

RESPONSIBLE INVESTMENT REPORT

DOING BUSINESS THE RIGHT WAY

2014–2015



PROFILE

Alberta Investment Management Corporation, AIMCo, is one of Canada's largest and most diversified institutional investment managers with more than \$88 billion of assets under management.

We were established in 2008 as a Crown Corporation to provide investment management services to specified pension, endowment and government funds in Alberta.

Increasingly, our 26 clients are focusing on Responsible Investing and the impact of Responsible Investing from a variety of perspectives including investment risk and return.

WHAT IS RESPONSIBLE INVESTMENT?

Responsible Investment (RI) is an investment strategy focused on enhancing and protecting long-term shareholder and multiple stakeholder value by considering the impact of environmental, social and governance (ESG) factors on investment risk and performance, alongside traditional financial and economic analysis. An institutional investor will typically undertake RI to further the goal of creating and protecting long-term, stable stakeholder value. The RI value proposition focuses on the "triple bottom line": economic, environmental and social assets and liabilities.

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A view seen from St. Albert

CEO MESSAGE



We are pleased to present our second annual Responsible Investment Report outlining AIMCo's Responsible Investment activities and accomplishments over the past year. Being a responsible investor is central to AIMCo's core value of 'doing business the right way' and it aligns powerfully with our long-term investment mindset. By evaluating our investments through the lens of environmental, social and governance factors (ESG) we seek to maximize risk-adjusted returns for our clients over the long term while paying attention to the health of our planet.

AIMCo's clients include some of Canada's largest pension plans, the nation's largest endowment fund and the day-to-day operating balances of the Province. The assets we manage are important to Albertans, and we take our fiduciary duty seriously. The development of Responsible Investment is an exercise in change management for many funds, as traditional finance and 'business as usual' adapt to include ESG considerations across investment processes.

Considering AIMCo's Responsible Investment department began in 2012, our progress to date is significant. Last year our Infrastructure department adopted its own sustainability guidelines, just as our Real Estate department did two years ago. Infrastructure investing is complex with a clear social overlay-making political, regulatory, and ESG risks generally more acute. We have been working behind the scenes with peers to facilitate a new, global sustainability benchmarking initiative for infrastructure assets.

Over the last year AIMCo contributed to public debate on topics ranging from gender diversity on boards to the need for Canada to contribute at the upcoming UN climate conference. We engaged with companies on issues ranging from disclosure of emissions to supply chain risk and executive compensation. We expect a level of transparency from our investee companies to explain how they think and what they do, and this report demonstrates that we do the same ourselves. We hope you enjoy the report, and do visit our website at www.aimco.alberta.ca for more updates on How We Think and What We Do.

Responsibly Yours, Kevin Uebelein

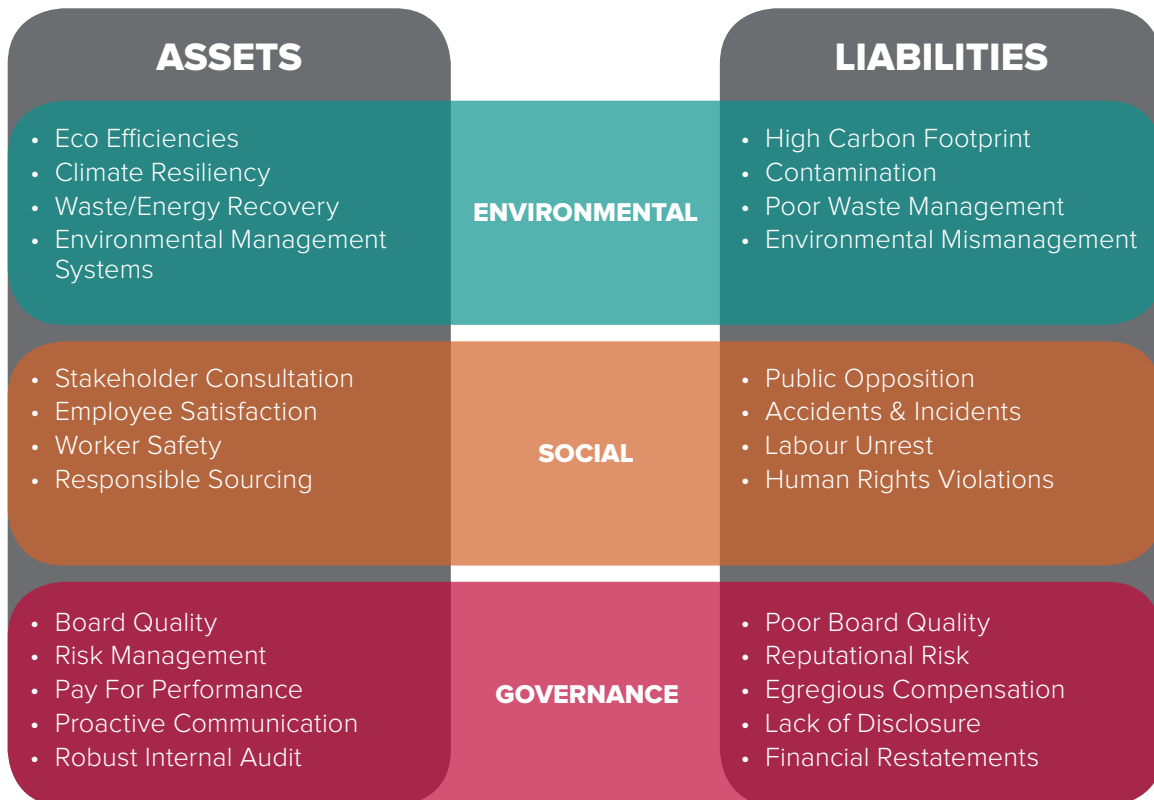
A handwritten signature in dark ink, appearing to read 'Kevin Uebelein', written in a cursive style.

