True to the principles that govern our investment decisions and to the values that define us as an organization.

True to our clients, all Albertans and to our talented employees who deliver on our promises.

True to the AIMCo vision to be among the best institutional investment managers and to inspire the confidence of Albertans.

For five years we have operated at arms-length from government, as a crown corporation. In that time, AIMCo has demonstrated that it is an Albertan success story—a global investment manager with a proven track record. Our economies of scale, governance model, and strong performance managing a wide range of asset classes are our strength. With our sights set on the future, we are modernizing our systems and refining our business processes, all with the aim of improving performance for our clients.

We are a long-term investor with patient capital and work positively alongside the firms in which we invest. With our history rooted firmly in Alberta, AIMCo turns confidently towards tomorrow and the promise it provides for our clients.
Vision
To be among the best institutional investment managers and inspire the confidence of Albertans.

Mission
Establish the framework for a center of excellence, dedicated to delivering superior performance.

Core Values
Bringing our aspirational culture and AIMCo’s Core Values to life is one of our most important priorities.

- Humility
- Collaboration
- Excellence
- Resourcefulness
- Learning
- Integrity

Table of Contents
Investment Performance Highlights 2 | Message From the Chair 4 | Message From the CEO 6 | Our Team 6 | Focused on our Clients 9 | Assets Under Management 11 | Investment Performance 15 | Performance Benchmarks 17 | Managing Costs 18 | Asset Class Summaries 19 | Public Market Investments 20 | Private Market Investments 22 | Market Review and Investment Outlook 27 | Risk Management 32 | Imagining a Better Future 35 | Responsible Investment 36 | Community Investment 38 | Board of Directors 46 | Compensation Discussion and Analysis 48 | Investments Over $300 million 52
Aim True.
We target the best investment opportunities wherever they might be.

From infrastructure in South America and real estate in Europe to positions on every global exchange, AIMCo invests in a global mix of assets on behalf of our clients.
INVESTMENT PERFORMANCE HIGHLIGHTS
(as at December 31, 2012)

$1.6 billion Gross of Fees Value Added
10.8% Total AIMCo Gross Investment Return
19% MONEY MARKET AND FIXED INCOME
38% EQUITIES
43% INFLATION SENSITIVE

$6.9 billion Gross Investment Income
12.6% Balanced Funds Gross Investment Return
21% 2012 BALANCED FUNDS
29% GOVERNMENT FUNDS
50% MONEY MARKET AND FIXED INCOME
6% EQUITIES
94% INFLATION SENSITIVE

$68.6 billion Assets Under Management
3.1% Government Funds Gross Investment Return
On behalf of the Board of Directors of Alberta Investment Management Corporation, I am pleased to report yet another year of attractive investment returns. For calendar 2012, AIMCo earned a gross return of 10.8% and a net after cost return of 10.2% on $70 billion of assets. $1.6 billion or 2.6% of that gross return represented value-added in excess of our market benchmark.

Five years ago, the Province of Alberta took the decision to establish AIMCo as an independent investment management corporation with the goal of ranking among the best, acting as a catalyst for growth in the financial industry in the Province and becoming a source of pride for Albertans. Results to date suggest that AIMCo is indeed earning those challenging value-added returns that the Provincial Government envisaged at the time of AIMCo’s creation.

Achieving these strong 2012 results required the combined effort of the AIMCo team and demonstrate what is possible when one is able to attract top talent throughout the organization by offering the opportunity to seek out new investment ideas and approaches.

The existence of this pool of expertise adds value to the Alberta financial landscape beyond investment returns. AIMCo is implementing leading edge investment techniques, and sharing them with our clients through seminars and white papers. We are also part of the broader Alberta community, and our team members are increasingly sought after as expert resources.

The Board of Directors commends the Province of Alberta for having the vision and foresight to establish AIMCo. The pensions, endowments and government funds that comprise AIMCo’s clients benefit not only from the economies of scale afforded by asset size, but increasingly from our investment discipline and our world-class investment team.

Our clients’ continued support is critical as we navigate the future. We are acutely aware of the unique and significant issues they face. AIMCo will strive to provide client-specific solutions and bring our expertise to bear as a readily accessible tool to address their needs.

Finally, I want to thank Leo de Bever and the entire AIMCo team for their unrelenting pursuit of sound investment opportunities and above-market returns, but more importantly for building an organization positioned for the future. The Board recognizes that no investment can consistently outperform the market in the short term, but we do believe that AIMCo’s disciplined approach to investing will produce superior long-term results.

The AIMCo team captures the uniquely Alberta can-do spirit; set a challenging target, and Aim True.

[ORIGINAL SIGNED BY]

A. Charles Baillie, O.C.
We set out to build an organization that could deliver superior investment returns at low cost. With $70 billion of endowment and pension assets, we have been able to attract strong internal expertise. We work hard to make performance persistent, but it is best to stay humble in the face of both successes and setbacks as past investment outcomes are rarely a reliable predictor of future results.

Calendar 2012 was very good to our clients. We have no control over market returns, and the future is so opaque that it is rare that most efforts to outguess markets pay off. Our balanced clients earned 11.9%, 2.3% more than a policy market return and far above its long-term norm. Our government clients earned 2.9%, 1.1% more than markets alone would have given them. The total $1.6 billion of incremental return over market is the largest in AIMCo’s five-year history. We celebrated, and then turned to trying to do it again in a new year.

We always look for where opportunity will be next. Bond markets may be reversing a long period of good returns, so we are trying to find bond substitutes less sensitive to interest rate risk. Stocks are not cheap, but return on stock risk will likely be higher than on bond risk over the next five to ten years. We are putting more assets in private investments. With good selection we should earn higher net returns than we can get from listed assets. However, the popularity of some private assets has lowered expected returns. Delivering superior returns will depend on being agile in finding new niches.

Our aim is to be strong investment partners for our clients, for the companies we invest in and for the pension and endowment peers investing alongside us. AIMCo is a long-term investor with patient capital. When we take significant positions in companies, we work with management to increase value for all shareholders. I am particularly proud that our team has forged strong relationships with peers and other institutional investors to pursue private opportunities that can create strong long-term value for AIMCo clients.

Superior asset management increasingly depends on having good business information systems to better measure and monitor changes to investments and risk. We started planning the introduction of a completely new set of best in breed tools four years ago, and expect to complete that effort in 2013.

We remind ourselves daily that what we do affects real people: the retirement security of firefighters, policemen, civil servants, judges, and in the case of the Heritage Fund, all Albertans. Many thanks to our client Boards, the Province of Alberta and the many individuals who work alongside our team to support us in meeting our objectives.

It is my good fortune to lead a team of highly motivated yet down-to-earth professionals. I want to thank the entire AIMCo team for always working to push the boundaries of the possible, and for what that allowed us to accomplish for our clients last year.

Leo de Bever
OUR TEAM
Alberta has a can-do spirit, great career possibilities, and excellent access to quality education and healthcare. The global market for talent is exceptionally competitive, and through 2012 AIMCo was able to source talent from within Alberta, and around the world.

The diversity of our employees is rivaled only by the diversification of our investments. Our team brings relevant experience from multiple disciplines with experience in established and emerging markets. With more than 39 languages and dialects spoken we are truly global, and we bring it all home to our head office in Alberta.

The AIMCo team is committed to continuous learning. This has paid off, and we were proud to have 10% of our active workforce promoted in 2012. We encourage our team to rise to new challenges and seek out greater responsibility to support organizational growth. That drive and energy is key to earning strong results for our clients while building the next generation of AIMCo’s leadership from within.

Organizational culture matters. We align our Core Values in day-to-day decision making, knowing that a meaningful organizational culture will enable us to attract and retain top quartile talent. This all translates into a high performing workplace, with solid business results.
WORKING FOR ALL ALBERTANS
We aim for strong returns so AIMCo’s 27 clients can better meet their obligations.

We work hard to be a valued service provider and a trusted advisor, and to better understand the unique needs of our pension, endowment and government funds.

Yu Ding  Analyst, Client Relations

Moving to Alberta from half-way around the world, Yu is the newest member of AIMCo’s Client Relations team and focused on building strong relationships with our clients through high engagement and thorough reporting.
AIMCo provides investment management, performance measurement, administration, compliance and proprietary market research to meet our client needs. As a multi-client manager, we rely on a strong client relations team to articulate client challenges to our portfolio managers and to then communicate back to clients how we are addressing those challenges.

Our clients play important roles in the lives of Albertans:

- In 2012 our pension funds made nearly $1.3 billion in pension payments to meet the retirement needs of over 310,000 active and retired public sector employees.

- The Alberta Heritage endowment fund system is the largest of its kind in Canada.

- The government funds we manage are used for Albertans’ priorities such as health care, education, infrastructure and social programs.

We take pride in the responsibility we have to our clients.

