutions to decrease farm debt and enable investment in new equipment or the development of farm succession planning.



FEATURE INFRASTRUCTURE INVESTMENT: sPOWER

sPower is the largest independent operator and developer of utility-scale solar assets in the United States. In 2017, AIMCo announced the acquisition of a 50% interest in sPower, in partnership with AES, a large publicly-listed independent power producer. With a current operating portfolio of 1,300 MW in solar and wind assets, and development projects that will reach commercial operations in upcoming years, our investment in sPower not only provides a strong cash yield but offers other growth opportunities.



AIMCo's infrastructure and timber investments contribute to the global sustainability agenda and offer scalable, resilient pathways to achieve economic, environmental and social or 'triple bottom line' growth. Sustainable infrastructure essentially acts as an 'umbrella' SDG, covering various industry sectors while offering key societal benefits such as innovation, affordable and clean energy and essential services for sustainable cities and communities.

ASSET CLASS SPOTLIGHT:

PRIVATE EQUITY

AIMCo's investments in private equity serve to diversify our clients' portfolios, while contributing to superior investment returns. Our private equity team is comprised of 14 professionals managing over \$4 billion in over 80 companies and funds globally, and is committed to maintaining high ESG standards. Last year, in collaboration with the RI team, a comprehensive ESG review was added to our due diligence process to formally identify key ESG risks and opportunities. In seeking partnerships with like-minded fund and portfolio company management teams, we actively consider how ESG leadership can lead to fund or asset outperformance.

HIGHLIGHTS

2008

AIMCo's private equity program begins seeking investments in larger funds & co-investments.

2010-2011

AIMCo focuses on larger co-investments, including US\$150M commitment to Ladder Capital, a U.S.-based commercial mortgage originator.

2012-2015

AIMCo co-leads on several direct investments, including Vue Entertainment and ERM.

2014

AIMCo improves its private equity PRI score to a best-in-class 'A+'.

2016

With governance rights always a significant consideration, AIMCo focuses on selecting top-quartile funds & co-investing alongside these funds as valued partners.

2018

AIMCo formally adopts Private Equity Sustainability Guidelines, furthering integration of ESG.

THOMA BRAVO

FEATURE FUND: THOMA BRAVO

In 2017, AIMCo invested in Thoma Bravo, a leading private equity fund. Thoma Bravo's ESG policy includes a range of sector-specific ESG factors captured in an 'ESG matrix'. The fund proactively engages with investee companies to identify any ESG-related risks and opportunities, and then assists them to develop action plans and track their progress using the previously identified ESG operational metrics.

FEATURE ASSET: ERM



Environmental Resources Management (ERM) is a global sustainability consultant focused on developing innovative solutions to the world's most complex environmental and social sustainability challenges. ERM, one of our flagship assets, with 160 offices in 40 countries, has worked on several hallmark sustainability initiatives, including the FSB's TCFD recommendations and sector-specific SDG roadmaps for the World Business Council for Sustainable Development.

In June 2018, in collaboration with the PRI, ERM co-authored an influential ESG reporting and monitoring guidance tool for private equity which gives an overview of how LPs currently monitor ESG at GPs, and proposes a flexible reporting framework that builds on and streamlines the ESG information exchange.

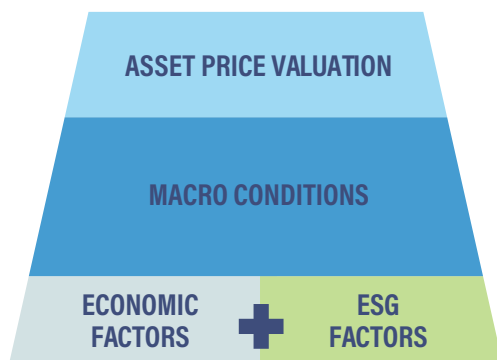


AIMCo's private equity portfolio includes holdings in a variety of industries such as healthcare, clean energy and consumer goods with a proven track record of innovation and sustainability. Through board representation and ongoing engagement with our investee companies and funds, we demonstrate a commitment to helping advance select SDGs including affordable and clean energy, promoting responsible production and consumption and ensuring better health outcomes.

