

RESPONSIBLE INVESTMENT REPORT

FOR ALBERTANS

2015 – 2016



PROFILE

AIMCo is one of Canada's largest and most diversified institutional investment managers with over \$90 billion of assets under management.

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

Increasingly, our 31 clients are focusing 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 analysis. The implementation of RI varies by asset class, but our guiding philosophy remains the same: the consideration of ESG factors in investment decisions supports long-term stakeholder value. This is 'How We Think.'

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CEO MESSAGE



AIMCo is committed to growing and evolving as a responsible investor. Such behavior is central to our core value of *Doing Business the Right Way*, our clients-first focus and our long-term investment mindset.

Such a commitment must be maintained in all market environments, including the challenging one in which we operate now. Despite the multiple headwinds: a sagging provincial economy, weakening Canadian dollar, debilitating wildfires in Fort McMurray and global shocks such as Brexit, we remain resolute and forward looking.

[The 2015 Paris Conference of Parties \(COP\) 21 agreement](#) signaled an extraordinary moment in history, as 196 countries committed to limit the growth of carbon emissions to within 2°C over pre-industrial levels. Several prominent international and Albertan oil and gas CEOs are now on record as supporting carbon pricing, beckoning a new era for climate-related corporate disclosure and the growth of the ‘green economy’.

Institutional investors steward an ever larger percentage of global GDP with opportunities to shape corporate behavior, public policy and the economy at large. We continue to focus on integrating environmental, social and governance (ESG) considerations into our investment strategy over the long-term. AIMCo’s view is that companies which conduct business in a responsible and sustainable manner are more likely to succeed over time, benefiting our clients, beneficiaries, Albertans, and ultimately society as a whole.

Canadian institutional investors are increasingly recognized as sustainability leaders in the global marketplace. True to form, this past year AIMCo exemplified outstanding leadership in co-founding a global sustainability benchmarking initiative for infrastructure assets. Sustainable infrastructure promotes economic growth and aligns with key quality of life indicators, as reflected in the recently adopted United Nations (UN) Sustainable Development Goals (SDGs). There are still considerable gaps for companies to bridge in the quest for sustainability, such as improving corporate ESG disclosure, and promoting gender equality in all forms. These are topics where AIMCo continues to advocate for improvement.

Responsible Investment at AIMCo is focused on integrating consideration of ESG factors across asset classes, promoting best industry ESG practices, and advocating for policies that encourage more sustainable capital markets. Mapping out key ESG risks and opportunities across the ESG spectrum helps us make more risk-aware investment propositions, to better protect and position our clients’ portfolios. The implementation of Responsible Investment and the impact of ESG factors varies across asset classes, but AIMCo’s guiding philosophy remains the same: the consideration of ESG factors enables better investment decision-making and supports long-term stakeholder value.

We also expect a certain level of transparency from our investee companies and this report demonstrates that we do the same ourselves. We hope you enjoy the report, and do visit our [website](#) for more updates on [How We Think](#) and [What We Do](#).

Responsibly Yours,

A handwritten signature in black ink, appearing to read 'Kevin Uebelein'. The signature is fluid and cursive, written over a light-colored background.

Kevin Uebelein
Chief Executive Officer

RESPONSIBLE INVESTMENT AT AIMCo

OUR PHILOSOPHY

Our world is becoming increasingly complex. Today, investors must navigate the intricacies of globalization and profound economic, environmental and socio-political change. AIMCo believes that companies which are able to respond effectively to these changing circumstances and regulatory trends are better positioned for long-term growth.

AIMCo: Fiduciary Duty

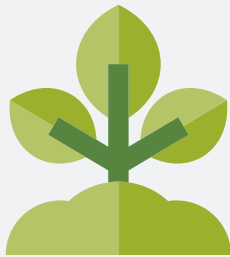


Our fiduciary duty, to act in the best interest of our clients, includes the responsibility to consider environmental, social and governance (ESG) factors in our investment processes, and to protect against systemic risk. AIMCo has a well-diversified asset allocation strategy and does not solely rely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

AIMCo: Business Case

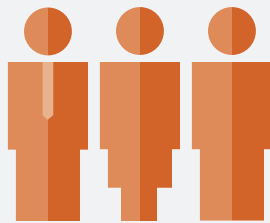


ESG factors can directly impact a company's profitability. ESG analysis helps to identify opportunities and contributes to the creation of long-term sustainable value for stakeholders. The business case for paying attention to ESG requires consideration of key industry-specific metrics such as:



ENVIRONMENT

- Climate resilience
- Carbon emissions
- Eco-efficiency



SOCIAL

- Worker safety
- Labour management
- Responsible sourcing



GOVERNANCE

- Board quality
- Accounting practices
- Pay structure

Providing Long-Term Risk Adjusted Returns for Albertans

As a global institutional investor, [AIMCo strives to meet our clients' financial needs](#), which range from pension plan liabilities with varying time horizons to much longer term goals for government funds.

Pension plans comprise the majority of AIMCo's assets under management (AUM). Pension plans are long-term investors, as investment income and contributions are used to pay pension benefits retirees, now and in the future.