Public Service Pension Plan

The Public Service Pension Plan (PSPP) was established in 1947 to provide financial retirement security for employees of the Alberta government and other public service organizations. The PSPP is a defined benefit pension plan which currently includes 31 employers and nearly 80,000 members and pensioners.
### Assets Under Management

**By client type as of December 31, 2012**

<table>
<thead>
<tr>
<th>($millions)</th>
<th>Market Value</th>
<th>Money Market and Fixed Income</th>
<th>Equities</th>
<th>Inflation Sensitive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AIMCo TOTAL</strong></td>
<td>68,600</td>
<td>38%</td>
<td>43%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Balanced Funds</strong></td>
<td>58,530</td>
<td>29%</td>
<td>50%</td>
<td>21%</td>
</tr>
<tr>
<td>Endowment Funds</td>
<td>20,379</td>
<td>21%</td>
<td>52%</td>
<td>26%</td>
</tr>
<tr>
<td>Heritage Savings Trust</td>
<td>17,161</td>
<td>21%</td>
<td>52%</td>
<td>27%</td>
</tr>
<tr>
<td>Heritage Medical Research</td>
<td>1,392</td>
<td>21%</td>
<td>51%</td>
<td>28%</td>
</tr>
<tr>
<td>Heritage for Science and Engineering</td>
<td>800</td>
<td>21%</td>
<td>51%</td>
<td>28%</td>
</tr>
<tr>
<td>Heritage Scholarship Fund</td>
<td>790</td>
<td>22%</td>
<td>53%</td>
<td>25%</td>
</tr>
<tr>
<td>Long-Term Disability Bargaining Unit</td>
<td>180</td>
<td>28%</td>
<td>61%</td>
<td>11%</td>
</tr>
<tr>
<td>Long-Term Disability Management</td>
<td>56</td>
<td>27%</td>
<td>61%</td>
<td>12%</td>
</tr>
<tr>
<td>Pension Plans</td>
<td>38,151</td>
<td>33%</td>
<td>49%</td>
<td>18%</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>22,873</td>
<td>35%</td>
<td>45%</td>
<td>20%</td>
</tr>
<tr>
<td>Public Service</td>
<td>7,309</td>
<td>33%</td>
<td>54%</td>
<td>13%</td>
</tr>
<tr>
<td>Management Employees</td>
<td>2,993</td>
<td>25%</td>
<td>62%</td>
<td>13%</td>
</tr>
<tr>
<td>Universities Academic</td>
<td>2,937</td>
<td>31%</td>
<td>56%</td>
<td>13%</td>
</tr>
<tr>
<td>Special Forces</td>
<td>1,748</td>
<td>28%</td>
<td>58%</td>
<td>14%</td>
</tr>
<tr>
<td>Judges</td>
<td>106</td>
<td>41%</td>
<td>49%</td>
<td>10%</td>
</tr>
<tr>
<td>Judges Supplementary Retirement</td>
<td>106</td>
<td>46%</td>
<td>49%</td>
<td>5%</td>
</tr>
<tr>
<td>Management Supplementary Retirement</td>
<td>79</td>
<td>37%</td>
<td>55%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Government Funds</strong></td>
<td>10,070</td>
<td>94%</td>
<td>0%</td>
<td>6%</td>
</tr>
<tr>
<td>Short-Term Government Funds</td>
<td>7,500</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Sustainability</td>
<td>3,359</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Money Market Depositors</td>
<td>2,118</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>General Revenue</td>
<td>1,426</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Debt Retirement Account</td>
<td>534</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Management Closed Pension Membership</td>
<td>11</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Alberta Municipal Services Corporation</td>
<td>7</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Alberta Risk Management Fund</td>
<td>45</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Special Purpose Government Funds</td>
<td>2,570</td>
<td>75%</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>Agriculture Financial Services Corporation</td>
<td>1,154</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Workers’ Compensation Board</td>
<td>652</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Alberta Cancer Prevention Legacy</td>
<td>507</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Credit Union Deposit Guarantee</td>
<td>199</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Special Areas Long-Term Account</td>
<td>29</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Alberta Securities Commission</td>
<td>29</td>
<td>75%</td>
<td>25%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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1. Asset class weights are per AIMCo's categorization criteria.
2. For Local Authorities currency hedges valued at $10.7 million are excluded.
3. Includes various government agencies, organizations, Crown corporations and other accounts.
AIMCo’s clients set their own asset mix policy and asset mix ranges.

Most government funds seek preservation of capital through money market and short duration fixed income assets, while most balanced fund clients combine more modest allocations to fixed income with large exposures to equities, inflation sensitive and alternative assets.

In the case of the Workers’ Compensation Board, it uses AIMCo’s expertise by investing in inflation sensitive assets.
Since 2009, our pension funds have contributed $3.6 billion in new capital, and government and endowment accounts have withdrawn approximately $26.1 billion. Investment returns and active returns added approximately $20.6 billion, including $2.3 billion in value-added.

In the years ahead, we expect short-term government fund assets to stabilize. Endowment funds are expected to grow with the Province’s decision to retain more income in the Heritage Savings Trust Fund. Pension funds will likely grow from net fund inflows and investment returns.

**AIMCo Changes in Assets Under Management, 2009-12**

**$70.5B**  
January 1, 2009

**$68.6B**  
December 31, 2012

- **Withdrawals**  
  - $26.1 billion Short Term Government Fund Withdrawals
  - $3.7 billion Endowment Fund Withdrawals

- **Contributions**  
  - $3.6 billion Pension Fund Net Contributions

- **Returns**  
  - $20.6 billion Benchmark Returns
  - $2.3 billion AIMCo Value-Added
Exceeding Objectives
AIMCo earned a total fund net return of 10.2% in 2012, $1.3 billion more than our market benchmarks.

Our clients each have specific investment needs and unique asset mixes.

The net return was 11.9% for pension and endowments clients, and 2.9% for our special purpose government funds clients.

**Geoffrey Mwangi**  Director, Investment Valuations

Bringing a unique international perspective, Geoffrey uses his multi-disciplinary expertise as a Chartered Business Valuator to ensure all of AIMCo’s investments are accurately valued for our clients in accordance with the latest fair value guidance.
RETURNS FROM ACTIVE MANAGEMENT

Every year, the Board and Management agree on active return targets consistent with top quartile return on active risk. In 2012, we achieved more than double our active return target. Active management added $16 billion to gross return. Net of fees, active return was $1.3 billion.

Public equities contributed $878 million, fixed income added $438 million, and real estate generated $115 million. Private equity, infrastructure and timberlands lagged behind the very strong performance of their listed benchmarks. Efforts to add value by underweighting or overweighting asset classes resulted in a gain of $141 million of value add.

### AIMCo, Balanced and Short-Term Government Composite Investment Performance

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rate of Return</strong></td>
<td>10.2%</td>
<td>4.8%</td>
<td>7.9%</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>8.2%</td>
<td>3.7%</td>
<td>7.5%</td>
<td>8.4%</td>
</tr>
<tr>
<td><strong>Return above Benchmark</strong></td>
<td>$1,284</td>
<td>$715</td>
<td>$221</td>
<td>$130</td>
</tr>
</tbody>
</table>

Justin Lord

**Equity Trader, Public Equities**

Departing Eastern Canada for life on the prairies, Justin brought considerable expertise and a growing family to Alberta where he keeps his eye on global market movements to execute trades and formulate investment strategies for our clients.
AIMCo’s performance benchmarks measure what our clients could earn by passively implementing their investment policy with bond and stock market index investments.

The incremental return above what markets provide measures the contribution of active management.

<table>
<thead>
<tr>
<th>ASSET CLASS (as at December 31, 2012)</th>
<th>AIMCo BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIXED INCOME</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and Money Market</td>
<td>DEX 91-Day T-Bill Index</td>
</tr>
<tr>
<td>Short-Term Bonds</td>
<td>DEX Short-Term All Government Bond Total Return Index</td>
</tr>
<tr>
<td>Medium-Term Bonds, including Mortgages</td>
<td>DEX Universe Bond Total Return Index</td>
</tr>
<tr>
<td>Long-Term Bonds</td>
<td>DEX Long-Term All Government Bond Total Return Index</td>
</tr>
<tr>
<td><strong>INFLATION SENSITIVE AND ALTERNATIVES</strong></td>
<td></td>
</tr>
<tr>
<td>Real Estate, Canadian and Foreign</td>
<td>REALpac/IPD Canadian All Property Index – Large Institutional Subset</td>
</tr>
<tr>
<td>Real Return Bonds</td>
<td>DEX Real Return Bond Total Return Index</td>
</tr>
<tr>
<td>Private Debt and Loan</td>
<td>70% DEX Real Return Bond Total Return Index / 30% MSCI World Net Total Return Index</td>
</tr>
<tr>
<td>Timberlands</td>
<td>50% DEX Real Return Bond Total Return Index / 50% MSCI World Net Total Return Index (hedged to CAD)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>50% DEX Real Return Bond Total Return Index / 50% MSCI World Net Total Return Index (hedged to CAD)</td>
</tr>
<tr>
<td><strong>EQUITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Canadian Public</td>
<td>S&amp;P/TSX Composite Total Return Index</td>
</tr>
<tr>
<td>Global Public</td>
<td>MSCI All Country World Net Total Return Index</td>
</tr>
<tr>
<td>Global Small Cap</td>
<td>1/3 S&amp;P/TSX Small Cap Total Return Index / 2/3 MSCI World Small Cap Net Total Return Index</td>
</tr>
<tr>
<td>Private Equity</td>
<td>MSCI All Country World Net Total Return Index</td>
</tr>
</tbody>
</table>
MANAGING COSTS IN AN EVOLVING PORTFOLIO

The easiest return we can earn for our clients is the dollar that we do not spend.

AIMCo’s scale and capacity enables us to add value through cost savings beyond the returns earned from our investment strategy. According to the latest CEM Benchmarking survey, AIMCo continues to be a low-cost manager compared to peers with similar asset mix and implementation style, a clear advantage for our clients.

However, total operating costs have increased over the last four years. This increase in expenses resulted from four key business drivers all of which contributed significantly to AIMCo’s strong returns and value-add for our clients:

1. We manage more assets internally at a fraction of the external cost which required an investment in people, process and technology.
2. We manage more pension assets with a higher allocation to equities, which are more expensive to manage than bonds.
3. Our clients are asking us to hold more high-cost private assets.
4. Our success in adding value with active management has increased performance fees.

