



# Climate Approach

Sustainable Investing

February 2024





## LEGAL NOTICES

This document, and the disclosures and information contained herein (collectively, our “Climate Approach”), is provided by the Alberta Investment Management Corporation (“AIMCo”), solely for informational purposes, and not for the purposes of promoting, either directly or indirectly, any business or business interest.

AIMCo does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by AIMCo for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

Additional information related to AIMCo and its investment strategies can be located on our website at [www.aimco.ca](http://www.aimco.ca).

### **Caution Regarding Forward-Looking Statements**

This document contains certain statements that are forward-looking and reflect management’s expectations regarding the future growth, results of operations, performance, and business of AIMCo based on information currently available to AIMCo. Forward-looking statements are provided for the purpose of presenting information about management’s current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may use forward-looking words, such as “anticipate”, “continue”, “expect”, “intend”, “estimate”, “plan”, “believe”, “trend”, “potential”, “anticipate”, “achieve”, “commit” and “seek” or other similar words or expressions, or future or conditional verbs as “will”, “may”, “would”, “could”, “should” or other similar words or expressions.

These forward-looking statements concern, among other things, statements regarding management’s strategy, objectives, outlook and expectations. Many factors affect AIMCo’s organizational practices and the performance of AIMCo’s plans and funds, such as changes in market conditions, interest rates, inflation, demographics, technological factors, environmental and climate factors and ongoing geopolitical tensions. Investment returns and values will fluctuate. Past performance is not a guide to or indicative of future results.

These forward-looking statements also concern, among other things, statements regarding AIMCo’s approach, projections, objectives and goals regarding environmental, social and governance (“ESG”) matters, including the climate pillars outlined in AIMCo’s Four Pillar Climate Approach, principles outlined in AIMCo’s Climate Taxonomy, and AIMCo’s stewardship function (collectively, “ESG Objectives”). These statements are subject to known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results.

Other potential material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: that economic conditions affecting AIMCo, its plans and funds will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, laws and regulations, weather, taxes, inflation, and interest rates.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our ESG Objectives will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors, many of which are beyond our control and effects of which can be difficult to predict, could cause our actual results to differ materially from the expectations, targets, estimates or intentions expressed in such forward-looking statements.

### **Additional Caution Regarding Climate-Related Disclosures**

This Climate Approach includes statements and other disclosures related to AIMCo’s approach to climate change and other related ESG factors. In preparing this Climate Approach, AIMCo has made various assumptions, including about technological, economic, scientific, and legal trends and developments, in light of an evolving policy and regulatory environment. As such, the data, analysis, strategy and other information in this Climate Approach remain under development and subject to evolution, amendment, update and restatement over time. AIMCo specifically cautions readers of the following:

- » The evolution of the policy and regulatory environment related to climate change and ESG matters generally, may result in updates or revisions to accounting methods, forward-looking statements or other information contained in this document. There could also be changes to market practices, external methodologies, frameworks, criteria, taxonomies and standards (collectively, “ESG Standards”) that governmental and non-governmental entities, the business community and industry sectors use to classify, assess, measure, report on and verify climate-related disclosures. Furthermore, in some cases, ESG Standards may not exist. Changes to or the development of new ESG Standards may cause us to amend or restate our Climate Approach and ESG Objectives.
- » AIMCo’s Climate Approach may include statements regarding certain ESG Objectives. In establishing our ESG Objectives, we made good faith assumptions and estimates and, where applicable, relied on various market practices, laws and regulations and ESG Standards. Given the complex and evolving nature of many ESG matters, particularly the global response to climate change, our priorities, assumptions and estimates may change or be incorrect or inaccurate, and these ESG Standards may change over time, in ways we cannot foresee or predict. We caution readers to understand the ESG Objectives we have set in this context.
- » Technical and other terms, such as “emissions”, “net-zero”, “scenario analysis”, “climate taxonomy”, “green”, “carbon footprint”, and “decarbonization” are evolving, and AIMCo’s use of such terms may change to reflect such evolution. Any references to such terms in this document are, unless otherwise indicated, references to internally defined meanings and criteria and not necessarily references to a particular regulatory definition or ESG Standard.
- » In preparing this Climate Approach and in setting and implementing its ESG Objectives, AIMCo often relies on data obtained from, or methodologies established by, third parties. Although AIMCo believes these sources are reliable, it has not verified all third-party data, or assessed the assumptions underlying such data, and cannot guarantee their accuracy. AIMCo’s use of third-party data or methodologies cannot be taken as an endorsement of the third-party, its methodologies or its data. The data or methodologies used by AIMCo in connection with its Climate Approach may be limited in quality, unavailable or inconsistent across sectors or assets.