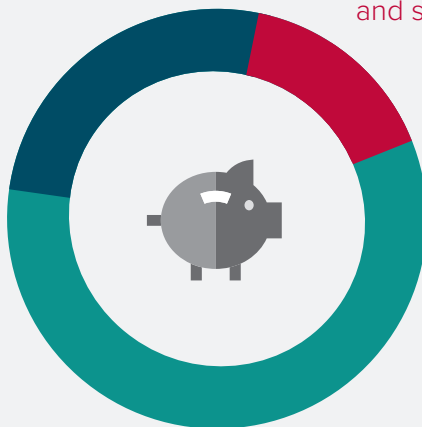
ASSETS UNDER MANAGEMENT BY CLIENT TYPE: AS OF DECEMBER 31, 2015

ENDOWMENT FUNDS: 26%

The largest endowment fund managed by AIMCo is the Alberta Heritage Savings Trust Fund. This Fund was established to collect a portion of Alberta's non-renewable resource revenues for future generations

GOVERNMENT, SPECIALTY & OTHER BALANCED FUNDS: 16%

Funds designated for specific public health care, education, infrastructure and social programs



PENSION PLANS: 58%

AIMCo manages seven pension funds on behalf of 330,000 beneficiaries and their families

“ESG factors represent a broad set of intrinsic concerns that may ultimately affect valuation of equity, fixed-income, real estate, and infrastructure investments.”

– **CFA Institute**, [Environmental, Social and Governance Factors at Listed Companies: A Manual for Investors](#), 2008

RESPONSIBLE INVESTMENT PILLARS

Each of the Responsible Investment Pillars supports one or more of the PRI Principles:



PRI's Six Principles for Responsible Investment:

PRINCIPLE 1

We will incorporate ESG issues into investment analysis and decision-making processes.

PRINCIPLE 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

PRINCIPLE 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

PRINCIPLE 4

We will promote acceptance and implementation of the principles within the investment industry.

PRINCIPLE 5

We will work together to enhance our effectiveness in implementing the principles.

PRINCIPLE 6

We will each report on our activities and progress towards implementing the principles.

STRUCTURE

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

AIMCo's [Responsible Investment Policy](#) and [associated guidelines](#) are approved by our Board and apply to all assets under management. The Responsible Investment Committee is chaired by our CEO and features cross-departmental representation. The Committee is responsible for broad oversight of AIMCo's Responsible Investment strategy, activities and procedures. The Responsible Investment team facilitates the day-to-day implementation of the Responsible Investment strategy and reports to our Chief Investment Officer, Dale MacMaster.



RESPONSIBLE INVESTMENT TEAM

Alison Schneider (Centre right)
Director, Responsible Investment

Martin Kholmatov (Centre left)
Senior Responsible Investment Specialist

Alexandria Fisher (Far left)
Analyst, Responsible Investment

Viridiana Ramirez Lopez (Far right)
Student, Responsible Investment

“AIMCo continues to work towards integrating the pillars of Responsible Investing into our investment considerations.”

– **Dale MacMaster**, Chief Investment Officer, AIMCo

INVESTMENT PROCESS

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

PROXY VOTING:

Exercising Shareholder Voice and Maximizing Shareholder Value

AIMCo enhances shareholder value by exercising proxy voting rights on behalf of our clients at meetings of publicly traded companies around the world. Voting decisions are based on AIMCo's custom [Proxy Voting Guidelines](#) which promote good corporate governance. AIMCo's Proxy Voting Guidelines provide a set of guiding principles that recognize variations in local market governance practices and codes, while taking unique circumstances into consideration.

To ensure that we maximize shareholder value, every ballot item is reviewed internally by AIMCo professionals. Proxy voting decisions are made using information from several proxy service advisories and our own independent research. We vote with our clients' best interests in mind — we do not always agree with management or with our proxy service providers' recommendations. As a result, this proxy season we did not support 15% of managements' proposals.

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

AIMCo DEMONSTRATES HIGHLY ROBUST PROXY VOTING PROCESSES

In the 2015–16 proxy voting season we:

- Voted on shares valued at **\$34 billion**
- Reviewed and approved over **25,000 ballots**
- Voted on **99% of the 2,474** meetings in our portfolio

Proxy Voting & Global Corporate Governance Highlights (July 1, 2015 – June 30, 2016)

This proxy voting season, boards dealt with calls from investors, regulators and stakeholders to improve board governance, align executive compensation with company performance, reduce environmental and social risk, and demonstrate greater shareholder accountability.



CANADA: WOMEN ON BOARDS

The percentage of women on boards at Canadian issuers increased from 13.1% in 2013 to 19.4% in 2015.



US: BOARD GOVERNANCE

Fully 40% of the issuers representing AIMCo's US holdings still have combined roles for the CEO & Chair.



EUROPE: EXECUTIVE COMPENSATION

AIMCo supported 77% of all compensation related ballots in Europe.



UK: DIRECTOR NOMINATION

AIMCo voted for the highest percentage of director nominees at U.K. based issuers.



NETHERLANDS: CLIMATE LIABILITY

In 2015 the Dutch Supreme Court ruled the state was negligent in not adopting greenhouse gas emissions targets.



JAPAN: BOARD INDEPENDENCE

The percentage of issuers with two or more independent directors on the Tokyo Stock Exchange almost quadrupled from 21% in 2014 to 78% of issuers in 2016.



Trends in International Corporate Governance

This year, we witnessed a trend of updates to country corporate governance codes and increased company compliance with previously enacted codes. AIMCo expects companies to uphold their local corporate governance codes and to meet internationally accepted standards espoused by organizations such as the International Labour Organization and the United Nations (UN) Human Rights Commission. Several countries, including Taiwan, Japan, Singapore and Poland have recently updated their corporate governance codes, while Brazil, South Africa, and the United Kingdom (U.K.) are currently reviewing proposed changes to their respective codes. The changing global corporate governance landscape reflects countries' response to issues such as climate risk, human rights across the supply chain, board diversity and business ethics.

