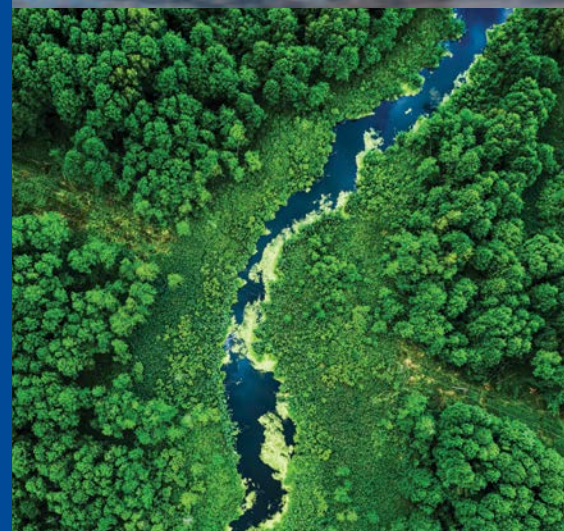


2021 ANNUAL REPORT

Delivering Solutions.
Driving Value.

INVESTMENT MANAGEMENT CORPORATION OF ONTARIO





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ABOUT IMCO

OUR UNIQUE POSITION AND PURPOSE

Many public funds face critical challenges: market complexities; a growing focus on environmental, social and governance (ESG) issues, including climate change; limited budgets and resources; accessing private market investments; and heightened risk management expectations.

IMCO was designed exclusively to drive better investment outcomes for Ontario's broader public sector. Our clients access a broad array of investment strategies, solutions and advisory services in a cost-efficient framework.

Led by an experienced management team and guided by a professional board of directors, we are an independent organization with a unique purpose. Our structure ensures that our decisions are based solely on meeting our clients' investment management and oversight needs.



HOW WE DRIVE VALUE

IMCO's value proposition includes the following key features.

Public purpose and alignment of interests

IMCO was built with a public purpose and a singular focus on our fiduciary duty to broader public sector clients in Ontario. We operate on a cost-recovery basis, prudently managing investment and operating costs.

Deep global investment management experience

Our diversified investment strategies include externally managed mandates and internal direct investments, as well as total portfolio management capabilities. Clients have access to sought-after private and alternative asset classes, such as private equity and global credit.

Benefits of scale

As one of Canada's largest institutional investors, we invest around the world and can execute large transactions efficiently. Our size, scale and global relationships give clients improved access to a broad range of investment opportunities, at efficient cost.



PURPOSE EXPERTISE SCALE

Unbiased strategic asset mix advice

Our objective is to achieve long-term results that enable clients to meet their financial obligations. We work diligently to understand each client's obligations and objectives, then advise on and build tailored investment solutions.

Risk management and total portfolio oversight

IMCO delivers comprehensive risk monitoring, management, and reporting capabilities. Our risk teams monitor client portfolios daily to ensure they are consistent with the desired asset allocation and risk tolerance.

Reporting and servicing model

We provide an enhanced level of transparency, oversight and reporting, and partner with our clients in a way that helps alleviate critical resource pressures.

DIVERSITY, EQUITY, AND INCLUSION STATEMENT

IMCO believes that diversity, equity, and inclusion (DEI) are not only fundamental to the company's future growth and progress, they are also an integral part of our corporate values and underpin our business activities.



FUNDAMENTAL TO FUTURE GROWTH

We believe that success happens where new ideas can flourish – in an environment that is rich in diversity, and in a place where people from various backgrounds can work productively together. At IMCO, we know that an environment that encourages inclusion and fosters diversity brings out the full potential of our workforce, stimulates innovation, and enables organizational growth.

Our DEI mission is to be an organization where:

- the workforce reflects the requisite skills available in the relevant employment market;
- every employee understands and actively participates in inclusionary behaviours and values diversity;
- teams are respectful, non-judgmental and celebrate diversity of thought and include all voices in conversation;
- our environment encourages employees to be their unique and authentic self; and
- all employees feel comfortable bringing their authentic self to work and can reach their full potential.

2021 HIGHLIGHTS



Grew assets under management to **\$79.0 billion** at Dec. 31, 2021



Delivered one-year weighted average net return of **9.6%**, versus benchmark of **8.5%**



Committed to net-zero greenhouse gas emissions in portfolio by 2050 or sooner



Continued to make **progress on asset pooling**, with \$29.2 billion in assets under management in pools by the end of 2021.



Closed **\$2.3 billion** in private equity transactions, including eight direct equity and co-investment deals



Completed **first ever 100% acquisition** with purchase of Pulse Clean Energy, a leading developer, owner, and operator of flexible generation projects in the UK.



Allocated **US\$500 million** to new alternative credit partnership with Ares Management



Participated in first IPO, Definity Financial – largest IPO in Canada since 2015



Recorded **significant** real estate gains in industrial, multi-residential and life-sciences properties



Hired Rossitsa Stoyanova as Chief Investment Officer to lead all global investment activities.

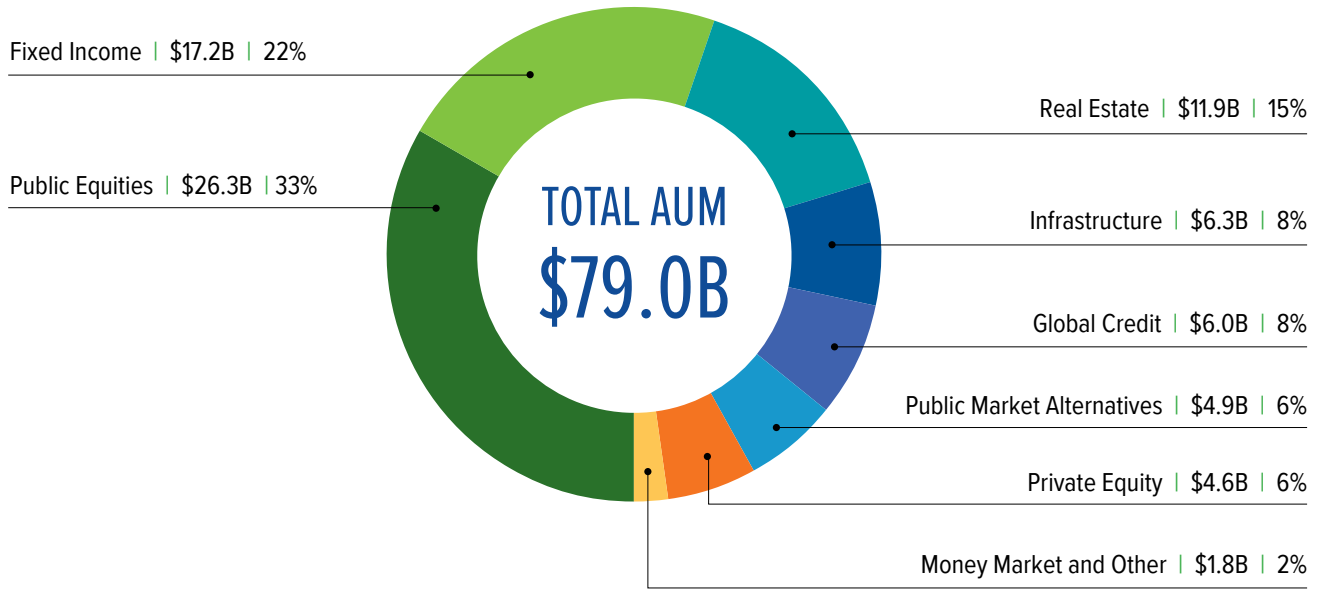


Hosted **inaugural IMCO Forum**, designed to engage with clients and explore global investing trends.