ASSET CLASS SPOTLIGHT:

FIXED INCOME

Our fixed income portfolios provide AIMCo's clients with capital preservation, liquidity and superior risk-controlled return relative to benchmark. AIMCo's fixed income professionals consider ESG factors in their ongoing analysis of interest rates, inflation, credit quality and liquidity risk. Fixed income is especially focused on downside capital risk and cash flow stability versus upside, capital appreciation, with further ESG considerations regarding bondholder rights, duration management and event driven considerations.



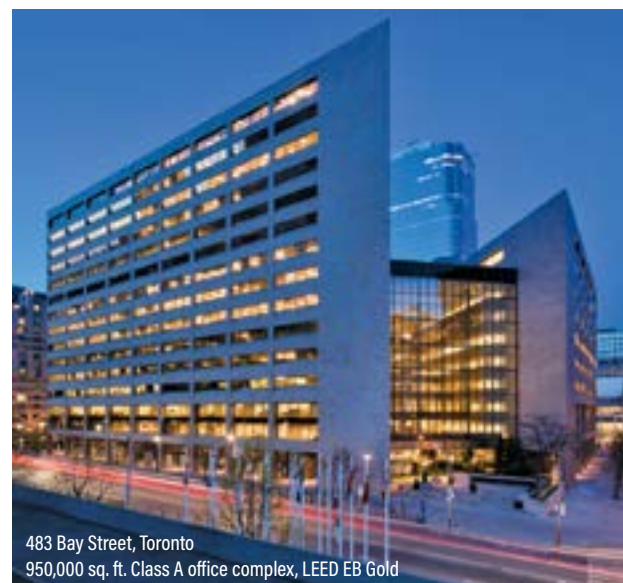
ESG AND CREDIT RESEARCH

In 2014, AIMCo developed its own bespoke fundamental credit research process of corporate issuers to help portfolio managers add value to the fixed income portfolios. AIMCo's fixed income credit research team assigns proprietary internal notional ratings to all issuers and issues under coverage, provides relative credit quality opinions, as well as a directional view of credits.

The relevance of ESG factors varies with the type of fixed income securities. For example, corporate governance factors have strong links to credit strength for corporate issuers. Poor ESG may lead to lower credit ratings and a higher cost of debt, although the materiality of environmental and social factors varies considerably by sector and by industry.

ESG AND MORTGAGES

AIMCo's \$3.5 billion mortgages portfolio provides financing for high quality office, industrial warehouse, retail and multifamily-for-rent properties in Canada and abroad. The mortgages team conducts rigorous due diligence for every opportunity, which includes an environmental review to ensure there is no contamination or remediation required. AIMCo recognizes that strong environmental performance at these properties or their attainment of industry-accepted certification standards may contribute to cost savings, higher occupancy rates and ultimately translate into superior risk-adjusted returns for our clients.



There is broad international consensus that urgent action is required to reduce GHG emissions. A market has developed for 'climate' and 'green' bonds, designed to finance climate change adaptation measures or projects able to deliver genuine reductions in emissions. This market has seen explosive growth in the past decade, with annual issuance rising to over \$155 billion globally. AIMCo recently purchased Canada Pension Plan Investment Board (CPPIB) Green Bonds—CPPIB is the first pension fund to issue green bonds to finance additional holdings in renewables and energy efficient buildings.