Feature: The Japanese Corporate Governance Code

In June 2015, Prime Minister Shinzō Abe launched Japan's first corporate governance code, consistent with the country's economic revitalization strategy. In 2014–15, AIMCo voted in support of 52% of Japanese directors due to insufficient board independence. By contrast, AIMCo supported 80% of director nominees this past year. This reflects a significant improvement and concerted effort by over 1500 issuers on the Tokyo Stock Exchange (TSE) to appoint two or more independent directors to their boards in 2015.

AIMCo SUPPORT FOR INDEPENDENT DIRECTORS IN JAPAN

2014–15

52% of directors

2015–16

80% of directors

KEY PROXY VOTING TOPICS

The Business Case for Board Gender Diversity

The business case for promoting greater numbers of women onto boards is increasingly being recognized. Board diversity tends to enable more robust decision-making, more informed risk management and stronger board governance. Globally, the call for increased gender diversity on corporate boards is gaining momentum. Some markets have adopted mandatory quotas, others have voluntary targets and some simply have a disclosure requirement.

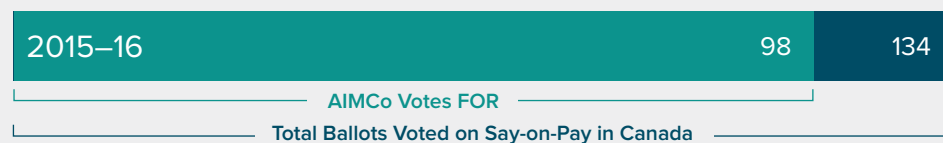
The [30% Club](#), a global organization aiming to promote more women in senior corporate roles, encourages Canadian companies to increase the number of women on their boards and executive level positions. A recent MSCI study found that companies with at least three female board members have delivered a return on equity of 36% better than the market (MSCI, [Global Trends in Gender Diversity on Corporate Boards](#), November 2015).

Say-on-Pay

Shareholders may exercise their approval or disapproval of a company's executive compensation pay package where an advisory vote on executive compensation is on the ballot. Metrics used to evaluate executive compensation can include pay aligned with shareholder returns and internal pay equity ratios.

In Canada, say-on-pay votes are voluntary, non-binding and are becoming more frequent, with over 50% of Canadian issuers featuring say-on-pay on the ballot this past proxy voting season. Shareholder support for executive compensation at Canadian issuers remains high with approximately 90% overall approval. Although the vote is advisory, companies typically make changes in an effort to address shareholder concerns where there is significant investor opposition to say-on-pay.

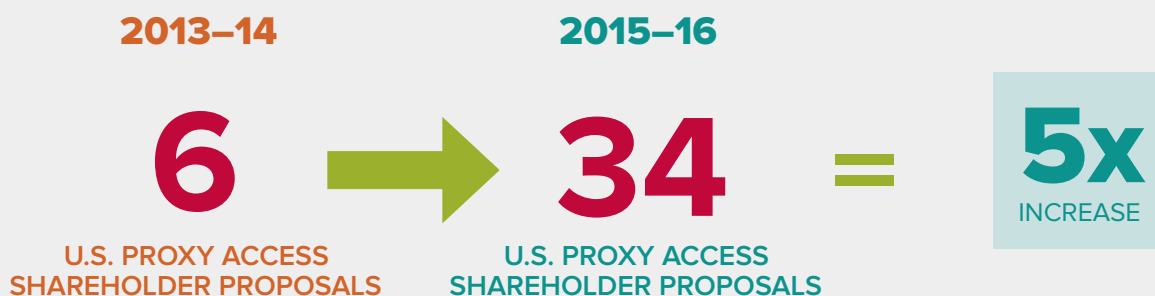
AIMCO'S SUPPORT FOR SAY-ON-PAY PROPOSALS AT CANADIAN ISSUERS



Proxy Access

Proxy access enables significant shareholders to propose director nominees for consideration to the board. This facilitates greater shareholder representation and voice. The U.S. Securities Exchange Commission (SEC) [recommendations on proxy access](#) have driven rapid growth in the number of proxy access shareholder proposals. Over the last three years, AIMCo has seen a five-fold increase in the number of proposals filed. This year AIMCo supported 97% of proxy access proposals. These proposals typically request that shareholders who have owned 3% of the company's shares over three years have the right to submit board nominees for consideration.

RAPID GROWTH IN THE NUMBER OF U.S. PROXY ACCESS PROPOSALS



SHAREHOLDER PROPOSALS

Shareholder proposals are submitted for voting at annual meetings, subject to market-specific minimum holdings and advance notice requirements. The frequency of, and support for, shareholder proposals reflects evolving regional and global shareholder concerns. AIMCo supports reasonable shareholder proposals which promote board quality and diversity, responsible corporate behavior and appropriate ESG disclosure. We consider whether the proposals enhance shareholder value and we do not support shareholder proposals which are duplicative or unclear.

