Our Contribution to a More Sustainable World

2020 Responsible Investment Report

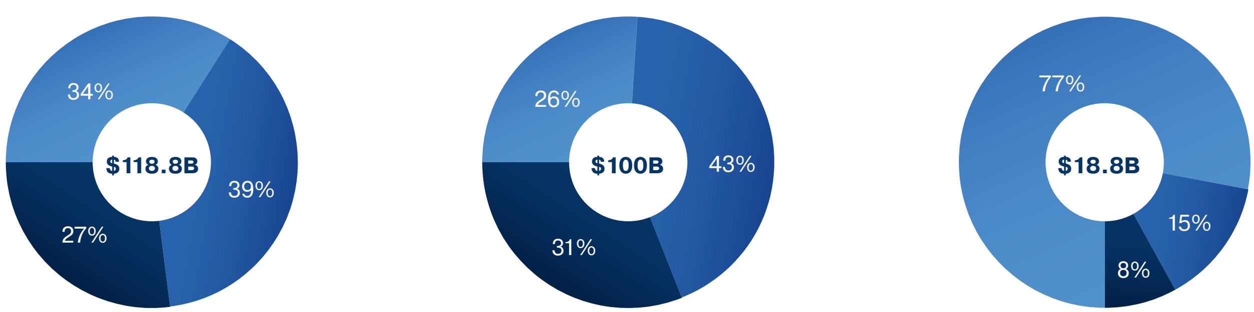
As Alberta's investment manager, AIMCo is focused on delivering the best possible returns. Our long-term investment strategies have earned $66.2 billion dollars over the last decade for our pension, endowment and government fund clients.

While that dollar figure is significant, how we earn that money matters now, more than ever. How companies identify and address key environmental, social and governance (ESG) issues such as diversity & inclusion, human capital and climate change can significantly contribute to value creation or erosion.

Albertans are entitled to transparency and the assurance that AIMCo is committed to serving as a responsible steward of their investments and doing our part to create the conditions for a more sustainable global economy.

In the pages that follow, you'll see how we integrate responsible investing principles into our global investment strategies and learn more about the work we do to promote long-term, sustainable value.

2019 Asset Mix



AIMCo Total | Balanced Funds | Government & Specialty Funds

- **Public Equities**
- **Money Market & Fixed Income** Money Market, Fixed Income, Mortgages, Real Return Bonds, Private Debt & Loan
- **Illiquid Markets** Infrastructure, Real Estate, Renewable Resources, Private Equity

For calendar year ending December 31, 2019

Our Responsible Investing Journey

2008 AIMCo is established by the *Alberta Investment Management Corporation Act* (2007)

2010 AIMCo becomes a signatory to the UN-backed Principles for Responsible Investment (PRI)

2011 Responsible Investment (RI) department is established

2012 Board of Directors approves the RI Policy, RI Committee is formed and adopts Proxy Voting Guidelines and Corporate Governance Principles

2013 AIMCo adopts ESG Engagement Guidelines and Investment Exclusions Guidelines

2014 AIMCo publishes its first RI Report

2015 AIMCo co-founds GRESB Infrastructure and issues a Strategic Response to Climate Change

2016 AIMCo joins the 30% Club Canada Chapter and adopts a board diversity statement

2017 AIMCo hosts its first RI Week event and commences an ongoing quarterly engagement letter campaign

2018 AIMCo joins G7 Investor Leadership Network (ILN), AIMCo Real Estate achieves five-star GRESB rating for third consecutive year

2019 AIMCo publishes its first TCFD Report and is named a Top 25 Most Responsible Asset Allocator by New Americas

2020 AIMCo achieves its best PRI survey scores, earning an A+ in 12 out of 14 categories and A in the remaining two categories

The circumstances of 2020 have pushed us into uncharted territory. More than a million people have lost their lives due to a global pandemic with far-reaching economic and social impacts. The world around us, along with traditional business fundamentals, is being re-shaped. As countries focus on protecting citizens and rebuilding economies there is an opportunity to promote sustainable, inclusive growth. There has never been a more critical time for AIMCo to bolster its stance on responsible investing and to re-affirm the deep commitment to a more sustainable future for all.

This year marks our tenth as a signatory to the UN-backed Principles for Responsible Investment (PRI). We achieved our best-ever results in the annual PRI survey that assesses our environmental, social and governance (ESG) integration and performance relative to peers. By continuing to use our voice as an influential investor and actively participating in engagement and advocacy we continue to see success in promoting responsible business practices, better corporate governance and more sustainable financial markets, both on a local and global scale.

I am proud of AIMCo's record in charting new ESG frontiers, whether by our involvement in the G7 Investor Leadership Network or more recently, in contributing to the *Canadian Investor Statement on Diversity and Inclusion* in recognition of work that needs to be done both at companies in which we invest and in our own organization.

I hope you will spend some time with this report to see the many tangible examples of the meaningful work we do in the responsible investing space. As we look ahead to the coming years, we have adopted three RI-focused strategic priorities — aligning ESG integration across AIMCo, navigating the transition to the low-carbon economy and engaging in stewardship and advocacy. We believe these vital priorities are paramount to delivering exceptional, long-term investment outcomes for Albertans.

Kevin Uebelein

Chief Executive Officer

As Alberta's investment manager, AIMCo is built to maximize net investment returns to ensure a secure and prosperous future for Albertans. When we make crucial decisions about where to invest, we see time and again that ESG metrics are key differentiators. They reveal valuable insights into a company's corporate culture, values and priorities, providing relevant and material information to promote shareholder value.

Despite the challenges posed by the COVID-19 pandemic, AIMCo is well-positioned to address ESG risks and opportunities in our global portfolios. We continue to integrate ESG factors into our investment processes — from investment research and due diligence, to ownership activities such as monitoring our external investment managers, exercising our voting rights and engaging with companies to improve ESG practices.

Our ESG due diligence deal flow significantly increased in the past year. From 2019 to 2020, our Responsible Investment team completed 19 comprehensive ESG due diligences worth $3.1 billion across multiple asset classes — Infrastructure, Private Debt & Loan, Real Estate, Private Equity and Public Equities. All things being equal, companies exhibiting both robust financial and ESG performance are better-positioned to deliver sustainable, risk-adjusted returns over the long term.

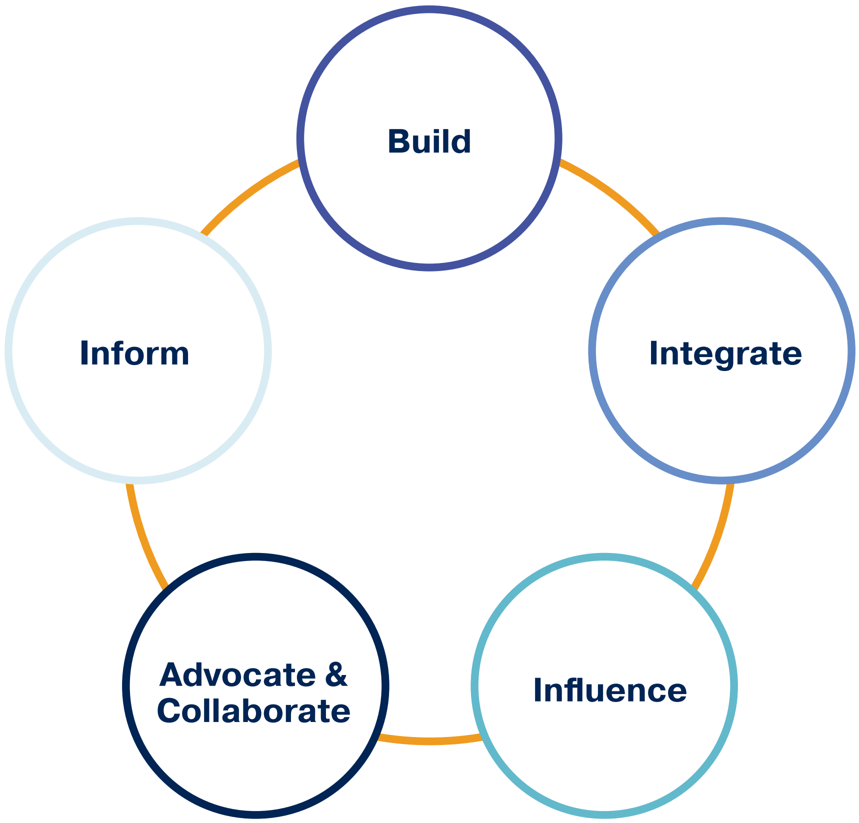
AIMCo is actively preparing for the transition to the low-carbon economy. We have increased our investments in renewable energy and are committed to measuring our carbon footprint, conducting scenario analysis and engaging with companies on their climate risk strategies. Within this publication you will find our second Task Force on Climate-related Financial Disclosures (TCFD) report, the result of concerted collaboration across our organization.

While ESG risks are getting more attention than ever before, at AIMCo we have been maturing our responsible investment strategy for more than a decade. This report is our commitment to doing business the right way and to contributing to a more sustainable world in the future.

Dale MacMaster

Chief Investment Officer

Responsible Investment Pillars



Our ESG Focus Areas

Environment

Climate Change

Environmental Management & Disclosure

Water Risk

Social

Worker Safety & Human Rights Across the Supply Chain

Data Privacy

Governance

Shareholder Rights

Pay for Performance

Board Diversity

Build

Over the past 10 years, AIMCo has built a robust governance framework to structure our ESG integration activities. We continue to refresh key policies and guidelines to remain at the forefront of the evolving Responsible Investment (RI) space. Reflecting AIMCo's core value of transparency, our RI-related policies, guidelines and statements are available on the AIMCo website.