IMCO PORTFOLIO IN BRIEF

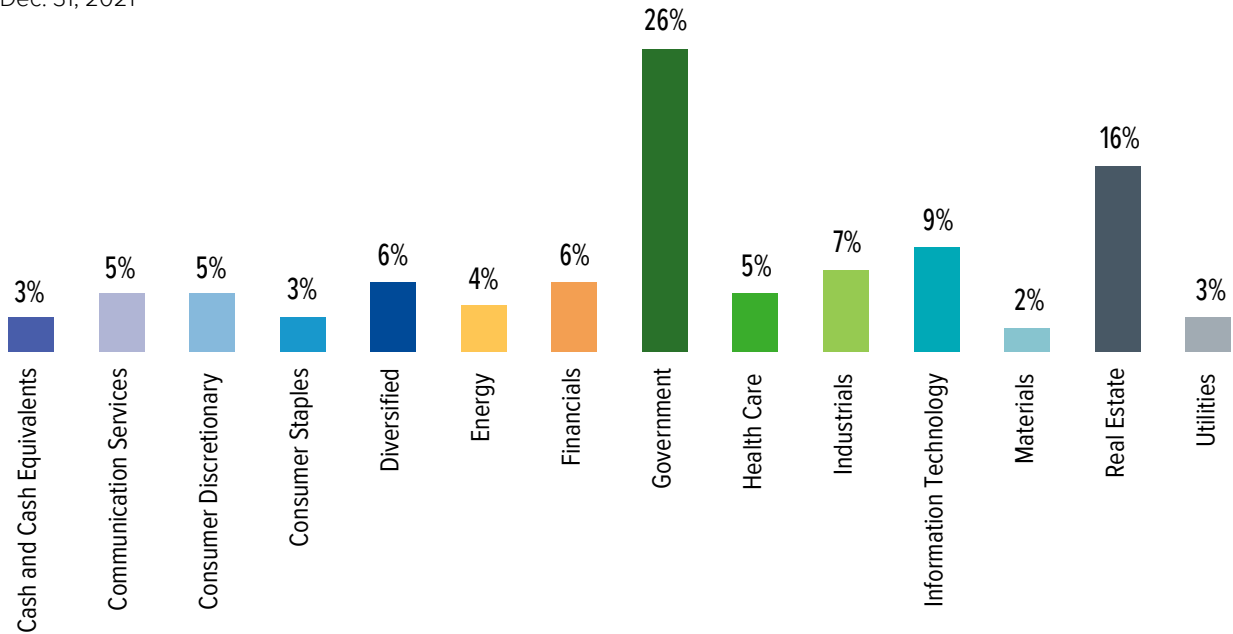
ASSETS UNDER MANAGEMENT BY ASSET CLASS

As of Dec. 31, 2021



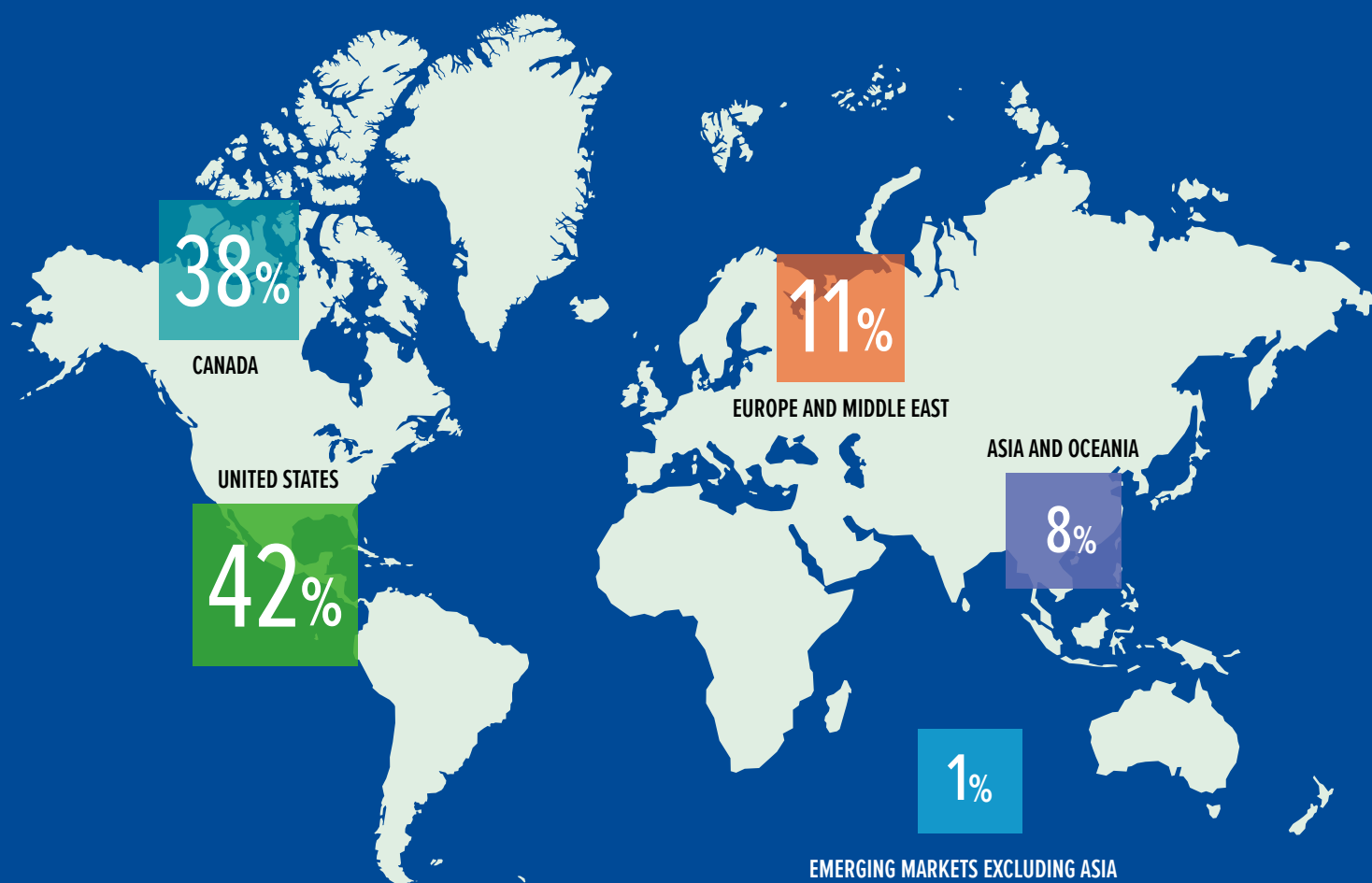
PORTFOLIO BREAKDOWN BY SECTOR

As of Dec. 31, 2021



REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

as of Dec. 31, 2021



WAR IN UKRAINE

Our annual report reflects IMCO's activities and the conditions that affected the organization, up to Dec. 31, 2021. Following the time of writing, we at IMCO were devastated to witness the war by Russia against Ukraine. We remain deeply concerned about this situation, and its impact on the people in Ukraine as well as global peace and stability. We support the actions the Government of Canada, and other governments around the world, took to impose sanctions and other measures on organizations with close connections to the Russian Government and President Putin. We are ensuring that IMCO fully complies with these measures.