HOW AIMCo VOTED ON:

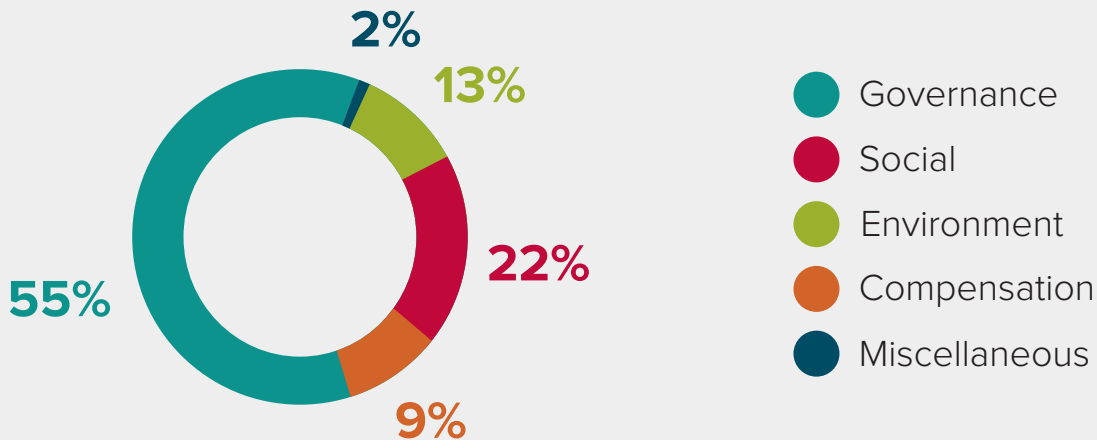
474

Shareholder Proposals Submitted

261	Governance	– For 52%
102	Social	– For 52%
42	Compensation	– For 50%
60	Environment	– For 43%
9	Miscellaneous	– For 11%

OVERALL SHAREHOLDER PROPOSAL SUPPORT: 50%

2015–16 DISTRIBUTIONS OF SHAREHOLDER PROPOSALS:



Shareholder Proposals Examples



ENVIRONMENT

AIMCo's Environment Shareholder Proposals Year-Over-Year Support (% Votes FOR)



Our support for environment shareholder proposals continues to be consistent. We recently supported a number of investor coalition "Aiming for A" shareholder proposals that requested climate change reporting from companies such as Rio Tinto plc and Anglo American plc.

Notable Environmental Shareholder Proposal

RIO TINTO PLC

AGM Date: 04.14.2016

Proposal: That the Company expand its reporting regarding climate change.

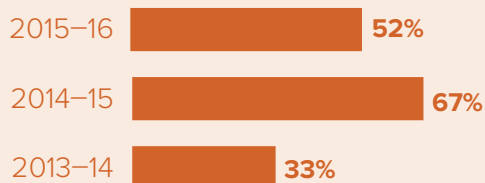
AIMCo Vote:

Rationale: AIMCo supports companies' efforts to achieve climate resiliency.



SOCIAL

AIMCo's Social Shareholder Proposals Year-Over-Year Support (% Votes FOR)



The number of socially themed shareholder proposals this year doubled, due to growing shareholder demand for disclosure of political lobbying expenses at U.S. companies. However, our support for social shareholder proposals dropped to 52% due to overly prescriptive or duplicative proposals.

Notable Social Shareholder Proposal

THE WALT DISNEY CO.

AGM Date: 03.03.2016

Proposal: That the company produce an annual report on its lobbying expenditures and activities.

AIMCo Vote:

Rationale: AIMCo supports full disclosure of a company's lobbying expenditures.



GOVERNANCE

AIMCo's Governance Shareholder Proposals Year-Over-Year Support (% Votes FOR)



Our support for governance proposals, which comprise over 50% of all shareholder proposals, remains consistent with the prior year. The most common topic for governance shareholder proposals continue to be proxy access and the separation of the Board Chair and CEO roles.

Notable Governance Shareholder Proposal

WAL-MART INC.

AGM Date: 06.03.2016

Proposal: That the company adopt a policy where the chairman of the board is an independent director.

AIMCo Vote:

Rationale: An independent board chairman is better able to act in the best long-term interests of the company.

CLIMATE CHANGE

Climate change has become an increasingly important global issue with significant physical, regulatory and liability risks for companies and for investors.

Global and country commitments to address climate change have resulted in an increasingly complex regulatory environment. The recent Paris Conference of Parties (COP 21) resulted in a historic agreement to cut emissions and keep global temperature rise within 2°C over pre-industrial levels. It was adopted by 196 countries, sending a strong signal that world leaders agree on the need to tackle climate change.

The vast majority of AIMCo's portfolio holdings are invested in North America and Europe, who lead the global climate change agenda.

"It is vital that leading companies from all industries become engaged in the transition towards a lower carbon economy."

– **Catherine McKenna**, Minister of the Environment and Climate Change, Government of Canada

Canada Climate Change Commitments



Canada has committed to reducing greenhouse gases (GHGs) by 30% below 2005 levels by 2030. [Canada's 5-point climate change plan](#) includes policies to develop a low-carbon economy, investing in a more innovative and clean economy, assisting the developing world with financing climate adaptation, and working with municipal, provincial and indigenous leaders.

Alberta Climate Change Commitments



Here in Alberta, our provincial government has recently developed a comprehensive [Climate Leadership Plan](#), which includes carbon pricing, coal phase-outs and a cap on oil sands emissions.

GOVERNMENT OF ALBERTA CLIMATE CHANGE COMMITMENTS:



Coal phase-out by 2030 with 2/3 of coal generated electricity to be replaced by renewables



Legislated oil sands emissions limit of 100 megatons



45% reduction in methane emissions by 2025



Universal Carbon Pricing: \$20 (Jan. 2017) & \$30 (Jan. 2018)

This new regulatory landscape prompts further analysis of risks as opportunities for investors. AIMCo is proactively looking at ways to integrate climate change risks and opportunities to maximize risk adjusted investment returns for our clients.