Mortgages

A ten year $175 million first mortgage secured by Bell Trinity Square, a 938,898 square foot Class A two tower office complex in Toronto, Ontario. The financing assisted with the acquisition of the property by an institutional investor.
## Asset Class Summaries as of December 31, 2012

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Market Value ($ Millions)</th>
<th>1 Year</th>
<th>2 Year</th>
<th>3 Year</th>
<th>4 Year</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total AIMCo Fund Aggregate</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>68,600</td>
<td>10.2</td>
<td>7.5</td>
<td>7.6</td>
<td>7.9</td>
<td>4.8</td>
<td>7.9</td>
<td>8.6</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>8.2</td>
<td>5.9</td>
<td>6.4</td>
<td>6.9</td>
<td>3.7</td>
<td>7.5</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Balanced Funds Aggregate</strong></td>
<td>58,530</td>
<td>11.9</td>
<td>8.4</td>
<td>8.9</td>
<td>9.6</td>
<td>4.9</td>
<td>9.9</td>
<td>11.7</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>9.6</td>
<td>6.6</td>
<td>7.6</td>
<td>8.9</td>
<td>3.6</td>
<td>9.8</td>
<td>12.7</td>
</tr>
<tr>
<td><strong>Government Funds Aggregate</strong></td>
<td>10,070</td>
<td>2.9</td>
<td>3.6</td>
<td>3.5</td>
<td>3.5</td>
<td>4.3</td>
<td>3.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>1.7</td>
<td>2.8</td>
<td>2.7</td>
<td>2.4</td>
<td>3.9</td>
<td>2.6</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Money Market and Fixed Income</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>26,334</td>
<td>4.3</td>
<td>5.8</td>
<td>5.8</td>
<td>5.5</td>
<td>7.4</td>
<td>5.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>2.6</td>
<td>5.5</td>
<td>5.3</td>
<td>4.6</td>
<td>8.5</td>
<td>4.8</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Money Market</strong></td>
<td>4,039</td>
<td>1.4</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>0.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>1.0</td>
<td>1.0</td>
<td>0.8</td>
<td>0.7</td>
<td>1.0</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Universe Bonds</strong></td>
<td>6,091</td>
<td>7.5</td>
<td>7.9</td>
<td>8.4</td>
<td>8.2</td>
<td>8.2</td>
<td>9.5</td>
<td>7.8</td>
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<tr>
<td>Benchmark</td>
<td></td>
<td>3.6</td>
<td>6.6</td>
<td>6.6</td>
<td>6.3</td>
<td>9.7</td>
<td>6.7</td>
<td>5.4</td>
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<tr>
<td><strong>Long Bonds</strong></td>
<td>5,692</td>
<td>5.3</td>
<td>11.0</td>
<td>11.7</td>
<td>10.3</td>
<td>17.1</td>
<td>13.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>4.0</td>
<td>11.2</td>
<td>11.5</td>
<td>8.9</td>
<td>18.8</td>
<td>12.1</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Segregated Short-Term Fixed Income</strong>&lt;sup&gt;3&lt;/sup&gt;</td>
<td>4,077</td>
<td>2.6</td>
<td>3.7</td>
<td>3.7</td>
<td>4.0</td>
<td>4.8</td>
<td>3.6</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Segregated Long-Term Fixed Income</strong>&lt;sup&gt;4&lt;/sup&gt;</td>
<td>1,715</td>
<td>2.0</td>
<td>2.8</td>
<td>2.8</td>
<td>3.5</td>
<td>3.6</td>
<td>2.9</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Private Mortgages</strong></td>
<td>2,353</td>
<td>4.8</td>
<td>7.8</td>
<td>8.7</td>
<td>7.4</td>
<td>10.9</td>
<td>10.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>3.6</td>
<td>6.6</td>
<td>6.6</td>
<td>6.3</td>
<td>9.7</td>
<td>6.7</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Real Return Bonds</strong>&lt;sup&gt;5&lt;/sup&gt;</td>
<td>2,201</td>
<td>3.1</td>
<td>10.4</td>
<td>10.6</td>
<td>11.2</td>
<td>18.2</td>
<td>11.0</td>
<td>13.1</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>2.9</td>
<td>10.3</td>
<td>10.6</td>
<td>11.5</td>
<td>18.3</td>
<td>11.1</td>
<td>14.5</td>
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<tr>
<td><strong>Inflation Sensitive and Alternatives</strong></td>
<td>12,555</td>
<td>12.1</td>
<td>14.4</td>
<td>13.2</td>
<td>9.0</td>
<td>16.8</td>
<td>10.9</td>
<td>(2.9)</td>
</tr>
<tr>
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<td>12.2</td>
<td>12.3</td>
<td>12.0</td>
<td>9.9</td>
<td>12.5</td>
<td>11.2</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td>7,978</td>
<td>15.5</td>
<td>18.1</td>
<td>16.3</td>
<td>9.6</td>
<td>20.7</td>
<td>12.8</td>
<td>(8.4)</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>13.8</td>
<td>14.8</td>
<td>13.6</td>
<td>10.0</td>
<td>15.9</td>
<td>11.2</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Private Infrastructure</strong></td>
<td>3,143</td>
<td>8.1</td>
<td>8.1</td>
<td>7.3</td>
<td>6.3</td>
<td>8.0</td>
<td>5.9</td>
<td>3.1</td>
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<tr>
<td><strong>Timberlands</strong></td>
<td>738</td>
<td>(0.4)</td>
<td>9.3</td>
<td>8.6</td>
<td>4.4</td>
<td>20.0</td>
<td>7.2</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>9.5</td>
<td>8.1</td>
<td>8.9</td>
<td>10.8</td>
<td>6.7</td>
<td>10.7</td>
<td>16.5</td>
</tr>
<tr>
<td><strong>Private Debt and Loan</strong></td>
<td>696</td>
<td>8.5</td>
<td>7.4</td>
<td>–</td>
<td>–</td>
<td>6.3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Equities</strong></td>
<td>29,459</td>
<td>15.2</td>
<td>5.3</td>
<td>6.8</td>
<td>10.0</td>
<td>(3.7)</td>
<td>9.8</td>
<td>20.1</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>12.0</td>
<td>3.1</td>
<td>5.2</td>
<td>8.5</td>
<td>(5.2)</td>
<td>9.6</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Canadian Equity</strong></td>
<td>6,548</td>
<td>11.6</td>
<td>1.3</td>
<td>6.8</td>
<td>13.3</td>
<td>(8.0)</td>
<td>18.5</td>
<td>35.6</td>
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<tr>
<td>Benchmark</td>
<td></td>
<td>7.2</td>
<td>(1.1)</td>
<td>4.8</td>
<td>11.9</td>
<td>(8.7)</td>
<td>17.6</td>
<td>36.1</td>
</tr>
<tr>
<td><strong>Global Equity</strong></td>
<td>19,644</td>
<td>17.4</td>
<td>6.4</td>
<td>6.6</td>
<td>8.8</td>
<td>(3.5)</td>
<td>6.8</td>
<td>15.8</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>13.6</td>
<td>4.1</td>
<td>4.8</td>
<td>6.5</td>
<td>(4.6)</td>
<td>6.3</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Global Small Cap Equity</strong>&lt;sup&gt;6&lt;/sup&gt;</td>
<td>670</td>
<td>1.5</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>0.4</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Private Equity</strong></td>
<td>2,596</td>
<td>9.9</td>
<td>9.1</td>
<td>9.0</td>
<td>6.3</td>
<td>8.4</td>
<td>8.7</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Benchmark</td>
<td></td>
<td>13.6</td>
<td>4.5</td>
<td>5.9</td>
<td>8.9</td>
<td>(3.9)</td>
<td>8.8</td>
<td>18.6</td>
</tr>
</tbody>
</table>

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1. Includes tactical overlays of $252 million.
2. Includes government policy loans.
3. Includes investments held in the Sustainability, Credit Union Deposit Guarantee and Alberta Cancer Prevention Legacy portfolios, Alberta Risk Management Fund.
4. Includes investments held in the Debt Retirement Account, Special Areas Long-Term Account, Agriculture Crop Insurance portfolios.
6. Effective date of performance and benchmark return is February 16, 2012 when position initiated.
Most of our $53.9 billion of public market assets are managed internally. External mandates reflect our continued search for high return but unconventional strategies that are hard to replicate internally. Net active return was $1.3 billion in 2012; approximately two thirds of which came from internally managed strategies.

**FIXED INCOME**

The $20.5 billion portfolio of fixed income securities provides liquidity and moderates risk in AIMCo clients’ balanced portfolios. However, in this low return environment it is important that our assets are working as hard as possible. Managing these trade-offs is the portfolio manager’s challenge.

Our two largest portfolios, the "universe pool", and the "long bond pool", returned 7.5% and 5.3% net of fees, strongly outperforming their respective benchmarks by 3.9% and 1.3%. The portfolios were positioned quite defensively on interest rates which were unusually low and offered little inflation protection. The team traded the portfolio throughout 2012 to add value as there were periods of volatility which presented us with attractive opportunities.

The fixed income portfolios were overweight in high quality short maturity corporate bonds in 2012. This strategy was one of the key drivers of our positive relative performance in 2012. A significant overweight in banks and financials was a strong driver of performance from the credit sector through 2012. Other highlights include strong performance from CMBS (Commercial Mortgage Backed Securities) and CLOs (Collateralized Loan Obligations).

**REAL RETURN BONDS**

AIMCo’s $2.2 billion real return bond portfolio provides inflation protection for our clients. The majority of the portfolio is invested in less liquid Government of Canada real return bonds. For 2012, the portfolio generated a modest return of 3.1% net of fees, outperforming its benchmark by 0.2%.

**MONEY MARKET**

Our $4.0 billion portfolio of money market investments provides AIMCo clients with capital preservation, liquidity and superior risk-controlled return relative to benchmark. Assets are primarily invested in government, corporate and securitized assets, with modest allocation to floating rate notes. During 2012, our money market fund returned 1.4% net of fees, outperforming the benchmark by 0.4%.

**Infrastructure**

Kruger Energy’s Montérégie LP (KEMONT) wind farm is a late-stage, greenfield development project with a design capacity of 101 MW. The wind project was commissioned in December 2012 and includes 44 wind turbines erected on agricultural land in five Montérégie municipalities, located southeast of Montreal, Québec.
MORTGAGES
Our $2.4 billion portfolio of commercial mortgages provides steady cash flow and a premium return over government bonds. The portfolio is comprised of low-risk mortgages secured by institutional quality, cash flow producing properties, mainly in major markets. The portfolio returned 4.8% net of fees, outperforming its benchmark by 1.2% in 2012.