We continued to actively engage with our clients. They had minimal exposure to Russia and therefore, we did not anticipate significant direct or indirect impact on their portfolios. As of March 1, 2022, IMCO had approximately \$115 million in direct and indirect positions in Russian securities and currency, which represented 0.16 percent of our total assets under management. IMCO had no positions in Belarus. With the support of our clients, IMCO began a process to exit its small Russian positions. We will make no new purchases of Russian securities and we will take no positions in Belarus.

2021 was a
milestone year
for IMCO.



REPORT FROM THE CHAIR

On behalf of the Board of Directors, I would like to congratulate the management team at IMCO for delivering strong results in 2021. IMCO had a very successful year, despite the ongoing challenges of remote working. The team delivered value through strong returns and critical strategic initiatives, and engaged with new public-sector clients.

DELIVERING ON OUR MANDATE

The IMCO Board of Directors worked with management in 2021 to guide strategy and to oversee the provision of more efficient and effective investment and risk management to public sector institutions.

For example, we oversaw the creation of additional asset pools as IMCO launched pools for Public Market Alternatives, Global Equities and Emerging Market Equities in 2021. These pools are a more effective way for IMCO to construct a range of portfolios for its clients.

2021 also marked the second year that client assets were managed according to investment strategies developed by IMCO. As we build a solid track record, we are attracting new public-sector clients that do not yet have diversified investment portfolios.

Our clients benefit from having more sophisticated and cost-effective portfolios. They also benefit from IMCO's expert investment and risk managers, who oversee their assets every step of the way.

A new Board Investment Committee, consisting of all board members and chaired by Eric Tripp, was created last year. Mr. Tripp has extensive experience in capital markets and financial services and has been an IMCO director since 2017. The committee is responsible for supervising the management of IMCO's investment activities, including IMCO's approach to environmental, social and governance (ESG) issues.

RESPONSIBLE INVESTING

ESG and sustainability matters are important to our clients, given their long-term investment horizons. IMCO's Board and management have been implementing an ESG strategy that is focused on climate change, diversity, equity and inclusion, and good governance.

ESG and climate change were important topics at all Board meetings in 2021. We reviewed management's progress in developing a climate action plan and supported the organization's commitment to reach net-zero greenhouse gas emissions by 2050 or earlier.

IMCO is committed to embedding ESG in our practices and it is a high priority. We know ESG issues, especially urgent global concerns such as climate change, can affect investment risks and returns. As a responsible institutional investor, IMCO is developing robust ESG and climate analysis and reporting.

BOARD RENEWAL

While IMCO is an independent organization, we maintain a relationship with the Ontario government as we fulfill our public-sector mandate. In its fall 2021 economic statement, the government noted that it will continue to work with IMCO. This acknowledgement is important because many potential clients require changes to provincial legislation or regulations to permit IMCO to manage their assets.

The government also re-appointed IMCO director Rajendra Kothari to the Board. Our Nominating and Governance Committee will be working with our clients and the government on board renewal in 2022.

None of our progress would have been possible without the ongoing support of our founding members, the passionate management team, and an able Board of Directors. Working together, IMCO will remain focused on creating value as it moves forward.

Brian Gibson

Chair, IMCO Board of Directors

REPORT FROM THE CEO

IMCO realized several important achievements in 2021. Most compelling, I am pleased to report that the investment strategies we implemented in 2020 have been highly effective. For the second year in a row, we are reporting strong overall returns and value creation for our clients.

During the year we also launched new investment pools, brought in a significant new mandate, advanced discussions with prospective new clients, and continued to attract top-tier talent.

Rossitsa Stoyanova joined IMCO as Chief Investment Officer in September to lead all our global investment activities. She brings a wealth of expertise in acquisitions, risk management and portfolio design from her previous roles. You can read about Rossitsa's plans on page 30.

We continued
to deliver on
our mandate.



GENERATING VALUE

Our one-year consolidated net return was strong, at 9.6 per cent, compared to a benchmark return of 8.5 per cent. That's positive net value add of 1.1 percentage points.

Net returns for our clients ranged from 0.1% to 11.2%. Clients determine their asset mixes, based on their future needs.

IMCO's total assets under management grew to \$79.0 billion at Dec. 31, 2021, up from \$73.3 billion the previous year.

Net value add was broad-based across most asset classes and I am pleased our clients are seeing the impact of IMCO's investment strategies.

Since the 2020 launch of IMCO's investment strategies, most asset classes have generated positive absolute returns and exceeded their benchmarks. Overall, these results speak to our value proposition and our focused investment approach: a fundamental approach to investing at the individual security level, coupled with strong portfolio construction advice and management.

We have built a persuasive value proposition, and prospective clients in the public sector are beginning to see it.

ASSET POOLS IN PROGRESS

Our development of asset pools continued in 2021. These are complex endeavours. Pooling involves combining assets of various clients into structures that facilitate our asset-specific strategies. Pools make a diverse range of investments more accessible for all clients and enable more balanced portfolios. They also deliver cost efficiencies in asset management and reporting. By the end of 2021, our pools represented \$29.2 billion in assets under management. These included three public equities pools and the public market alternatives pool. Private markets pools for private equity, real estate and infrastructure are also taking shape. The illiquid nature of private assets and the need for detailed asset-transfer plans means that these pools will proceed in a phased manner.

ACTION ON ESG AND CLIMATE CHANGE

ESG themes, and climate change in particular, have taken centre stage in the investment industry. If investors and capital markets are to contribute to meaningful progress on climate change, then the global shift to net-zero greenhouse gas emissions must accelerate.

IMCO has committed to a net-zero emissions portfolio by 2050 or earlier. We support initiatives that encourage other entities to do the same. We also support better disclosure around carbon footprints, and in 2022 we will identify our interim targets for emissions reductions. In the meantime, we are making investments to capitalize on the ongoing energy transition, such as our acquisition of Pulse Clean Energy (formerly Green Frog Power) and participation in the Brookfield Global Transition Fund.

Starting in 2022, we will produce a dedicated report that describes ESG in our investment and corporate processes, summarizes our sustainable investments, and discusses our stewardship activities.

BUILDING OUR CULTURE

The past year was another challenging one for IMCO employees as we continued to work from home, with all the personal and family juggling that entails.