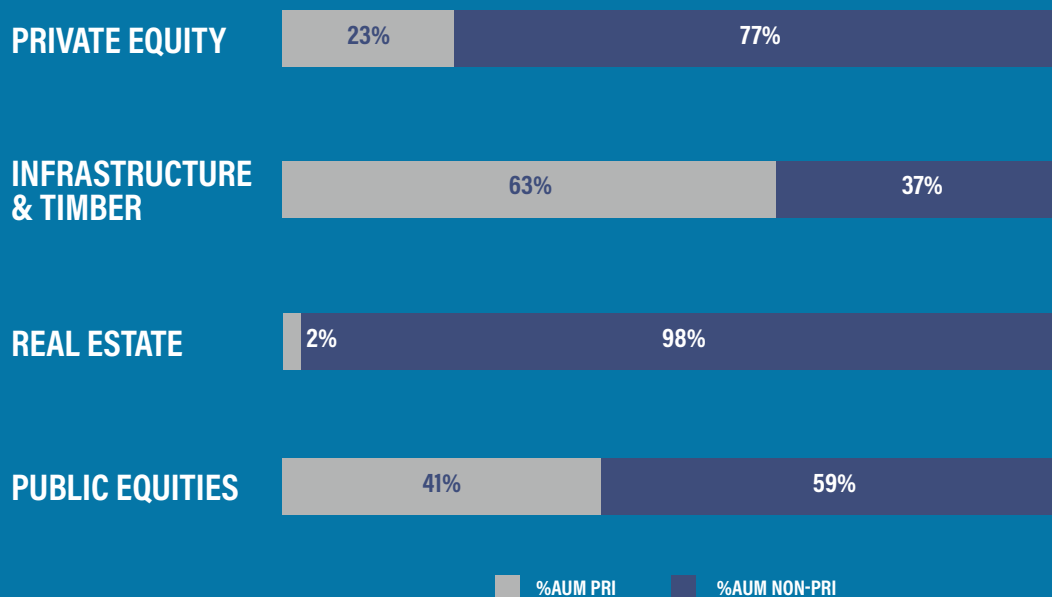
EXTERNAL MANAGERS

External managers play an important role in our overall investment program. We engage best-in-class external managers to gain specialized sector knowledge and increased exposure to Asian, Australian, European and Latin American markets. External managers also provide overall fund diversification and liquidity advantages. We expect external managers and their portfolio companies to disclose on how they manage ESG risks and performance. AIMCo professionals conduct regular on-site visits and meet with external managers at least twice a year. Our RI team tracks how external managers approach ESG risks and opportunities across the investment process.

A SNAPSHOT OF AIMCo's EXTERNAL MANAGERS

- Approximately 20% of AIMCo's total AUM is externally managed including:
 - 17 External Managers in Public Equities
 - 38 External Managers in Private Equity
 - 10 External Managers in Infrastructure & Timber
 - 14 External Managers in Real Estate
- Approximately 40% of our external managers by total AIMCo AUM are PRI signatories, led by Infrastructure & Timber and Public Equities

EXTERNALLY MANAGED FUNDS: PRI SIGNATORY MEMBERSHIP





ESG FOCUS AREA: CLIMATE CHANGE

Climate change has been a key ESG focus area for AIMCo since 2015. We believe that the scale and complexity of climate change presents tangible challenges for investors. AIMCo recognizes the business imperative of addressing climate change in our investing strategies, and we view the physical, operational, regulatory, liability and reputational risks of climate change as material to our clients' objectives.

WHY IT'S IMPORTANT TO AIMCo & ALBERTANS

Climate change has emerged as one of the most pressing systemic risks to date. Far reaching global and country commitments to address climate change have resulted in a complex regulatory environment requiring concerted action from companies, investors and policymakers. While Canada attempts to deliver on its COP 21 commitments to reduce GHG emissions, along with 195 other countries, Alberta has rolled out its own Climate Leadership Plan—one of the first jurisdictions in North America to do so. For our part, AIMCo is proactively evaluating climate risks and opportunities, so as to protect and enhance investment returns for our clients and their ultimate beneficiaries—all Albertans.

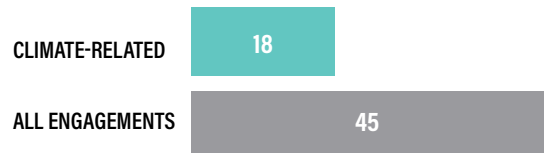
ACTIONS TAKEN

- AIMCo was one of the first Canadian institutional investors to issue a strategic response to climate change in 2015 and to conduct carbon footprinting in 2016
- Our RI policy and related asset-class specific sustainability guidelines and proxy voting guidelines reflect climate change considerations
- We continue to engage with investee companies, including with several of Canada's oil and gas issuers, to promote climate-resilient strategies and best environmental practices
- We have invested, where prudent, in alternative energy and lower carbon infrastructure

ENGAGEMENTS

AIMCo regularly connects with key players in a diverse array of industries for updates on how they are managing climate-related risks across their operations and to promote the adoption of industry-specific, decision useful climate-related disclosures.