AIMCo Board of Directors	• Approves Responsible Investment Policy which applies to all assets under management
Responsible Investment Committee (RIC)	• Chaired by CEO, comprised of senior executives from across AIMCo • Oversees RI strategy and approves all sustainability-related guidelines and ESG focus areas
Responsible Investment Department	• Executes RI strategy • Focused on ESG stewardship and analytics to support investment teams across public and private markets

The Responsible Investment department has regular meetings with all asset classes and investment departments. Moreover, Real Estate, Infrastructure & Renewable Resources and Private Equity have each adopted bespoke sustainability guidelines and committees to address customized approaches to ESG integration.

Engaging Best-in-Class External Managers in Private Equity

Our Private Equity team invests with top tier fund partners globally to access superior, risk-adjusted returns and gain overall program diversification via increased exposure to attractive sectors, markets and businesses. AIMCo's external partners and their portfolio companies work closely with our team to provide ample disclosure on the identification and management of ESG considerations, as well as the measurement of ESG performance.

In early 2020, AIMCo invested in two funds offered by Hg, a specialist private equity investor focused on businesses in the software and technology-enabled services sectors. Hg has an industry-leading focus on ESG integration, and we asked them to share their approach.

Caroline Löfgren, Head of Responsible Investment, Hg

Q: How does Hg embed ESG in the investment cycle?

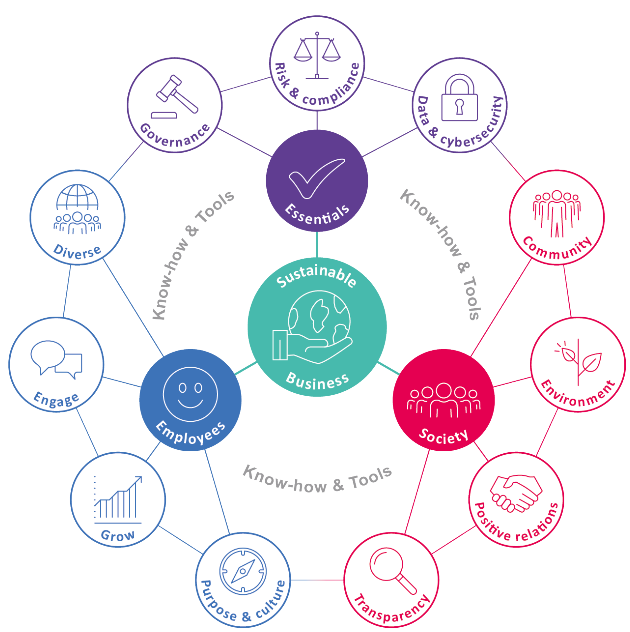
ESG is embedded into the entire deal process, from screening to exit. During due diligence, we assess companies for compliance with relevant laws in relation to ESG, such as health and safety or bribery and corruption issues. We consider the inherent ESG risk of the company and carry out a ESG review detailing risks and opportunities in relation to our Sustainable Business framework (see Figure 1).

Our active approach to managing ESG during our ownership starts with an onboarding and maturity assessment to identify areas for improvement, where we can support the companies to realize their ambitions within and beyond our framework. Each business is re-assessed on an annual basis. Face-to-face forums help our management teams to network, share best practices and receive support.

Q: How does Hg assess the ESG performance of its companies?

Our Sustainable Business framework forms the foundation of our ESG assessments. It is split into three key areas: essentials, employees and society and covers over 100 ESG-related topics such as board structure, employee engagement, diversity, environmental impact and charitable giving. Each business gets a score from 0 to 10 and a list of actions to help them improve their ESG performance.

Figure 1: Sustainable Business framework



Integrate

Consideration of ESG factors enables better-informed investment decisions and supports long-term stakeholder value. AIMCo's RI journey continues to evolve across asset classes and various stages of the investment process. The diversified nature of our portfolios calls for a tailored approach to manage ESG risks and opportunities across industry sectors, jurisdictions and investment strategies.

Pre-Investment

We use a responsible investing lens to evaluate potential investments' governance framework and ESG performance. This informs our voting stance at publicly traded companies and assists portfolio managers in their investment decision-making processes.

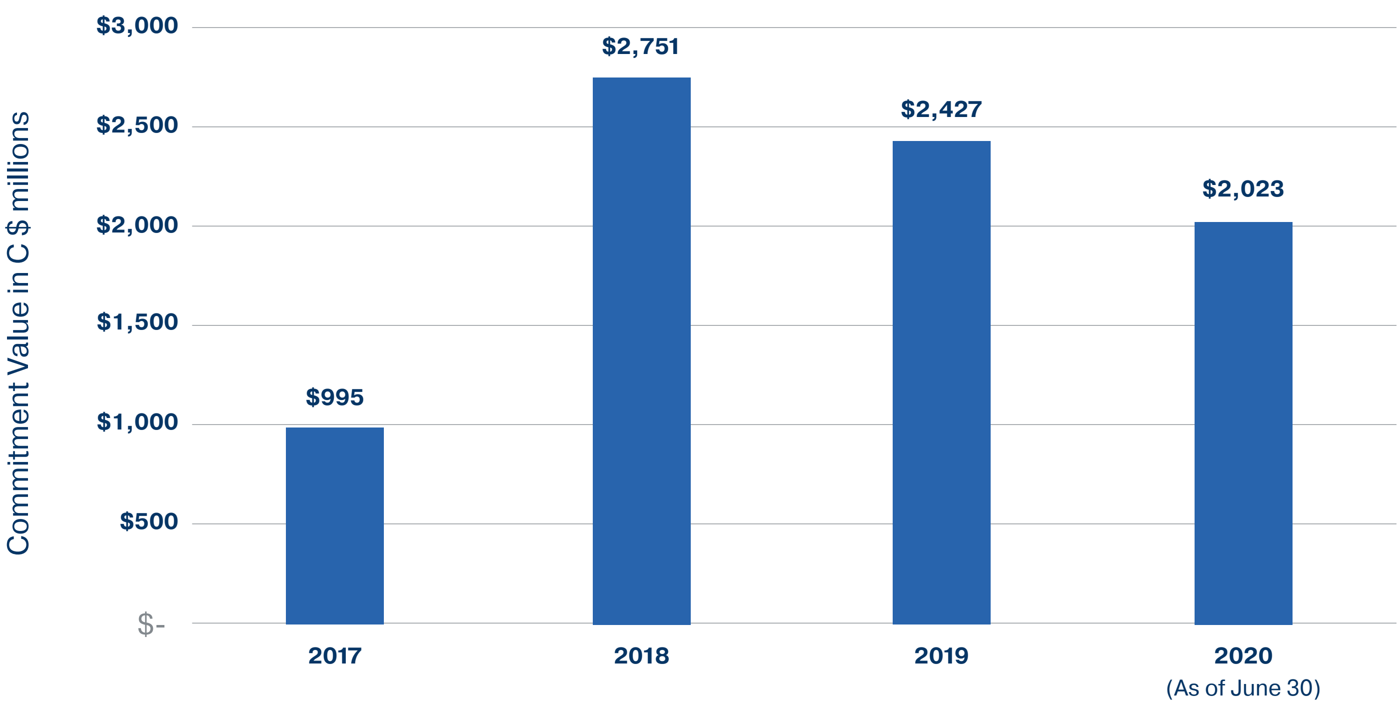
Post-Investment

We track ESG initiatives, risks and performance at investee companies and may follow up to engage on key ESG topics or to more fully address company ESG policies and practices.

ESG in Pre-investment: Due Diligence

Over the last four years, AIMCo has conducted ESG due diligence on more than $12 billion of potential investment opportunities. The RI due diligence questionnaire includes a review of how potential investments integrate ESG considerations into their policies and protocols across operations, and how they report on their ESG performance. Identifying how companies are performing on material ESG factors relative to best and normative industry practices provides added value to the investment decision-making process. The commitment value of due diligences in 2020 is on track to be more than double what it was in 2018.

ESG Due Diligences, 2017 to Q2 2020



ESG in Credit Research

Our Credit Research team evaluates the impact of different risk factors, including ESG, for corporate issuers and securitizations. They add value to our Fixed Income portfolios through early detection of either deteriorating or improving credit, and the potential for financial loss or gain pertaining to the risk of corporate debt issuers honouring their financial and contractual obligations.

Don Povilaitis, Director of Credit Research, Fixed Income

Q: How does ESG analysis fit into your team's methodology?

My team is a dedicated research team that provides fundamental, bottom-up, credit analysis on our public bond portfolio. We look at business and financial risk and to us, ESG is a signal. When you find an ESG contravention, chances are there are other red flags of note to us as potential creditors. If so, we may assign a lower internal notional rating or a lower valuation.

Q: Can you give us an example of how an ESG issue was incorporated into the credit outlook for an issuer?

A clear example is Volkswagen's so-called "diesel gate" emissions scandal. When it hit the news, our first step was to better understand the financial materiality of the story, and whether discussions between the company and the EPA could affect the company's credit quality and our internal view of the rating. After thorough analysis, our credit view was that, while serious, given the company's liquidity at the time, the situation was not as damaging as we expected. Overall, the exercise was instructive and resulted in heightened awareness of ESG implications. E, S or G issues present differently, whether it is a governance issue of creative accounting, a social issue of poor treatment of employees or an environmental issue of concealing diesel emissions. It is important to have perspective on the materiality of ESG issues as they arise, which is why we get value from constant dialogue with the RI team.