Our teams must be able to collaborate from anywhere, whether at the office, working remotely, or travelling for business. Although we had prepared for a move into the organization's new office in January 2022, the Omicron variant of the COVID-19 virus postponed that plan. With various pandemic restrictions and a high number of strategic projects in progress, we've been monitoring the impact of significant change on employees. With clear organization, team and individual expectations, we will create a hybrid work model that focuses on results and personal accountability, not face time, and is founded on the principles of collaboration and trust.

I recognize and am very thankful for IMCO employees' dedication and hard work, sometimes under very stressful circumstances. We should all take time to not only reflect on our many accomplishments in 2021, but to consider our many exciting opportunities on the horizon.

Bert Clark
President & CEO



DRIVING VALUE FOR ONTARIO'S PUBLIC SECTOR

Our clients are public-sector entities delivering a wide range of benefits to people and businesses across Ontario.

We provide services to:

- Ontario Pension Board, administrator of the Public Service Pension Plan
- Workplace Safety and Insurance Board, Insurance and Loss of Retirement Income funds
- WISE Trust, administrator of the WSIB Employees' Pension Plan
- Provincial Judges' Pension Board

CLIENT UNIVERSE

Approximately 90 funds in Ontario's broader public sector are eligible for IMCO membership. Collectively, these funds represent more than \$100 billion in assets under management.

Individually, funds can benefit from accessing IMCO's scale, breadth of investment solutions, and deep expertise. We support clients of any size, helping them to navigate increasingly complex and dynamic economic and regulatory environments.

IMCO can provide investment management services to the following entities:

- Crown agencies;
- Corporations, with or without share capital, that are not Crown agencies but are owned, operated, or controlled by the Crown;
- Boards, commissions, authorities, or unincorporated bodies of the Crown;
- Universities in Ontario, including affiliated and federated colleges, that receive operating grants from the government of Ontario;
- Municipalities as defined in section one of the Municipal Act, 2001; and
- Any other bodies as may be prescribed.



DRIVING VALUE

OUR COMPELLING OFFER

IMCO offers clients access to investment strategies and solutions that would otherwise be difficult to access given the level of governance, administration, costs, and expertise required.

Under the IMCO service model, our clients gain access to a deep bench of specialist investment teams and leading investment opportunities spanning private and public markets; high quality portfolio construction and advisory services; and sophisticated risk management capabilities.

Deep Global Investment Management Expertise: In an increasingly challenging market environment, a high level of investment rigour and specialization is necessary. IMCO's sole focus is on our investment management services. We do not maintain any other lines of business.

Exceptional Portfolio Construction Advice: We take a client-centric view and believe that the asset allocation decision is by far the most important driver of investment outcomes. We consider both asset classes and risk factors to construct durable portfolios that adapt to potential long-term trends

and market developments. We collaborate with clients to thoroughly understand their circumstances, provide support in defining investment objectives, and advise on a strategic asset allocation that optimizes expected returns within each client's overall risk appetite.

Total Portfolio Approach: IMCO takes a pragmatic approach and uses a variety of investment strategies to meet clients' needs and objectives. We offer diversification across asset classes, securities, holdings, investment managers and investment styles. We use a cost-efficient and flexible approach to enhance investment returns and manage risk at the total fund level.

In addition to the analysis within the portfolio construction process, our risk teams monitor client portfolios daily to ensure that a client's portfolio remains consistent with the desired asset allocation and risk tolerance.

Research Capabilities: IMCO also has broad research capabilities, including experienced people, systems and tools that support asset liability management studies, portfolio construction, investment and risk management and the implementation of new investment strategies.



MANAGEMENT'S DISCUSSION & ANALYSIS

Our Management's Discussion & Analysis (MD&A) is developed through the eyes of our management team and describes how IMCO performed during the past year. This discussion complements the financial statements.



2021 ACCOMPLISHMENTS

While most IMCO employees continued to work remotely in 2021, the organization pressed ahead with improving service to existing clients and attracting new ones, transforming our operations and systems, and attracting, developing, and retaining talent. These efforts all supported our primary investment-related goals: providing strong portfolio management, improved access to investments, and outstanding risk management capabilities at an efficient cost.

CLIENT MILESTONES

We worked to enhance the client experience by building on our capabilities and strengthening relationships. Highlights included the following:

- Implemented a client engagement protocol and approach to enable proactive information sharing with our clients;
- Conducted our annual client survey and established action plans to enhance the client experience;
- Evolved IMCO's client relationship management framework and reporting structure;
- Commenced planning to further build a client-first culture; and
- Hosted our first Client Forum, featuring a roster of our investment partners and keynote speakers.

We also reached a major milestone in 2021 by winning a new client mandate through a competitive bid process, the first such win for IMCO.

Engagement with the broader prospective client universe continues. Our client development strategy involves proactive engagement with public-sector organizations to share our unique value proposition and participating in requests for proposals where there are immediate requirements for professional investment management services.

EMPLOYEES AND CULTURE

Diversity, equity, and inclusion (DEI) and employee belonging were important priorities for IMCO in 2021. We worked on embedding these values in our workplace culture, our policies, training initiatives, talent strategy, recruitment, and other areas throughout the organization.

To ensure the voice of our employees is represented in our DEI work, IMCO established a Diversity, Equity, and Inclusion Council in 2021. Its vision is to help IMCO cultivate a more vibrant, inclusive work environment where employees are empowered

to reach their full potential and deliver value to our clients and community. As both a resource and advocate, the council recommends DEI priorities and acts as a liaison for our internal teams. The council is composed of both management and staff.

Voluntary DEI training was introduced in 2021, and more than 30 per cent of IMCO employees have participated as of year-end. DEI topics have been embedded in IMCO's employee orientation and onboarding process for new hires.

During the year, IMCO made progress in planning for a safe return to office. We conducted a 10-week return-to-office pilot program in the fall, which saw staff volunteers work in the office a few days a week. We intended to bring staff into IMCO's new office in January 2022, but this was delayed with the emergence of the Omicron variant of COVID-19. Employee health and safety continues to be a high priority and we are adhering to public health guidance.

ASSURANCE OVER INTERNAL CONTROLS - SOC 1 CERTIFICATION

In 2021, IMCO completed the first phase of a multi-year initiative to become System and Organization Controls (SOC 1) certified. A SOC 1 report provides independent assurance over IMCO's internal controls that support our clients' financial reporting.

IMCO provided a clean SOC 1 Type I report to clients that demonstrated our internal controls were adequately designed as at Sept. 30, 2021. The report verified that there were no deficiencies identified in our controls framework. In 2022, IMCO plans to complete SOC 1 Type II certification, which will provide independent assurance that IMCO's controls are adequately designed and operating effectively.

ASSET POOLING

Pooling enables IMCO to secure benefits for all clients in terms of negotiating lower fees, achieving better diversification, and spreading risk concentrations. Most IMCO investment strategies will be implemented through pooled vehicles.

IMCO successfully launched three asset pools in 2021: the Public Market Alternatives Pool representing \$3.6 billion of assets for clients, the Global Equity Pool, with \$17.3 billion, and the Emerging Markets Equity Pool, with \$4.3 billion. (The Canadian Equity Pool was launched in 2020.) By the end of 2021, our pools represented \$29.2 billion in assets under management.