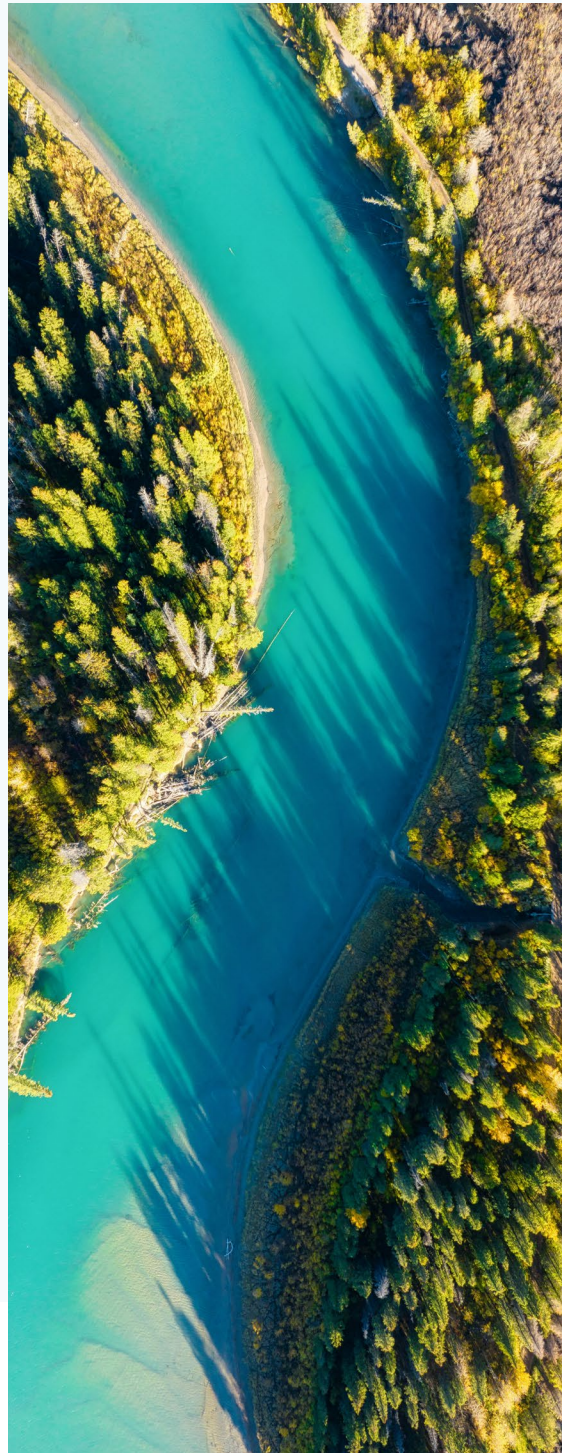
Around the globe, climate change poses significant risks, affecting ecosystems, weather patterns and economic activity. Climate change remains one of the most pressing systemic risks of our time and a material environmental factor we face not only as investors, but as members of an interconnected global community.

How AIMCo and our portfolio companies identify, monitor and manage climate risks can significantly affect the long-term, risk-adjusted net investment returns we deliver to our clients. We understand the potential risks that climate change poses for our portfolios and are working toward ensuring they are resilient in an ever-changing world.

Where there are risks, there are also opportunities. Our investment strategy compels us to seek investment opportunities created as the world transitions to a low-carbon economy.