Suncor: Climate change and assessing resiliency in a future low-carbon economy

MANAGEMENT SUPPORT



Management support of a shareholder proposal is rare and signifies a company's commitment to constructively engage with shareholders and its willingness to address their concerns.

SUNCOR ENERGY INC.



AGM Date: 4.28.2016

Proposal: That the company reports on how it is assessing long-term corporate resilience in a future low-carbon economy.

AIMCo
Vote:



Management
Support:



Rationale: AIMCo supports companies' efforts to achieve climate resiliency.

Board
Rationale: The company recognizes its responsibility to address its environmental impacts and its role in the energy system transition.

"We're also working with stakeholders to be more transparent about what we're doing as a company to ensure our resilience in a future low-carbon economy. Our support of a shareholder proposal [...] respecting climate change, at our recent Annual General Meeting underscores our commitment in this area."

– **Steve Williams**, President & CEO Suncor, [Report on Sustainability 2016](#)

AIMCo's Strategic Response to Climate Change

AIMCo recognizes the business imperative of addressing climate change, and we view the physical, regulatory and liability risks of climate change as material to our clients' objectives. The time horizon, scale, and complexity of climate change presents challenges which may impact investment decisions requiring new ways of assessing risk and value. Effectively addressing climate change requires concerted action from companies, investors and policymakers. AIMCo is committed to addressing climate risk across our portfolios in alignment with our Responsible Investment Pillars by:

- Integrating consideration of an asset's climate risk and resiliency into our investment decision-making;
- Investing, where prudent, to support lower carbon infrastructure, such as alternative energy solutions and promoting eco-efficiencies to facilitate the transition to a lower carbon economy;
- Actively engaging with companies to promote climate-resilient strategies and best environmental practices;
- Reporting on climate change related Responsible Investment activities; and
- Participating in collaborative initiatives and supporting credible climate change policies and regulations based on industry best practices.

CLIMATE CHANGE INVESTMENT IMPACTS:



PHYSICAL IMPACTS

- Increased real asset exposure
- Operational & Supply Chain risks
- Regional exposures
- Insurance costs



REGULATORY IMPACTS

- CO₂ & methane emission limits
- Limits on water extraction
- Regional exposures
- Regulatory uncertainty



LIABILITY IMPACTS

- Climate liability
- Director liability
- Reputational risk
- Insurance costs

Investment Implications

CHANGES IN:

Asset class risk

Commodity risk

Industry risk

Country risk

Asset life

Opportunity costs

**Importance of
Engagement &
Advocacy**

The Case for Clean Energy

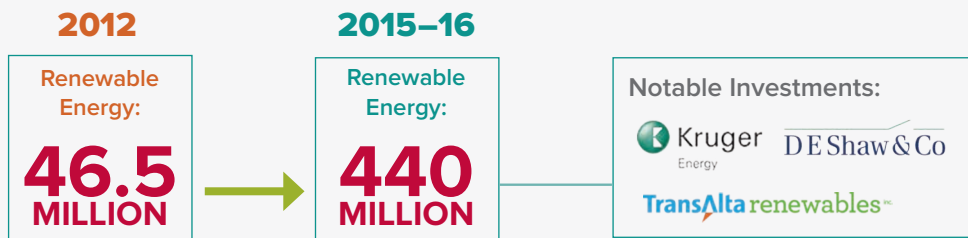
- In **2015**, USD **\$286 billion** was invested in the [renewable energy globally](#) (including wind, solar, geothermal, waste and biomass).
- To meet the **COP 21 2°C target**, over USD **\$13 trillion** must be invested in low-carbon technologies and efficiency measures through **2030** (International Energy Agency (IEA), [450 scenario](#)).
- By **2035**, up to USD **\$8.8 trillion** will need to be invested in renewable energy (IEA, [450 scenario](#)).



Renewable Energy: Spotlight on Infrastructure

The share of renewable energy projects in AIMCo's Infrastructure portfolio has increased from 1.5% in 2012 to 9.4% in 2016, reflecting global trends and the availability of renewable energy investment opportunities in the marketplace.

AIMCo's INFRASTRUCTURE INVESTMENTS (CDN \$):



AIMCo's Infrastructure portfolio includes companies with a total renewable energy generation capacity exceeding 1600 MW. AIMCo's direct ownership in these companies is:



Equivalent to the average annual electricity consumption of over 132,000 Albertan households



Displacing over half a million tonnes of CO₂ annually

Strengthening corporate accountability, transparency and disclosure are foundational to achieve meaningful transition to a low-carbon economy. Embracing change is important yet challenging for the energy sector given low oil prices, slim profit margins and the level of public scrutiny faced by Canadian oil and gas companies in particular.