With these structures, new clients joining IMCO will enjoy equitable access to diverse portfolios and strategies, at efficient cost.

We also began work on the Private Equity and Infrastructure pools in 2021. These pools require more consideration and planning because they will be more complex structures from tax and commercial perspectives. Creating the pooled structures and getting them right is fundamental, and IMCO is taking the requisite amount of time with our partners to ensure we create vehicles that are scalable as IMCO's client base grows. Therefore, we anticipate the private markets pools will be launched in phases: the initial phase will consist of establishing the pooling structures, followed by the gradual transfer of assets.

BENEFITS OF POOLING

Efficient access to a broader range of investment strategies and opportunities (public, alternative and private markets; internal and external management; passive and active strategies)

Portfolio diversification benefits

Cost efficiencies from scale and scope (attractive financing terms and competitive costs of capital; competitive terms from suppliers; lower fees from investment partners)

Credibility and presence in marketplace, with ability to partner and compete with other institutional investors for quality deals

Operational efficiencies in day-to-day pool activities and cash management

Simplified accounting and financial reporting

COST MANAGEMENT



OUR COST-CONSCIOUS CULTURE

IMCO's costs are driven by our clients' strategic asset mix decisions, our corporate objectives, and our operating model. Our clients are adjusting their asset mixes in favour of more private assets such as private equity, infrastructure, and real estate. These asset classes are inherently more expensive to manage. To keep pace with desired asset mix changes, IMCO is developing internal capabilities and uses a range of strategic partners to help manage the private asset portfolio.

There are additional costs in the near term to attract and retain the specialized talent necessary to develop our internal investment strategies and continue to deliver strong returns.

However, a gradual shift to an internal investment model will drive savings over time with the reduction of third-party management fees.

In 2021, our corporate objectives included making continued investments in portfolio management, new systems, and operational capabilities to support the delivery of new products and services, as well as our efforts to bring new clients on board.

IMCO continues to enhance client services in the areas of risk management, performance analytics, and asset mix advice. Since 2016, we have been able to offer these additional services at no additional cost to our clients.

COST GOVERNANCE


IMCO operates on a cost-recovery model. We have robust governance over operating and investment management costs and continue to manage costs effectively. We have rigorous business planning and budgeting processes. Continuous investment in upgrading our investment management and operational capabilities is necessary, and we remain focused on ensuring that all costs provide value for our clients.

We also assess our cost effectiveness through external benchmarking studies. Results from the 2020 study completed by CEM Benchmarking, an independent research firm, indicate that IMCO's staffing level for its investment department is aligned with the benchmark. In addition, IMCO's total costs are within the range of our peer comparator benchmark developed by CEM.

INVESTMENT COSTS

Investment costs depend on the types of assets under management, changes to asset mix, and strategies used. We also incur costs to maintain business operations. The table below describes the types of IMCO expenses and why we incur them.

TYPES OF COSTS	DESCRIPTION	PURPOSE
External Management Fees	Payments to external fund managers, which are based on commitments and assets invested.	External managers are used, rather than in-house teams, when they can provide more effective and efficient ways to diversify funds or access specific strategies.
Custodial Fees and All Other Investment Management Expenses	Costs incurred for investment-related legal, due diligence and custody-related activities.	Pursuing complex, large investment opportunities requires prudent due diligence, as well as compliance with international regulatory and tax requirements.
Operating Expenses	Expenses incurred to maintain business operations and implement strategic projects, including human resources, technology, and other operating costs.	Perform investment, portfolio and risk management services, create superior investment and client service capabilities, and provide oversight over assets under management.



ROBUST COST GOVERNANCE

2021 COST PERFORMANCE

IMCO's total costs in 2021 were \$473.7 million, or 63.1 cents per \$100 of assets under management, an increase of 7.8 cents compared to the previous year.

Investment management costs were \$317.2 million, or 42.3 cents per \$100 of assets under management, an increase of 3.8 cents compared to last year. Our clients have chosen to increase their allocations to private assets. These assets are generally more expensive to manage, versus publicly traded assets.

IMCO has executed the initial shift in asset mix in partnership with external managers. Costs are expected to decrease over time as we continue to execute on direct investments.

Operating expenses were \$156.5 million, or 20.8 cents per \$100 of assets under management. The year-over-year increase of \$39.8 million in operating expenses is largely due to the addition of personnel and associated support costs. This reflects the growth of teams and systems that are designed to support our clients' investment objectives, enhance risk and reporting capabilities, and launch our ESG program.

IMCO'S COSTS

AVERAGE AUM (\$ billions)	2021 Average AUM \$75.1 billion		2020 Average AUM \$69.5 billion		CHANGE	
	2021 TOTAL COSTS		2020 TOTAL COSTS			
Cost Items	\$ thousands	basis points ¹	\$ thousands	basis points ¹	\$ thousands	basis points
Investment Management Expenses:						
External Management Fees ^{2,3}	291,039	38.8	246,108	35.4	44,931	3.4
Custodial Fees	4,260	0.6	6,812	1.0	(2,552)	(0.4)
Other Investment Management Costs ⁴	21,912	2.9	14,623	2.1	7,289	0.8
Total Investment Management Costs	317,211	42.3	267,543	38.5	49,668	3.8
Operating Expenses:						
Compensation and Benefits	102,571	13.6	69,686	10.1	32,885	3.5
Professional Fees	18,014	2.4	17,579	2.5	435	(0.1)
IT and Data Costs	18,427	2.5	15,150	2.2	3,277	0.3
Pension	6,656	0.9	5,084	0.7	1,572	0.2
Other Supporting Costs	10,830	1.4	9,211	1.3	1,619	0.1
Total Operating Expenses	156,498	20.8	116,710	16.8	39,788	4.0
Total Costs	473,709	63.1	384,253	55.3	89,456	7.8

¹ Costs in basis points are calculated based on average assets under management gross of pre-existing financing arrangements.

² External Management Fees includes all fees that are charged by external investment managers for managing both public and private assets including estimated fees charged by second layer managers in fund-of-fund structures. External Management Fees exclude performance fees. Performance fees are a form of profit-sharing that may be paid to encourage performance above a predefined level and to align interests with IMCO.

³ External Management Fees include expenses incurred during the period from external investment managers that invoice their fees separately, as well as external investment managers that deduct fees directly at source. IMCO's financial statement note disclosures only include the cash payments during the period for invoiced amounts that were made by IMCO as an agent on behalf of its clients.

⁴ Other Investment Management Costs include professional, legal and pursuit costs directly related to investment activities.



35.555
96.268
87.270

73.138
91.941

81.438

70.609
96.132

71.007

87.072

92.490

45.161

92.595

3.244

44.353

22.242

26.073

83.712

69.648

73.963
50.267

59.102

25.799

47.922

INVESTMENTS

MARKETS OVERVIEW

COVID-19 continued to be the most important factor driving markets in 2021. New variants of the virus dashed hopes that it would be a “post-pandemic” year. Nevertheless, vaccine distribution campaigns helped economic activity to begin to normalize in some parts of the world.

