

ALBERTA INVESTMENT MANAGEMENT CORPORATION

MANDATE AND ROLES DOCUMENT

made September 14, 2017

This Mandate and Roles Document has been developed jointly by Alberta Investment Management Corporation ("AIMCo") and the President of Treasury Board, Minister of Finance, pursuant to the *Alberta Public Agencies Governance Act*.

Although AIMCo operates independently and at arm's length from the Government of Alberta, there is broad cooperation and collaboration between AIMCo and the Government of Alberta.

Each of AIMCo and the Government of Alberta consider it necessary and advisable to clarify for Albertans the respective responsibilities and accountabilities of AIMCo and the Government of Alberta relative to the execution of AIMCo's investment management mandate.

1. INTRODUCTION

1.1 Purpose and Vision:

AIMCo provides investment management services to designated Alberta pension, endowment and government funds. It operates at arm's-length from the Government of Alberta and on commercial terms. AIMCo's objective is to be a world class financial asset manager, with a best practices corporate governance structure and superior long-term performance on a risk-adjusted basis, all at a low cost relative to private asset managers.

1.2 Definitions:

In this document:

- "AIMCo" means Alberta Investment Management Corporation;
- "AIMCo Act" means the *Alberta Investment Management Corporation Act*, including any amendments;
- "APAGA" means the *Alberta Public Agencies Governance Act*, including any amendments;
- "CEO" means the chief executive officer of AIMCo, by whatever title;
- "Chair" means the chair of the board of directors of AIMCo;
- "Department" means the Department of the Minister, currently established as the Department of Treasury Board and Finance of the Government of Alberta;
- "Deputy Minister" means the Deputy of the Minister or, if the Minister has more than one Deputy, the Deputy whose responsibilities include AIMCo;
- "Directors" means the directors of AIMCo;

- “Government of Alberta” has the same meaning as “Her Majesty the Queen in right of Alberta” and “Crown in right of Alberta”;
- “Minister” means the President of Treasury Board, Minister of Finance, or such other Minister of the Government of Alberta as is designated as the Minister responsible for the AIMCo Act;
- “MRD” means this Mandate and Roles Document;
- “SIP&G” means a Statement of Investment Policy and Guidelines approved from time to time by one of the designated entities.

1.3 Nature of this Document:

This MRD is made by AIMCo and the Minister pursuant to and in accordance with the requirements of section 3 of APAGA. This MRD is not a contract, nor does it establish or create legal obligations. Rather, it describes and reflects the mandate of AIMCo, its relationship with the Minister and the Department, its governance and operational structure, and respective roles and responsibilities.

APAGA requires that this MRD be reviewed and renewed, amended or replaced within three years after it was made or most recently amended.

2. GOVERNING LAW

2.1 Statutory Mandate of AIMCo:

The AIMCo Act establishes AIMCo as a corporation, and establishes its purpose and mandate as providing investment management services in accordance with the Act, together with any other functions mandated by regulations under the Act. More particularly, the mandate of AIMCo under the Act is to provide investment management services to entities designated by the Minister, pursuant to investment management agreements entered into between AIMCo and the designated entities.

AIMCo operates independently and at arm’s-length from the Government of Alberta, and it is governed by a professional board of directors that is independent of the Government of Alberta and AIMCo management. In providing investment management services to designated entities, AIMCo acts in the best interests of the designated entities.

The Minister determines by order those persons and funds which shall become designated entities for which AIMCo shall provide investment management services. AIMCo’s directors shall be appointed by Order in Council on the recommendation of the Minister. From among the members of the AIMCo board of directors one member shall be designated as Chair by Order in Council.

2.2 AIMCo Status:

AIMCo is, by statute, “for all purposes an agent of the Crown in right of Alberta”, which means:

- the Government of Alberta ultimately has legal responsibility for all debts, liabilities and obligations of AIMCo; and

- AIMCo is entitled to all legal immunities and any applicable rights and benefits of the Government of Alberta.

AIMCo is a “Provincial corporation” as that term is defined in the *Financial Administration Act* (Alberta).

2.3 Regulations:

AIMCo is also governed by the following regulations made under the AIMCo Act:

- the *Alberta Investment Management Corporation Regulation*, which deals with various matters regarding:
 - directors;
 - ancillary powers, duties and functions;
 - authority to create a subsidiary for venture capital purposes;
 - indemnities;
 - borrowing;
 - investment management agreements;
 - investing; and
 - authority to establish a reserve fund; and
- the *Alberta Investment Management Corporation Act Remuneration Regulation*, which prescribes remuneration of AIMCo’s Directors.