Chief Executive Officer
Alberta Investment Management Corporation (AIMCo)

OUR PHILOSOPHY

Our world is getting increasingly complex, especially as we consider the over-arching impacts of climate change, globalization, and the market's transition to a knowledge-based economy. Corporate assets and liabilities are no longer purely financial, making it difficult for traditional financial metrics to price risk and return appropriately. We must go beyond traditional information gathering and analysis to include environmental, social and governance (ESG) factors in order to properly assess risk and value in our investment decision making.

Better investment decisions further our goal of creating and protecting long-term, stable stakeholder value, which increases investment confidence for AIMCo's clients. This is "How We Think". Financial and risk accounting do not fully incorporate valuation techniques for non-traditional intangible assets. Responsible Investment (RI) identifies ESG assets and liabilities for companies and the potential financial impacts. The below diagram represents key ESG metrics we commonly consider across our holdings:



OUR FOUNDATION

AIMCo signed onto the United Nations Principles for Responsible Investment (PRI) in 2010, making a formal commitment to incorporate ESG factors into investment analysis and decision-making. At the core of PRI are six Principles that guide over 1,200 signatories in the implementation of RI. AIMCo's board adopted an RI Policy in November, 2012. Our RI Policy closely aligns with the PRI Principles and is publicly available on our website. The PRI Principles are:

1

INCORPORATE ESG

issues into investment analysis and decision-making processes.

4

PROMOTE ACCEPTANCE

and implementation of the Principles within the investment industry.

2

BE ACTIVE OWNERS

and incorporate ESG issues into our ownership policies and practices.

5

WORK TOGETHER

to enhance our effectiveness in implementing the Principles.

3

SEEK DISCLOSURE

on ESG issues by the entities in which we invest.

6

REPORT ACTIVITIES

and progress towards implementing the Principles.

RI IMPLEMENTATION

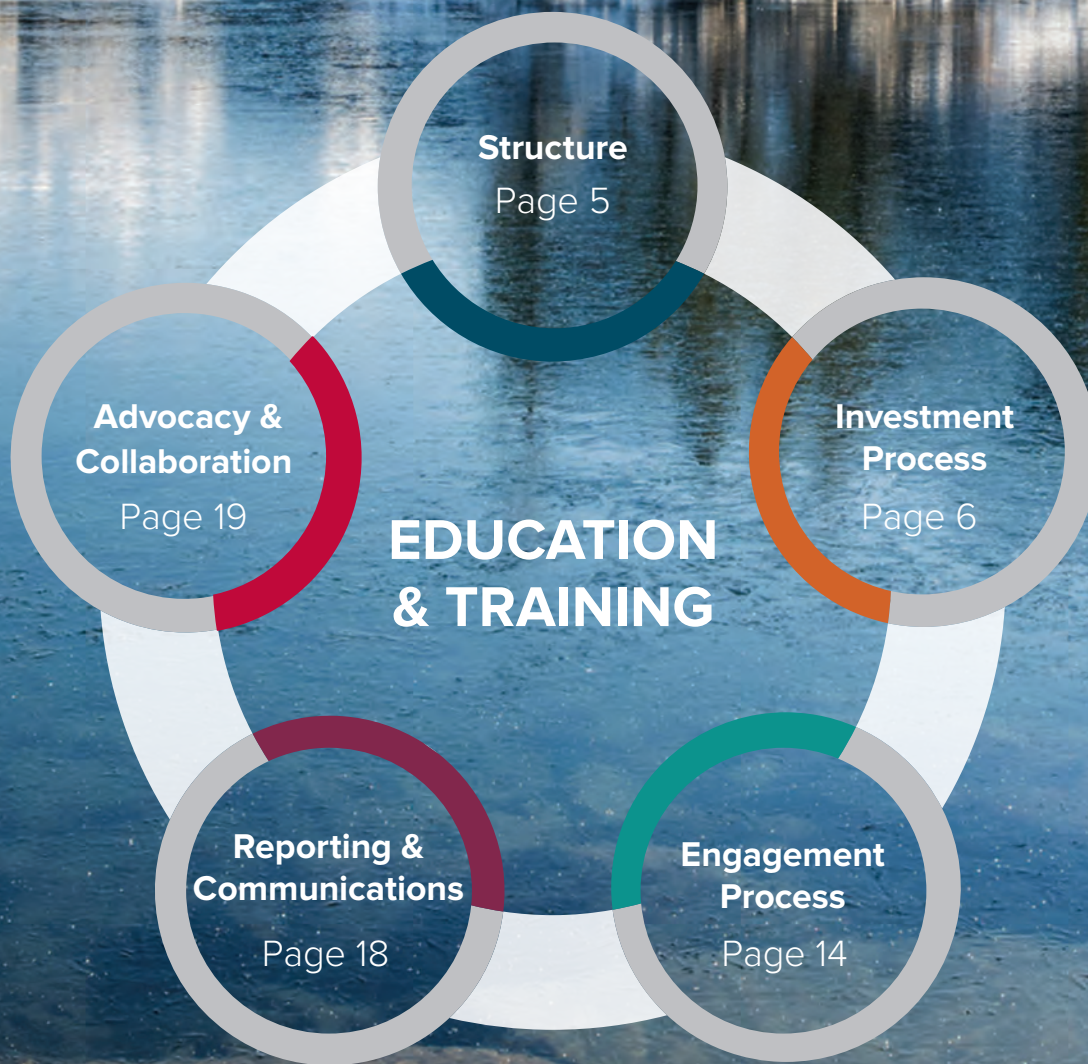
AIMCo provides total fund investment management, with asset classes ranging from public equities and fixed income to private equity, mortgages and infrastructure. RI permeates all assets under management. AIMCo's in-house Responsible Investing team works alongside AIMCo's investment professionals to implement RI across our investment processes. The implementation of RI and the impact of ESG factors 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, stable stakeholder value. This is 'What We Do.'