Q: How have you seen ESG integration evolve over the years?

I first came across ESG in the early 2000s when ESG in investment was in its infancy. It tended to be a more prescriptive approach, heavily focused on governance. The space has evolved a lot since then. In the past, credit or equity analyst meetings with management tended to leave questions from ESG experts as an afterthought, at the end. Nowadays, there is no distinction as ESG questions are spread throughout the discussion.

As for the future, clearly most investors view ESG as important — it is merely a question of to what degree. Mainstream media is now tuned in to ESG issues and there are heightened requirements for corporate ESG disclosure. A new generation of analysts has been exposed to ESG issues in their formative university years, which is a very positive sign.

ESG Integration with External Partnerships

External partnerships play an important role in AIMCo's overall investment strategy. We invest through external partners to gain specialized sector knowledge, increased exposure to international markets, liquidity advantages and overall fund diversification.

Q&A

Alejandro Hernandez, Portfolio Manager, External Partnerships – Public Equities

Q: What is your team's role at AIMCo?

The External Partnerships team looks to provide uncorrelated, idiosyncratic sources of alpha for our public equities department. We do this in two strategies, equity strategies and the hedge fund book, always looking at bringing more alpha to AIMCo. To do this, we develop and maintain close, long-term relationships with our external managers.

Q: How have you seen the external partnerships space evolve to consider ESG?

In the time I have been doing this, there has been a shift — a big change in the industry to integrate ESG. For example, a lot of managers are now PRI signatories, and we get pitched ESG strategies more often than before. In collaboration with the RI team, we seek to understand what the managers' views on ESG are, always keeping in mind our mandate to provide risk-adjusted returns.

Q: In 2019, AIMCo developed monitoring tools to view external partnerships through an ESG lens, what insights have you gained from these views?

Two tools were developed, a fund-level heatmap that allows us to compare the managers' ESG policies and practices with each other, and a portfolio-level dashboard, that compares the portfolio holdings with its investment benchmark on ESG performance.

On my team, everything we do is a compilation of information, so we see ESG as an additional input for the overall due diligence and monitoring of the managers. In the aggregate, having different lenses to view the portfolio paints a fuller picture that we benefit from. The ESG monitoring tools we developed help us paint this picture and allow us to "slice and dice" the portfolios like we do with country, sector, and factors like quality, momentum, growth, value, and now, ESG performance.

Partnering on ESG in Our Real Estate portfolio

Coinciding with World Environment Day 2020, Scotia Plaza's 40 King Street West in Toronto earned a Zero Carbon Building certification from the Canada Green Building Council (GBC) — the largest certified building of its kind. The 68-storey office tower began its sustainability track record in 2011 when it achieved Leadership in Energy and Environmental Design (LEED®) Gold accreditation. We asked our partners at KingSett Capital to share their thoughts on this historic achievement.

Q&A

Bill Logar, Executive V.P. Asset Management, KingSett Capital

Q: What does Net Zero Carbon Building certification signify for you and your partners?

Canada is taking a leadership role in addressing climate change through the implementation of GBC's Zero Carbon Standard. We believe there will be greater focus on carbon neutral buildings and developments and an opportunity exists for early adopters to create value, financially and environmentally, for their partners, customers and communities. The achievement at 40 King Street West should signify that addressing climate change is everyone's responsibility and that KingSett and its partners are prepared and well-positioned to do their part.

Q: Can you share key learnings or offer advice to those seeking similar accreditations?

When everyone is working together to achieve the same goal, seemingly impossible tasks like decarbonizing a 1.5 million square foot building, become achievable. We used data to help guide decisions — tracking and measuring a number of performance metrics for the asset, including energy use, carbon emission sources, equipment life and capital budget planning. Finally, we partnered with industry experts to help us learn and create a plan that made sense economically and environmentally.

KingSett CAPITAL

Sustainability Success at Scotia Plaza's 40 King Street West

Energy

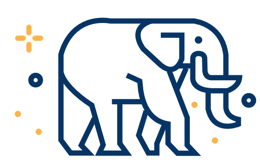
Used 11,608,325 kbtus less in 2019 compared to 2016

Enough energy to power 132 houses for a year

Water

Used 23,260 kgals less in 2019 compared to 2016

Enough water to fill 35 Olympic-size swimming pools



Waste

In 2019, 1,122,110 kg of waste diverted from the landfill

Weighs as much as 274 adult male elephants

Influence

AIMCo's commitment to act as a responsible steward of our clients' investments to promote sustainable, long-term value informs the basis of two RI activities: proxy voting and engagement. Our "voice over exit" philosophy, robust proxy voting process, engagement guidelines and ESG focus areas define our approach and stance on key ESG issues. Since AIMCo's first RI Report in 2014, we have shared our proxy voting and company engagements statistics and results over the respective reporting year.

Proxy Voting

Proxy voting is an invaluable active ownership and governance tool for investors. It enables shareholders to have a voice on fundamental governance matters such as the election of the board of directors, approval of the auditor, corporate financial statements and executive compensation as well as offering a venue to communicate any concerns regarding how ESG is managed. AIMCo's proxy processes are highly robust — informed by the RIC-approved bespoke proxy voting guidelines, as well as by research from two third-party independent firms and further internal assessments. This allows us to make voting decisions with our clients' best interests in mind.

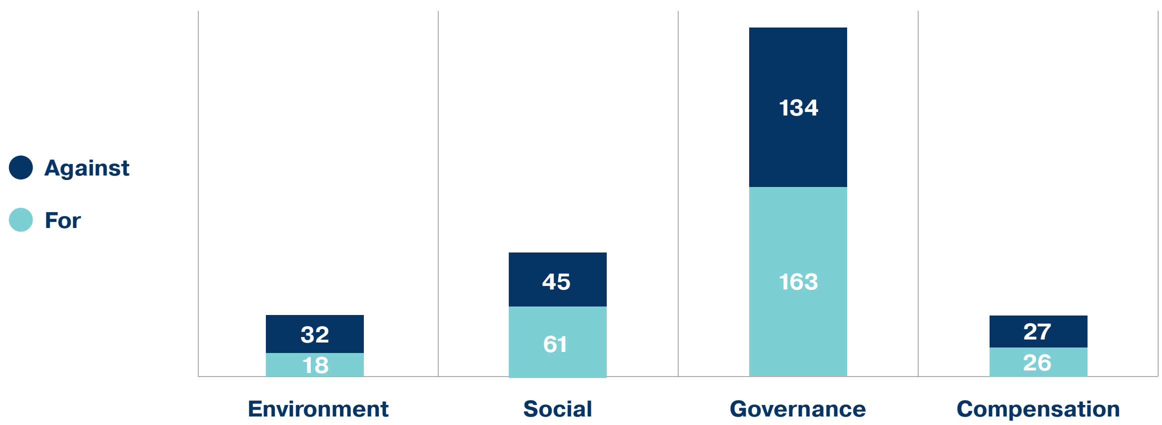
Every year we vote on ballot items for thousands of companies in our global public equity portfolio. Increasingly, shareholder proposals are requesting firms' disclosure of material ESG metrics, especially with respect to diversity, human capital management and carbon emissions. We believe that disclosure is a common good — what gets measured gets managed.

AIMCo continues to champion a "voice over exit" approach, preferring to exercise shareholder rights in the proxy voting process and to engage with companies to effect positive change rather than to divest. Our proxy voting and corporate governance guidelines are regularly updated to reflect AIMCo's expectations for company progress on ESG matters as well as changes in the regulatory environment.

2019 to 2020 Proxy Voting Season Performance

From July 1, 2019, through June 30, 2020, we voted on 33,506 ballot items at shareholder meetings. As per our proxy voting guidelines, we generally support shareholder proposals requesting disclosure of ESG-related policies and procedures, such as requests for TCFD disclosure. We do not support shareholder proposals with no clear enhancement to shareholder value, or proposals that appear duplicative which request changes to issuers' policies, practices and disclosure that we are satisfied already exist.

Votes on Shareholder Proposals, 2019-2020

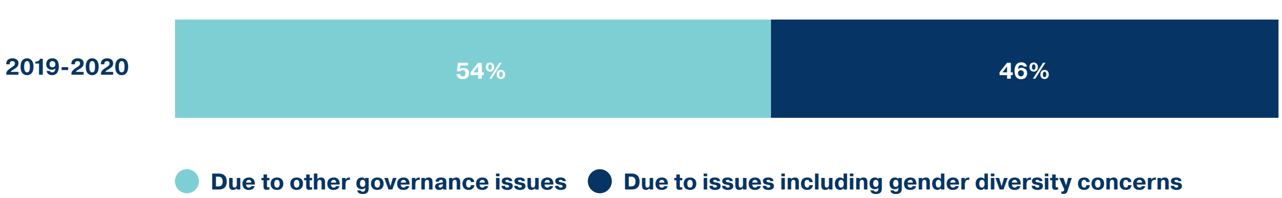


Board Diversity

Gender diversity on boards is an ESG focus area for AIMCo. We have developed a staged approach to voting whereby, subject to discretion, we vote against/withhold from the chair of the nominating committee at issuers in developed country markets which feature less than 25% women on the board. Our threshold to vote against nominating chairs has increased year-over-year from 20% in 2019 to 25% in 2020 and will move to 30% by 2022 in alignment with the aims of the 30% Club Canada chapter.