CLIMATE-RELATED ENGAGEMENTS 2017-2018



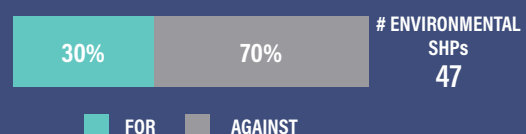
ADVOCACY & COLLABORATION

AIMCo is an active contributor to several international climate change advocacy and collaboration initiatives. Over the past few years, AIMCo supported the FSB's TCFD recommendations, joined Climate Action 100+ and the G7 Investor Leadership Network, contributed to a global PRI Methane Advisory Committee and provided feedback to CDP's new Oil & Gas reporting module. We view these initiatives as important in driving the transition to a low-carbon economy. We continue to advocate for the issuance of sector specific climate-related disclosure guidance for companies to enable better informed markets.

PROXY VOTING

In 2017-2018, our overall support for environment-related shareholder proposals was 30%. AIMCo supports reasonable shareholder proposals that request issuers to disclose and report on environmental risk mitigation, performance and any actions on climate change.

2017-2018 AIMCo VOTING OUTCOME: ENVIRONMENTAL SHPs





ESG FOCUS AREA:

WORKER SAFETY & HUMAN RIGHTS ACROSS THE SUPPLY CHAIN

The UN Guiding Principles on Business and Human Rights (UNGPR) establishes the world's first global standard for corporate responsibility to respect human rights, health and safety in company operations and across their supply chains. After the Rana Plaza factory collapse in Bangladesh in April 2013, the UK-based Accord and North American-based Alliance were struck as member organizations to carry out factory inspections, oversee remediations and ensure accountability.

WHY IT'S IMPORTANT TO AIMCo & ALBERTANS

'Doing Business the Right Way' is a core value to AIMCo. Most Canadian and developed country companies doing business across the world uphold the UNGPR and related international agreements respecting human rights. Companies that do not actively work to uphold basic human rights, including in international jurisdictions they source from, make themselves vulnerable to potential operational disruptions, liabilities and reputational risks with adverse financial consequences.

ACTIONS TAKEN

- We continue to conduct engagements with issuers such as Loblaw, Next plc and Canadian Tire regarding their sourcing protocols from Bangladesh after the Rana Plaza factory collapse in 2013
- We proactively engaged with North American, European and Asian issuers in 2017-2018 regarding poor disclosure of injury rates and safety protocols for workers
- We routinely track evidence of worker safety policies and related performance for our real estate and infrastructure assets and funds as part of the GRESB survey

ENGAGEMENTS

AIMCo's engagements with issuers on worker safety and human rights across the supply chain this past year have primarily focused on company commitments to uphold international supply chain standards, the continuation of the Accord (Transition Accord) and future plans for the Alliance.

LABOUR MANAGEMENT ENGAGEMENTS 2017-2018



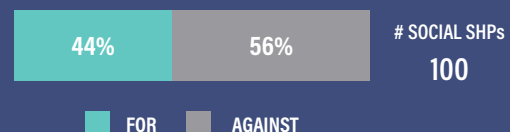
ADVOCACY & COLLABORATION

Over the past few years, we engaged key members of the Alliance for Bangladesh Worker Safety and the Retail Council of Canada to discuss the status of the Alliance and brainstorm the future of the initiative. Both initiatives have been mostly successful, achieving high factory remediation rates and demonstrating the value of sharing safety data amongst company members. AIMCo, alongside 127 investor signatories, expressed our continued support for the Conflict Minerals Rule and Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act in a letter to the US Securities and Exchange Commission, recognizing the importance of disclosure in improving investors' ability to assess social risks in a company's supply chain.

PROXY VOTING

In 2017-2018, AIMCo supported 44% of social-themed shareholder proposals, which ranged from requesting issuers adopt policies regarding the use of prison labour to requests for issuers to describe supply chain protocols.

2017-2018 AIMCo VOTING OUTCOME: SOCIAL SHPs





ESG FOCUS AREA:

EXECUTIVE COMPENSATION

Appropriately designed executive compensation practices align investor and management interests by appropriately awarding pay for performance and encouraging long-term company growth. Currently, Canada is the only G7 country which does not have a specific voting mechanism for shareholders to exercise voice on executive compensation. As of June 30, 2018, only 66% of all S&P/TSX Composite Index companies had voluntarily adopted say-on-pay.