VOICE OVER EXIT

AIMCo champions a "voice over exit" approach—we engage with a company to effect positive change where possible, rather than simply divesting our clients of the applicable holdings. This also mitigates the risk of unduly reducing the investible universe.

RI PILLARS

The Responsible Investment pillars provide the structure and foundation for how we implement our philosophy with each pillar supporting one or more of the PRI Principles:



STRUCTURE

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

Our RI Policy is approved by our Board and is available on AIMCo's website. The AIMCo Responsible Investing Committee is chaired by our CEO and features cross-departmental representation, including our Chief Investment Officer. The RI Committee is responsible for broad oversight of AIMCo RI strategy, activities and procedures.

The AIMCo RI team is responsible for the day-to-day implementation of the RI strategy and reports to our Chief Client Relations and Legal Officer. Responsible Investment functions as an 'umbrella' department reaching across the organization.



Alison Schneider, Senior Manager,
Responsible Investment, AIMCo



Darren Baccus, Chief Client Relations
and Legal Officer, AIMCo

AIMCo was a sponsor of the Responsible Investment Association's (RIA) annual conference in June 2015. Darren and Alison spoke on the panel "Fundamental RI Practices of a Canadian Institutional Investor".

INVESTMENT PROCESS

The integration of ESG factors into AIMCo's investment processes is central to the implementation of our RI philosophy.

While this integration occurs to varying degrees across all AIMCo-managed asset classes, a significant portion of our RI activity for this Pillar is concentrated on proxy voting.

PROXY VOTING: MANAGING THE PORTFOLIO

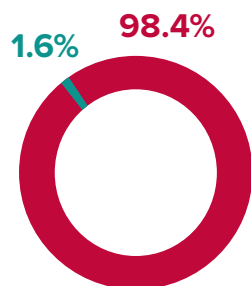
The right to vote on one's shares is a fundamental shareholder right. AIMCo enhances shareholder value by exercising proxy voting rights on behalf of our clients at annual general meetings of publicly traded companies around the globe. AIMCo voted on publically traded shares valued at \$34.5 billion during 2014–15. Voting decisions are based on AIMCo's bespoke Proxy Voting Guidelines and take unique circumstances and local markets into account.

The proxy voting process is an important tool to maximize and protect stakeholder value. We devote considerable attention to ensuring AIMCo's proxy voting processes are robust and promote good corporate governance practices. We take a very rigorous, hands-on approach:

- **Proxy Voting Guidelines** — AIMCo has developed our own bespoke Proxy Voting Guidelines (PVGs) and principles-based voting rationale. We do not rely upon or defer to any one proxy service provider but review voting recommendations from several proxy service advisories. We reconcile research with our PVGs, portfolio managers' views and our own independent research.
- **Thorough, Robust Analysis** — Every ballot item is reviewed internally by AIMCo professionals.
- **Thoughtful, Considered Approach** — Proxy voting is not always black and white. Our PVGs provide a set of guiding principles, but our processes require the analysis to be contextual and responsive rather than formulaic.
- **Responsive** — Proxy voting issues and trends are always evolving. To ensure our practices are kept up to date, the RI team regularly brings the PVGs to our RI Committee for review and approval of evolutionary changes.

The seven voting categories covered by the Proxy Voting Guidelines are Director Elections, Shareholder Rights, Compensation, Audits, Capital Structure, Take-over Protection, and Reporting. For more information, see www.aimco.alberta.ca/How-We-Think/Proxy-Voting

PROXY VOTING 2014–15 SEASON



● % of meetings that were voted upon

● % of meetings that were not voted upon due to issues such as share blocking*

2,403 Meetings in our portfolio

For the period of July 1, 2014 to June 30, 2015

Executive Summary

Globally, boards are dealing with more calls from activist investors, regulators and stakeholders at large to improve board governance, reduce environmental and social risk, and demonstrate shareholder accountability. During the 2014–15 proxy season we noticed fewer proxy fights as opposing parties reached consensus earlier. Boards in developed markets are increasingly forming risk committees to address environmental, social and governance (ESG) issues.

CANADA: The percentage of women on boards increased from 10% in 2012 to 21% in 2014.

USA: We supported the highest percentage of Shareholder Proposals here.

ASIA EXCLUDING JAPAN: We voted at more meetings here than in any in other market outside North America.

EUROPE: In France, the Florange Act allows companies to grant longer term shareholders more voting power.

OCEANIA: We supported the highest percentage of management proposals here.

JAPAN: We voted in support of Japan's new corporate governance code's criteria for director independence.

*Share blocking occurs when an issuer requires shares being voted on to be temporarily blocked from trading for a certain period around the meeting / voting date. AIMCo does not support share blocking mechanisms as they restrict trade activity and impede our portfolio management abilities.