Every year we vote on thousands of director nominees. This proxy voting season, in developed country markets, 46% of our dissenting votes against directors (including votes against, abstaining or withheld) was due to concerns regarding insufficient gender diversity.

Director Elections: Canada, U.S., Europe, Oceania - Votes Against/Abstain/Withhold



Engagements

Engagement is a stewardship activity which gives us the opportunity to influence investee companies to adopt better ESG practices which we believe will produce long-term sustainable value for our clients. We engage with companies individually or collaboratively to identify and advocate for ESG best practices and/or seek clarification on ESG matters. Between July 1, 2019, and June 30, 2020, AIMCo conducted 109 engagements with 94 unique issuers to discuss significant and topical matters such as the impacts of the COVID-19 pandemic, climate change strategy, cybersecurity and supply chain management protocols.

109
Engagements

94
Unique Organizations Engaged

60
Letters

Focus Area Total (%)

Engagement Highlights

Below are highlights from three engagements completed this past year.

Environment – Climate Change

The transition to a low-carbon economy is top of mind at Parkland Corporation. During our engagement, we learned that the annual strategy meetings with the board inform business planning and decision making and involve extensive scenario analyses using external and internal forecasts. In addition, Parkland is focused on innovating its refining operations to produce lower-carbon gasoline, diesel and jet fuel.

PARKLAND

Parkland's efforts in producing low-carbon fuels by co-processing renewable feedstock, such as canola oil or tallow, through existing refinery infrastructure simultaneously with conventional crude feedstock have shown promising results so far. Parkland is working to increase production capability of these renewable fuels, which offer a great value proposition for its customers as they require no change in consumer behaviour, and lower emissions fuels are better for the environment. In partnership with government and industry, Parkland is also exploring the use of next generation renewable feedstocks for co-processing, such as wastewater biomass and forest residuals.

Social – Cybersecurity

As a diversified financial services provider, BMO understands that protecting customer information and IT infrastructure are key to maintaining trust. The company uses multiple frameworks to assess and manage cybersecurity, such as ISO and Federal Financial Institutions Examinations Council (FFIEC) and is audited regularly by both internal teams and external parties.

BMO®

From this engagement we learned that when it comes to cyber protection, BMO believes it is as critical to invest in its people as it is to invest in technology. This is showcased by their Fusion Center, where people from different teams, including risk, legal, business lines, communications and technology come together to work on cybersecurity risks and protection. This multi-disciplinary approach allows BMO to appropriately assess and respond to attacks.

Governance – COVID-19 Impact

During our engagement with Morneau Shepell, we shared experiences with remote working, the broader impacts of the COVID-19 pandemic and the board's response and management of this issue. At the outset, the board evaluated possible stress areas, like technology, financials and employee safety and developed plans to mitigate possible vulnerabilities while providing the support needed for their employees. The company also shared its experiences around the development of a mental health index which has proven useful during this time, and the publication of its first Corporate Social Responsibility Report in 2019.

MORNEAU SHEPELL

This fruitful conversation gave us insights on board risk management and response processes, their involvement in strategy development and employee management and support programs.


HYDRO
Zero emissions

Transforming the Rail Sector in the Transition to a Low-carbon Economy

Porterbrook has been a feature of the U.K. rail network for more than 25 years. As the owner of almost a third of Britain's rolling stock, Porterbrook has a key role to play in the industry's future. Since October 2014, the Porterbrook group of companies has been wholly owned and managed by a group of long-term institutional infrastructure investors, including AIMCo. We asked Porterbrook to share their vision on the future of rail transport.

Q&A

Mary Grant, CEO, Porterbrook

Q: What challenges and opportunities does Porterbrook see as rail transportation tries to transition to a low-carbon economy?

The technical challenge is to roll out more electrification whilst making hydrogen and battery power a reality. Perhaps more importantly, public bodies and private sector organizations need to come together to deliver this. For the rail sector, which only accounts for 1.4% of the U.K.'s transport greenhouse gas (GHG) emissions, the goal is to collectively enable a modal shift away from more polluting modes of transport. By fully decarbonizing rail while increasing capacity and connectivity, we can put rail at the heart of tomorrow's low-carbon transport networks.

Q: What role does innovation play for Porterbrook to successfully meet the sustainability challenges of the present and the future?

Innovation and digital transformation are at the centre of our whole-life asset management approach, allowing us to optimize costs, improve performance and minimize the environmental impact. In partnership with emission control specialist Eminox, we are rolling out a new after-treatment technology to some of our diesel fleets, reducing nitrous oxide emissions by over 80% and hydrocarbons by over 90%. Our innovation team is developing the low-carbon technologies of tomorrow such as HydroFLEX, the U.K.'s first hydrogen-powered trains, which we launched in partnership with the University of Birmingham.

porterbrook

Advocate & Collaborate

AIMCo recognizes the role investors play in promoting sustainable deal flow. We respond to numerous public consultations throughout the year, individually and/or in collaboration with peers on behalf of RI member organizations. We advocate for best corporate governance and ESG disclosure practices in alignment with our corporate objectives and ESG focus areas. Our efforts reflect our commitments as a PRI signatory, comprise a fundamental responsible investing pillar and represent a strategic priority.

Investor Leadership Network

INVESTOR LEADERSHIP NETWORK

A G7 initiative

AIMCo is a founding partner of the Investor Leadership Network (ILN), a collaborative network of leading investors taking action on key sustainability themes, namely, to accelerate sustainable infrastructure in emerging markets, foster diversity and inclusion in capital markets and encourage robust climate disclosure practices. The ILN has made meaningful progress and adopted a new governance structure this year. Angela Fong, AIMCo's Chief Corporate Officer, was recently named AIMCo's ILN Board representative.

Sustainable Infrastructure Fellowship (SIF) Program

AIMCo Representative:
Ahmed Mubashir,
Director, Infrastructure & Renewable Resources

Update: The 2019 SIF cohort was comprised of 16 candidates from four continents. The six-week program was held at Schulich School of Business with AIMCo staff serving as volunteer instructors. The 2020 program is continuing in a virtual setting, with 16 to 25 interns attending.

Diversity in Investment

AIMCo Representative:
Sarah Esler,
Senior Portfolio Manager, Mortgages

Update: ILN members commenced initiatives to guide and benchmark their progress on gender diversity and committed to address diversity monitoring of external managers in both public and private investments.

Climate Disclosures

AIMCo Representative:
Alison Schneider,
Vice President, Responsible Investment

Update: The Climate Change Action Committee produced the following publications: TCFD Implementation (2019), focused on how investors are approaching TCFD, and Climate Change Mitigation and Your Portfolio (2020), offering a practical investor toolkit for scenario analysis by sector.

The ILN Sustainable Infrastructure Fellowship (SIF) Program

In the summer of 2019, AIMCo hosted Diego Carrillo, a visiting Fellow from Peru who participated in the ILN SIF Program. Diego spent a week at AIMCo taking part in an executive training program where he met with teams throughout our organization and learned more about our infrastructure investing platform.

Q&A

Diego Carrillo, Fellow, ILN SIF Program

Q: How did you hear about the ILN SIF program and what was the application process like?

I learned about it from the Canadian Embassy in Peru. I applied to the program and had to write a couple of short essays and complete an interview run by the Sustainable Infrastructure Foundation.

Q: What did the academic portion of the program in Toronto entail?

During the six-week program, we completed modules on topics like enabling environment for infrastructure projects, project delivery models, risk management and project financing. We listened to lectures from the ILN partner organizations and leading practitioners and were able to do project site visits with the other Fellows in the program who share similar emerging economy realities.

Q: What concepts or lessons learned will you take back with you and potentially apply to infrastructure projects in Peru?

I enjoyed the module on large infrastructure project delivery models. I was able to make comparisons to what we do in Peru. While it will take some time to establish a legal framework, it gave me a good idea of what might be implementable in Peru in the short term.

Q: What would you say to other emerging market public-sector professionals who are considering applying to the SIF program?

I would tell them it is a great opportunity to get to know first-hand what institutional investors are seeking when investing in emerging market infrastructure projects, namely inflation protection and steady income to match long-term liabilities.

CSA Group's Sustainable Taxonomy Initiative

AIMCo is actively engaged in the Canadian Standards Association (CSA) Group's sustainable taxonomy initiative. Building on existing global frameworks, the initiative aims to develop a "made-in Canada" taxonomy and national standard for transition finance to help define qualifying business activities to facilitate Canada's transition to the low-carbon economy. The taxonomy will include overarching principles, definitions as well as sector specific taxonomies with a focus on a market wide decarbonization trajectory leading to net zero GHG emissions by 2050. The CSA Group's Mirror Committee has representation at an international level to inform the International Standards Organization's (ISO) sustainable finance taxonomy.

Ontario Capital Markets Consultation

In 2020, the Ontario Capital Markets Modernization Taskforce sought feedback from market participants regarding 47 policy proposals that could lead to potential changes to the regulatory landscape for TSX-listed issuers. AIMCo provided feedback on select policy proposals. We shared our perspectives regarding the importance of maintaining the integrity of the proxy voting system and offered recommendations on how to encourage board diversity, inclusion and refreshment. We reiterated our support for say-on-pay, as required by the *Canadian Business Corporations Act*, as well as a requirement for disclosure of material ESG information with guidance protocols.
Our full response is available on our website.