2.4 Other Governing Legislation:

In addition to the AIMCo Act, AIMCo has duties and obligations under various other Alberta statutes, most significantly the following:

- the *Financial Administration Act*, which governs AIMCo as a “Provincial corporation”, but subject to the *Funds and Agencies Exemption Regulation*, which exempts AIMCo from several sections of that Act;
- APAGA, which applies to AIMCo as a “public agency” under that Act;
- the *Fiscal Planning and Transparency Act*, which requires AIMCo, as an “accountable organization” that is part of the Minister’s “ministry”, to provide a business plan and annual report for each fiscal year;
- the *Freedom of Information and Protection of Privacy Act*, which applies to AIMCo as a “public body” under that Act; and
- the *Public Interest Disclosure (Whistleblower Protection) Act*, which applies to AIMCo as a “public entity” under that Act.

Because AIMCo is a “Provincial corporation”, the Auditor General of Alberta is the auditor of AIMCo.

AIMCo is not directly subject to the provisions of the *Lobbyists Act*.

AIMCo has been exempted from the compensation disclosure requirements imposed upon “public sector bodies” by the *Public Sector Compensation Transparency Act*.

AIMCo is not subject to any “compensation framework” established under the *Reform of Agencies, Boards and Commissions Compensation Act*.

AIMCo’s procurement practices are subject to the New West Partnership Trade Agreement and the Agreement on Internal Trade, entered into by the Government of Alberta.

3. AIMCo OPERATIONS

3.1 Subsidiaries:

AIMCo does not currently have any subsidiaries, and the creation of any such subsidiary would require approval by Order in Council. Although AIMCo has established a large number of investment vehicles or “blocker corporations” for investment management purposes, such corporations are owned directly or indirectly (that is, as a subsidiary of a blocker corporation) by the Government of Alberta and not by AIMCo.

3.2 Governing Contractual Framework:

The following contracts are foundational to AIMCo’s investment management operations:

- an Agency Authority Agreement, detailing and clarifying the authority of AIMCo to do things in the name of the Government of Alberta;
- an Investment Management Agreement between AIMCo and the Government of Alberta in respect of the Alberta Heritage Savings and Trust Fund and various other funds of the Government of Alberta;
- an Investment Management Agreement between AIMCo and the Government of Alberta in respect of certain pension funds trustee by the Government of Alberta pursuant to the *Public Sector Pension Plans Act* (Alberta) and the *Provincial Judges and Masters in Chambers Registered and Unregistered Pension Plans Regulation*, and the associated retirement compensation arrangements; and
- various other Investment Management Agreements between AIMCo and “designated entities” other than the Government of Alberta.

3.3 Operations:

AIMCo has its own employees, and it operates independently and at arms length from the Department. It may from time to time enter into shared services arrangements with the Department. AIMCo operates on a cost-recovery basis, and allocates among the designated entities to which AIMCo provides services all costs incurred by AIMCo in carrying out its investment management duties.

3.4 Investment Decisions:

AIMCo has full discretion to make investment decisions in respect of designated funds entrusted to it by designated entities pursuant to investment management agreements, in every case subject to the SIP&Gs. Investment decisions made by AIMCo are free from any influence or direction by the Government of Alberta, other than such direction as may be provided in the ordinary course of amending the SIP&Gs.

3.5 Budget and Planning:

The Fiscal Plan that is required to be prepared annually by the Minister pursuant to the *Fiscal Planning and Transparency Act* must include AIMCo as a “prescribed Provincial agency”. Accordingly, AIMCo will, in consultation and collaboration with the Department, prepare an annual budget and operational plan.

3.6 Compensation:

The Human Resources and Compensation Committee of the Board of Directors and AIMCO management shall work collaboratively to develop compensation strategy for review and approval by the full Board of Directors.