WHY IT'S IMPORTANT TO AIMCo & ALBERTANS

AIMCo views say-on-pay, an annual advisory vote on executive compensation, as an effective company-shareholder engagement mechanism which offers shareholders the option of registering their concerns with compensation rather than resorting to a vote against or a withhold vote from members of the compensation committee. Say-on-pay also serves as a 'win-win' as it signals the overall level of shareholder support for executive compensation back to the issuer. Effective issuer-shareholder communication may reduce the incidence of negative vote results where concerns exist. Issuers that adopt say-on-pay also generally improve their compensation-related disclosure.

ACTIONS TAKEN

- We revised our [proxy voting guidelines](#) in 2017 to demonstrate our preference for Canadian issuers to adopt say-on-pay, and to register our discontent in situations where an issuer has adopted say-on-pay but chooses to ignore a significant percentage of shareholders who previously voted against it
- We proactively engaged with issuers that do not have say-on-pay and where we voted against say-on-pay
- We collaborated with investor peers on say-on-pay engagements and we co-filed a shareholder proposal requesting an issuer adopt say-on-pay
- We met with Canadian securities commissions to advocate for say-on-pay to be required on the ballot

ENGAGEMENTS

Since 2017, AIMCo has written to several companies requesting dialogue regarding their compensation structure or lack of say-on-pay. Engagement with investee firms has produced measurable results, with many companies subsequently committing to adopt say-on-pay at their next AGM or making significant changes to compensation plan features.

EXECUTIVE COMPENSATION ENGAGEMENTS 2017-2018

EXECUTIVE COMPENSATION	33
ALL ENGAGEMENTS	45

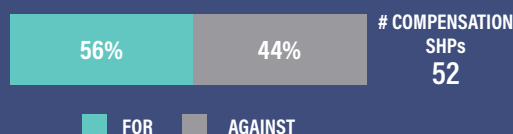
ADVOCACY & COLLABORATION

Say-on-pay has been adopted voluntarily by over 180 companies in Canada as a result of shareholder pressure. This year, eight issuers have responded positively to AIMCo and investor peer requests, committing to adopt say-on-pay at their next annual meeting. AIMCo and investor peers met with three provincial securities commissions to advocate for a mandatory advisory vote on executive compensation for all Canadian issuers. Globally, while some markets have opted for a required, but advisory vote on compensation, we notice a trend of some countries going further, by adopting binding say-on-pay votes (ex. UK and France) with spill-over impacts on director elections.

PROXY VOTING

In 2017-2018, AIMCo supported 56% of compensation-related shareholder proposals and supported 94% of executive compensation programs at Canadian issuers with say-on-pay on the ballot.

2017-2018 AIMCo VOTING OUTCOME: COMPENSATION SHPs





ESG FOCUS AREA:

WOMEN ON BOARDS

Greater diversity on boards and in executive positions not only makes good business sense, it is simply the right thing to do. Diverse, competent and independent boards enable board effectiveness, robust risk management, stronger corporate governance and ultimately, better performance over the long term. AIMCo's own board of directors is committed to gender diversity and greater representation of qualified women on boards, with an overarching policy objective to achieve gender parity.

WHY IT'S IMPORTANT TO AIMCo & ALBERTANS

Canada continues to lag in board gender diversity levels compared to most developed country nations. Strikingly, almost 40% of Canadian issuers still have no women on the board, while only 35% state they have a written diversity policy. Although Canada is improving – as today 14% of directors at Canadian issuers are female, which is up from 11% in 2015 – we still have a long way to go. Given ongoing global efforts to improve gender diversity, continued underperformance on this metric may present business and reputational risks, inhibiting Canadian issuers from successfully competing in a global, increasingly diverse economy.