AIMCo's Climate Approach is investment-driven and focused on meeting our clients' objectives. It is centred on the areas we can have the most impact as a global, long-term investor.

We aim to provide our stakeholders with transparency pertaining to how we consider climate and investing on behalf of clients, and how we will, over the long run, help reduce emissions in key sectors of the economy, improve resource efficiency, and identify new investment opportunities to help our clients secure a better financial future for the Albertans they serve.



# Ten Years of Climate Action

AIMCo has been strategically evaluating climate change risks and opportunities for the last decade and the organization has a strong track record of making investments in the energy transition space.

- » AIMCo has calculated its carbon footprint annually since 2016 and continues to improve its climate-related disclosure in alignment with globally accepted standards such as the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).
- » AIMCo is an active member of climate-related collaborative initiatives including Climate Engagement Canada, Climate Action 100+, the Investor Leadership Network, the Sustainable Finance Action Council, World Benchmarking Alliance and the Partnership for Carbon Accounting Financials.
- » AIMCo has investments in energy transition and climate solutions across asset classes and in various sectors.
- » AIMCo developed a climate taxonomy in 2023 to serve as a classification system that helps identify climate change-related risks and opportunities in our portfolio and creates a baseline of where clients' assets are today with regards to the transition to the low-carbon economy.



# Portfolio Progress


As of December 31, 2022, unless otherwise noted




**\$16 billion+** in green investments<sup>1</sup> across our asset classes



**48%** of our direct core Infrastructure portfolio assets under management have made net-zero commitments (as of December 2023)



**15%** of our Private Placement Fixed Income portfolio financed renewable energy initiatives including investments in wind, solar and hydro energy projects



**94%** of operational Canadian properties in our Real Estate portfolio have green building certifications<sup>2</sup>



Climate Approach

Alberta Investment Management Corporation

<sup>1</sup> Green investments are defined based on generally accepted definitions and include: Public equity and corporate debt investments that derive the majority of their revenue from green activities, identified through FTSE's Green Revenue Classification System, a third-party model to identify companies involved in green activities and aligned with the EU Taxonomy, public fixed income investments (corporate and government) in labelled green, sustainability and sustainability-linked bonds, direct investments in renewable energy assets in our private infrastructure portfolio, direct investments in forestry and agriculture assets in our private renewable resources portfolio, and Canadian, U.S. and E.U. operating real estate investments with green building certifications.

<sup>2</sup> Recognized green building certifications used for the purposes of this calculation are LEED, BOMA BEST, Fitwel and WELL Building Standard.

# AIMCo's Climate Taxonomy

AIMCo's climate classification system provides insight into our portfolio and offers transparency to our clients. This system, which is called a climate taxonomy, frames both existing and new investments as they relate to energy transition readiness and carbon intensity.