Proxy Voting 2014–15 Season

WE DON'T ALWAYS AGREE WITH MANAGEMENT

AIMCO DID NOT SUPPORT **17.5% OF THE 24,964** PROPOSALS MADE BY MANAGEMENT

International Corporate Governance

This year, the trend of new country specific corporate governance codes continued in Japan and Indonesia, while Turkey adopted a new Commercial code. Local markets were slow to adapt to their codes resulting in considerable company non-compliance. The United Nations Guiding Principles (UNGP), the UK Modern Slavery Act and various country codes are further contributing to companies' integration of ESG across markets. AIMCo generally upholds companies to local country corporate governance codes or internationally applicable standards when proxy voting.

Shareholder Proposals

Shareholder proposals (SHPs) are submitted for voting at annual and special meetings, subject to market-specific minimum holdings and advance notice requirements. The frequency of and support for SHPs reflects evolving regional and global shareholder concerns. AIMCo supports timely, reasonable SHPs which uphold corporate governance principles such as board quality, diversity, appropriate levels of ESG disclosure and pay aligned with performance. We consider whether the SHP enhances value to the company and to shareholders.

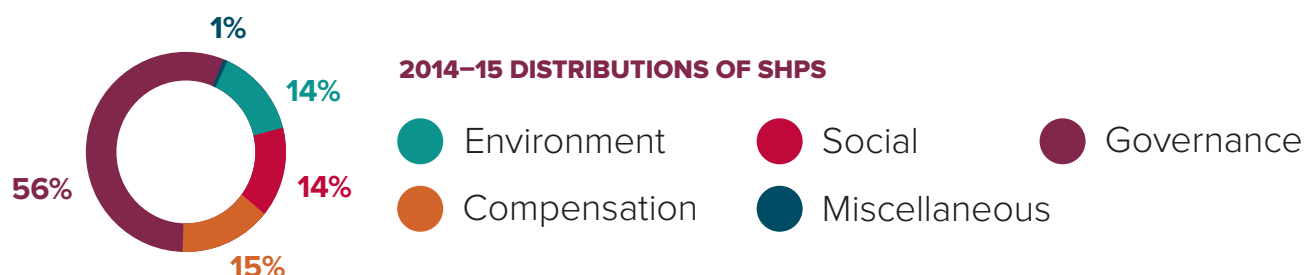
HOW AIMCo VOTED ON:

409

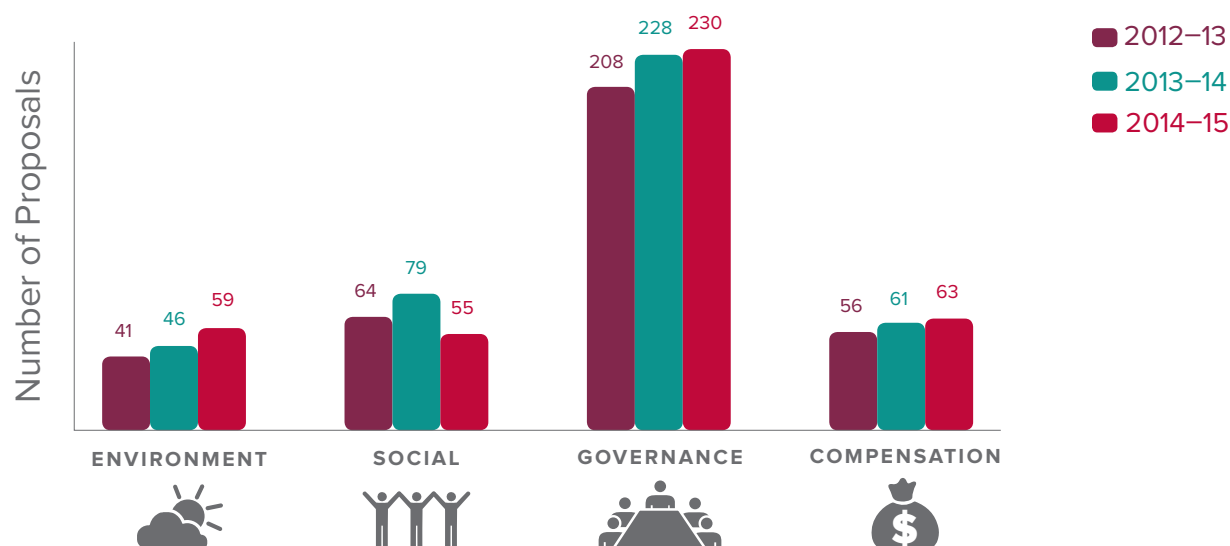
Shareholder Proposals Submitted

230	Governance	– For 52%
55	Social	– For 67%
63	Compensation	– For 41%
59	Environment	– For 44%
2	Miscellaneous	– For 50%

OVERALL SHAREHOLDER PROPOSAL SUPPORT: 51.3%









Number of ESG & Compensation Related Shareholder Proposals



This year we saw a slight decrease in the overall number of ESG shareholder proposals due to a 30% drop in socially themed SHPs. This reflects company improvements to board gender diversity and for disclosure of political contributions. Environmental SHPs increased 28% over the prior year, reflecting growing public support of environmental stewardship. Compensation SHPs generally call for changes to executive compensation structure. Although compensation SHPs are technically governance related, they represent a significant portion (15%) of all SHPs.



Notable Shareholder Proposals

COMPANY	SHAREHOLDER PROPOSAL	AIMCo VOTE	RATIONALE
PEPSICO INC. 	That the Company produce a report on the use of neonicotinoid pesticides in its supply chain.		Risk assessment is appropriate and in shareholders' best interest.
GOOGLE INC. 	That the Company provide an annual report on its direct and indirect lobbying expenditures.		AIMCo supports disclosure of political lobbying expenditure.
ROYAL DUTCH SHELL PLC 	Company expand its reporting regarding climate change.		Both the Company and shareholders will benefit from increased disclosure on climate change risks and opportunities.