In addition to COVID developments, fiscal policy, pricing, and labour pressures were key themes that dominated the market narrative throughout the year.



COVID-19 CURBS ECONOMIC ACTIVITY

U.S. President Joe Biden’s election victory early in 2021 sent stock markets, the U.S. dollar, and bond yields higher as markets reassessed economic and fiscal policies and the outlook for U.S. GDP growth. Expanded unemployment insurance and stimulus cheques helped support household incomes and allowed for elevated savings rates as well as spending – despite widespread job losses.

Economic activity was curtailed because of COVID-19. Spending on services remained well below pre-COVID trends, and job losses in industries which require in-person interaction (such as leisure, and hospitality) made up much less ground than other areas of the economy. Durable goods spending surged as people upgraded home offices and purchased cars and workout equipment. Public health measures to contain the spread of the virus and its variants were major contributors to the supply-chain bottlenecks plaguing the global economy – and contributing to rising inflation.

Geopolitical risk and inflationary pressures escalated in the first quarter of 2022



INFLATION CONCERNS MOUNT

Inflation hit the highest levels in decades late in 2021. Several factors contributed, notably the relative spending shift from services to durable goods and supply chain jams. At year-end, U.S. and Canadian consumer price indexes (CPI) stood at 6.8 per cent and 4.7 per cent, respectively. Equity markets took the higher prices in stride, as U.S. profit margins reached record highs and the S&P 500 Index gained 27 per cent on the year. Bond markets had a relatively mild reaction to the inflation run-up, with long-term interest rates only 60 basis points higher than where they began the year (with most of the upswing in the first quarter).

Although markets largely shrugged off elevated inflation figures, central banks took notice, and many made a decidedly hawkish shift in 2021. For example, the Bank of Canada ended its quantitative easing program, and the Federal Reserve slowed the pace of its QE purchases (and later accelerated the reductions). These actions raised market expectations for multiple Canadian and U.S. interest rate hikes in 2022.



LABOUR SHORTAGES EMERGE

Labour market dynamics were top-of-mind for central bankers, investors, and companies through the year. Signs of tightness included record-high job openings, very robust wage growth, elevated resignation rates, and anecdotal accounts from employers suggesting that labour shortages and an inability to hire are among their biggest challenges. While there is no clear consensus on the likely cause or causes of these shortages, theories include COVID-related health concerns stemming from in-person, on-site work; family/child-care responsibilities arising from school closures; and a reduced urgency for employment income due to elevated asset values.

Marketwise, 2021 was a positive year for equity markets; the S&P 500 and TSX Composite rose 27 per cent and 22 per cent respectively (in local currencies).

The Canadian dollar was the best performing G10 currency, helped by strong oil prices and a relatively hawkish Bank of Canada. The loonie rose to 0.7912 U.S. cents by the end of 2021 from 0.7857 U.S. cents at the beginning of the year, for a 0.7 per cent appreciation. The U.S. dollar was also a strong performer, appreciating against all other G10 currencies.



OUTLOOK: UNCERTAINTY REMAINS HIGH

We expect 2022 to be a relatively challenging year for markets.

The scope for a return to more normal economic activity, unencumbered by new waves of COVID infections and related stop-start lockdowns, will depend in good part on the pace and extent of vaccine distribution, further medical advances (such as an oral vaccine) and whether “herd immunity” is attained. If spending on services returns to pre-pandemic levels, inflation pressures should ease, since services are less impacted by the supply chain constraints plaguing most economies.

Uncertainty is elevated, and asset prices could deteriorate if risks on the horizon come to fruition. IMCO’s portfolio, however, is well-positioned to withstand volatility and provide returns for our clients.

A Conversation with Rossitsa Stoyanova, Chief Investment Officer



Rossitsa joined IMCO as CIO in September 2021. In this interview, she articulates her views on IMCO's investment strategy, value proposition and outlook.

Q: How do you describe IMCO's investing approach?

RS: Our objective is to build resilient portfolios for our clients that withstand the ups and downs of any investment environment. That means offering a wide range of public and private market strategies, picking the right investments in those asset classes, and generally holding them for a long time.

We are doing more direct investments and we will continue to look for co-investment opportunities. This is a key strategy at IMCO. We've also developed new strategies, such as Fundamental Equities. The team overseeing this identifies high-quality companies that can outperform through a business cycle and builds long-term relationships with them.

We'll continue to enter strategic partnerships with top-tier external managers and invest alongside them. The benefits of having great partners include tapping into their expertise and delivering cost savings to our clients.

Q: What stood out for you in IMCO's 2021 results?

RS: I was pleased that IMCO continued to achieve several "firsts" in 2021. For example, we made our first acquisition of an entire business, Pulse Clean Energy (formerly Green Frog Power); participated in our first IPO (Definity Financial); and partnered with other investors on our first take-private deal (AusNet Services).

Our overall return of 9.6 per cent and positive net value add indicates that IMCO's strategies, while just two years old, are working to deliver the results they are meant to achieve for our clients. It is exciting to note that since 2020, most asset classes have generated positive absolute returns and exceeded their benchmarks. Overall, these results speak to our value proposition and our focused investment approach: a fundamental approach to investing at the individual security level, coupled with strong portfolio construction advice and management.

Q: IMCO is rapidly evolving. What are its competitive advantages?

RS: IMCO has clear advantages – some of them are innate, and some we can further develop.

For example, IMCO has a long-term investment horizon, which lends itself to private markets. We can handle illiquidity. We also have sufficient scale. I like to say we're a big institution, but not too big – this means we can explore smaller, but meaningful, transactions that other institutional investors won't consider.

As for advantages, we have talented professionals in all areas, and we're nurturing strategic partnerships with world-class managers who excel in specific or multiple asset classes. They extend our reach and complement our internal expertise. With those strengths, we'll deliver the returns our clients need.

Q: What do IMCO's advantages mean in practice?

RS: We should focus on delivering value through portfolio management at the top of the house and at the asset class level. I would like to enhance our rebalancing process, develop leverage capabilities, and enhance liquidity management. We will likely expand some asset class mandates to give tools to the investment teams to diversify and take advantage of relative value opportunities.

And as mentioned, we will keep developing strategic partnerships and expanding co-investments to save costs and take advantage of our partners' selection capabilities.

Q: What excites you about IMCO's investment approach?

RS: Many things, but top of my list is developing a thoughtful climate policy and integrating climate and energy transition views in every investment we make.

We have made solid progress on our climate action plan, and it will continue to be a critical focus in 2022. As part of our net-zero emissions commitment, we will establish targets for emission reductions and investments in climate solutions. I believe the transition to a low-carbon economy is not only going to alter market sectors and companies dramatically, but it will also change how we all live our lives.

Q: Where is IMCO in its Responsible Investing or ESG journey?

RS: IMCO has developed a clear approach to ESG, including beliefs that underpin our Responsible Investing policy and processes. I can say there is extensive communication and collaboration on ESG at every level of our organization, and across all our investment teams. Each asset class is developing specific ESG approaches so they are at various stages – there is no "one size fits all." But ESG is an integral part of our investment processes, and it comes up in every conversation with external managers.

