

# REVIEW OF THE CONFLICTS OF INTEREST ACT

## OPPORTUNITY TO COMMENT ALBERTA INVESTMENT MANAGEMENT CORPORATION

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Alberta Investment  
Management Corporation

Alberta Investment Management Corporation (“AIMCo”), is pleased to provide this written submission pursuant to the review of the *Conflicts of Interest Act* assigned to the Standing Committee on Resource Stewardship.

Serving as Alberta’s investment manager, AIMCo is one of Canada’s largest and most diversified institutional investors, responsible for more than \$100 billion of assets under management. Operating at arm’s-length from the Government of Alberta, and on commercial terms, its objective is to be a world class investment manager for 32 designated Alberta public sector pension, endowment, and government funds. AIMCo was established on the premise that a conscientiously governed and disciplined organization that can attract and retain highly talented expertise will produce superior investment results at a low cost, relative to private managers.

AIMCo considers its commitment to demonstrating the highest standards of corporate conduct among its most critical drivers of long-term success for the benefit of its clients. The organization has taken deliberate steps to ensure this commitment is achieved and has long governed itself by a comprehensive Code of Conduct and Ethical Standards that describes the ethical values the organization wants every employee to embrace, and the related conduct that is absolutely expected from all employees, all of the time.

AIMCo supports the Province in its effort to ensure the highest levels of corporate conduct are adhered to across all provincial bodies; however, we are concerned that the application of certain aspects of the *Conflicts of Interest Act* unnecessarily impair our organization’s ability to meet the objectives of our clients.

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## SUMMARY OF CONCLUSIONS

AIMCo is concerned that the application of certain elements of the recently added **Part 4.3 Senior Officials, Members and Employees of Public Agencies** of the *Conflicts of Interest Act* do not appropriately account for the commercial realities of a large international investing platform, do not take into account pre-existing corporate measures in place to achieve similar objectives, and serve to dissuade the most qualified individuals from seeking leadership positions within the organization.

Existing measures in place for members of the Board of Directors and all employees not only satisfy the intent of the *Conflicts of Interest Act* with respect to Designated Office Holders, but do so in a manner that is reflective of our industry and enables the organization’s ability to operate in the best interest of its clients.

AIMCo recommends the government reconsider the application of the legislation, specifically the issue of concurrent employment and the level of disclosure detail required, on a case by case basis, making allowances to defer to an application most appropriate to the business or organization impacted.

# AIMCO ANALYSIS

## PART 4.3 SENIOR OFFICIALS, MEMBERS AND EMPLOYEES OF PUBLIC AGENCIES

### INTERPRETATION AND APPLICATION

AIMCo contends that it is not appropriate for its Chair to be subject to limitations on “concurrent employment”, given that he/she serves the Board only in a part-time capacity, yet is expected to possess the skills and experience necessary to lead a large international investing organization. The application of the Act in this manner serves as a disincentive to the attraction of the most qualified individuals putting forth their name to lead the organization’s Board of Directors.

#### 23.92 Interpretation

The role of Chair is critically important to the effective operation of the organization, and through its history AIMCo has attracted an exemplary group of individuals, all of whom have been recognized leaders in their respective industries, to serve in this capacity. AIMCo’s *Mandate and Roles Document*, excerpted below, clearly articulates the four categories of required expertise deemed most important to the composition of a well-functioning Board for the organization.

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 expects its Chair to uphold the same high level of corporate conduct that it does of all employees, including his/her complete commitment to AIMCo when performing on its behalf. Insofar as this commitment is upheld, and in recognition of the part-time nature of the Chair’s role, AIMCo does not believe that the pursuit of concurrent employment, fully disclosed to the organization, in any way compromises their ability to dutifully exercise their obligations to AIMCo.

## DESIGNATED SENIOR OFFICIALS' STATUTORY OBLIGATIONS

AIMCo believes that the Act stipulates an unreasonable level of personal disclosure, beyond that contemplated by any private sector business and not appropriate to the commercial landscape in which we operate, nor from which we recruit the high caliber of talent necessary to lead the organization.

AIMCo's Personal Trading Policy establishes a standard of rigor with respect to the investment in certain holdings, and disclosure of the same, that far exceeds that contemplated by the Act.

### 23.93 Restrictions on Holdings

AIMCo has established a stringent Personal Trading Policy to mitigate against the concerns noted in the Act. Employees must comply with all aspects of the policy, which includes pre-clearance of trades in certain securities, forced holding periods, disclosure of trading activity and holdings and the provision of source documentation evidencing those activities.

Any breach of the foregoing protocols is reported to the Audit Committee of the Board of Directors.

### 23.931 Disclosure Statements and 23.932 Returns Relating to Persons Directly Associated

AIMCo employees must provide copies of source documentation showing transactions and positions for all accounts with an investment dealer / broker where i) common shares, bonds, derivatives and other non-exempt securities can be traded through the account; and ii) regardless of beneficial interest or name on the account, an AIMCo employee is able to provide trading instructions to the investment dealer, provide trading instructions to an individual with the right to control an account or give advice regarding security-level transaction decisions for an account.

To ensure full disclosure of all activities, AIMCo employees must make a request to their investment advisor to send duplicate copies of account statements and trade confirmations directly to AIMCo's Compliance Department. In doing so, AIMCo is assured of full awareness of all employees' trading activities, including that of persons directly associated with them, and can ensure compliance with the policies and processes in place at AIMCo.

## PERCEPTION OF CONFLICT OF INTEREST

AIMCo is also somewhat concerned about the extent to which the Legislature may wish to regulate perceptions of conflicts of interest as opposed to conflicts in fact. On behalf of its clients, AIMCo has invested funds in the capital structure of thousands of companies around the world for a variety of different reasons related to its investment strategy. Those unfamiliar with the business and operations of a major institutional investor may be inclined to perceive conflicts of interest due to the breadth and scale of our portfolio where no such conflicts exist in fact. AIMCo invites considerable care in this area.

## RECOMMENDATION

Thank you for allowing AIMCo the opportunity to comment on the *Conflicts of Interest Act*.

Pursuant to our review, AIMCo is confident that pre-existing measures, including its Code of Conduct and Ethical Standards and supporting policies, fully align to, and in certain cases, exceed the aims of the amended *Conflicts of Interest Act*.

AIMCo recommends the government reconsider the application of the legislation, specifically the issue of concurrent employment and the level of disclosure detail required, on a case by case basis, making allowances to defer to an application most appropriate to the business or organization impacted.