PROXY VOTING TRENDS

Say on Pay

Shareholders may exercise their approval or disapproval of a company's executive compensation pay package where say on pay is on the ballot. Metrics include the quantum of executive pay and CEO pay relative to firm performance, to peers, and to total shareholder return. In Canada, say on pay votes are voluntary and non-binding, however they are becoming more frequent, with over 145 issuers featuring say on pay on the ballot to date. Although 90% of say on pay votes passed in Canada this season, notable failed say on pay votes still occurred at: Barrick Gold Corporation, Canadian Imperial Bank of Commerce and Yamana Gold Inc. Several Canadian banks—Bank of Nova Scotia, CIBC, Royal Bank and TD are leading the way in responding to shareholder demands for moderation of pay—by paying new executives on average 20% lower than their predecessors.

COMPANY	PROPOSAL	AIMCo VOTE	RATIONALE
CIBC 	Say on Pay		Compensation structure going forward is appropriate; outgoing CEO's pay no longer reflects current business practice.

Majority Voting

As of June 30, 2014, all TSX-listed issuers are required to adopt majority voting policies. In Canada, directors who do not achieve majority shareholder support must tender their resignation for acceptance by the board. However, if the board does not accept the resignation, the director stays. AIMCo views the inability of shareholders to cast a vote 'against' directors versus 'withhold' as an impediment to shareholder rights. The Canadian Coalition of Good Governance continues to advocate on members' behalf to require issuers to more fully adopt majority voting including allowing shareholders to vote against directors and requiring boards to accept director resignations.

Proxy Access

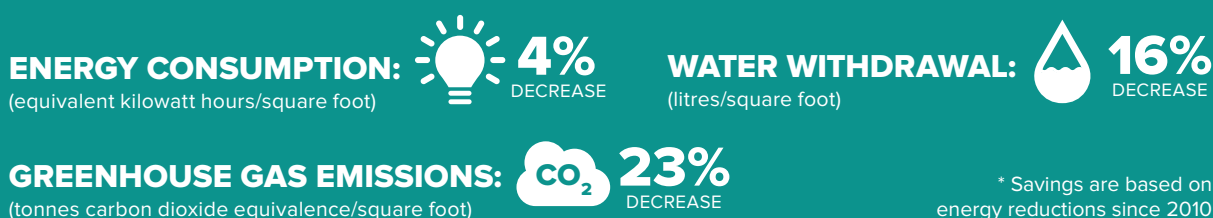
Proxy access allows longer term shareholders the ability to propose director nominees for consideration to the board, subject to holdings requirements. This facilitates greater shareholder representation and voice at the board level. Last proxy season there was a significant increase in proxy access shareholder proposals at US companies, allowing shareholders who owned 3% of the company's shares over three years the right to submit board nominees for consideration. AIMCo supports reasonable proxy access proposals which do not place excessive restrictions on shareholders. Several larger firms, including Citigroup, Bank of America and General Electric proactively adopted proxy access, avoiding the need for related shareholder proposals.

ASSET CLASS SPOTLIGHTS

Real Estate

AIMCo believes that properties that effectively implement ESG are better managed and more financially successful. Environmental performance improvements result in lower operating costs and reduced exposure to utility price volatility. This improves tenant satisfaction and loyalty. As a result, the portfolio has high levels of green building certifications, which drives premium rental rates, increases lease terms and produces higher resale values than conventional buildings.

Real Estate Portfolio Performance 2014 Versus 2010 Baseline*



Place de Ville 1 & 2

Place de Ville includes the second tallest building in Ottawa, and is a major office complex consisting of two phases, covering two city blocks.

BETWEEN 2010–2014 PLACE DE VILLE SAVED:



ENOUGH WATER TO FILL
11 OLYMPIC-SIZE SWIMMING POOLS



GREENHOUSE GAS EMISSIONS
EQUIVALENT TO THE EMISSIONS FROM
608 PASSENGER VEHICLES.



ENOUGH ENERGY TO POWER
203 HOUSEHOLDS FOR A YEAR.



ENOUGH WASTE TO FILL
16 TRUCKS FULL OF GARBAGE



Infrastructure



Infrastructure offers scalable, resilient pathways to sustainable economic growth. Infrastructure investments are an integral part of a diversified investment management strategy, as they are a good hedge to inflation, provide an excellent match to pension liabilities, are global and long-term.

Investments in infrastructure assets are highly illiquid, requiring large capital investment and rigorous due diligence to appropriately price and mitigate risks. To date, there has been no standardized means for investors to assess the sustainability performance of their global infrastructure assets. AIMCo has taken a leading role in addressing the question of sustainability benchmarking for infrastructure. We formally launched a new initiative in partnership with the Global Real Estate Sustainability Benchmark (GRESB) in September 2015 with the following investor co-founders: APG, ATP, Aviva Investors, CalPERS, Mirova, Ontario Teachers' Pension Plan, and PGGM.



Kruger Energy's Kemont wind farm is situated on agricultural land south-east of Montreal Quebec.



"We invest in Infrastructure assets which are long-term capital intensive assets that typically provide essential products and services. Given the wide ranging importance of these infrastructure investments on economic growth, the environment, and the quality of life for the public which rely on these assets, we believe properly understanding stakeholder issues including long-run sustainability and broader social considerations is critical to successful investment outcomes."