Inform

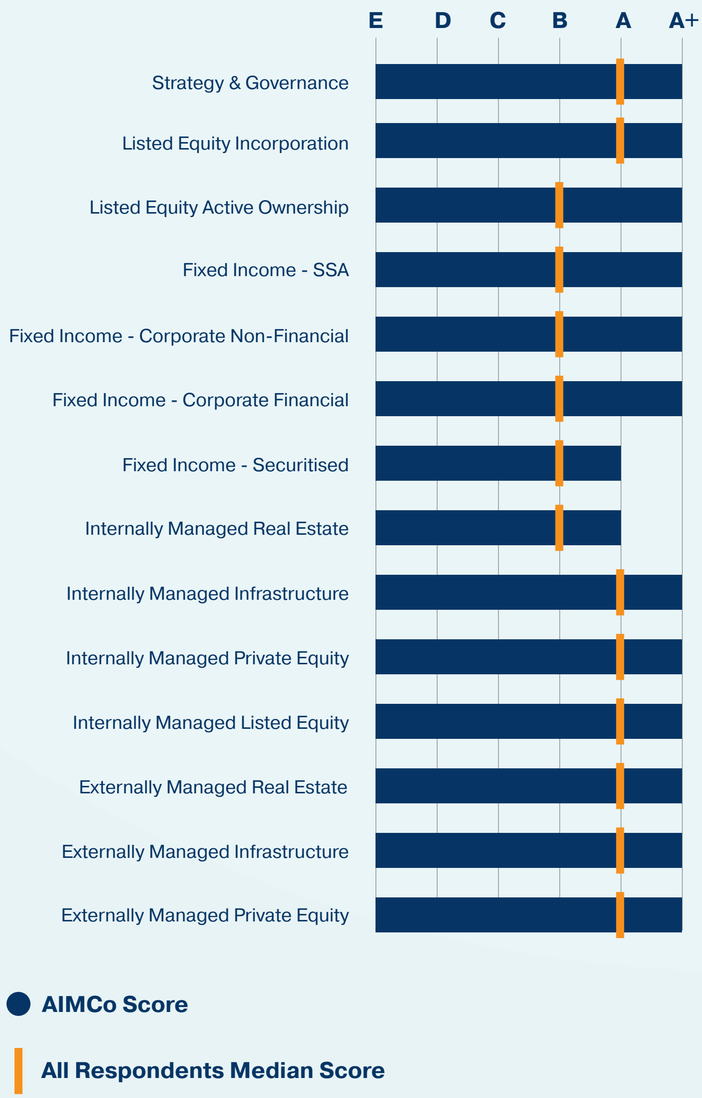
AIMCo demonstrates transparency and accountability through public disclosure of its RI activities. The process of reporting to PRI and GRESB for evaluation of our ESG performance allows us to compare and benchmark our ESG integration processes to our prior performance and against industry peers.

As one of 3,000 investor signatories to the UN-backed Principles for Responsible Investment, AIMCo reports on its responsible investment activities annually. Despite the challenges posed by COVID-19, 2020 marked the tenth year AIMCo successfully submitted to the largest global reporting project on responsible investment.

The PRI survey embodies AIMCo's core values of excellence, transparency, humility, integrity and collaboration. The output of the PRI survey process is a Transparency Report we make available to our clients. It is quite an endeavour — over 30 AIMCo team members contribute to the reporting effort annually, resulting in nearly 100 pages of detailed inputs, explanations and evidence.

This year's performance is AIMCo's best yet — we received an "A+" in 12 out of the 14 scored categories and an "A" in the remaining two categories. Given the dynamic nature of the scoring methodology, achieving above-median performance in all PRI survey categories including scoring a full grade, or significantly above the median, in six categories is a significant achievement. AIMCo was selected as one of 63 investors globally to provide feedback on the PRI's reporting framework refresh, which is expected to be rolled out in 2021.

2020 PRI Survey Results



GRESB has grown to become one of the leading ESG benchmarks for real estate and infrastructure investments globally. AIMCo is an investor co-founder of GRESB Infrastructure which was launched in the Fall of 2015.

The GRESB survey assesses ESG performance at the asset and fund level across management and performance components. Assets are evaluated on the robustness of their ESG policies and protocols relative to industry peers globally. Participants receive a scorecard and feedback regarding their strengths, opportunities and actions they can take to improve their ESG performance.

Despite the challenges posed by COVID-19, globally 426 assets and 118 funds participated in the GRESB survey, an increase of 11 funds and 33 assets over the prior year. For the 2020 survey round, AIMCo Real Estate maintained its four-star rating while participating infrastructure assets improved their year-over-year scores and achieved their highest GRESB ratings to date.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) provide a universal framework for social, economic and environmental development to 2030 and beyond. Institutional investors play an important role in financing sustainable deal flow through their longer-term investment choices and ongoing stewardship activities, including active ownership, engagement, reporting and awareness-raising.

AIMCo is an active member of the PRI SDG Advisory Committee, which advises PRI on how investors interpret and track their progress relative to the SDGs.

When viewing our progress on the SDGs through an investment lens, we find the most direct links are related to our investments in infrastructure, real estate and alternative energy, which align with core quality of life indicators such as decent work and economic growth, affordable energy, clean water and sustainable cities. We drive progress on the SDGs through stewardship activities, such as proxy voting and engagements focused on climate action, gender equality and responsible production. Likewise, we address many of the underlying themes of the SDGs through our advocacy activities and membership in collaborative initiatives with peers, such as the G7 Investor Leadership Network.

Vice President Message

Alison Schneider Vice President

The journey of responsible investment at AIMCo continues to evolve, reflective of growing market awareness of the materiality of ESG factors and their impacts. As we progress down this path, we are fortunate to have our clients by our side. Clients are increasingly focused on tracking sustainability-related factors and building more resilient portfolios over the long term.

We trust you have found this year's RI report to be informative, interesting and helpful, demonstrating our activities vis-à-vis the RI pillars, while showcasing the efforts of our portfolio managers and investee companies.

Navigating the transition to the low-carbon economy is still a new frontier in responsible investment. AIMCo continues to press for better disclosure in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework, while actively working to assess climate measurement and assessment for our own assets under management, reflective of valid investment strategies.

This year we expanded our carbon footprinting exercise across asset classes and used International Energy Agency (IEA) scenarios to explore the impact of various warming trajectories on energy intense sectors. We discovered key levers emphasizing that the flip side of climate-related investment risk is investment opportunity, and we'd like to share our findings with you.

Please read on for our second annual TCFD report.

We welcome your feedback and any questions you may have. Feel free to contact us via AIMCoResponsibleInvestment@aimco.ca.

Alison Schneider
Vice President,
Responsible Investment

AIMCo 2020 Taskforce on Climate-related Financial Disclosures (TCFD) Report

Climate change has emerged as one of the most pressing systemic risks of our time. Countries and market participants are increasingly focused on aligning their activities with the Paris Conference of Parties (COP) 21 Agreement, designed to limit global warming to well below 2˚C above pre-industrial levels, while pursuing efforts to limit warming to within 1.5˚C by the year 2100. According to the Intergovernmental Panel on Climate Change, greenhouse gas emissions (GHG) must approach net-zero by mid-century to achieve warming within 1.5˚C. As of early 2020, 121 nations, including Canada, representing 49% of global GDP have set or declared intentions to set net-zero targets by 2050.

AIMCo is committed to doing our part to better understand climate risks and opportunities across our portfolios, so we may maximize risk-adjusted returns for our clients over the long term. Climate change has been a key ESG focus area for AIMCo since 2015. We recently updated our Strategic Position on Climate Change, initially issued in 2015, to reflect an evolving regulatory and disclosure landscape. AIMCo publicly endorsed the G-7 and G-20 investor statements calling for policy action on climate change, and the FSB Task Force on Climate-related Financial Disclosure (TCFD) recommendations. We've contributed to climate-related consultations for the TCFD and Canada's Expert Panel on Sustainable Finance; and we are actively participating in a Canadian Standards Association Group initiative to develop a "made-in-Canada" transition taxonomy.

This is AIMCo's second TCFD Report. We encourage investee companies and all market participants to disclose their climate-related information in accordance with the TCFD framework.

TCFD Framework

Governance

Role of the Board: AIMCo's Board oversees the governance of responsible investment at AIMCo and approves the Responsible Investment (RI) Policy. The Board is regularly briefed on AIMCo's ESG performance, strategy and ESG trends related to climate change.

Role of Management: AIMCo's Responsible Investment Committee (RIC) comprised of senior management approves overarching RI strategies, including with respect to climate change. At AIMCo we have regular touchpoints on sustainability-related matters across all asset classes and investment functions. Our Infrastructure, Private Equity and Real Estate asset classes have all established sustainability guidelines and committees, while regularly scheduled meetings are held between RI and Client Relations, Fixed Income, Public Equities and Risk Management.

TCFD Working Group: Over the past two years, an internal cross-functional working group has focused on implementing the TCFD recommendations at AIMCo. The effort is led by the RI team, with representation from the CFO office, Economics & Fund Strategy, Public Equities, Risk Management and Valuations teams. This year, the TCFD working group focused on expanding carbon footprinting across asset classes, and on addressing qualitative, narrative-based climate scenario analysis.

Strategy

Navigating the transition to the low-carbon economy is a strategic priority for AIMCo. We recognize the business imperative of integrating climate change into our investment strategies and view the physical, regulatory and reputational risks of climate change as material to our clients' objectives, especially over the medium and long-term investment horizons.