PRIVATE DEBT AND LOAN
Our $0.7 billion in private debt and loan investments protect clients against a rise in interest rates and provide diversification benefits due to the negative correlation with traditional fixed income investments. The portfolio is comprised of high quality loans extended to privately-held middle market businesses. It generated an 8.5% net return, outperforming its benchmark by 2.4% in 2012.

PUBLIC EQUITIES
The Equity team manages $26.9 billion in public equities across domestic, global and emerging market portfolios. The team uses a range of strategies that optimize allocations across a number of dimensions including size, quality, risk, sector and regional exposures. These strategies added significant value during 2012. The total equity portfolio returned 16.1% net of fees, outperforming its benchmark by 4.3%. Our Canadian portfolios returned 11.6% net of fees for the year, beating the TSX Composite Index. The global portfolios earned 17.4% net of fees on the year versus a benchmark of 13.6%.

The portfolio had a defensive posture and a value tilt that suited the uncertain investing climate. Overweight positions in defensive sectors such as utilities, telecommunications and consumer staples and underweight positions in cyclical and materials helped drive the superior performance. The strong performance of the internal team was augmented by strong security selection from our team of external managers and hedge funds. A common theme is the changing role of banks in the economy and markets. This evolution has presented us with unique opportunities in the credit markets and insurance-linked strategies.

### Public Equities Investments by Sector
- 22.3% Financials
- 14.0% Energy
- 10.4% Industrials
- 9.6% Materials
- 9.5% Consumer Discretionary
- 9.5% Information Tech
- 9.4% Consumer Staples
- 7.6% Health Care
- 4.9% Telecom
- 2.6% Utilities
- 0.2% Miscellaneous
The private markets team manages $14.5 billion of assets in real estate, infrastructure, private equity and Timberlands. The majority of investments are direct placements with some additional fund investments for specific mandates.

REAL ESTATE

The $8.0 billion real estate portfolio is expected to produce long run returns between those of stocks and bonds. Much like stocks, asset valuations can be volatile, but income returns tend to be stable at 5% to 7% per year. Assets consist primarily of direct investments in high quality office, retail, industrial and multi-unit residential properties in Canada’s major centres and increasingly abroad. The portfolio returned 15.5% net of fees in calendar year 2012, outperforming its benchmark by 1.7%. Canadian assets returned 17.0%. The 6.2% return on foreign assets reflects their recent acquisition and ongoing development.

Real Estate Exposure | Top 5 Investments

1. Yorkdale Shopping Centre
   Retail: 1.5 million ft²
   Toronto, ON
   50% ownership

2. Square One
   Retail: 1.9 million ft²
   Mississauga, ON
   50% ownership

3. Place Ville Marie
   Office: 2.8 million ft²
   Montreal, PQ
   50% ownership

4. Scarborough Town Centre
   Retail: 16 million ft²
   Scarborough, ON
   50% ownership

5. Bow Valley Square
   Office: 1.5 million ft²
   Calgary, AB
   50% ownership

Alberta Heritage Scholarship Fund

The Alberta Heritage Scholarship Fund is a provincial endowment fund established to recognize and reward the scholastic achievements of residents of Alberta and provide them with incentives to pursue post-secondary education in Alberta or abroad, as well as to attract high calibre students interested in studying in Alberta. The rewards supported by the fund encourage and reward persons who have displayed outstanding ability in at least one of several fields of endeavour.
Real Estate

Real Estate Investments by Geography

- 41.7% Ontario
- 31.9% Alberta
- 6.2% United Kingdom
- 5.8% Quebec
- 5.8% United States
- 5.8% Canada Various
- 2.4% Europe
- 0.4% Latin America
- 5.8% United States
- 30.5% Retail
- 10.1% Pooled Fund
- 8.2% Industrial
- 4.6% Land
- 4.4% Residential
- 1.3% Hospitality
- 0.1% Public Equity
- 0.1% Equity

Real Estate

Eighth Avenue Place is a premier twin office tower development in Calgary, Alberta. The project, comprised of a 41 storey west tower currently under construction and a 49 storey east tower, is 98.3% leased, and represents one of the first major AAA office developments in Canada to be awarded the pre-certified Leadership in Energy and Environmental Design (LEED) Platinum status, the highest environmental standard.
PRIVATE EQUITY

Our $2.6 billion private equity portfolio is intended to provide long-term growth with an illiquidity premium over public markets. The portfolio is invested across a mix of direct and co-investment opportunities and select relationship funds. Private Equities returned 9.9% in 2012 underperforming its benchmark by 3.7%. The underperformance is primarily due to investments in funds prior to 2008, and recently acquired direct assets relatively early in their investment lifecycle.

Private Equity Exposure | Top 5 Holdings

1. Bloom Energy
   Energy
   US

2. Bonanza Creek
   Energy
   US

3. Ladder Capital
   Financials
   US

4. Klemke Mining Corporation
   Energy
   US

5. KiOR
   Energy
   US

Private Equity Investments by Sector

- 38.6% Energy
- 19.4% Industrials
- 16.4% Consumer Discretionary
- 8.6% Financials
- 6.1% Health Care
- 3.9% Telecom
- 3.5% Information Tech
- 1.8% Consumer Staples
- 0.7% Undisclosed
- 0.6% Materials
- 0.4% Utilities

Private Equity Investments by Geography

- 56.2% United States
- 38.6% North America
- 7.0% Asia/Emerging
- 13.0% Europe
- 23.8% Canada
- 7.0% Asia/Emerging
- 5.2% Latin America
- 0.4% Undisclosed
- 0.4% Middle East
- 0.4% Africa
- 0.4% Others
INFRASTRUCTURE

AIMCo infrastructure investments match long duration real return asset characteristics with inflation-indexed pension liabilities. The $3.1 billion portfolio consists primarily of diversified long-term equity positions in assets with regulated returns or long-term contracted revenues. The portfolio returned 8.1% net of fees for the year, 1.4% less than its benchmark. This performance in part reflects that some of the larger assets were acquired recently and are still at the earlier stages of their investment lifecycle.

Infrastructure Exposure | Top 5 Infrastructure Investments

1. Autopista Central
   Transportation
   Chile

2. Grupo Saesa
   Integrated Utilities
   Chile

3. Puget Sound Energy
   Integrated Utilities
   US

4. Frequency Infrastructure Group
   Communication
   Australia/UK

5. Thames Water
   Integrated Utilities
   UK

TIMBERLANDS

Timberland investments provide inflation hedging and a long-term duration match with client obligations. AIMCo manages $0.7 billion in timberland assets situated primarily in North America, Australia and New Zealand. The AIMCo Timberlands portfolio generated a -0.4% net return, underperforming its benchmark by 9.9%. The bulk of the assets were acquired out of bankruptcy a few years ago with a view to generating restructuring and repositioning profits over a period of years.
Adapting to change
Global markets have shown tremendous volatility over the past four years.

We suspect that the next few years will not be different, so we try to anticipate where opportunity will be next.

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**Sandra Lau**  Senior Vice President, Fixed Income

Long term and patient, Sandra joined AIMCo as an intern and through her commitment to AIMCo’s Core Values and meeting the return requirements of our fixed income clients now leads the investment activities of AIMCo’s $26 billion Fixed Income portfolio.
The “square root” economic recovery continues with another year of moderate growth following the 2008 Global Financial Crisis (GFC). Although economic growth was still not strong enough to slash unemployment as much as desired, it was enough to drive better than average corporate earnings growth, based on reasonable profit margins, at least in North America. Concerns about lackluster sales growth continues to haunt equity investors, while fixed income investors are challenged by record low interest rates.

Population and productivity are fundamental drivers of real economic growth. We see a new era of heightened productivity emerging and we are positioning ourselves to benefit from this trend. More potential for productivity growth could mean a longer than normal cycle of real economic expansion.

Due to extraordinary central bank policy intervention and investor risk aversion, U.S. long-term government bonds, priced at negative real yields, appear significantly overvalued.

Kevin Roseke
Portfolio Manager, Infrastructure and Timber

Scouring the global marketplace for unique investments that match the return profiles of our clients, Kevin has risen to the role of Portfolio Manager through a focus on new opportunities and active portfolio management.
We believe that employment growth lagging economic growth reflects the short-term effect of accelerating innovation. Faster and cheaper internet access has led to faster and cheaper access to almost every aspect of human knowledge. Innovation is the process of adding new insights to known facts. Having better access to those facts should raise the potential for trend economic growth and prosperity.

Not all of this has been captured in economic statistics, but it is visible in sustained, above average profit margins that will eventually translate into more investment and GDP growth.

Companies have found ways to improve efficiency in recent years without adding many jobs. There is considerable debate over whether this short-term dislocation in employment from technological change will reverse, as it has done in the past. That in turn may depend on having a workforce able to work with all this new technology. If that is the case, the widely projected slowdown in GDP growth to 1.5% per year will not be inevitable. Real growth in North America could be a more normal 2.5% to 3.0%, given population growth of 1.0%, and 1.5% to 2.0% productivity growth.

AIMCo is trying to position itself at the intersection of the persistent and compelling global desire to improve living standards and the investment and entrepreneurial solutions that could help us get there: better building materials, higher agriculture yields, disruptive energy technologies, more efficient communications and information access, and better education and health care.