— Ben Hawkins, Senior VP Infrastructure & Timber Investments, AIMCo

Private Equity



AIMCo's Private Equity team recently invested in Environmental Resources Management (ERM) Worldwide Limited. ERM, founded in 1971, is the largest environmental, health and safety consultancy in the world with over 4,800 employees across 42 countries. ERM advises clients on a broad range of environmental and sustainability issues, including managing the environmental impact of projects, improving health and safety processes and managing climate change issues. Over the last five years, ERM's client base has included over 60% of the Global Fortune 500.



"ERM possesses a unique combination of qualities that we seek in investments, including a world class management team, a leading position within its market, and an ability to continue to achieve above-market growth."

— Peter Teti, Senior VP, Private Equity and Relationship Investing, AIMCo

Fixed Income

AIMCo invested in the first green bonds issued by a government in Canada. The bonds were issued by the Province of Ontario on October 2, 2014.

Green bonds are used to raise funds for environmental projects, such as solar and wind power installations, public transportation, climate resilient infrastructure, flood protection and reforestation. We have witnessed rapid growth in the global issuance of green bonds over the last 5 years and expect this trend to continue.

Global Green Bond Issuance

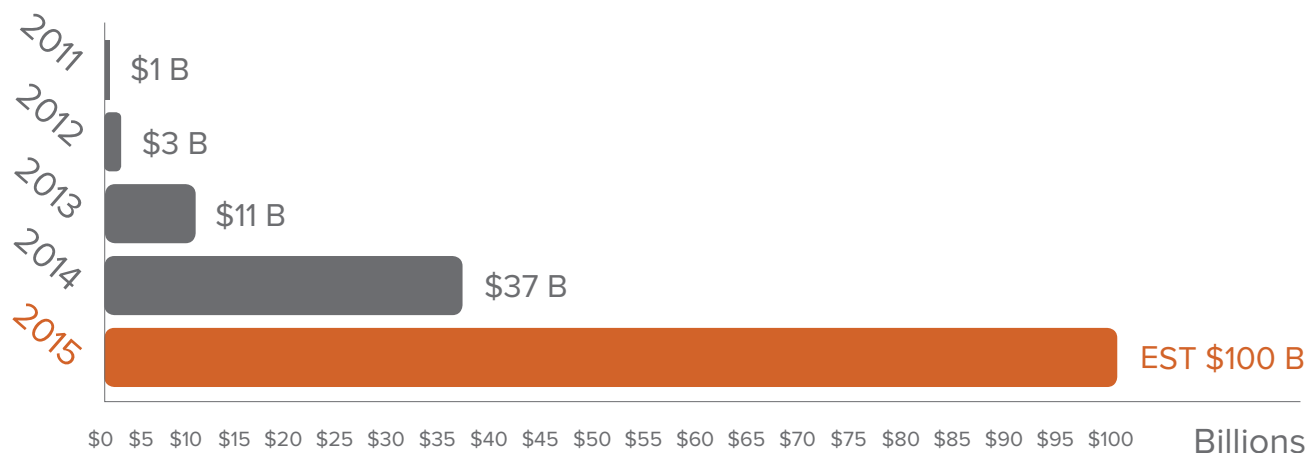


Chart Source: Climate Bonds Initiative

ENGAGEMENT PROCESS

Engagement is an integral RI pillar at AIMCo. By engaging with companies we build trusting relationships, foster corporate accountability and promote shareholder value.

AIMCo champions a “voice over exit” approach—we engage with companies to effect positive change when possible, rather than divesting of applicable holdings. AIMCo’s engagement processes are tactical and strategic, proactive and reactive. We engage with companies identified by our key ESG focus areas, as approved by our RI committee. Where possible, we collaborate with like-minded investors, enhancing our ability to influence company behavior. The result of a positive engagement is that the company is more inclined to track, take action and disclose its ESG progress. This past year our ESG focus areas were:



ENVIRONMENT

Climate Change



SOCIAL

Supply Chain Risk



GOVERNANCE

Shareholder Rights

COMPANY	SHAREHOLDER PROPOSAL	AIMCo VOTE	RATIONALE
AGRIUM INC. 	That the Company assess and report on its human rights responsibilities in relation to sourcing from Western Sahara.		Proposal is reasonable and will serve to assure shareholders that the company is appropriately managing risk.

NOTABLE COMPANY ENGAGEMENTS

Agrium: Human Rights Assessments



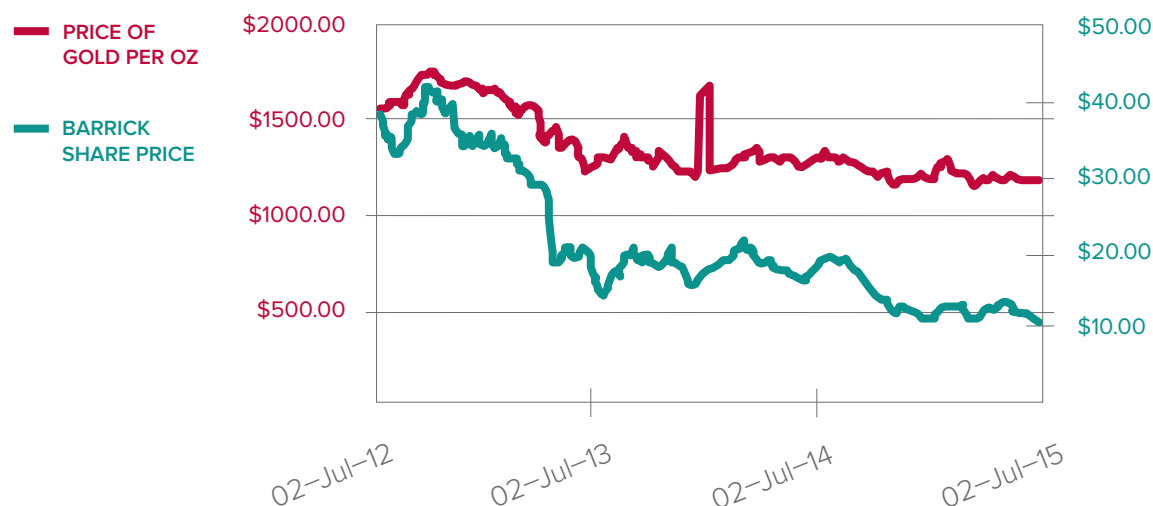
AIMCo naturally has exposure to Agrium, a well-known fertilizer company, due to its relatively large weight in the S&P/TSX Composite Index. This spring we engaged with Agrium regarding its sourcing of high quality phosphate from a supplier in the Western Sahara. The Western Sahara is a disputed territory noted for human rights abuses against the Sahrawi people. The United Nations Guiding Principles advocates for extended producer responsibility across the supply chain. Agrium has visited its supplier's operations in the region to assess worker conditions. We supported the shareholder proposal below requesting a third party assessment of Agrium's human rights responsibilities in the region.