We intend to make rapid progress because we know this is particularly important to our clients. We share their ESG values and priorities, including the need to act on climate change. As investors, we must mitigate the potential risks of material ESG issues, and capitalize on opportunities, and we will do so.

Our objective is to build resilient portfolios for our clients that withstand the ups and downs of any investment environment.

INVESTMENT STRATEGY

IMCO combines a robust approach to portfolio management with a fundamental approach to investing at the asset class level.

Our asset mix approach is grounded in a strong belief in diversification, both in terms of allocations to asset classes and return-enhancing strategies. We consider asset classes and risk factors when we advise on, construct, and manage durable and balanced portfolios.

IMCO investment strategies provide diversification across asset classes, securities, holdings, investment managers and investment styles. We also use a cost-efficient and flexible approach to enhance investment returns and manage risk at the total fund level.

IMCO ensures that its clients have a well-diversified set of risk exposures. We assess investment risk from several perspectives. We seek to pro-actively identify, assess, and manage risks at the client, investment strategy, and total portfolio levels.

We use internal research and knowledge shared by our strategic partners to identify and adopt best practices. These help us navigate long-term investment trends and short-term market fluctuations.

INVESTMENT RESULTS

IMCO oversees investment portfolios on behalf of multiple public sector clients. Each client sets their strategic asset allocation targets to reflect funding and liquidity needs, as well as return objectives and risk tolerances.

In 2021, the weighted average net return of all client portfolios (net of all costs) was 9.6 per cent, up from 5.4 per cent in 2020. The benchmark consolidated return for 2021 was 8.5 per cent.

The range of returns across IMCO's client portfolios was 0.1 per cent to 11.2 per cent in 2021, which primarily reflects broad differences in their asset mix decisions.

There is significant variation in the annualized returns of our clients since our investment strategies were launched in January 2020. Changes to some clients' asset allocations have been made but were not fully implemented in 2021. In addition, many client portfolios are lower risk and less growth-oriented than portfolios managed by other large Canadian pension and investment managers, which will lead to lower returns in most investment environments.

ABOUT OUR RETURNS

Since January 1, 2020, IMCO has managed client assets according to IMCO-developed investment strategies and formal investment policy statements for each asset class. Therefore, 2021 represents IMCO's second full year of reporting. (From 2017 to the end of 2019, IMCO managed client assets under legacy strategies, as per the organization's plan.)

IMCO's one-year returns, by asset class, represent the results of each IMCO investment strategy. All rates of return are net of costs and use the time-weighted rate of return methodology.

The consolidated IMCO one-year return is a weighted average return, based on daily calculations, of our various asset class strategies. The total benchmark return is the weighted average return of the client benchmarks, daily weighted based on clients' proportionate investment in each IMCO strategy.

CONTEXT FOR REPORTED RETURNS

As a multi-client asset manager, IMCO oversees investment portfolios on behalf of public sector clients. Formal investment management agreements govern how we manage these portfolios, with each client making their strategic asset allocation (SAA) decisions and setting targets to reflect funding and liquidity needs, as well as return objectives and risk tolerances. We provide advice and assistance as clients develop their SAAs.

2021 NET INVESTMENTS AND RATES OF RETURN BY ASSET CLASS

Since IMCO implemented its investment strategies in 2020, we have generated above-market returns in most asset classes, as indicated in the two-year returns compared to their benchmarks.

As of Dec. 31, 2021

ASSET CLASS	NET INVESTMENTS (\$ billions)	RATES OF RETURN (Percentage)			
		1-Year Actual	1-Year Benchmark	2-Year Actual	2-Year Benchmark
Public Equities	\$26.3	16.3%	15.6%	13.4%	13.9%
Fixed Income	\$17.2	(1.8%)	(1.9%)	3.3%	3.2%
Real Estate	\$9.6	13.0%	4.2%	(0.3%)	(1.7%)
Global Infrastructure	\$6.3	12.3%	21.7%	6.8%	4.6%
Global Credit	\$6.0	2.9%	1.4%	6.9%	3.7%
Public Market Alternatives	\$4.9	3.1%	0.0%	2.6%	0.9%
Private Equity	\$4.6	19.2%	16.9%	26.4%	13.0%
Money Market and Other ¹	\$1.8	–	–	–	–
Total ²	\$76.7	9.6%	8.5%	7.4% ²	6.9%

¹ Money Market & Other includes assets related to Active Asset Allocation and Dynamic Foreign Exchange and are included in the total return.

² Total net investments and return for 2021 included the Diversified Markets asset class, which was liquidated by December 31, 2021.

ABOUT OUR BENCHMARKS

The IMCO investment policy statement (IPS) for each asset class contains one market-based or custom benchmark. A benchmark is a standard against which performance can be measured. Typically, a relevant market index or a combination of market indexes is used. This allows investment managers to compare the results of active management to the results that could have been achieved passively by investing in an index. A benchmark can be used to calculate how much value an active manager has provided, and what strategies or assets affected relative performance.

Net value add (NVA) is the difference between investment returns of an asset class, net of all direct and indirect costs, and its respective IPS benchmark. When NVA is positive, the strategy is said to have outperformed its benchmark. When NVA is negative, the strategy underperformed its benchmark.

IMCO has a benchmark policy that governs the process of recommending and establishing benchmarks. Our Risk function is responsible for the research, analysis, and review of strategy benchmarks. The Management Investment Committee reviews and recommends benchmarks and any changes in benchmarks to the Board, which is responsible for approving the IMCO strategy benchmarks.



IMCO has a benchmark policy that governs the process of recommending and establishing benchmarks.

ASSET CLASS RESULTS

PUBLIC EQUITIES

Strategy

The objective of IMCO's Public Equities program is to provide long-term growth through capital appreciation and dividend income by investing in publicly traded entities in Canada, global developed markets, and emerging markets.

Our highly experienced internal team is complemented with exceptional external managers. We build effective portfolios by applying our best ideas across different strategies – high conviction, high engagement opportunities; actively managed factor-based strategies; and cost-efficient index exposure. In combination with an active approach to total portfolio construction, these strategies eliminate unwanted portfolio over/underexposures, improving the potential to outperform.

Our internal Fundamental Equities team identifies a small number of attractive stocks in which to make sizable investments and works with the companies' management teams over the long term to unlock shareholder value. Our internally managed factor investing strategies are designed to provide incremental value-add, targeting securities by size, quality, value, and momentum attributes.

We partner with a select set of proven external managers to execute concentrated, actively managed equity strategies.

Performance

As of Dec. 31, 2021

Net Investments (\$B)	2021 Net Return (%)	2021 Benchmark (%)	2021 Net Value Add (%)	2-Year Return* (%)
\$26.3	16.3%	15.6%	0.7%	13.4%

*Average annualized compounded rate of return

BENCHMARKS:

Canadian Public Equities: S&P/TSX Composite Total Return Index

Global Public Equities: MSCI World ex-Canada Net Total Return Index

Emerging Markets Public Equities: MSCI EM Net Total Return Index

Drivers

After a volatile third quarter, equity markets ended 2021 on a positive note, with the MSCI World index posting a total return of 21.3 per cent, driven by a 7.5 per cent net return in the fourth quarter.