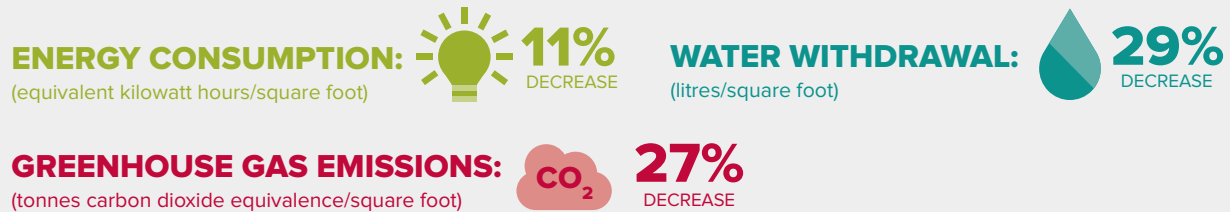
ASSET CLASS SPOTLIGHTS

Real Estate

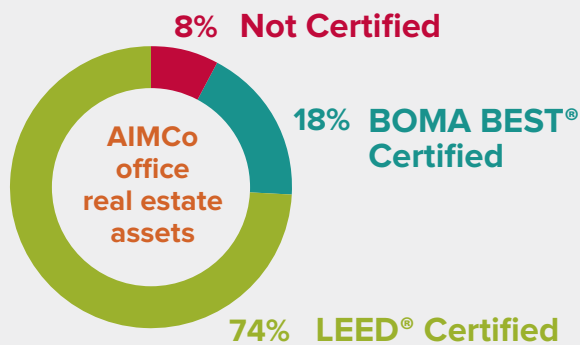
AIMCo’s Real Estate portfolio has substantial levels of green building certifications. These drive premium rental rates, increase lease terms and produce higher resale values than conventional buildings, while reducing environmental impacts. These actions help lower operating costs and protect against utility price volatility and the effects of pending carbon pricing.

In 2015, AIMCo developed performance targets for its office, retail and mixed-use assets to further improve sustainability performance. Officially implemented in 2016, these targets were developed in partnership with a third-party service provider to reflect best practice performance improvements and build on historical targets set individually by some properties. In 2015, AIMCo responded for the first time to the GRESB Real Estate Assessment, a global standard for benchmarking real estate investment sustainability.

2010–15 REAL ESTATE PORTFOLIO PERFORMANCE:



GREEN BUILDING CERTIFICATIONS BY FLOOR AREA:



LEED Certification: or Leadership in Energy & Environmental Design, is a green building certification program that recognizes best-in-class building strategies and practices



BOMA BEST: is the Canadian industry standard for commercial building sustainability certification

92% of AIMCo’s commercial office real estate assets have achieved green building certifications including LEED and BOMA BEST.


55% of AIMCo’s retail and mixed-use real estate assets have achieved green building certifications including LEED and BOMA BEST.

Feature Investment: The Core – Calgary, Alberta

The CORE was the first regional shopping centre in Alberta to attain a LEED Gold for Commercial Interiors Certification from the Canadian Green Building Council.

BETWEEN 2010 AND 2015, THE CORE SAVED:

 ENOUGH ENERGY TO POWER **760** HOUSEHOLDS FOR A YEAR

 GREENHOUSE GAS EMISSIONS EQUIVALENT TO THE EMISSIONS FROM **3,200** PASSENGER VEHICLES

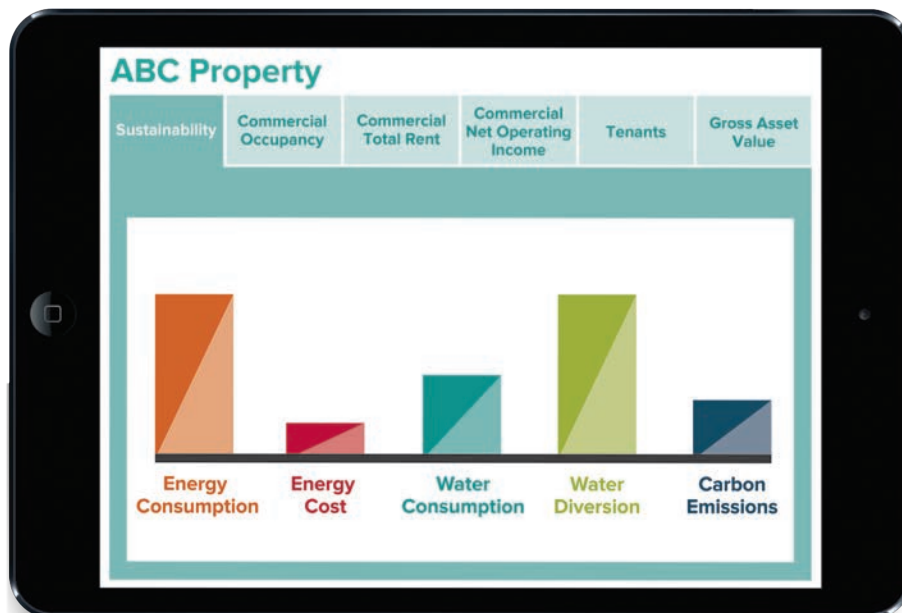
 ENOUGH WATER TO FILL **12** OLYMPIC-SIZE SWIMMING POOLS

 ENOUGH WASTE TO FILL **42** TRUCKS FULL OF GARBAGE



AIMCo's Real Estate Sustainability Dashboard

The Real Estate Sustainability Dashboard is a data management platform that integrates sustainability metrics into our real estate business workflow. The Dashboard allows us to optimize the environmental and financial performance at AIMCo properties.



The dashboard enables portfolio managers to track and compare sustainability related indicators, such as energy, water, waste and carbon emissions across all AIMCo's co-owned real estate assets.

Infrastructure

Infrastructure offers scalable, resilient pathways to sustainable economic growth. Infrastructure investments provide an excellent match to pension liabilities, a hedge to inflation, and are global and long-term.

Feature Investment: TransAlta Renewables

In November 2015, AIMCo's Infrastructure team, on behalf of clients', acquired an 8% stake in [TransAlta Renewables](#), an Alberta-based clean power generation company. The acquisition provides AIMCo's clients exposure to an attractive, diversified portfolio of contracted high quality, clean power generation assets. TransAlta Renewables essentially expands the TransAlta "family" of companies, aligning its efforts to reduce carbon emissions and advance clean energy technology while delivering stable investment returns.