For AIMCo's publicly traded portfolios, we continue to engage with issuers, individually and collaboratively, to better understand their climate strategy and processes to mitigate exposure to climate change risks. We exercise voice by voting to support and advocating for decision-useful climate-related corporate disclosure. Our Infrastructure & Renewable Resources portfolio has invested $3.7 billion in low-carbon assets. The renewable resources portion of this portfolio is comprised of investments in timberland and agriculture, contributing to the removal of carbon emissions from the atmosphere. In our Real Estate portfolio, 95% of our Canadian office assets have green building certifications.

Our Real Estate and Infrastructure asset classes participate in the GRESB Survey, which requires disclosure of assets' environmental risk management processes. AIMCo's participating assets consistently score at or above the GRESB benchmark.

Considering the current climate-related disclosure landscape, we are committed to the following four active management strategies in alignment with our commitments as a PRI signatory:

1. To exercise shareholder voice by voting to promote climate-related disclosure
2. To engage with investee companies and promote climate-related disclosure
3. To advocate with policymakers, regulators and stock exchanges to encourage climate-related disclosure guidance
4. To take an active role in collaborative research regarding appropriate management of key elements such as carbon, plastics, methane and water, promote best practices and benchmark firms' performance on these metrics over time

Through our involvement in the G7 Investor Leadership Network's Climate Change Action Committee, we have contributed to guidance documents that can assist investors in implementing the TCFD and in understanding appropriate sector decarbonization pathways. For more info, go to: https://www.investorleadershipnetwork.org/en/climate-disclosures/

Risk Management

Identifying Climate Risks in the Long Term

The TCFD recommends investors conduct forward-looking scenario analysis to better understand potential investment risks and opportunities arising from various warming outcomes. A range of scenarios should be chosen, for both physical climate change impacts (e.g. severe weather events) and for transition-related impacts (e.g. regulations such as carbon pricing). Each set of scenarios should include a "business-as-usual" scenario, resulting in warming of greater than 2˚C by 2100, and a low-carbon scenario, resulting in warming of less than 2˚C by 2100.

The scenarios used are neither forecasts nor predictions of the future, but instead depict plausible future states, given key underlying assumptions, allowing organizations to then evaluate potential impacts and identify mitigating strategies. Investors can use scenario analysis to inform a climate readiness assessment of the portfolio/fund under each scenario, to guide investment analysis and strategy.

Scenario Analysis

AIMCo employed qualitative, narrative-based scenario analysis to identify risks related to climate change and opportunities that could potentially arise in the medium term (10 years) and over the long term (20 years). The goal was to understand potential impacts and investment implications for our portfolios.

This first iteration of AIMCo's scenario analysis focused on transition risks and is based on a widely used, off-the-shelf framework recommended by the TCFD — the International Energy Agency (IEA)'s World Energy Model. From this model, two scenarios with differing decarbonization pathways were chosen — the Stated Policies Scenario (STEPS), which effectively functions as the "business-as-usual" scenario, and a contrasting Sustainable Development Scenario (SDS) — which features as the low-carbon scenario.

Developing an in-depth understanding of each scenario allowed us to compare two distinct, plausible futures by examining the impact of associated market and regulatory forces, and learning what tools, or levers, are available to investors, companies and countries to promote economy-wide decarbonization. Major themes for levers include: reducing energy demand, shifting the energy mix, managing emissions and the use of market and regulatory factors to encourage decarbonization. The table below describes several levers that were identified for both scenarios. We will discuss these levers in further detail, along with key signposts or leading indicators which can help identify which scenario and associated decarbonization pathway is more likely to occur.

Reducing Energy Demand

- Adopt energy efficiency targets and standards
- Employ smart technology
- Pursue low-carbon fuel options

Shifting Energy Mix

- Increase renewable investments
- Decarbonize the electricity sector
- Electrify the transportation sector

Managing Emissions

- Support carbon capture, utilization and storage (CCUS)
- Promote reforestation
- Reduce fugitive methane emissions

Market and Regulatory Factors

- Expand carbon pricing
- Develop widespread emissions trading programs
- Issue green, sustainabililty and transition bonds

Overall Trends in IEA STEPS and SDS

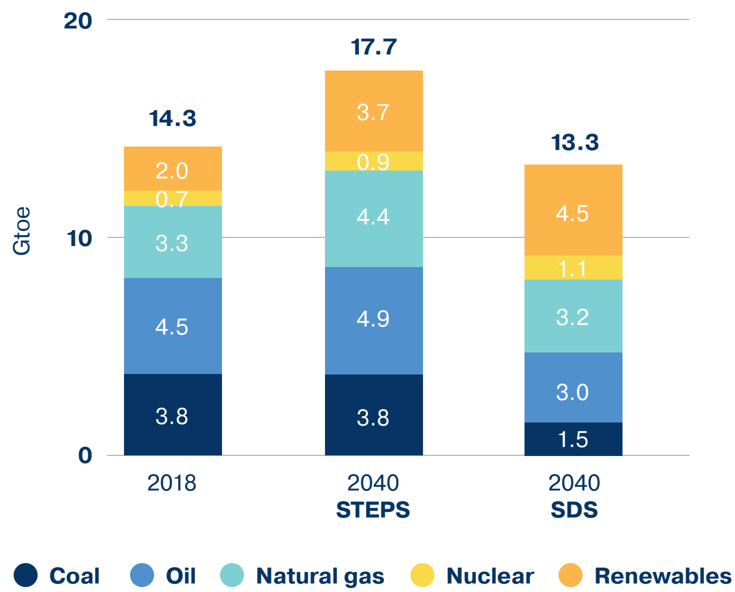
The IEA scenarios are focused on four carbon intensive sectors: power, industry, transportation and buildings. Both the STEPS and SDS scenarios begin with the same macroeconomic assumptions for population and economic growth through 2050. However, each employs a different combination of energy-related policies and levers to reduce emissions across the four carbon intensive sectors, resulting in a different set of market risks, opportunities and outcomes. The risks and opportunities are much more pronounced in the SDS scenario, which represents a fuller transformation of the energy sector.

Overall energy demand and the composition of energy mix differ widely between STEPS and SDS by 2040 (see Figure 1). According to the STEPS scenario, energy demand grows 1% per year through to 2040, while in the SDS scenario overall energy demand decreases — it is lower in 2040 than it is today. In comparing the emissions pathway modelled in STEPS to the one modelled in SDS, the energy system is significantly transformed, relying on a combination of deeper energy efficiency gains, faster and steeper deployment of renewables, electrification and carbon capture, utilization and storage (CCUS).

Although the STEPS scenario aligns with countries' COP 21 stated commitments, ironically it falls far short of the COP 21 global emissions goals. That's because even though the growth of global GHG emissions slows, it does not peak before 2040, resulting in global warming exceeding 3°C in 2100 (see Figure 2).

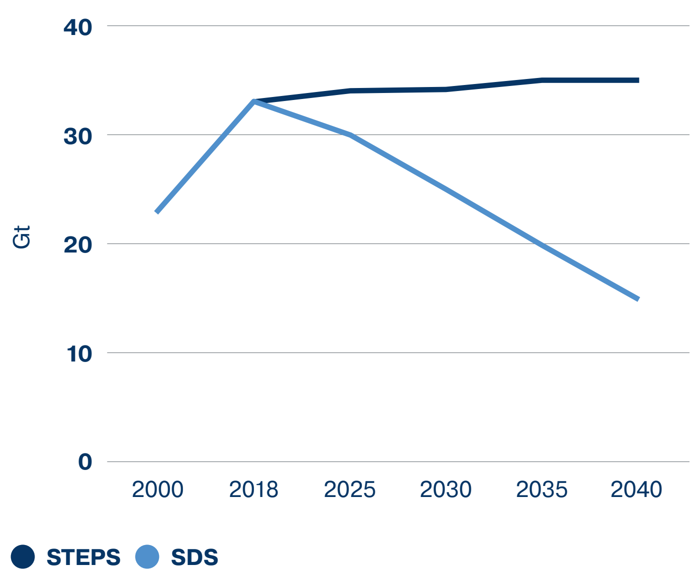
By contrast, the SDS scenario takes a back-casting approach. It follows the required decarbonization trajectory for the energy system to maintain a global temperature increase below 2°C by 2100, to achieve the transition to a low-carbon economy.