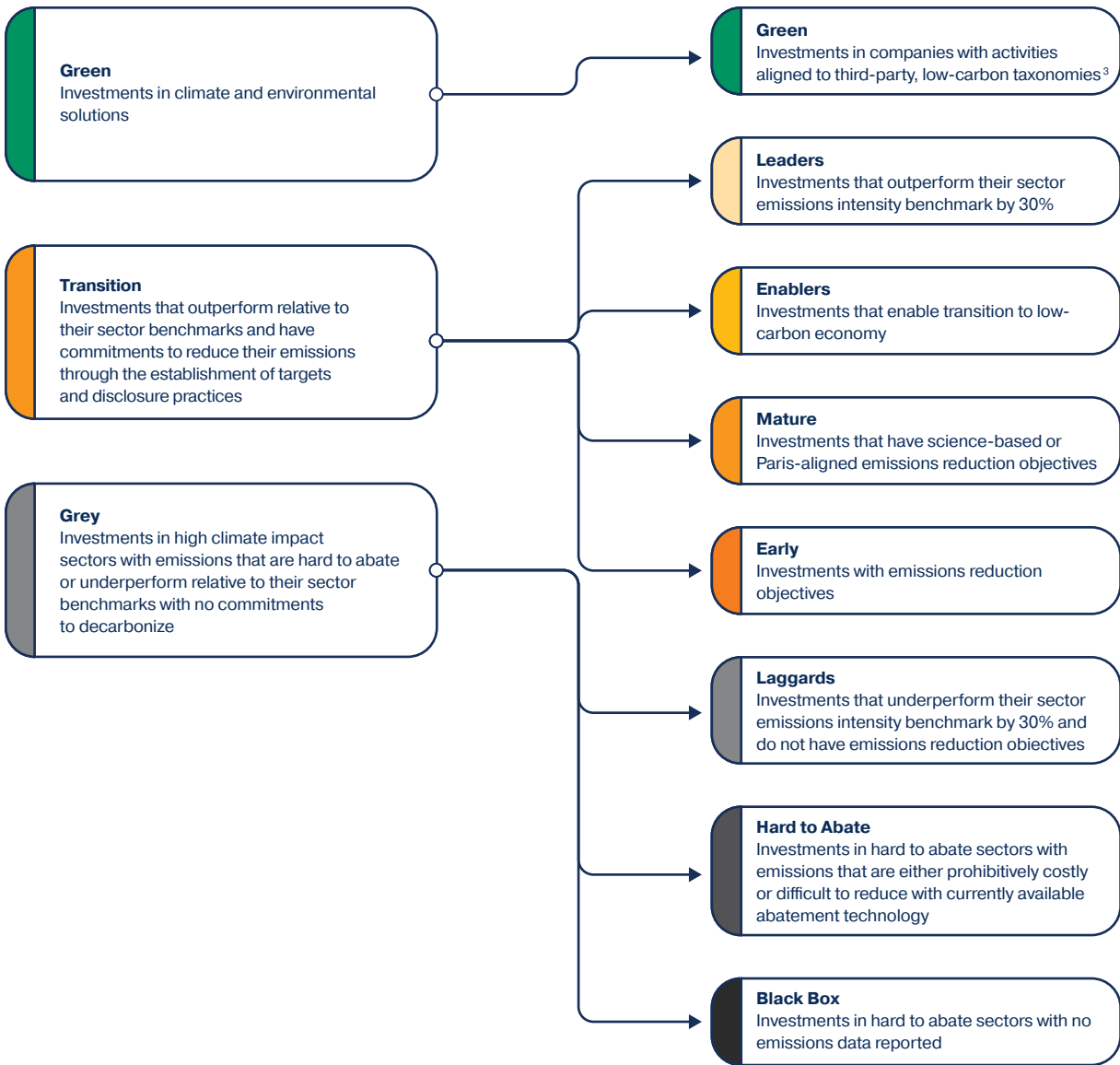
The taxonomy is rooted in three key principles:



Classifying our investments through this lens helps:

- » Analyze climate risk within our clients' portfolios
- » Measure and improve our total portfolio's transition readiness
- » Classify investments into defined categories of grey, transition and green





<sup>3</sup>A low-carbon taxonomy identifies economic activities that contribute to the transition to a low-carbon and climate-resilient economy. Third-party taxonomies include FTSE's Green Revenue Classification System, a third-party model to identify companies involved in green activities and aligned with the EU Taxonomy.



# Examples from our Portfolio

There are assets in our clients' portfolios that are at the forefront of the transition to the low-carbon economy.

## Constantine Energy Storage

This company in our clients' Infrastructure & Renewable Resources portfolios is a battery energy storage platform with exclusivity over 450-megawatt battery development pipelines across the U.K.

Grid scale battery energy storage systems will play a crucial role in decarbonization of the U.K. electricity supply by addressing the supply and demand imbalances resulting from increasing intermittent renewable generation.

## ACES Delta

On behalf of clients, AIMCo is part of an equity syndication program to finance the world's largest green hydrogen platform in the U.S.

Hydrogen can serve as a versatile and clean energy carrier and can help decarbonize sectors such as transportation, industrial processing, and power generation. Hydrogen is expected to play a vital role in meeting many industries' decarbonization goals.