Barrick: Executive Compensation



AIMCo has significant exposure to the Barrick Gold Corporation, one of the world's largest gold mining companies, through our index and active strategies. Barrick's stock performance has been materially impacted by price volatility for precious metals, debt levels, leadership turnover and ongoing ESG issues. Consequently, AIMCo has pursued engagement with Barrick over the past three years. Barrick was the first major Canadian company to fail a say on pay vote in 2013. Over the last year compensation for John Thornton, the executive chairman of the board, increased by over 30%, although the stock value declined by 30%. Despite making considerable progress in tying executive compensation to performance, Barrick exempted Mr. Thornton from performance metrics, leading to a second failed say on pay vote in 2015. Barrick has since committed to improving shareholder communications, aligning pay with performance, and to improving ESG performance and disclosure. This summer Barrick eliminated its co-president position, further improving its corporate governance structure.

Barrick Share Price versus Gold Price



On April 24th, 2013, an unspeakable tragedy unfolded when an eight-story factory near Dhaka Bangladesh collapsed, killing 1,200 people and injuring 2,500 more. What has happened since?

AIMCo views worker safety and respect for human rights as a fundamental corporate responsibility. Two years after the Rana Plaza factor collapse, we continue to engage with investee companies, in collaboration with OPTrust. We have engaged with 28 investee companies with material supply chain risk in Bangladesh. Rana Plaza has impacted companies' supply chain protocols for Bangladesh and how companies perceive extended producer responsibility across emerging markets in general.

We have found that companies' 'percent of buy' from Bangladesh has generally increased, revealing a heightened degree of company confidence in factory conditions. More companies have look-through across their supply chain, and most have tightened their controls to address key risks. Many companies are consolidating the number of factories they source from and are shifting to longer-term partnerships with trusted manufacturers. Fire and safety protocols have improved and trade unions are more visible. Minimum wage has increased substantially. Workers' access to the internet has improved information availability, enabling stakeholders to hold factory owners to account, while social media savvy consumers are more aware of supply chain issues.

Over 200, mainly UK and European companies have signed the Bangladesh Accord; while 26 mainly North American companies have signed the Alliance for Bangladesh Worker Safety. Both agreements are committed to worker safety. The Accord and Alliance have collaborated on over 1800 factory inspections, assigning correction action plans to the vast majority. Factories that do not comply risk losing business. Both Alliance and Accord signatories now share vital information with industry competitors as this is considered integral to managing supply chain risk.

"With respect to peer protocols, we inform each other of any findings ... the game of poker finished, today it is all about ethics, and our common cause, as we are in this together." — **Christopher Grayer, Next Plc**

Loblaw is the only Canadian signatory to the Accord and has distinguished itself by committing \$5 million to families impacted by the Rana Plaza factory disaster, regardless of whether their relatives actually worked on Loblaw brands. Canadian Tire, a founding member of the Alliance, has compensated 4,300 factory workers displaced by factory remediation measures.

Common outstanding issues include: voluntary excessive hours, unauthorized subcontracting, a lack of onsite health and safety protocols, insufficient funding for factories to comply with correction action plans and outstanding compensation to victims' families.

Recent regulatory developments and international protocols are impacting how companies implement extended producer responsibility across the supply chain. The UK's Modern Slavery bill requires UK companies to identify and report on their global supply chain risk, providing a precedent for other markets. The United Nations Guiding Principles (UNGP) also provides a global framework for businesses to report on their 'degrees of influence' across the supply chain to better manage risks.

Companies and their stakeholders are increasingly aware of issues and risks across the global supply chain. While risks may never be completely eliminated, the tragedy of Rana Plaza has nonetheless served as a catalyst to establish better global supply-chain risk management.



Dhaka, Bangladesh. 20th April 2015—Garment workers working at a factory in Gazipur on the outskirts of Dhaka. Leaving behind the terrible memory of the deadly Rana Plaza Tragedy, Bangladeshi ready-made garments workers are heading back to their workplaces to contribute to the highest export earner sector.

REPORTING & COMMUNICATIONS

By publically reporting our RI activities, we demonstrate transparency and accountability to our clients. We hold ourselves up to the same level of robust corporate governance that we expect from our investee companies.