We have witnessed a dramatic reversal in relative stock vs. bond valuations since 2000. Then, 10-year U.S. Treasury yields exceeded 6.2% compared to 1.9% today, and the S&P/TSX Composite Index exceeded 40 times earnings compared to 18 times today. Although stock market indices are near record highs, the price/earnings multiple has normalized with good growth in earnings.
Negative real interest rates witnessed in today’s U.S. Treasury are unsustainable long term. Considering real growth and consumer price inflation both exceed 2%, a “normal” real return of 2.5% above inflation for bonds, as observed over the last 60 years, suggests 10-year Treasury yields starting closer to a 5.5% yield, versus the unprecedented rate of 1.9% observed at the end of 2012. Timing this reversal will be critical for our investment outlook over the next two years. Our view is that the “dove-ish” balance of the Federal Reserve’s monetary policy committee is finally beginning to tilt back toward neutral, and the reversal of easy monetary policy is coming into focus.

<table>
<thead>
<tr>
<th>Effect of Interest Rate Increases on 5, 10 and 30 Year Bond Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year Total Return (%)</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>-10</td>
</tr>
</tbody>
</table>

Kelly Featherstone
Analyst, External Funds

AIMCo’s only Fellow with the Society of Actuaries, Kelly balances the joy of motherhood with a passion for numbers that she uses to incorporate niche investment strategies that will earn the best risk-adjusted returns for our clients.
The chart opposite shows the sensitivity of fixed income returns to changes in interest rates as a function of various Canadian Treasury maturities over a one-year holding period. The downside to fixed income returns will depend on when central banks begin to increase interest rates and by how much. In 1994, five-year Treasury yields increased from a low of 6.0% to over 9.0% by year-end, versus a recent exceptionally low trading range of 1.2–1.5%.

Given current global economic conditions, corporate profitability, and relative asset class valuations, our long-term investment outlook favors equities over the next decade. We see equities earning a risk premium over cash greater than 5%. Moderate but stable economic growth, low inflation, expanding credit, housing recovery, re-stocking of inventories, and overall earnings growth are the key drivers for our preference for equities.

We are reminded that investors should be skeptical when they hear “this time it’s different”. We expect investors will eventually re-balance portfolios toward more compelling global equity valuations versus negative real bond yields. AIMCo welcomes the tactical challenges and strategic opportunities of current market conditions and is prepared to make uncomfortable choices in this uncertain world.

Special Forces Pension Plan

The Special Forces Pension Plan (SFPP) was established in 1979 for police officers, including Deputy Chiefs and Police Chiefs, working for participating local authorities. The Plan is financed by member and employer contributions as well as the investment earnings of the SFPP fund. The Plan has seven employers and close to 6,000 members and pensioners.
Risk management is an integral part of furthering the financial stability of AIMCo’s clients. The better we collectively understand how risks affect our portfolios, the more we can turn our analytical resources toward improving long-term return.

Investment risk can be measured in many ways. Most important is “total risk”, specifically the loss in asset value from a decline in asset prices. Most of that risk is “market risk”, or reduced portfolio value because the investment policy is exposed to negative returns from capital market volatility. A less significant risk is “active risk”, the risk of losing money due to underperformance of active investment strategies relative to our client’s policy benchmarks. Our in depth analysis can attribute all the sources of performance return variation in total and active risk to explain our performance over any given period.

AIMCo works closely with our pension and endowment clients to help shape how risk is interpreted and to tailor appropriate analysis and reporting to enable decision-making. For our government endowment clients, our objective is to maximize the risk-adjusted total return. In the case of a pension fund, the concern is the risk of not having sufficient assets to meet longer-term benefit liabilities, specifically future payments to retirees.

In consultation with our pension clients, AIMCo seeks to earn a return in excess of increasing pension benefit liabilities. Increasingly, with low fixed income yields, we find hedging these benefit liabilities with long maturity fixed income assets a less compelling and costly exercise. Instead we look for opportunities in well-priced public assets and in private real assets that provide a long term hedge to inflation and other less traditional opportunities as they arise.

It is all the more important to diversify risk when capital market return expectations are low and we are concerned about valuation levels, as we are with Treasury bonds, to minimize downside and unintentional risks. We manage investment strategies to seek out the best investment opportunities within our clients’ investment guidelines and reasonable risk tolerances. In this way our risk management team works closely and cooperatively with all our portfolio management teams to achieve superior risk-adjusted returns. In 2012 AIMCo was able to add value exceeding $1.3 billion above market benchmark alternatives for the benefit of our clients, while realizing less risk or only very modest additional risk versus those benchmarks.

Venture Capital

FloDesign Wind Turbine is a developer of high efficiency shrouded wind turbine technology. FloDesign’s mid-scale shrouded wind turbine significantly reduces the cost of energy of wind, enables new distributed markets with lower wind speeds, and increases the utilization per acre of land while reducing environmental impact.
AIMCo’s dedicated risk management team provides a consistent and independent perspective to new investment opportunities. We stress test unique investments, including specific assumptions that are critical to forecasting expected return, assessing specific risks, and evaluating the impact on our clients’ portfolios.

Measuring and managing risk is complex, so it is important to be able to communicate easily with increased transparency to our clients. We are improving the accessibility and understanding of risk management through general and topical educational outreach to our clients, as we seek out an ever expanding number of investment opportunities to add value. Extensive investment in our information systems recently will increase the productivity, efficiency, and usefulness of leveraging data to manage money more effectively and communicate risk measures to clients. Specific initiatives over the last year included:

- Our Risk Management team provided four tutorials extending our ongoing risk management education program to client boards.
- We published several risk presentations in a video format accessible to clients to provide current and future members access to background on various risk concepts.
- Risk management user manuals were delivered to assist clients to crystallize their own risk frameworks and practices.
- AIMCo has engaged with pension clients on several timely topics, including pension fund sustainability, impact of pension plan maturation, and the employing of leverage in investment portfolios.

The AIMCo Board of Directors has been very engaged in discussions about best practices in risk management. Comprehensive Board education sessions were held throughout the year, and Board meeting materials were augmented to provide deeper insight into the risk profile of AIMCo managed investment strategies, and their combined impact on client portfolios. In addition, a new Board member, Kurt Winkelmann, has chaired a new Risk Management Committee of the Board last year, highlighting the increased importance of this topic to overall governance. Dr. Winkelmann has significant risk management experience with MSCI Inc., Goldman Sachs and other prominent investment organizations.

Jerry Yang
Senior Analyst, Equities Risk

Ensuring alignment of investment risks to investment goals, Jerry collaborates with AIMCo’s portfolio managers to ensure trading strategies support our ability to reduce risk and add value for our clients.
A strong set of Core Values guides all AIMCo decisions in fulfilling our clients’ needs.

We believe we can make a difference to the companies we partner with, and the communities we serve.

We also continue to build and refine our own organization, strengthening our systems and operational capacity under the governance of a strong and independent Board of Directors.

Dénes Németh  Manager, Corporate Communication

Always up for a challenge, Dénes came to AIMCo to build out the corporate communication function and provide our clients, and all Albertans, an awareness of the positive impact we aim to have on the communities we serve.
AIMCo’s approach to Responsible Investment (RI) is guided by our Core Values and a long-term, intergenerational investment horizon. We integrate consideration of environmental, social, governance (ESG) factors into each investment decision.

STRUCTURE
AIMCo’s RI governance structure cascades throughout the entire organization and across asset classes. The RI Committee is chaired by the CEO and features a cross section of senior executives representing all functional areas. This committee oversees RI investment strategy, activities and risk attribution. The AIMCo Board approved AIMCo’s RI Policy, while the RI committee approved the AIMCo Proxy Voting Guidelines.

INVESTMENT PROCESS
AIMCo enhances shareholder value by exercising its proxy voting rights at publicly traded companies around the globe. Voting decisions are based on the corporate governance principles outlined in AIMCo’s proxy voting guidelines, and consider unique circumstances and markets. These guidelines provide voting directives across six broad categories: Board of Directors, Shareholder Rights, Management and Director Compensation, Audit Function, Take-Over Protection and ESG Reporting and Disclosure. We employ a proxy voting service provider to exercise proxy votes. Our voting record is disclosed on the AIMCo website.

ENGAGEMENT PROCESS
AIMCo prefers engagement to divestment in order to maintain the universe of public firms in which we invest and to contribute to companies’ ESG progress. Shareholder engagements may be initiated and carried out by AIMCo alone, with co-investors, or with peer investment managers.

REPORTING
AIMCo’s RI policies, proxy voting guidelines, engagement guidelines, voting records and rationale are all posted on the AIMCo website.

COLLABORATION
AIMCo is an engaged member of the global RI community and is signatory to a number of responsible investment initiatives, including The United Nations Principles of Responsible Investment, The International Corporate Governance Network, Social Investment Organization, Canadian Coalition of Good Governance, and others. AIMCo collaborates with peers to improve corporate governance and voting efficacy in our proxy voting system.

Responsible Investment Pillars
### AIMCo Proxy Voting Overview

The following table illustrates how AIMCo votes on significant issues.

<table>
<thead>
<tr>
<th>Proposal</th>
<th>General Rationale For Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elimination of Dual Class Stock</td>
<td>AIMCo generally does not support the creation or extension of dual-class share structures.</td>
</tr>
<tr>
<td>Adoption of Majority Vote for Election of Directors</td>
<td>A majority vote standard increases shareholder rights and board accountability. Firms listed on the TSX are required to ‘comply or explain’ (as of October 4, 2012).</td>
</tr>
<tr>
<td>Adoption and Amendment of Shareholder Rights’ Plan</td>
<td>Shareholder rights are a principle means by which shareholders exercise voice.</td>
</tr>
<tr>
<td>Advisory Vote on Executive Compensation</td>
<td>AIMCo will vote to support most executive pay plans that are reasonably constructed, correlate pay to performance, and are aligned with peer practices.</td>
</tr>
<tr>
<td>Independent Board Chairman/Separation of Chair and CEO</td>
<td>The board chair or lead director should be independent to avoid any conflict of interest.</td>
</tr>
<tr>
<td>Declassification of the Board (staggered terms)</td>
<td>Annual elections increases board accountability to shareholders.</td>
</tr>
<tr>
<td>Reporting and reducing GHG emissions</td>
<td>AIMCo supports proposals requesting resource based firms to disclose and/or reduce emissions.</td>
</tr>
<tr>
<td>Labour and Human Rights</td>
<td>AIMCo supports proposals that request firms to more adequately address workplace issues and human rights, as deemed appropriate.</td>
</tr>
</tbody>
</table>
True to our aim to be an organization in which all Albertans can take pride, AIMCo is attentive of our responsibility to the community and our role as a corporate citizen. AIMCo actively encourages employees to volunteer their time and effort to a variety of community causes and campaigns. In 2012 our team supported a wide range of causes including the United Way of Edmonton, The Heart and Stroke Big Bike, Movember, Ride for Dad, and The Canadian Breast Cancer Foundation’s Walk for the Cure.