Private Equity

Private equity is characterized by larger positions in investee companies with longer holding periods and relatively few companies in the underlying portfolios. AIMCo's portfolio managers can play a greater role in influencing the corporate governance practices of privately owned investee companies.

Feature Investment: Milacron Holdings

Milacron Holdings Corporation is a global leader in plastics technology and processing. Since AIMCo's investment in 2013, the company has embraced leading workplace safety initiatives including a transformative "zero tolerance" model. Milacron's Recordable Injury Rate has recently declined by 36% while its lost time injury rate has declined by 54% over the same time-frame. This strong safety record enhances brand value, reputation and increases employee satisfaction.



Fixed Income

AIMCo invests in corporate and sovereign bonds. In the past these investments have included green bonds issued by the province of Ontario to fund sustainability focused infrastructure projects. ESG factors and associated risks are an indicator of credit quality and an entity's ability to satisfy its debt obligations.

Feature Initiative: [ESG Considerations in Credit Ratings](#)

AIMCo supported a 2016 PRI initiative requesting credit rating agencies and underwriters consider the potential financial materiality of ESG factors on borrowers' with respect to their cash flows, unexpected losses, debt defaults and creditworthiness. Six credit rating agencies, including Moody's and S&P, committed to evaluate and disclose the extent to which they consider ESG factors in credit ratings.



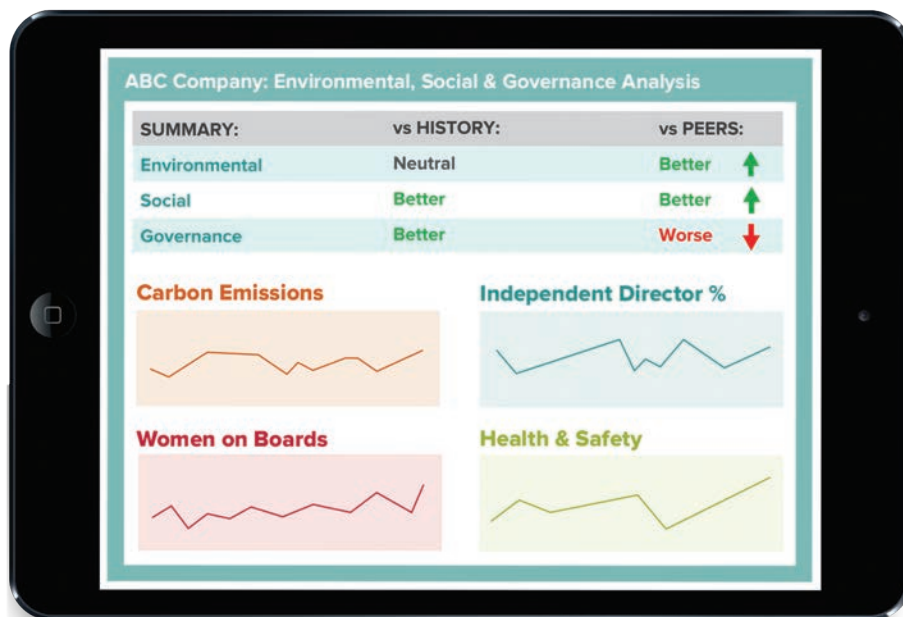
AIMCo Co-founds New Sustainability Benchmarking Tool

AIMCo took a leading role in co-chairing a group of like-minded investors in a quest to develop a global sustainability benchmarking tool for infrastructure assets. In September 2015, [GRESB](#) (Global Real Estate Benchmark) and several institutional investors representing over USD \$1.5 trillion jointly announced the launch of GRESB Infrastructure. With over six years of experience in sustainability assessment for real estate assets, GRESB was a natural fit. GRESB now assesses the sustainability performance of real assets for both real estate and infrastructure. Globally, over 180 infrastructure assets and funds have completed the first GRESB infrastructure survey. The tool will allow investors to measure progress on key ESG indicators for infrastructure assets. Survey outcomes should improve the quality of information we have for our infrastructure assets enabling better investment decisions.



ESG Ratings & Company Valuations

Our Responsible Investment analysts use various ESG ratings tools to evaluate ESG risk and performance for select portfolios. This helps us determine whether a company demonstrates average, below-par or best ESG practices for key metrics such as lost time injury rates, resource efficiency, carbon emissions and board diversity. Historical ESG ratings and performance relative to peers are valuable risk metrics to consider in the investment process. Going forward, the Responsible Investment team will continue to evaluate the link between company ESG ratings and financial performance.



ESG ratings tools allow us to determine a company's historical ESG performance, and performance relative to peers across 400+ indicators.

"It is becoming increasingly clear ESG factors are fundamental drivers of risk and return. Consequently, we will continue to integrate ESG indicators into AIMCo's risk framework."

– **Remco van Eeuwijk**, Chief Risk Officer, AIMCo

ENGAGEMENT PROCESS

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

Responsible Investment staff engage with companies identified by our key ESG focus areas which are approved by the Responsible Investment Committee. Our ESG focus areas are: climate change, supply chain risk and shareholder rights.

***Voice Over Exit:** AIMCo champions a “voice over exit” approach. We prefer to engage with a company to effect positive change where possible, rather than simply divesting from the company. This mitigates the risk of unduly reducing the investible universe.*

Alberta: Rising to Meet the Global Energy Challenge

Alberta is Canada’s energy province. We engage with oil and gas companies throughout the province to determine how they are managing in the current global low oil price environment amidst growing regulatory uncertainty. In 2015–16 we met with several companies exhibiting best ESG industry practices, including Enbridge, ARC Resources and Suncor. Larger players have conducted oil and carbon price scenarios and view themselves as integrated, rather than traditional, energy providers. Many companies have adopted, and have recently increased their production of alternative energy. In doing so, they diversify their revenue streams, build their renewable energy portfolios and create carbon offsets. Larger oil and gas players are also investing in advanced energy efficiency, co-generation and water conservation technologies.