We report to our clients in person, in our annual report, the RI report and the PRI Transparency Report. AIMCo's Responsible Investment policy, proxy voting guidelines, engagement guidelines, voting records and voting rationale (updated in real time) are publicly available and posted on our website at: www.aimco.alberta.ca

PRINCIPLES FOR RESPONSIBLE INVESTMENT

The United Nations backed Principles For Responsible Investment (PRI) Survey annually assesses the quality of AIMCo's RI program relative to peers. Criteria include how we integrate ESG across asset classes, the number and quality of company engagements, proxy voting procedures, and our disclosure processes. AIMCo's PRI scores continue to exceed the peer median overall.

The PRI Transparency report for AIMCo which summarizes our survey responses, can viewed at: www.unpri.org



ADVOCACY & COLLABORATION

AIMCo is an active member of the Canadian and international RI community.

Within the scope of our mandate, AIMCo participates in public policy dialogue. This participation may include the submission of reasoned commentary to regulatory, securities and other authorities. Public submissions are listed on our website at: www.aimco.alberta.ca/advocacy

CLIMATE CHANGE

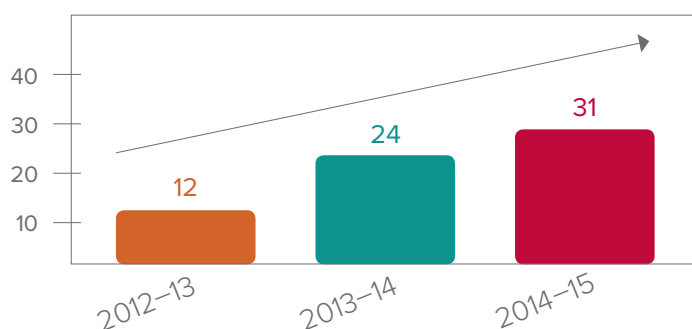
- In September 2014, AIMCo wrote to UN Secretary—General Ban Ki-moon to advocate for climate-resilient infrastructure investments, and proposed that international development banks take a greater role in offsetting the risk of emerging market infrastructure investments.
- In May 2015, AIMCo wrote to Federal Finance Minister Joe Oliver to encourage the Canadian government to work towards a global agreement at the upcoming climate negotiations in Paris.



Climate change is a potential source of risk or competitive advantage. Climate resilient assets can achieve lower costs of capital and longer lifespans, offering investment opportunity and societal value. While no industry sector is free from climate change threats, real assets—such as a bridge, a building or a wheat field, are more sensitive to climate change. Globally, resource based sectors are highly vulnerable. Companies need to adopt proactive strategies such as conducting energy efficiency audits, product lifecycle analyses and building retrofits.

In the 2014–15 proxy voting season, AIMCo supported 39% of climate change oriented shareholder proposals. These have increased 61% since 2012–13, as shareholders are becoming increasingly concerned about unaddressed climate risk. AIMCo supports climate change proposals which contribute to shareholder value by identifying and mitigating risk, while protecting competitive information.

Climate Change Shareholder Proposals Per Year



BOARD DIVERSITY



AIMCo fully supports the view that board diversity improves board quality and aligns with improved company performance. Companies with higher percentages of women on their boards tend to outperform the market. AIMCo supports board refreshment and prefers flexible targets or target ranges for board diversity to hard quotas. Last October we engaged with the Alberta Securities Commission to determine their position—they support disclosure but question whether advocating for gender diversity is part of their mandate.

Where country law and regulation demands compliance with targets, companies are stepping up to the plate. The Ontario Securities Commission (OSC) Bill 58-101 came into force on December 31, 2014, requiring issuers to disclose, on a comply or explain basis, the number of women on their boards and their processes to recruit women to executive positions. Nine provinces introduced new rules last fall to align with OSC 58-101. In 2010 10% of directors on Canadian publically traded companies were women. By 2014 that figure had risen to 22% in anticipation of OSC 58-101.

"Given enhanced public scrutiny of the poor state of representation of women on Canadian boards, we remain optimistic that there will be significant and positive change in the coming years."

— Alison Schneider, Senior Manager, Responsible Investment, AIMCo

Interview excerpt from National: Legal Insights & Practice Trends– Winter 2015 Vol. 24

AIMCo RESPONSIBLE INVESTMENT MEMBERSHIPS

- United Nations backed Principles for Responsible Investment (PRI)
- International Corporate Governance Network (ICGN): Shareholder Responsibility Committee
- Pension Investment Association of Canada (PIAC): Corporate Governance Committee
- Canadian Coalition of Good Governance (CCGG): Public Policy Committee
- Responsible Investment Association (RIA)



ICGN
International Corporate Governance Network



Pension Investment
Association of Canada
Association canadienne des
gestionnaires de caisses de retraite



GOING FORWARD

Responsible Investment is an ongoing journey rather than a destination. It requires conscientious due diligence, communication, and monitoring of global ESG issues and trends as they evolve. On the road ahead, we expect to see a heightened focus on board quality and diversity, and greater attention to supply chain risk and environmental management. Company behaviour and industry norms are shifting in response to shareholder priorities, stakeholder demand and national and international protocols.

AIMCo is committed to 'doing business the right way' to actively manage ESG risks and protect our clients' investments while advocating for financial market integrity. We continue down the path of ESG integration across asset classes, engaging with companies, collaborating with peers and actively contributing to public debate on pertinent ESG issues.

As we continue on the path to ESG integration we remain open to our clients' inputs and suggestions.

For further information on our responsible investing policy, guidelines and activities, see our website at: www.aimco.alberta.ca.

The photography on the cover, inside left cover, pg 4, and pg 21 were provided by Jeff Wallace, Senior Manager, Data Governance at AIMCo

Produced by Kyle Loranger Design.

A view seen from St. Albert

FSC/Recycled Designations



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