AIMCo is also proud of our support of financial education in Alberta. Sound financial and business education is vital to the long-term success of Alberta and Canada. Our support for academic institutions and learning opportunities also strengthens AIMCo by building an employee base from which we can grow and develop new talent. We support the Alberta Finance Institute, University of Alberta MBA Games Teams, the Financial Leadership Summit, Rocky Mountain Business Seminar, Institute for Public Economics Annual Conference and the AIMCo MBA Award.

Consistent with the numerous stakeholders our clients support and AIMCo’s business objectives, we have proudly directed our efforts to support key initiatives in our community.

A. Education
Education is a pillar of our society and ensures that we are continually growing the bright minds that will lead us into the future.

B. Youth
AIMCo’s endowment clients support the long-term requirements of our province and communities, creating a sustainable future for today’s youth.

C. Seniors in Need
AIMCo’s pension clients support the retirement needs of more than 10% of the Alberta population.
Volunteerism

In-Kind Support

Sponsorship

Employee Giving

$250K raised by employees for various charities
GOVERNANCE

AIMCo is a Crown corporation of the Province of Alberta and is committed to the highest standards of corporate governance. We believe that the policies, processes and institutions that form a robust corporate governance framework are fundamental to AIMCo’s mission to rank among the best institutional investment managers and to inspire the confidence of Albertans. AIMCo is committed to a culture of integrity and accountability in the pursuit of its goals.

BOARD OF DIRECTORS

In accordance with the Alberta Investment Management Corporation Act, the Board of Directors is responsible for overseeing the management of the business and affairs of AIMCo. Guided by this mandate, the Board sets the strategic direction of the Corporation and oversees the development and implementation of policies and procedures that govern the day-to-day conduct of AIMCo’s business. All directors are duly appointed to the Board by the Lieutenant Governor in Council and must have experience in investment management, finance, accounting or law, or have served as an executive or director with a large, publicly traded company. Individuals should also have, to the extent practicable, experience in executive management of a substantial corporation. All directors are fully independent of management.

Directors are required by statute to act honestly and in good faith with a view to the best interests of the Corporation and, as such, are required to exercise due care, diligence and skill, and manage risk appropriately in their oversight of AIMCo.

BOARD COMMITTEES

The Board of Directors has established five standing committees, which assist the Board in discharging its responsibilities:

• The Investment Committee oversees and considers the investment activities and operations of AIMCo, reviews investment and risk-related reports from management, and votes on specific investment-related matters. The Investment Committee comprises all of the members of the Board, with Virginia Holmes serving as Chair.

Lorraine Mastre
Executive Assistant, CFO’s Office

With a positive attitude and willingness to help, Lorraine embodies AIMCo’s Core Values and together with the CFO’s Office ensures our clients have current and accurate accounting data for reporting.
- **The Risk Committee** oversees and considers issues related to investment and enterprise risk management. The Risk Committee comprises all members of the Board, with Kurt Winkelmann serving as Chair.

- **The Audit Committee** oversees financial reporting processes, development and implementation of internal audit and financial control policies, and compliance with said policies and applicable laws and regulations. It also reviews the implementation of AIMCo’s whistleblower policy. The Audit Committee consists of Cathy Williams (Chair), George Gosbee, Daryl Katz, Harold Roozen and Kurt Winkelmann.

- **The Governance Committee** oversees the policies, processes and procedures that comprise AIMCo’s corporate governance framework. This includes overseeing terms of reference for the Board of Directors and each Board committee, conducting Board evaluations, and generally ensuring the principled, effective continuing operation of the Board of Directors. The Governance Committee consists of Andrea Rosen (Chair), George Gosbee, Ross Grieve, Virginia Holmes and Mac Van Wielingen.

- **The Human Resources and Compensation Committee** oversees the human resources strategy, philosophy and policies of the Corporation and offers insights to ensure these are aligned with corporate objectives. The committee similarly reviews employee compensation practices, organizational structure and management development and succession. The Human Resources and Compensation Committee consists of Mac Van Wielingen (Chair), Clive Beddoe, Ross Grieve, Virginia Holmes and Andrea Rosen.

At every meeting of the Board of Directors, the Board and all committees have in camera sessions, without management attending.

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**Workers’ Compensation Board**

The Workers’ Compensation Board (WCB) – Alberta is a not-for-profit corporation legislated to administer the workers’ compensation system for the province. Through the payment of premiums, over 154,700 employers fund this no-fault system to provide compensation for workplace injuries and occupational diseases to more than 1.9 million workers. Investments put premium revenue to work before it is needed to cover future costs from current year claims.
DIRECTOR ORIENTATION AND CONTINUING EDUCATION

AIMCo provides new directors with a comprehensive orientation to the business and affairs of the Corporation. This orientation is designed to inform new directors of their responsibilities and provide them with the background information required to make informed decisions and judgments respecting the issues that face the Board. New directors are provided with comprehensive written materials and access to management for the purpose of acquiring the knowledge required to discharge their responsibilities. Continuing director education is integral to achieving and maintaining a high standard of corporate governance. Meetings of the Board of Directors include educational opportunities for directors to enhance their knowledge of the Corporation and industry.

STANDARDS OF CONDUCT FOR DIRECTORS

The Board of Directors has adopted various policies that outline acceptable standards of conduct for directors, including the Director Trading Policy and the Director Conflict of Interest Policy.

BOARD EVALUATION AND ASSESSMENT

Each year, the directors complete a Board self-evaluation questionnaire that is designed to enable the directors to assess their effectiveness as a Board in key areas, while eliciting suggestions for improvement. The Chair of the Board facilitates this process.

BOARD ATTENDANCE AND REMUNERATION

The Board held six regular meetings in fiscal 2012/13, split evenly between Edmonton and Calgary. In addition, the Board held a strategic planning and educational session as well as four special meetings conducted by teleconference. The Investment Committee held eight meetings, one of which was conducted by teleconference.

The following table shows each director’s attendance relative to the number of meetings held by the Board and committees of which he or she was a member.

Real Estate

BBC Television Centre is an iconic site in West London, UK that has been home to the British Broadcasting Corporation since the 1950’s. Together with partners Mitsui Fudosan UK and Stanhope plc, AIMCo has submitted a planning application to redevelop the site to a mixed-use estate with BBC remaining as a tenant at the property.
## Director Attendance - April 1, 2012 to March 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Board of Directors</th>
<th>Board of Directors Special Meetings</th>
<th>Audit Committee</th>
<th>Human Resources Committee</th>
<th>Governance Committee</th>
<th>Investment Committee Special Meetings</th>
<th>Investment Committee</th>
<th>Risk Committee</th>
<th>Chile</th>
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</thead>
<tbody>
<tr>
<td>A. Charles Baillie ¹</td>
<td>6 of 6</td>
<td>3 of 3</td>
<td>1 of 1</td>
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<td>5 of 5</td>
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<tr>
<td>George Gosbee</td>
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<td>4 of 5</td>
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<td>2 of 3</td>
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</tr>
<tr>
<td>Clive Beddoe</td>
<td>6 of 6</td>
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<td>6 of 6</td>
<td>–</td>
<td>5 of 5</td>
<td>1 of 1</td>
<td>3 of 3</td>
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<tr>
<td>Ross Grieve</td>
<td>6 of 6</td>
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<td>1 of 1</td>
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<tr>
<td>Virginia Holmes</td>
<td>6 of 6</td>
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<td>6 of 6</td>
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<tr>
<td>Daryl Katz</td>
<td>5 of 6</td>
<td>2 of 3</td>
<td>4 of 5</td>
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<tr>
<td>Harold Roozen</td>
<td>6 of 6</td>
<td>3 of 3</td>
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<tr>
<td>Andrea Rosen</td>
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<td>5 of 5</td>
<td>1 of 1</td>
<td>3 of 3</td>
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</tr>
<tr>
<td>Mac Van Wielingen</td>
<td>6 of 6</td>
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<tr>
<td>Cathy Williams</td>
<td>6 of 6</td>
<td>3 of 3</td>
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<td>–</td>
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<td>2 of 3</td>
<td>–</td>
</tr>
<tr>
<td>Kurt Winkelmann</td>
<td>5 of 6</td>
<td>2 of 3</td>
<td>5 of 5</td>
<td>–</td>
<td>–</td>
<td>5 of 5</td>
<td>1 of 1</td>
<td>3 of 3</td>
<td>–</td>
</tr>
</tbody>
</table>

¹ The Risk Committee was created by resolution of the AIMCo Board on May 25, 2012. The first Risk Committee meeting was held on July 26, 2012.

² George Gosbee, Virginia Holmes and Harold Roozen joined Leo de Bever and members of AIMCo’s Infrastructure team on a trip to Santiago, Chile, to meet with key members of the Chilean government, as well as the Boards and executive teams of both SAESA and Autopista.

³ Charles Baillie, as Chair of the AIMCo Board of Directors, is an ex-officio member of the Audit, Human Resources and Governance Committee and attends committee meetings regularly. As the Human Resources and Audit Committee meetings are held concurrently, Mr. Baillie alternates his attendance between the two.
BOARD REMUNERATION

Directors’ compensation is prescribed by provincial regulation. Board members receive annual retainers and meeting fees as described in the table below. The Board Chair, Vice Chair and committee Chairs receive additional retainers to recognize the incremental responsibility associated with those positions. Directors have not been paid separate meeting fees for Investment Committee meetings when these are held the same day as regular Board meetings.