## Grand Renewable

A debt agreement, on behalf of our clients, finances a utility scale, 100-megawatt alternating current solar facility in Ontario.

Solar energy can significantly decarbonize the world by providing clean, renewable power. Through the development of solar facilities, the world can reduce its reliance on fossil fuels.

## Puget Sound Energy

Puget Sound Energy (PSE) is an energy utility company based in Washington state that provides electrical power and natural gas to the Puget Sound region.

The company has set an aspirational goal to be a Beyond Net Zero Carbon company by 2045. PSE will target reducing its own carbon emissions to net zero and go beyond by helping other sectors to enable carbon reduction across the state of Washington.

## Blackstone Green Private Credit Fund (BGREEN III)

AIMCo's strategic investment in Blackstone's Green Private Credit Fund (BGREEN III) aligns capital with the largest energy transition private credit fund ever raised. BGREEN III is managed by Blackstone Credit's Sustainable Resources Platform, which focuses on providing private credit to the renewable energy, infrastructure, and energy transition marketplace.

# Energy Opportunities Pool

In consultation with clients, AIMCo has established an Energy Opportunities Pool (EOP). With many clients allocating to the pool, more than \$1 billion will be deployed to capitalize on the tailwinds of the global energy transition and decarbonization sectors. This approach is additive to the efforts we already make on climate investing across asset classes.

By investing in EOP, clients can seize the early-mover advantage, allowing them to capitalize on growing transition opportunities at scale. Its strategy is to complement existing products and concentrate investments in opportunities that may not be able to be leveraged within existing asset class mandates, enhancing clients' overall investment strategies.

Due to the far-reaching effects of the energy transition and evolving innovation, EOP investments will offer clients exposure to a variety of energy transition opportunities and themes, including, but not limited to:

- » Industrial decarbonization, carbon capture and sequestration
- » Sustainable solutions and renewable fuels
- » Low-carbon renewable energy production and related technologies
- » Electrification, storage, and energy efficiency



# AIMCo's Four Pillar Climate Approach

AIMCo is committed to supporting the transition to the low-carbon economy through our investments and stewardship. We strive to be transparent with our stakeholders about the strategies and processes through which we implement and execute our approach. We have organized our approach to climate into four pillars that provide the opportunity to have a positive, lasting impact for both our clients and for real-world decarbonization efforts.

Our approach includes:

» **Due Diligence & Risk Management**

Build a scalable, data-driven and enterprise-wide approach for evaluating and managing climate risk across the portfolio.

» **Investing & Transition Finance**

Capture value enhancing investment opportunities by funding the transition across asset classes and in new and emerging industries.

» **Engagement & Value Creation**

Improve transition readiness and capacity across our portfolio, and internally.

» **Reporting & Disclosure**

Meet ever-increasing reporting standards and requirements and deliver transparent and insightful disclosure to clients and stakeholders on climate-related activities.

Climate Pillar

# Due Diligence & Risk Management

## Long-Term Objectives

Develop resilient portfolios through integration of an enterprise-wide approach to identify, monitor, and manage climate-related risks and opportunities across the investment lifecycle.

## Actions

Focus on top-down climate scenarios and heat maps to enable total risk analysis of the total portfolio, with dedicated personnel.

Climate Pillar

# Investing & Transition Finance

## Long-Term Objectives

Maximize long-term, risk-adjusted net returns through investments in climate solutions and the energy transition.

## Actions

Launch a dedicated Energy Transition pool that will enable clients to invest and participate in the global energy transition.





Climate Pillar  
**Engagement  
& Value Creation**

**Long-Term Objectives**

Use our influence to improve the transition readiness of our assets through better emission measurement and reporting.

Build capacity within our portfolio companies and across the organization with tools to build, assess, and implement transition plans.

**Actions**

Work with portfolio companies in high-emitting sectors to measure and report on Scope 1 and 2 emissions, and where relevant, Scope 3 emissions, starting with assisting up to five companies.