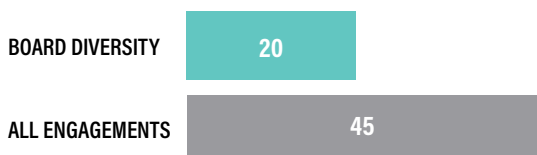
ACTIONS TAKEN

- We actively engaged with North American companies exhibiting low levels of board diversity to encourage more robust director nomination processes and adoption of board diversity policies
- We conducted several in-person meetings over the past few years with provincial securities commissions regarding issuers' progress on women on boards and next steps
- We updated our proxy voting guidelines to reflect our commitment to board diversity
- AIMCo has representation on several key diversity initiatives including the 30% Club, Coalition for Inclusive Capitalism and G7 Investor Leadership Network

ENGAGEMENTS

AIMCo has written letters to North American issuers featuring zero women on their board, with no diversity policy. The letters opened the door to dialogue with these companies and produced positive results.

BOARD DIVERSITY ENGAGEMENTS 2017-2018



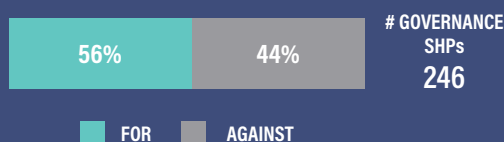
ADVOCACY & COLLABORATION

We responded to requests from securities commissions in Ontario, British Columbia and Alberta for comments on the effectiveness of National Instrument (NI) 58-101 requiring issuers to disclose the number of women on their board and in executive officer positions, and the processes to recruit women to these positions. AIMCo's CEO Kevin Uebelein is a member of the 30% Club Canadian Investor Group with an aim to achieve at least 30% women on boards in executive management for S&P/TSX Composite Index companies by 2022.

PROXY VOTING

AIMCo will 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. In 2017-2018, AIMCo supported 72% of gender diversity related shareholder proposals and 56% of governance proposals overall.

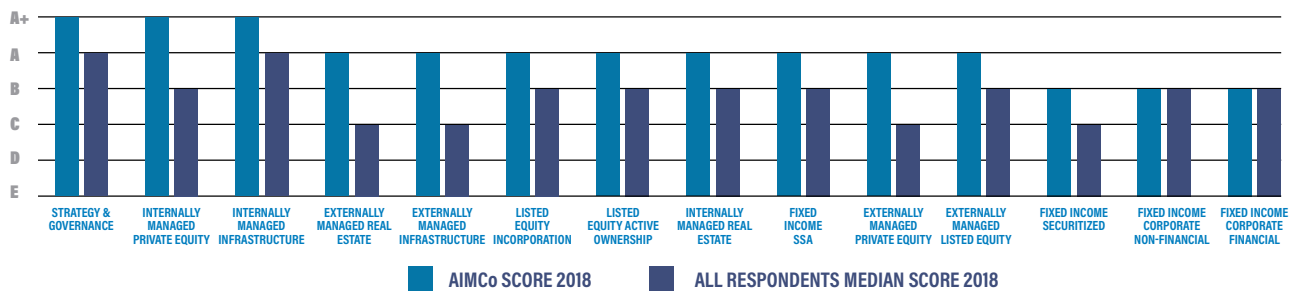
2017-2018 AIMCo VOTING OUTCOME: GOVERNANCE SHPs



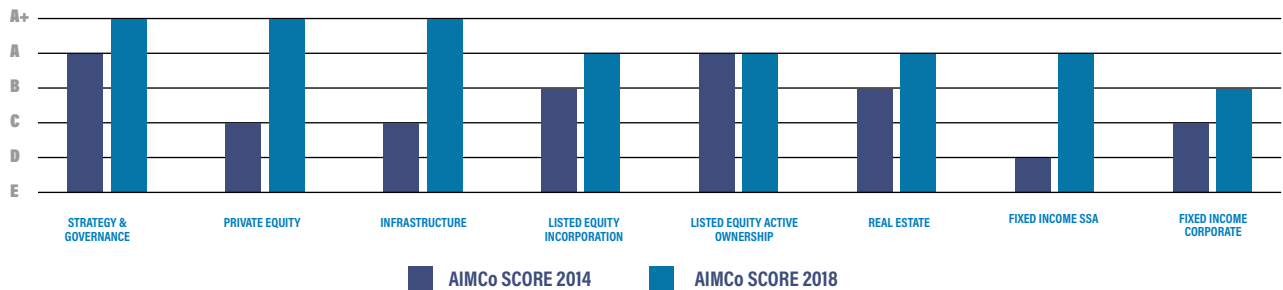
REPORTING & COMMUNICATIONS

Demonstrating transparency and accountability is at the forefront of everything we do. We report to clients on our RI activities, in-person and in written communications, such as the [AIMCo Annual Report](#), [RI Report](#) and quarterly reports.