Board Remuneration – as at March 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Board of Directors</th>
<th>Audit Committee</th>
<th>Human Resources Committee</th>
<th>Governance Committee</th>
<th>Investment Committee</th>
<th>Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Retainer (Annual)</td>
<td>$20,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Chair Retainer (Annual)</td>
<td>$50,000</td>
<td>$10,000</td>
<td>$7,500</td>
<td>$7,500</td>
<td>$7,500</td>
<td>$7,500</td>
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<tr>
<td>Vice Chair Retainer (Annual)</td>
<td>$10,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Meeting Fees</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

DIRECTOR REMUNERATION

The following table shows payments made to directors based on individual attendance and prescribed fees as described in the table above.

Remuneration Totals - April 1, 2012 to March 31, 2013

<table>
<thead>
<tr>
<th>Remuneration Totals - April 1, 2012 to March 31, 2013</th>
<th>Base Retainer (Annual)</th>
<th>Chair Retainer (Annual)</th>
<th>Vice Chair Retainer (Annual)</th>
<th>Committee Chair Retainer (Annual)</th>
<th>Meeting Fees ($1,000 per meeting)</th>
<th>Travel Remuneration</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Charles Baillie</td>
<td>$20,000.00</td>
<td>$50,000.00</td>
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<td>$21,000.00</td>
<td>$3,000.00</td>
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<td>Cathy Williams</td>
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<td>$14,000.00</td>
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<td>$2,000.00</td>
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<tr>
<td>Kurt Winkelmann</td>
<td>$20,000.00</td>
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<td>$5,768.44</td>
<td>$13,000.00</td>
<td>$2,000.00</td>
<td>$40,768.44</td>
<td></td>
</tr>
</tbody>
</table>

1 Kurt Winkelmann was appointed as Chair of the Risk Committee effective May 25, 2012 and chaired the first Committee meeting on July 26, 2012. Mr. Winkelmann was compensated on a per diem pro rata basis for the quarter ending June 30, 2012.
CODE OF CONDUCT

AIMCo has established the Code of Conduct and Ethical Standards for officers and employees, which outlines the organization’s expectations regarding, amongst other topics, conflicts of interest, gifts and entertainment, confidentiality and personal trading. The Code applies to all AIMCo employees, including executive officers, and compliance with it is a condition of employment. All compliance exceptions, if any, are reported to the AIMCo Board of Directors Audit Committee and dealt with as appropriate.

WHISTLEBLOWER POLICY

In accordance with governance best practices, the whistleblower policy and the accompanying reporting service provide all AIMCo employees, service providers and clients with the ability to confidentially report any failure to comply with the Code of Conduct.

OPERATIONS

We are in the midst of a corporate-wide initiative to update the organization’s operational and investment reporting infrastructure to better support our clients. Through 2012 and into 2013 advanced systems are being implemented over new structures of data that will enable us to reduce risk and deliver improved information to better support AIMCo’s investment decision-makers. Signiﬁcant progress has been achieved on internal controls and AIMCo received a clean Type II audit report under CSAE 3416 which reviewed the design and the effectiveness of our controls for a six-month period in 2012.

Agriculture Financial Services Corporation

The Agriculture Financial Services Corporation (AFSC) is a provincial crown corporation that has been in operation for over 60 years. AFSC provides assistance to farmers and agri-businesses across Alberta by offering a complete range of insurance, lending and income stabilization products from over 50 offices across the province.
BOARD OF DIRECTORS

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1 A. CHARLES BAILLIE, O.C.
A. Charles Baillie, Chair, is the former Chief Executive Officer and Chairman of the Board of Toronto-Dominion Bank. Mr. Baillie serves on the boards of TELUS Corp., Canadian National Railway Co. and George Weston Ltd. He was appointed an Officer of the Order of Canada in 2006 and inducted into the Canadian Business Hall of Fame in 2007. He is Chancellor Emeritus of Queen’s University and is currently Chair of the Art Gallery of Ontario and President of the International Festival of Authors. Mr. Baillie is a former Chair of the Canadian Council of Chief Executives. He holds an MBA from Harvard Business School and an Hon. BA from the University of Toronto.

2 GEORGE F. J. GOSBEE
George F.J. Gosbee is the Chairman and CEO of AltaCorp Capital Inc. He is an Advisor on the Government of Canada’s Economic Advisory Council, is a member of the Government of Canada’s Science, Technology and Innovation Council, is on the Board of Directors for TMX Group and Chairman of the School of Public Policy at the University of Calgary. He is a former board member of Chrysler Group LLC in Detroit. Mr. Gosbee was one of 200 Young Global Leaders by the World Economic Forum in 2009, and was awarded the Queen’s Diamond Jubilee Medal in 2013. Mr. Gosbee is an Honorary Lieutenant Colonel of the Calgary Highlanders Infantry Unit of the 41st Canadian Brigade Group.

3 CLIVE J. BEDDOE
Clive J. Beddoe is a founding shareholder, former President and Chief Executive Officer and current Chairman of the Board of Directors of WestJet Airlines. Mr. Beddoe is the recipient of numerous awards and honours, including Companion to the Order of the Business Hall of Fame, and is a member of the Marketing Hall of Legends in the Visionaries category. Mr. Beddoe holds Honorary Doctorates of Law from the University of Calgary and Wilfrid Laurier University.

4 ROSS A. GRIEVE
Ross A. Grieve is the Chairman of the Board of Directors and former Chief Executive Officer of PCL Construction Holdings Ltd. He also serves on the boards of Melcor Developments and Kingsett Capital Fund. Mr. Grieve has received numerous accolades for his business leadership – most notably, Canada’s Outstanding CEO of the Year Award in 2009. He has a BSc in civil engineering from the University of Manitoba.

5 VIRGINIA A. HOLMES
Virginia A. Holmes is a former Chief Executive Officer of AXA Investment Managers Ltd. in London, U.K. Ms. Holmes currently serves on the boards of U.K. Post Office Ltd., JPMorgan Claverhouse Investment Trust plc, Standard Life Investments Ltd. and Universities Superannuation Scheme Ltd. She has a BA from Durham University.

6 DARYL A. KATZ
Daryl A. Katz is the founder and Executive Chairman of Katz Group. He is also a member of the Canadian Council of Chief Executives. Mr. Katz has an LLB from the University of Alberta.

7 HAROLD A. ROOZEN
Harold A. Roozen is currently the Chairman and CEO of CCI Thermal Technologies Inc. He presently sits on the Board of Directors of ZCL Composites Inc. (TSX) and the Edmonton Eskimos Football Club, and is a member of the Canadian Council of Chief Executives. Mr. Roozen was previously Chair of WIC Western International Communication Ltd. and President of the Allarcom Group of privately held companies. His prior board experience includes Shaw Communications Inc., Royal Host REIT, and the Edmonton Community Foundation.

8 ANDREA S. ROSEN
Andrea S. Rosen is the former Vice Chair of TD Bank Financial Group and President of TD Canada Trust. Ms. Rosen serves on the boards of Manulife Financial Inc., Emera Inc. and Hiscox Ltd. Ms. Rosen has an LLB from Osgoode Hall Law School, an MBA from the Schulich School of Business, York University, and a BA magna cum laude from Yale University.

9 MAC H. VAN WIELINGEN
Mac H. Van Wielingen is a founder, Chairman and Director of ARC Financial Corp. and a founder and Chairman of ARC Resources Ltd. Mr. Van Wielingen has an HBA from the Richard Ivey School of Business and has studied post-graduate economics at Harvard University.

10 CATHY L. WILLIAMS
Cathy L. Williams is the former Chief Financial Officer of Shell Canada Ltd. As a Director of Enbridge Inc., she is Chair of the Human Resources and Compensation Committee and a member of the Audit Committee. Ms. Williams is Co-Chair of the Calgary Poverty Reduction Initiative. She has an LLB from the University of Western Ontario and an MBA from Queen’s University.

11 KURT D. WINKELMANN
Kurt D. Winkelmann is Managing Director and Head of Risk and Analytical Research at MSCI Inc. He is a member of the Board of trustees for the University of Minnesota Foundation and is Chairman of the Advisory Committee for the University of Minnesota’s Heller-Hurwitz Economics Institute.
HUMAN RESOURCES AND COMPENSATION COMMITTEE MANDATE

The Board of Directors view retention of capable top management talent as critical to achieving AIMCo’s investment goals. The Human Resources and Compensation Committee assists the Board with its fiduciary and governance responsibility by maintaining a long term People strategy, ensuring that AIMCo’s culture engages the team and inspires strong performance, and has access to best in class human resource programs. HRCC also reviews executive succession, executive compensation policy, and performance measures.

KEY INITIATIVES FOR HRCC IN 2012 INCLUDED:


- Review and approve the investment, corporate and individual performance objectives of the executive team.

- Oversee CEO succession planning, and monitor management’s efforts on succession planning with particular emphasis on the executive team.

- Review and recommend for approval a reorganization impacting the executive investment officer positions.

- Review and recommend for approval the compensation policy, best practice and performance outcomes for the organization, with a particular emphasis on executive compensation.

The HRCC exercised a strong duty of care in reviewing existing compensation policies and programs. To assist in the execution of these responsibilities, HRCC worked closely with management and an independent compensation advisor, Hugessen Consulting Inc., retained by and directly accountable to the HRCC, to advise and counsel the HRCC on the competitiveness and appropriateness of AIMCo’s compensation policies and performance metrics.

EXECUTIVE COMPENSATION PRINCIPLES

The AIMCo compensation program, reviewed annually by the HRCC, contributes significantly to the ability to attract and retain top quartile talent. The program design is centered around the following compensation principles:

- AIMCo strives to be among the best institutional investors in Canada. The competition for the talent required to achieve that goal is fierce. AIMCo competes in the global market place with the world’s most sophisticated financial services firms, including top investment and asset managers. Competitive compensation within Canada is essential in attracting and retaining the most talented executives. The cost of replacing talent within an organization is considerable. AIMCo is investing in our top performers, knowing that their commitment to the organization is fundamental to achieving our long term investment strategies.