Select portfolio companies to build decarbonization pilots including the development of credible transition plans, beginning with two. AIMCo can then apply these learnings to other portfolio companies and for broader portfolio transition planning.

Engage annually with the top 10 emitters in our portfolio to drive decarbonization.

Through proxy voting, vote against directors when climate action or disclosure is deemed insufficient for portfolio companies.

Support shareholder proposals that are in favour of improving climate reporting and other climate-related initiatives.

Climate Pillar  
**Reporting  
& Disclosure**

**Long-Term Objectives**

Ensure we deliver reporting to our clients and beneficiaries that is transparent and in line with industry best practices and regulations.

**Actions**

Ensure climate reporting is aligned with globally accepted frameworks, including IFRS S2.

Report annually on our climate action, including progress made on our objectives.

# Navigating Climate Realities

## Stewardship to Advance the Transition

As a multi-client asset manager, AIMCo must consider the risk and return profiles of all clients in setting investment strategy, including our approach to climate.

Our approach strongly emphasizes our stewardship function. We believe that engaging with portfolio companies improves sustainability practices more holistically. Through direct and collaborative engagements and our proxy voting, AIMCo continues to improve companies' transparency, climate disclosures, sustainability reporting, emissions target-setting and reductions, and more.

Our "voice over exit" philosophy enables us to leverage our influence as investors to spur ongoing, constructive dialogue on climate best practices rather than to divest and unnecessarily reduce the investible universe. We take a practical and goal-oriented direction toward facilitating a realistic transition for companies and industries that may be higher emitting today. In some instances, this means working with companies to help develop short, medium, and long-term reduction goals. In other cases, we use our proxy voting function to have a voice on fundamental climate matters.

Many of AIMCo's portfolio companies are working toward their own emissions targets. Others have a more difficult decarbonization path. All are subject to our investment due diligence and disciplined asset management approach.

## Direct Capital to Decarbonization

If Canada is to meet its Paris Climate Agreement pledges, investors will need not only to invest in renewable, zero-emission energy, but also to aid heavy emitters in lowering their greenhouse gas footprints or go from "grey to green."

If investors direct capital only toward green, low impact companies, there is very little room to further improve real-world decarbonization efforts. Directing capital away from higher emitting sectors pushes companies closer to financial distress, thereby forcing them to focus on the short term, which can lead to firms halting abatement methods.



AIMCo's belief is rooted in supporting the energy transition. We will remain invested in industries with notable carbon footprints as we believe divesting, cutting funding, or making the energy transition more expensive for carbon-intense industries causes a lack of real-world progress.

### **Integrate Climate Considerations in Investment Decisions**

At AIMCo, climate considerations span pre-investment, investment decision and post-investment stages. Our pre-investment stage includes high-level identification of material climate considerations requiring deeper review. This due diligence process supports better investment decision-making by providing a holistic understanding of climate risks and opportunities.

For any potential investment, high level material climate issues are identified using globally recognized materiality frameworks such as those developed by the Sustainability Accounting Standards Board or the International Financial Reporting Standards Foundation. We also deploy due diligence questionnaires tailored specifically to the investment type, following industry best practices, such as the Institutional Limited Partners Association or the Principles for Responsible Investment. This due diligence function is a significant factor in determining the fate of a current or prospective investment.

Additionally, AIMCo's post-investment monitoring process, which includes stewardship and asset class monitoring, considers climate significantly by assessing companies' climate performance goals, targets, and strategies. Risk mitigation, climate accountability, transparent reporting, and commitment to ensuring climate is considered when making business decisions are also monitored.

AIMCo's Climate  
Approach is  
investment-driven  
and focused on  
meeting our  
clients' objectives.



An aerial photograph showing a body of water on the left and a rocky, brownish shore on the right. The water is a deep teal color, and the shore is composed of small, dark rocks. The AIMCo logo is centered over the boundary between the water and the shore. The logo consists of the letters 'AIMCo' in a white, sans-serif font, with a white circular arc above the 'M' and 'C' that partially encloses them.

AIMCo