Feature Engagement: Enbridge

Enbridge is recognized as one of the [Global 100 Most Sustainable Corporations](#) by [Corporate Knights](#). With a history of direct project development expertise in renewable energy dating back to 2002,

Enbridge now ranks as one of Canada’s largest renewable power producers. Enbridge is committed to growing its renewable energy business as a developer and operator of wind and solar projects. Linda Coady, Enbridge’s Chief Sustainability Officer and a member of Alberta’s Climate Advisory Panel met with a group of AIMCo employees last spring to share her views on broad sustainability issues, such as the future of Alberta energy, climate reporting and corporate disclosure.



ADVOCACY AND COLLABORATION

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

Within the scope of our mandate, AIMCo participates in public policy dialogue. This participation may include submission of reasoned commentary to regulatory, securities and other authorities. Public submissions are listed on our [website](#).

Notable 2015–16 Advocacy Initiatives

	INITIATIVE	DESCRIPTOR	DATE
 ICGN	International Corporate Governance Network (ICGN) Model Mandate on Board Diversity	AIMCo contributed to the ICGN's Model Mandate which provides guidance on improving board diversity.	June 2016
 PRI Principles for Responsible Investment	Investor Statement on Methane Emissions	AIMCo joined investors representing USD \$3.6 trillion in support of limiting methane emissions in the oil & gas industry.	May 2016
 FINANCIAL STABILITY BOARD	Financial Stability Board's Task Force on Climate-Related Disclosure Phase 1 Consultation	AIMCo recommended the FSB focus on data quality and materiality, with a role for industry associations to help promote standardization on climate-related financial disclosures.	May 2016
 ONTARIO SECURITIES COMMISSION	Ontario Securities Commission (OSC) Advisory Vote on Executive Compensation	AIMCo supported a joint statement to the OSC requesting Canadian issuers to conduct an annual shareholder advisory vote on executive compensation.	March 2016
 Sustainable Stock Exchanges (SSE) Initiative	United Nations Sustainable Stock Exchanges (SEE) Initiative on Voluntary Model Reporting Guidance	AIMCo commended the Toronto Stock Exchange for providing written guidance on ESG reporting.	October 2015

REPORTING AND COMMUNICATIONS

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

We hold ourselves to the same level of robust corporate governance that we expect from our investee companies. We report to our clients in-person, through our [Annual Report](#), the Responsible Investment Report, and [AIMCo's Principles for Responsible Investment \(PRI\) Transparency Report](#). We now report to clients on our Responsible Investment activities and progress on a quarterly basis. AIMCo's [Responsible Investment Policy](#), [Proxy Voting Guidelines](#), [proxy voting record](#), voting rationale and [Engagement Guidelines](#) are publicly available and posted on our [website](#).

PRI Survey

The [United Nations backed Principles for Responsible Investment \(PRI\) Survey](#) assesses AIMCo's Responsible Investment 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 and have improved year over year. The PRI Transparency report for AIMCo summarizes our survey responses and can be viewed online.

AIMCo conducts an internal verification of our PRI Survey responses. This allows us to capture ESG processes and track performance across asset classes.

SUSTAINABLE DEVELOPMENT GOALS AND AIMCo

In 2015, world leaders adopted the 2030 Agenda for Sustainable Development with its [17 Sustainable Development Goals \(SDGs\)](#). There is a role for investors to play in facilitating progress towards the SDGs. We expect companies to protect worker rights and safety, compensate employees equitably and practice environmental stewardship. Core infrastructure, sustainable real estate and timberlands provide essential products and services which promote economic, social and technological progress and enhance quality of life indicators.



GOING FORWARD

Responsible Investment is an ongoing journey rather than a destination.

Responsible Investment requires conscientious due diligence, communication, and monitoring of global ESG issues and trends. Moving forward, we expect continued focus on key topics such as climate change reporting, alignment of pay with performance, board diversity, and supply chain risk. Company behavior and industry norms are shifting in response to shareholder priorities, stakeholder demand and protocols both national and international.

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 strive to integrate ESG considerations into our investment processes, in our engagements with companies, and in collaborations with peers.

As we continue on this path we remain open to our clients' inputs and suggestions. Please direct questions or comments to the following email address:

AIMCoResponsibleInvestment@aimco.alberta.ca

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

Photography generously supplied by Jeff Wallace, Senior Manager, Data Governance, AIMCo.

Produced by Kyle Loranger Design.



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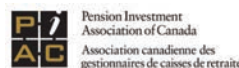
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AIMCo Responsible Investment Memberships

- [United Nations backed Principles for Responsible Investment \(PRI\)](#)
- [International Corporate Governance Network \(ICGN\)](#)
- [Pension Investment Association of Canada \(PIAC\)](#)
- [Canadian Coalition of Good Governance \(CCGG\)](#)
- [Responsible Investment Association \(RIA\)](#)



This report and the information herein is made available for historical information and reference purposes. This information is current only as of the date thereof and may be superseded by more current information. We do not undertake any obligation to update this information, whether because of new information, future events or otherwise, except as required by law. We make no active representation with respect to such historical statements. Forward-looking information contained in this information is subject to risks and uncertainties.