Figure 1: Energy Demand by Scenario and Fuel Type



IEA (2019), World Energy Outlook 2019

Figure 2: CO_2 Emissions Pathways by Scenario



IEA (2019), World Energy Outlook 2019

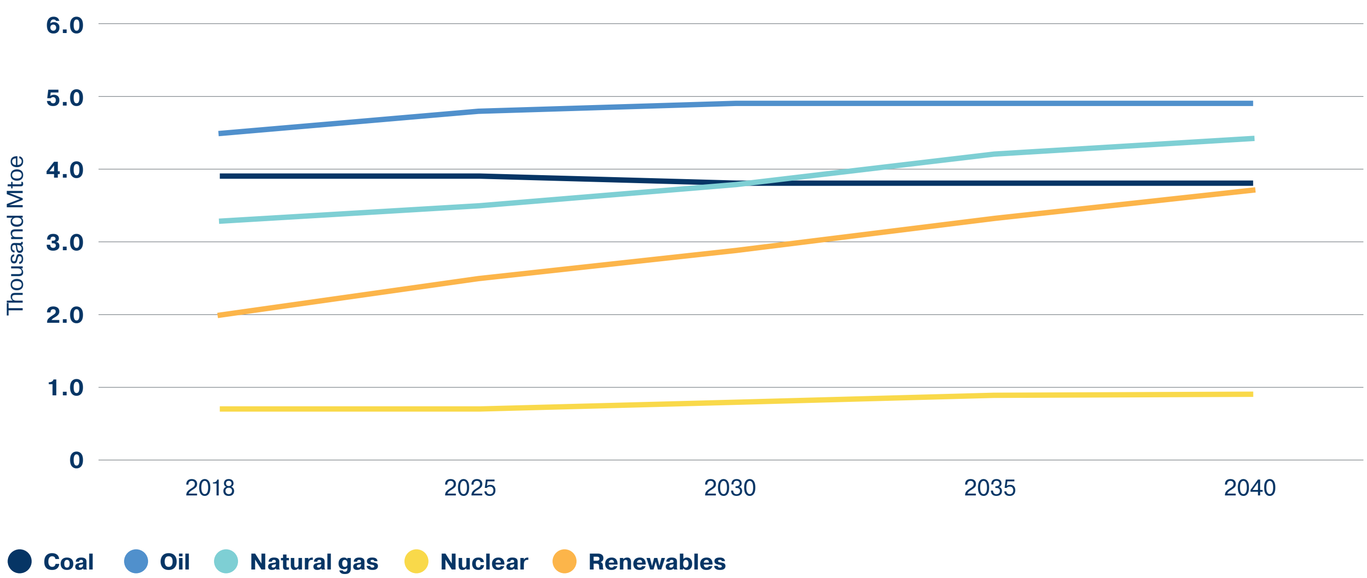
Identified Risks & Opportunities in STEPS and SDS

STEPS Medium (2030) and Long Term (2040 and Beyond)

In the STEPS scenario, the global energy mix in 2040 changes only marginally compared to today. While demand for coal and oil decrease, demand for natural gas grows, with the highest rate of market growth occurring in renewables. In both scenarios, energy demand growth shifts to developing markets — Asia, Africa and the Middle East — but in STEPS, unlike SDS, this growth in demand is met by traditional fossil fuels, like coal.

In STEPS, the world looks to technology to increase energy efficiency and encourage lower emissions across carbon-intensive sectors. Carbon pricing is implemented in parts of the world, but increases modestly, ranging between USD 24-44/tonne by 2050. This "business-as-usual" scenario reduces emissions slightly through increased energy efficiency, technology and targets, and results in fewer risks and opportunities overall for AIMCo, compared to SDS. Opportunities include investing in technologies to retrofit older assets, as well as in renewables which comprise an ever-higher share of the electrical grid. Risks include the impact of carbon pricing on investee firms' costs, operations and customer demand, potentially resulting in lower valuations of existing assets.

STEPS Energy Demand



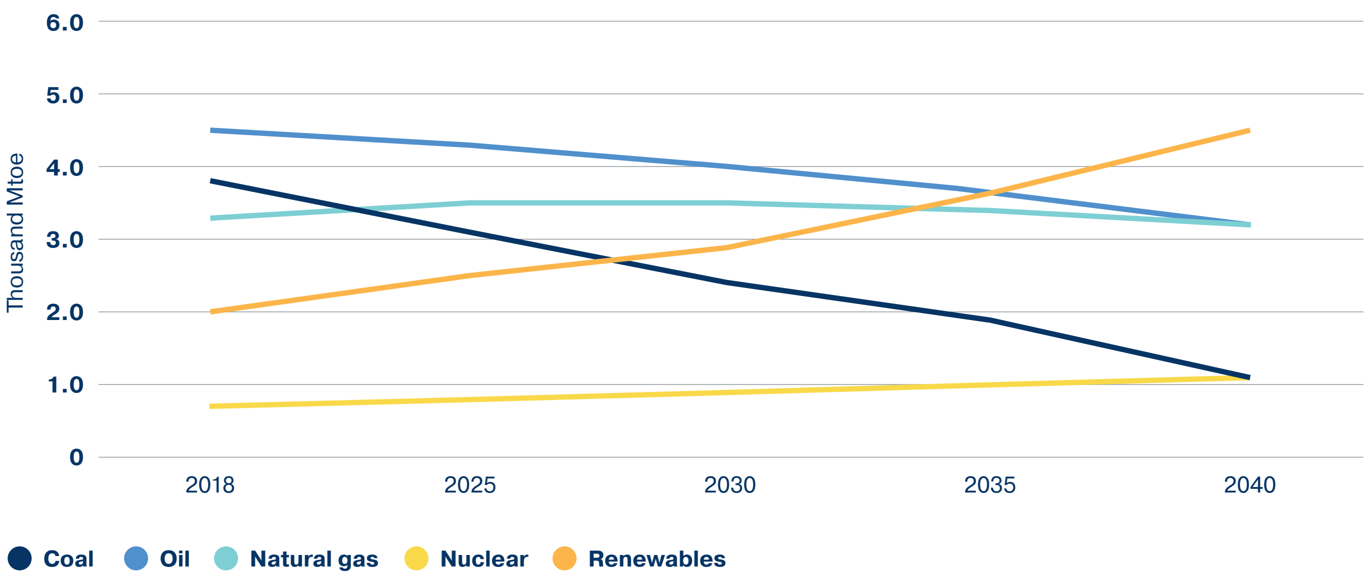
IEA (2019), World Energy Outlook 2019

SDS Medium (2030) and Long Term (2040 and Beyond)

The SDS scenario represents a significant transformation of the energy system to align with the COP 21 commitment to keep temperature increase well below 2°C by 2100. In this IEA scenario, the power sector is mostly decarbonized by 2050, with wind and solar emerging as the top two sources of electricity generation. By 2040, the transportation sector is almost fully electrified, and biofuels are broadly adopted in aviation and shipping. Demand for fossil fuels (coal, oil and natural gas) in 2040 is 33% lower than it was in 2018.

In this scenario, decarbonization policies and levers are far more stringent than in STEPS, enabling rapid transformation. For example, whereas in the STEPS scenario the opportunity for decarbonized includes reducing buildings' emissions year over year, in SDS the focus is on actively moving towards net zero buildings. The range of carbon pricing in STEPS is pegged at a higher level — USD 125-140/tonne. The need for a strategy on negative emissions is vital, requiring greater emphasis on CCUS and switching to lower-carbon fuels, such as hydrogen.

SDS Energy Demand



IEA (2019), World Energy Outlook 2019

In SDS, assets and companies' ability to adapt is imperative across all industries as the world itself transforms. Below are the identified risks and opportunities for AIMCo under this scenario.

Opportunities & Risks for AIMCo under SDS

Opportunities	Risks
Invest in growth & scale of renewables	Stranded assets and/or business models for fossil fuel-reliant holdings
Finance alternative fuels like biomethane & hydrogen	Valuation impacts as high carbon prices result in increased operational costs
Promote carbon management and development of negative emissions technologies	Supply chain disruptions affecting input prices
Advance electrification infrastructure	Reputational risk of owning high carbon emitting assets
Participate in the development of eco-efficiency technologies	Opportunity cost of not investing in climate-focused solutions

Which Decarbonization Pathway Is the World On?

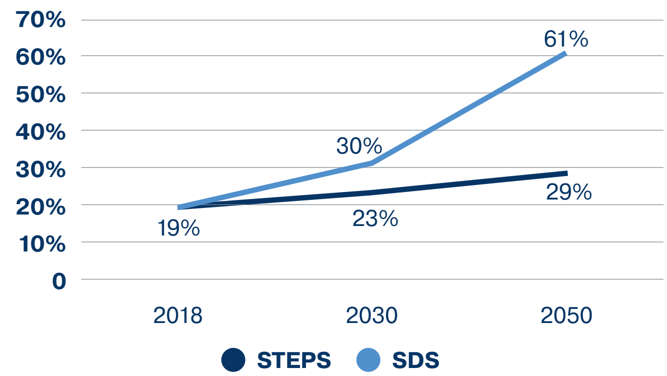
Navigating the transition to a low-carbon economy will be complex and will require a concerted effort from investors, policymakers, the market and society at large. Monitoring factors such as the trajectory of carbon pricing, volume of electric vehicle sales or adoption of charging infrastructure offers valuable insights to inform our understanding of the direction and pace of the transition, and which of the two distinct decarbonization pathway is more likely to occur. The IEA has offered the following key signposts that can be monitored, for alignment with its scenarios.

Changing Energy Demand

Energy demand is expected to rise in the coming decades to accommodate global economic development in emerging markets. This increase in demand can be met by various low-carbon sources like hydropower, bioenergy and other renewables.

IEA (2019), World Energy Outlook 2019

% Low-carbon Energy Demand

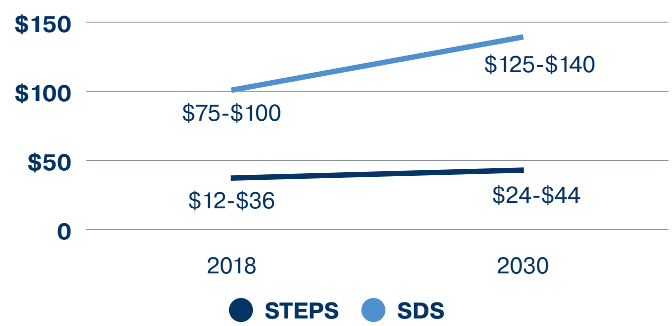


Managing Emissions Through Markets

Carbon prices are a key market mechanism aimed at managing carbon emissions. Higher carbon prices incentivize investments in efficiency, alternative sources and CCUS, ultimately reducing GHGs emitted into the atmosphere.

