

AIMCo Strategic Response to Climate Change

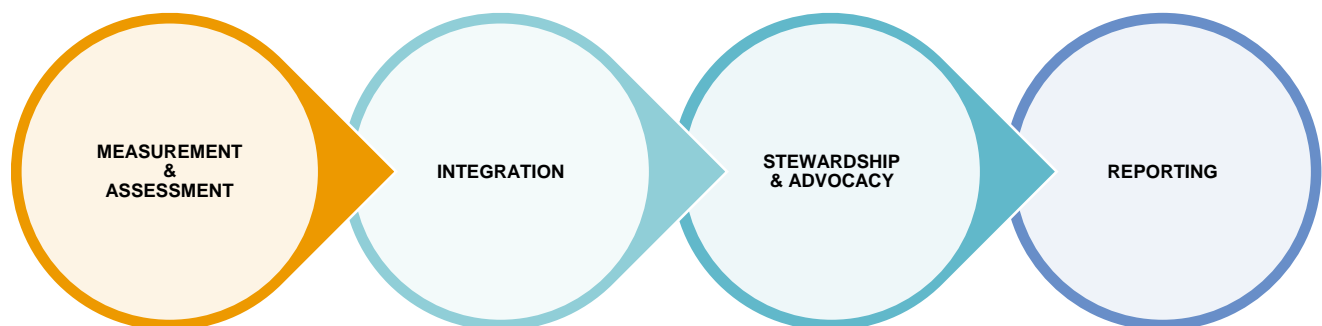
This document updates AIMCo's 2015 Strategic Response to Climate Change and outlines AIMCo's overall approach to integrating climate-related risks and opportunities into our investment research, decision-making, stewardship and advocacy processes, in alignment with AIMCo's 2020-2022 Strategic Priorities and the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) recommendations. Approved April 30th, 2020

AIMCo views climate change as a key systemic risk, with far-reaching environmental, social and economic investment implications. We recognize the business imperative of addressing climate change in our investment strategies and we view the physical and transition risks of climate change as material to our clients' objectives. Since the time of first writing in 2015, climate-related risks have accelerated, while the window of opportunity for countries to reduce greenhouse gas emissions (GHGs) is narrowing.

The landmark Paris COP 21 Accord reflects a global consensus that the average global temperature should not be permitted to increase beyond 2 degrees Celsius over pre-industrial levels. We are committed to doing our part to enable the transition to the low carbon economy, in alignment with Canada's commitments to reduce GHGs 30% by 2030 over 2015 levels.

It is our responsibility, as a leading institutional investor, to endeavour to understand the fast-changing world around us which includes identifying, measuring, managing, monitoring and reporting on climate-related risks and opportunities. Climate change has the potential to significantly impact asset value across asset classes and markets. The risk-return profile is changing for many industries- presenting both challenges and opportunities. As fiduciaries, we must consider whether our clients' assets are invested over a sufficient length of time to meet current and future liabilities. It is our duty to ensure that AIMCo's investments are adequately diversified and appropriately consider ESG factors, including mitigation of climate risk.

AIMCo's strategic response to climate change is based on the following key priorities:



Measurement and Assessment

Our processes for identifying climate-related risks and opportunities across asset classes continues to evolve. Measuring key environmental metrics helps us advance our understanding, management and reporting of climate-related financial risks and opportunities in our portfolios, in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

AIMCo continues to expand the scope of our climate assessment. Our objective is to include as much of the total portfolio as possible in our analysis. We track portfolio emissions over time, relative to appropriate financial and sustainable development benchmarks, and we identify top contributors to the portfolio's emissions profile. We may track other key environmental metrics to capture the portfolio's sustainability performance. For example, AIMCo's Real Estate Group tracks water usage/efficiency, GHGs, energy consumption, waste diversion and green certifications across domestic assets.

Although the corporate reporting landscape is improving for large public issuers, carbon accounting is still an inexact science, as it relies largely on unverified or proxied data to calculate trends. As data quality improves, so too will the climate risk analysis- it is an iterative process.

Integration

Consistent with our goal of creating long-term, sustainable value for our clients, AIMCo is committed to aligning our ESG integration strategies across asset classes and throughout the investment process. AIMCo's Board of Directors approves and has oversight over the Responsible Investment Policy which features climate change. The Responsible Investment Committee approves the Responsible Investment Strategy and climate change is a key ESG focus area. The AIMCo Board of Directors and Responsible Investment Committee are kept apprised of key climate trends, emerging best practices and related investment applications. The day-to-day execution of the Responsible Investment Strategy is managed by AIMCo's Responsible Investment department, which has multiple touchpoints across the organization.

AIMCo's investment landscape is evidence of the ongoing transition to the low carbon economy, considering the growth of our investments in alternative energy within public equities or infrastructure, the percentage of our Canadian real estate assets that are LEED® or BOMA BEST® certified or the growth of our investments in timberlands. We also see a trend of investment in debt instruments funding sustainability projects, such as municipal bonds or transition bonds. Both physical and transition risk viewpoints present implications for investment opportunities with respect to asset allocation strategies and potential diversification benefits.

Stewardship & Advocacy

As an active investor, AIMCo prefers a strategy of 'voice over exit' and engages with companies regarding how they manage and disclose climate-related risks. Resilient companies of the future, including those in high emitting sectors, will be those that are can adapt to various aspects of the transition to the low carbon economy. We believe that companies exhibiting better disclosure of their climate change mitigation strategies, emissions performance and related material environmental metrics are likely to evidence better risk-adjusted performance over the long run.

We continue to support and contribute to efforts to provide practical, concrete recommendations to inform the field of sustainable finance in Canada and globally. AIMCo plays an active role in collaborative research and we contribute to various climate-related investor initiatives. As a United Nations' Principles for Responsible Investment (UNPRI) signatory and leader in responsible investment, we support the UN Sustainable Development Goals. We have publicly endorsed the G-7 and G-20 investor statements calling for policy action on climate change, contributed to the TCFD consultations and issued our first TCFD report in 2019. AIMCo is a co-founder of GRESB Infrastructure, a sustainability benchmarking tool for infrastructure assets and funds, which includes climate-related data in its survey assessment.

We contribute to the development of global ESG standards by being an active member of key collaborative initiatives such as the G7 Investor Leadership Network Climate Change Action Committee and the Canadian Standards initiative to develop a made-in-Canada sustainability taxonomy.

Reporting and Communications

AIMCo is a supporter of the TCFD which encourages companies and investors to voluntarily disclose consistent, relevant, decision-useful climate-related financial disclosure, including with respect to a firms' climate governance, strategy, risk/scenarios and metrics and targets. We formed an internal TCFD working group comprised of investment professionals from risk, valuations, public equities, economics and fund strategy and responsible investment to address the TCFD recommendations. The working group explores both climate risk and opportunity-whether we are adequately invested in enabling solutions or 'levers' to, for example, reduce energy demand, promote eco-efficiencies or otherwise mitigate emissions. The outputs of our internal analyses serve to inform our internal house viewpoint and external reporting. Our CFO Office conducts internal verification of AIMCo's TCFD reporting.

As you can see, AIMCo is striving to do our part to evaluate and appropriately consider climate risks and opportunities. In doing so, our goal is to protect and enhance investment returns for our clients and beneficiaries— all Albertans.