As a PRI member signatory, AIMCo reports on our RI activities through the annual [PRI survey](#). The resulting [PRI Assessment Report](#) evaluates our RI performance compared to over 1,800 member signatories and serves as a valuable tool to assess our progress and inform our RI strategy. In 2018, AIMCo ranked above the median PRI survey score in 12 categories, at the median in two categories and recorded year-over-year improvements in seven categories.



Since the PRI first formalized the PRI assessment four years ago, ESG integration at AIMCo progressed across all major asset classes. Our efforts to improve ESG integration were particularly strong in our internally managed alternative assets – private equity and infrastructure – which scored three grades higher in 2018. AIMCo’s PRI Transparency Report, guiding documents and proxy voting history and rationale are all publicly disclosed on our [website](#).



BRETTON WOODS II LEADERS LIST

AIMCo was named to the [Bretton Woods II Leaders List of The 25 Most Responsible Asset Allocators](#) in October 2017. The initiative evaluated nearly 300 asset allocators, selecting 121 funds comprising \$20 trillion in AUM for careful analysis and rating based on 10 principles: Disclosure, Intention, Clarity, Integration, Implementation, Commitment, Accountability, Partnership, Standards and Development. The resulting list of 25 global leaders were top scoring sovereign wealth funds and government pension funds who are actively incorporating new strategies to manage ESG risks.

EDUCATION & TRAINING

Becoming a world-class responsible investor requires a focus on integrating ESG across the investment process and a commitment to leading by example. From speaking at global conferences and contributing to thought leadership, to developing the next generation of leaders and organizing local events, we seek to build awareness and advance the field of RI.

AIMCo 2017-2018 ACTIVITY SUMMARY

CONFERENCE & EVENT PARTICIPATION

Pacific NW Institutional Investor Forum **September 2017**

RI Week: Eric Geddes Lecture Series **October 2017**

Catalyst Canada & 30% Club Panel **November 2017**

RI Americas Conference **December 2017**

FEI Canada Edmonton Chapter **January 2018**

AFP Edmonton Luncheon **March 2018**

Pension & Investments ESG Investing Breakfast **May 2018**

RIA Conference **June 2018**

THOUGHT LEADERSHIP CONTRIBUTIONS

The New Frontiers of Sovereign Investment **2017**
Columbia University Press

The Evolution of the Canadian Pension Model
World Bank Group

ICGN Fiduciary Duty Guidance **2018**
International Corporate Governance Network

POST-SECONDARY INVOLVEMENT & PROFESSIONAL DEVELOPMENT TRAINING



In 2017-2018, AIMCo hosted three unique internal training sessions – an AIMCo Days, Summer Student Lunch n' Learn and International Women's Day Celebration – for staff members to learn more about AIMCo's RI approach and select ESG topics.



Last year, AIMCo participated as a guest speaker and capstone project mentor for multiple Alberta School of Business MBA courses related to sustainability. To build awareness of RI and careers in sustainability, AIMCo hosted MBA students at our head office for a Sustainability Career Trek and took part in the University of Alberta's Sustainability Awareness Week and Student Sustainability Summit.



AIMCo contributed to the ICD's [Directors Education Program](#) through the development and instruction of a shareholder engagement module.

ICGN GUIDANCE: IMPLICATIONS OF FIDUCIARY DUTY FOR INSTITUTIONAL INVESTORS



AIMCo has been an active member of the [International Corporate Governance Network \(ICGN\)](#) since 2013, an investor-led organization with a mission to promote standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.

AIMCo contributed to ICGN Guidance on [Diversity on Boards \(2016\)](#) and to the [ICGN Guidance on Fiduciary Duty \(2018\)](#), which outlines global investor fiduciary principles such as the duty to inform and consult with clients, implications of fiduciary duty across the investment chain and the significance of ESG performance with respect to systemic risk and investment considerations.



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