Salaries (including any bonus or other contingent compensation) and benefits offered by AIMCo to its employees, including unionized employees, shall be determined by AIMCo management with the oversight of the Directors and in compliance with guidelines provided by the Directors, having regard to the following principles:

- Compensation strategy shall align with AIMCo’s vision of being a world class investment management organization based in Alberta.
- Compensation structure will be based on performance, consistent with compensation models applied by AIMCo’s peers and the investment management industry more generally.
- Compensation levels shall be benchmarked against AIMCo’s peers and other comparable employers by AIMCo management and also with reference to advice received from independent consultants reporting directly to the Human Resources and Compensation Committee of the Board of Directors.
- Performance-based pay shall be structured to reward long term investment performance and will also incorporate qualitative factors determined by the Directors, including an emphasis on AIMCo’s core values and its commitment to high standards of ethical conduct.

AIMCo will provide full transparency and disclosure of relevant compensation policy and principles to the Government of Alberta.

4. GOVERNANCE

4.1 Directors:

Pursuant to the AIMCo Act, the Directors of AIMCo are appointed by an order of the Lieutenant Governor in Council. A Director may be appointed for a term not exceeding 3 years and is eligible for reappointment subject to a cumulative maximum of 10 years of service.

The recruitment and nomination process for Directors is guided by the provisions of APAGA and is subject to generally applicable policies established by the Government of Alberta. The process is described generally in this MRD and more specifically in the AIMCo Director Recruitment & Reappointment Process document (also available with this MRD at www.aimco.alberta.ca), and includes the following policies and procedures:

- The Director recruitment and appointment process is open, transparent, and competency-based.
- The competence of Directors is recognized as being of paramount importance.
- The board will be comprised of a diverse range of qualified individuals, who can effectively execute their mandates in the best interest of Albertans.
- AIMCo is committed to gender parity and has a specific objective that at least 5 of AIMCo's 11 Directors should be women.
- AIMCo has governance practices in place and, where applicable, adheres to APAGA and the Public Agency Governance Framework, which outlines best practices for the governance of public agencies.
- The Director recruitment and nomination process is consistent with best practices for the governance of institutional investment managers similar to AIMCo and major Canadian corporations, as recommended by Canadian securities regulators, the TSX and the Institute of Corporate Directors.

Director appointments are made with the intention of creating a board comprised of individuals who, in the aggregate, have the full range of proven skills, knowledge and experience necessary to effectively oversee AIMCo in achieving its objects, including four categories of required expertise:

- Highly sophisticated risk management and related decision making experience.
- Highly sophisticated investment decision making experience.
- Direct investment or operating experience in large, capital-intensive infrastructure, real estate or private equity investments or assets.
- Significant executive leadership, including proven experience developing vision and strategy, achieving operational effectiveness, and fostering an ethical and performance based culture.

AIMCo's Governance Committee, with the assistance of external international search firms engaged by AIMCo, is responsible for continually searching for and maintaining an evergreen list of Director candidates having the above described qualifications. The assessment of qualifications of an individual

candidate and his or her respective fit relative to AIMCo's needs rests with AIMCo's Chair and Governance Committee.

AIMCo's Governance Committee and the external search firms will screen Director applicants identified through both the AIMCo internal process and those who applied through the Government of Alberta's public agency website.

AIMCo's Governance Committee, in collaboration with the AIMCo Board of Directors, will propose a shortlist of candidates who meet the competency criteria and will communicate to the Department the criteria underlying the process for determining the list. The shortlist of candidates will then be interviewed by a nominating committee comprised of the Chair, AIMCo's Governance Committee chair and the Minister (or a delegate of the Minister). The nominating committee shall then select applicants to be recommended to the Minister for appointment as a Director.

The nominating committee shall also approve recommendations of incumbent Directors for reappointment, to whom the full appointment process does not apply, after assessing whether such Directors demonstrate the ability to contribute on a current or future basis in board leadership roles (including Chair, Vice Chair and Committee chairs) or demonstrate distinctive depth of relevant skills and knowledge necessary to lead AIMCo in achieving its objectives.

The Minister and Cabinet shall decide whether to approve the appointment or reappointment of any individual recommended by the nominating committee.

4.2 Officers, Committees and Bylaws:

The Directors shall nominate from among the then current Directors a Chair and submit such nominee for approval to the Minister, who shall decide with Cabinet whether to approve the designation of the Chair. The Chair is formally designated by order of the Lieutenant Governor in Council.

The Directors have established the following committees:

- Audit
- Governance
- Human Resources and Compensation
- Investment

The Directors are empowered to make bylaws (which come into effect only upon approval by the Minister) governing the business and affairs of AIMCo.