- AIMCo aligns to a strong pay for performance compensation structure, one that rewards for superior and sustained performance, and adjusts when performance is not achieving intended results. A considerable component of executive compensation (ranging anywhere from 31 to 83% of total compensation) is comprised of variable compensation, tied to the achievement of corporate and investment performance, including Total Fund, Asset Class (divisional performance) and Individual objectives.

- AIMCo pays a competitive base salary, aligned with our comparator group in the Canadian pension fund management industry and relevant organizations within Alberta (as validated by external compensation survey data). This competitive pay environment promotes the organization’s ability to attract and retain high performing talent.
• The annual and long-term incentive payments are designed to pay for persistent value-added performance above AIMCo investment benchmarks (which represent the listed proxy relevant to each asset class), measured over rolling four-year cycles.

• All employees align their individual goals to the corporate strategy and the goals of the organization. Part of their annual incentive payment is based on how well they have achieved those goals.

HOW PERFORMANCE AND INVESTMENT STRATEGY IMPACT COMPENSATION

The following factors contributed to an increase in total compensation costs:

• Client shifted assets from listed to unlisted investments, expecting to earn higher long-term net returns. These assets are more costly to manage because they are more labour-intensive.

• Salaries and benefits increased because we continue to invest in attracting top performers to AIMCo, since internally managing assets is far more cost effective.

• Strong investment performance resulted in an increase to internal and external annual incentive fees.

• Our Long-Term Incentive Program (LTIP) paid out for the first time since it was implemented in 2009, to recognize active returns over the 2009–2012 period.

AIMCo’s value-add calculations are net of all external and internal costs, and represent incremental return to our clients. AIP and LTIP comprise approximately five cents for every dollar of value-added above performance benchmarks—substantially less than performance fees paid to external managers.

Julia Kim
Manager, Investment Data Management

Understanding that good data drives good investment decisions, Julia works with AIMCo’s Business solutions group to ensure the quality and integrity of our data to reduce operations risk.
COMPENSATION DECISIONS OF THE HRCC FOR 2012

Key compensation decisions approved by HRCC in 2012 include:

- Reviewed executive compensation levels, resulting in modest changes for certain roles.
- Approved compensation for new executive hires.
- Approved STIP pool amounts and payouts for CEO and individual executives.
- Approved Long term incentive plan payouts (initially issued in January, 2009, and vested on December 31, 2012). This reflects the first payment for AIMCo’s LTIP.
- Approved The Special Long Term Incentive Plan (SLTIP) grants, based on the achievement, for selected individuals, of superior investment performance on the “regular” LTIP. These SLTIP grants have a four year vesting period and won’t mature until December 31, 2016.

The HRCC believes that the compensation awarded for 2012 appropriately reflects investment performance and individual contributions of AIMCo’s executive team. The applied compensation principles support and reinforce a pay for performance philosophy.

COMPONENTS OF COMPENSATION

The following shows the core elements of AIMCo’s Compensation Program, all validated through external relevant surveys and endorsed through consultation with HRCC’s external compensation advisor.

Pension: AIMCo participates in three defined benefit pension plans, the Management Employees Pension Plan, the Public Service Pension Plan and a supplementary retirement plan. All eligible employees hired after January 1, 2008 are required to participate in a defined contribution pension plan sponsored by AIMCo, and certain senior employees are also eligible to participate in a defined contribution supplementary retirement plan sponsored by AIMCo.

Benefits: A broad range of market competitive benefits are provided to employees, including health and dental coverage, short-term and long-term disability insurance, travel insurance, group life insurance, critical illness insurance, a learning and wellness benefit and subsidized public transit.
## Salary

<table>
<thead>
<tr>
<th>Component</th>
<th>Program Intent</th>
<th>Assessment and Eligibility Criteria</th>
<th>Plan Fundamentals</th>
<th>Variability with Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>Compensates for achievement of job duties based upon skill, experience and performance</td>
<td>All employees</td>
<td>Annual budget based upon external survey market data</td>
<td>Fixed (low variability)</td>
</tr>
<tr>
<td>Annual Incentive Plan (AIP)</td>
<td>Annual plan that rewards superior investment performance and individual contributions</td>
<td>All non unionized employees</td>
<td>Payouts are capped at 2x target, based upon (1) value added investment performance over a four year period, weighted to Total Fund, and Asset Class (where applicable), and (2) Individual performance.</td>
<td>High Variability</td>
</tr>
<tr>
<td>Long-Term Incentive Plan (LTIP)</td>
<td>Intended to reward for superior and sustained investment performance, reinforcing long term nature of investment strategy and providing retention for high performers</td>
<td>Senior level, non unionized employees</td>
<td>Payouts are capped at 3x target, based upon Total Fund returns and value added investment performance over a four year period, weighted to Total Fund and Asset Class (where applicable).</td>
<td>High Variability</td>
</tr>
<tr>
<td>Special Long-Term Incentive Plan (SLTIP)</td>
<td>Intended to reward for superior and sustained investment performance over an 8 year period</td>
<td>Those eligible for LTIP</td>
<td>Consist of an additional conditional LTIP grant, made when uncapped investment performance over any LTIP period (four years) exceeds the cap of 3x. Once granted, the SLTIP has the same mechanics as the LTIP.</td>
<td>High Variability</td>
</tr>
<tr>
<td>Restricted Fund Units (RFU)</td>
<td>To bridge “gap” period between commencement of employment and LTIP vesting.</td>
<td>Granted on a case by case basis only</td>
<td>Vary depending upon circumstance</td>
<td>Low Variability</td>
</tr>
</tbody>
</table>
INVESTMENTS OVER $300 MILLION

<table>
<thead>
<tr>
<th>Corporate Issuers</th>
<th>Assets Under Management</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Nova Scotia</td>
<td>1,113.1</td>
<td>1.6%</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>948.7</td>
<td>1.4%</td>
</tr>
<tr>
<td>National Bank of Canada</td>
<td>835.1</td>
<td>1.2%</td>
</tr>
<tr>
<td>Toronto-Dominion Bank</td>
<td>787.9</td>
<td>1.1%</td>
</tr>
<tr>
<td>Canadian Imperial Bank of Commerce</td>
<td>718.6</td>
<td>1.0%</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>588.6</td>
<td>0.9%</td>
</tr>
<tr>
<td>Precision Drilling Corp</td>
<td>416.8</td>
<td>0.6%</td>
</tr>
<tr>
<td>Apple Inc</td>
<td>379.4</td>
<td>0.6%</td>
</tr>
<tr>
<td>JPMorgan Chase &amp; Co</td>
<td>334.8</td>
<td>0.5%</td>
</tr>
<tr>
<td>Enbridge Inc</td>
<td>301.4</td>
<td>0.4%</td>
</tr>
<tr>
<td><em><strong>Total</strong></em></td>
<td><strong>6,424.4</strong></td>
<td><strong>9.3%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Government Issuers</th>
<th>Assets Under Management</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of Canada</td>
<td>4,249.3</td>
<td>6.2%</td>
</tr>
<tr>
<td>Province of Ontario Canada</td>
<td>2,443.7</td>
<td>3.6%</td>
</tr>
<tr>
<td>Province of Quebec Canada</td>
<td>1,308.8</td>
<td>1.9%</td>
</tr>
<tr>
<td>Canada Housing Trust No 1</td>
<td>930.1</td>
<td>1.4%</td>
</tr>
<tr>
<td>Canadian Mortgage Pools</td>
<td>720.9</td>
<td>1.1%</td>
</tr>
<tr>
<td>Province of Manitoba Canada</td>
<td>617.5</td>
<td>0.9%</td>
</tr>
<tr>
<td>Financement-Quebec</td>
<td>571.5</td>
<td>0.8%</td>
</tr>
<tr>
<td>Province of Nova Scotia Canada</td>
<td>496.9</td>
<td>0.7%</td>
</tr>
<tr>
<td>CDP Financial Inc (Caisse de dépôt et placement du Québec)</td>
<td>493.1</td>
<td>0.7%</td>
</tr>
<tr>
<td>Province of British Columbia Canada</td>
<td>467.3</td>
<td>0.7%</td>
</tr>
<tr>
<td>Province of New Brunswick Canada</td>
<td>442.4</td>
<td>0.6%</td>
</tr>
<tr>
<td>PSP Capital Inc</td>
<td>357.4</td>
<td>0.5%</td>
</tr>
<tr>
<td><em><strong>Total</strong></em></td>
<td><strong>13,098.8</strong></td>
<td><strong>19.1%</strong></td>
</tr>
</tbody>
</table>
EXECUTIVE TEAM

Leo de Bever  
Chief Executive Officer

Dale MacMaster  
Executive Vice President,  
Public Market Investments

Jagdeep Singh Bachher  
Executive Vice President,  
Venture and Innovation

Robert Mah  
Executive Vice President,  
Private Market Investments

David Goerz  
Executive Vice President,  
Investment Strategy &  
Risk Management

Angela Fong  
Chief Corporate and  
Human Resources Officer

Jacquelyn Colville  
Chief Financial Officer

John Osborne  
Chief Risk Officer

Michael Baker  
Senior Vice President,  
Investment Operations

Darren Baccus  
Associate General Counsel

Carole Hunt, Q.C.  
Chief Legal Counsel &  
Corporate Secretary

BOARD OF DIRECTORS

A. Charles Baillie, O.C.

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Clive J. Beddoo

Ross A. Grieve

Virginia A. Holmes

Daryl A. Katz

Harold A. Roozen

Andrea S. Rosen

Mac H. Van Wielingen

Cathy L. Williams

Kurt D. Winkelmann