IEA (2019), World Energy Outlook 2019

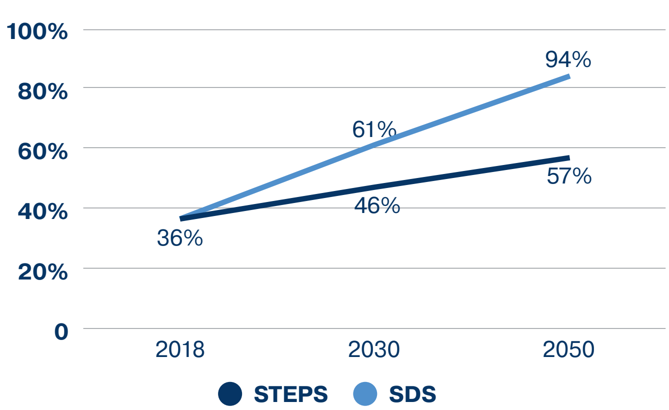
Carbon Price (USD 2018 per Tonne)



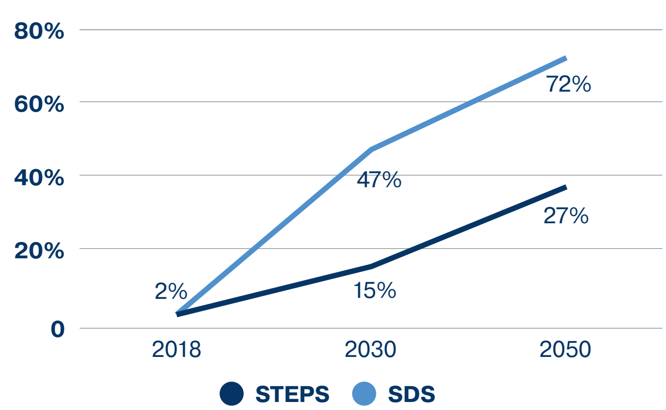
Shifting Energy Mix

Electrification is an enabler of decarbonization. With low-carbon technology development, major sectors like transportation are electrified. Due to this, there is increased demand for electricity in the power sector. Low-carbon power generation like solar and wind, enable indirect emission reductions in sectors like transportation and industry.

% Low-carbon Power Generation



% EVs in New Car Sales



IEA (2019), World Energy Outlook 2019

Metrics & Targets

AIMCo has been monitoring the absolute emissions and emissions intensity of our long only public equities' holdings since 2016. In addition, our Real Estate portfolio has been monitoring material environmental metrics for water efficiency, energy efficiency and waste diversion per square foot.

There are three current accepted methodological approaches to calculate a carbon footprint (see equations in notes), each attributing emissions to the investor differently, while offering valuable insights. These are:

1. The GHG Protocol or Owned Emissions method which attributes emissions to the investor proportionate to the investor's equity holdings only
2. The Financed Emissions method which attributes emissions to the investor proportionate to the investor's equity and debt holdings
3. The Weighted Average Carbon Intensity (WACI) method which attributes emissions to the investor based on the portfolio's relative exposure to carbon intensive industries

Our Carbon Footprint Philosophy & Scope

In our first TCFD report in 2019, we disclosed the carbon footprint of our long only public equities' holdings using the TCFD recommended WACI method and the owned emissions methods for 2015-2018 inclusive.

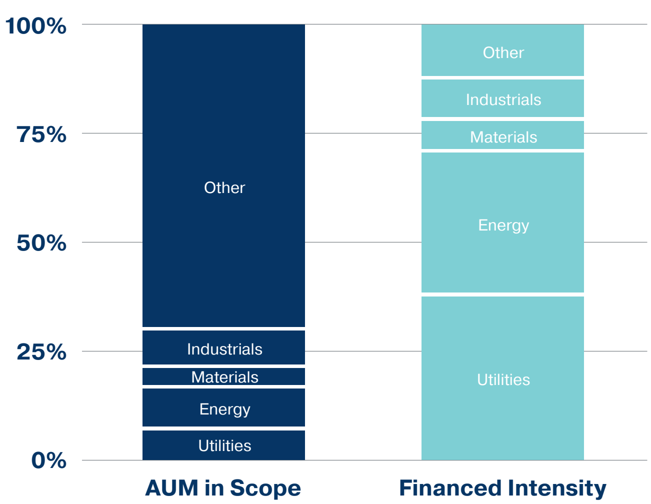
Our objective in 2020 and beyond is to expand the scope of our carbon footprint across asset classes to capture as much of our assets under management (AUM) as possible, reflecting valid investment strategies. As such, the GHG Protocol or Owned emissions method has become less relevant as it only considers equity holdings. Instead, we added the financed emissions method in order to calculate the absolute emissions and emissions intensity of our holdings, allowing us to expand our carbon footprint calculations across four asset classes: Public Equities, Fixed Income (corporate debt), Infrastructure and Real Estate. Under this method, we increased the scope of our carbon footprint from 26% of our AUM in 2018, to 60% in 2019. While the new approach does not allow for comparison with previously disclosed metrics owing to the lack of a common denominator, it enables AIMCo to increase the scope and coverage of our carbon footprinting exercise allowing for a more complete assessment of climate-related risks.

AIMCo's Carbon Footprint

AIMCo's absolute emissions using the Financed Emissions method are approximately 4 million tonnes CO_2e, and emissions intensity under the Financed Emissions method is 59 tonnes CO_2e/$million invested. Under WACI, emissions intensity is 239 CO_2e/$million revenue. Our WACI this year is higher than last year's 194 CO_2e/$million revenue primarily due to adding additional asset classes to the analysis.

AIMCo Carbon Footprint	2019
AIMCo Absolute Financed Emissions (tCO_2e)	4,187,933
AIMCo Financed Emissions Intensity (tCO_2e/$million invested)	59
Weighted Average Carbon Intensity (tCO_2e/$million revenues)	239
Total AIMCo AUM ($billion)	119
Carbon Footprint AUM ($billion)	71

Financed Intensity 2019



A key finding remains consistent, even when accounting for methodology changes — the vast majority of AIMCo's emissions continue to come from four carbon intense sectors: utilities, energy, materials (mining) and industrials. In our latest carbon analysis, we found that while these sectors represent approximately one quarter of AIMCo's holdings, they disproportionately contribute approximately 90% of the fund's overall emissions intensity.

Notes on Carbon Footprint Calculation

Carbon accounting methodology and attribution to the investor is an evolving, iterative process. The Partnership for Carbon Accounting Financials (PCAF) and its recently released *Global Carbon Accounting Standard for the Financial Industry* provided guidance in our approach, as did discussions with our peers and research into their approaches. Data challenges include: lack of disclosed carbon data, unverified carbon data, the difficulty of accurately proxying emissions for non-disclosed carbon data and the complexity of carbon attribution across various investment instruments (e.g. derivatives exposure). Despite these challenges, AIMCo is committed to calculating our CO2 footprint to assess climate-change-related risks and opportunities using the best available data and accepted methodologies. Our carbon footprint journey will continue to evolve as quality carbon data becomes more available, allowing us to expand our analysis across AUM.

We used the following terms, assumptions and formulas in our calculations:

- Dollars reported are CAD unless otherwise noted.
- Emissions are expressed in terms of carbon dioxide equivalents (CO_2e).
- Results presented reflect snapshots of the portfolio investments' carbon intensity as of December 31, 2019.
- Calculations consider scope 1 and scope 2 emissions as defined by GHG Protocol. We do not take into account emissions that emanate from the use of companies' products, also known as scope 3 emissions, as data is limited, and invites double counting.
- For Public Equities and Fixed Income Corporate Bond holdings MSCI data was used. Many issuers publish their emissions annually in conjunction with annual financial reports, and for those that do not disclose their emissions, MSCI uses a proprietary method to estimate and assign emissions.
- The Public Equities carbon footprint calculation is inclusive of long and short positions, and equity derivatives.
- The Fixed Income carbon footprint calculation is inclusive of short-term and long-term corporate debt.
- The Real Estate carbon footprint includes only standing domestic assets with self-reported emissions (Canadian assets that are fully built and/or >90% leased).
- The Infrastructure carbon footprint includes direct and co-investments where holdings are valued over $100 million as of December 31, 2019, and which have self-reported their emissions (excludes fund investments).
- Equations for the three currently accepted carbon footprint methodologies are listed below. GHG Protocol is no longer being reported as it only considers equity holdings.
- M$1= one million dollars; w_i = the weight of the holding within the portfolio

Method	GHG Protocol or Owned Emissions	Financed Emissions	WACI
Carbon Intensity	$\sum_{i}^{n} \frac{\text{Carbon Ownership}_i}{\text{Holding Market Value}_i} * M\$1 * w_i$	$\sum_{i}^{n} \frac{\text{Carbon Ownership}_i}{\text{Holding Market Value}_i} * M\$1 * w_i$	$\sum_{i}^{n} \frac{\text{Holding Market Value}_i}{\text{Portfolio Value}} * \frac{\text{Scope 1\&2 tCO}_2\text{e}_i}{\text{Issuer's \$M revenue}_i}$

AIMCo