4.3 Code of Conduct:

The Directors have, in accordance with APAGA, effected a Code of Conduct and Ethical Standards (including the process for administering the Code of Conduct) governing:

- the conduct of Directors; and
- the conduct of employees of AIMCo;

and AIMCo has made the Code of Conduct and Ethical Standards easily accessible on its website.

4.4 Roles and Responsibilities:

The respective roles and responsibilities of AIMCo, AIMCo's Directors and CEO, the Minister and the Department in relation to AIMCo and its operations are summarized as follows:

- AIMCo is responsible for carrying out its statutory mandate, complying with other applicable enactments, and performing its contractual obligations;
- the Directors are collectively responsible for the strategic management and direction of AIMCo including:
 - supervising the executive and operational management of AIMCo;
 - determining compensation strategy and plans;
 - approving major investments over a certain predetermined dollar threshold;
 - CEO recruitment and CEO succession planning;
 - overseeing the orientation and training of new Directors; and
 - the evaluation of AIMCo's performance, the CEO's performance and Directors' performance.
- the CEO is responsible for operational management of AIMCo, subject to direction from the Directors;
- the Minister is responsible for overseeing the operations of AIMCo as a Provincial agency and is responsible for the AIMCo Act and related regulations; and
- the Department is responsible for supporting the Minister in the above functions, and for developing SIP&Gs for designated funds of the Government of Alberta (other than the public sector pension funds trustee by the Government of Alberta pursuant to the *Public Sector Pension Plans Act*) invested by AIMCo.

Further, pursuant to APAGA the Minister must:

- participate in setting AIMCo's long-term objectives and short-term targets, if any;
- advise AIMCo of applicable government policies; and
- monitor whether AIMCo is acting within its mandate and achieving its long-term objectives and short-term targets, if any.

4.5 Accountability:

AIMCo and its Directors are ultimately accountable to the Government of Alberta (as the shareholder of AIMCo) and to the Minister. AIMCo's CEO is accountable to the Directors.

5. REPORTING AND COMMUNICATIONS

5.1 Reporting and Accounting:

AIMCo is part of the consolidated reporting entity for purposes of the financial statements of the Government of Alberta, and pursuant to the *Fiscal Planning and Transparency Act* must provide an annual report in a form and containing information as directed by the Department on behalf of the Minister.

The Minister may from time to time request from AIMCo additional reporting, which may be either specific or general, and either periodic or one-time.

AIMCo is not a “government business enterprise” for accounting purposes.

5.2 Communications and Consultation:

AIMCo and the Department jointly believe that regular and open communications between them are foundational to an effective working relationship. To that end, multiple avenues of communication are employed, including the following:

- between the Chair and the Minister;
- between the CEO and the Deputy Minister;
- between various officials of AIMCo and the Department; and
- between the respective internal legal counsel of AIMCo and the Department.

In particular, AIMCo is required to provide timely notice to the Department of any of the following:

- any lawsuits (and any other judicial or quasi-judicial proceedings) brought or threatened against AIMCo, any Director, the CEO or other member of AIMCo’s management, in such capacities;
- any lawsuits threatened or commenced against the Government of Alberta in respect of investment management activities carried out by AIMCo; and
- any lawsuits (and any other judicial or quasi-judicial proceedings) proposed to be initiated by AIMCo in the name of the Government of Alberta.

The Minister and the Department will use best efforts to consult with the Chair and CEO of AIMCo prior to any amendment of the AIMCo Act or Regulations thereunder, as well as any other law, regulation or Government policies significantly affecting AIMCo.

AIMCo and the Department will continue to have a “Derivative Risk Management Committee” that will periodically meet to share information and best practices regarding systemic risk in respect of derivatives transactions entered into on behalf of the Government of Alberta either by AIMCo or by the Department.

The Directors have delegated to the CEO responsibility for most communications between AIMCo and stakeholders and members of the public, including a general duty to act as the public spokesman for AIMCo.

5.3 Publication of this MRD:

AIMCo will ensure that the full text of this MRD is placed and easily accessible on AIMCo's website at www.aimco.alberta.ca.

ALBERTA INVESTMENT MANAGEMENT CORPORATION

date: Sept 15, 2017

Original signed

per:

M. Van Wielingen, Chair

**PRESIDENT OF TREASURY BOARD, MINISTER OF
FINANCE**

date: Sept 15, 2017

Original signed

per:

The Honorable Joe Ceci