While many investors pointed to the surge in retail investments and loose financial conditions as important drivers of equity returns throughout 2021, stock prices trailed earnings growth, leading to a contraction in price/equity multiples.

From a regional perspective, the U.S. equity market also stood out as one of the best performers last year. The S&P 500 outperformed the MSCI World by 6.3 percentage points.

In terms of factors, larger and more growth-oriented sectors and names continued to perform well. Highly profitable stocks and those with positive earnings momentum outperformed the market again. The preference for quality and growth, combined with ongoing regulatory actions in China, led to an outperformance of developed markets over emerging markets, with the latter also tending to be more cyclical by nature.

Select Transactions/Highlights

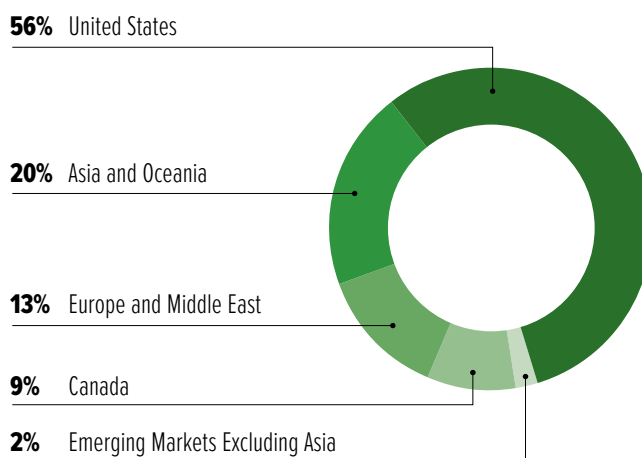
Thanks to active engagement by our Fundamental Equities team, IMCO received one of the largest institutional allocations in Canada’s biggest initial public offering since 2015. Our participation in the \$1.6 billion Definity Financial offering marked IMCO’s first investment through an IPO and a milestone in the maturation of our internal investment capabilities. The equity offering from Definity, an insurance company, was heavily oversubscribed.

Two of IMCO’s three equity pools launched in 2021: the Global Equity Pool and the Emerging Markets Equity Pool. The Canadian Equity Pool was launched in 2020. Combined, these three pools represent approximately \$25.2 billion of AUM as at Dec. 31, 2021. With these structures completed, new clients joining IMCO will enjoy equitable access to low-cost equities portfolios.

The Public Equities team took advantage of synergies within IMCO to develop relationships with some of the world’s leading external managers and was able to share ideas and insights across private and public markets.

Public Equities Distribution by Region

As of Dec. 31, 2021



FIXED INCOME

Strategy

We provide clients with a broad range of fixed income investment options, from money market securities and nominal bonds issued by Canadian federal, provincial, and municipal governments through to inflation-linked bonds.

The objective of these assets is to preserve capital and provide liquidity. Fixed income assets are managed internally, which enables customization and efficient liquidity management.

Our strategies provide exposure to highly liquid fixed income securities. In the Canadian government bond universe, we offer short-, medium- and long-term bonds as well as inflation-linked bonds. Depending on relative yields and other considerations, we may include exposure to G7 sovereign bonds.

This breadth of options gives IMCO and our clients the flexibility to navigate different market environments and allows clients to achieve the interest rate and inflation-rate sensitivity that is appropriate for their liability profile.

Performance

As of Dec. 31, 2021

Net Investments (\$B)	2021 Net Return (%)	2021 Benchmark (%)	2021 Net Value Add (%)	2-Year Return* (%)
\$17.2	(1.8%)	(1.9%)	0.1%	3.3%

*Average annualized compounded rate of return

BENCHMARKS:

Government Short Term Fixed Income: FTSE Canada ST Gov. Bond Index

Government Mid Term Fixed Income: FTSE Canada MT Gov. Bond Index

Government Long Term Fixed Income: FTSE Canada LT Gov. Bond Index

Inflation-linked Bonds: 50% ICE Bank of America Canada Inflation-Linked Government Index; 50% ICE Bank of America US Inflation-Linked Treasury Index

Drivers

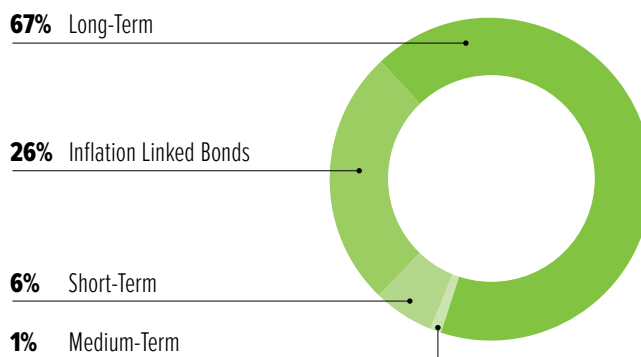
In 2021, IMCO's fixed income portfolio faced downward pressure from the strong global economic recovery and rising inflationary pressures. Inflation hit the highest levels in decades late in 2021. Several factors contributed, notably the relative spending shift from services to durable goods and supply chain jams. Improving economic conditions prompted investors to rotate out of the safety of government bonds and into other asset classes that are more directly linked to growth prospects.

The portfolio is focused on providing interest rate sensitivity and liquidity, so that clients do not have to sell other assets to meet obligations.

We continue to believe investors face a challenging path ahead. A huge increase in money supply growth, coupled with enormous increases in government spending and deficits to mitigate the fallout from COVID-19, could result in important shifts in dynamics across inflation, growth, interest rates and currencies. In this environment, diversification will remain critically important, so high-quality bonds should continue to provide both diversification and liquidity benefits.

Fixed Income Breakdown by Portfolio Mandate

As of Dec. 31, 2021



REAL ESTATE

Strategy

We invest in a diversified portfolio of real estate investments with the objective of generating long-term, inflation-sensitive total returns. These returns include recurring annual cash flows and capital appreciation over time.

IMCO's real estate portfolio includes direct investments, co-investments alongside key partners, as well as indirect investments in real estate funds, real estate investment trusts (REITs), partnerships and other entities.

The real estate portfolio is in transition. Since 2020, we have been working to diversify IMCO's portfolio across all real estate sectors, from industrial and office, to multi-family residential and retail, in markets outside Canada. We have made meaningful allocations to the U.S. office, industrial, and multi-residential sectors. Through advice from our strategic partners and deep research by our team, we identify target markets with high-growth characteristics, investing in core and value-add properties that will further diversify our portfolio.

As we reposition our portfolio to rely less on retail and Canadian properties, we have the rare opportunity to consider a broader universe of investment possibilities, such as greenfield investments. We consider major business and societal shifts such as e-commerce and remote working.

Performance

As of December 31, 2021

Net Investments (\$B)	2021 Net Return (%)	2021 Benchmark (%)	2021 Net Value Add (%)	2-Year Return* (%)
\$9.6	13.0%	4.2%	8.8%	(0.3%)

*Average annualized compounded rate of return

BENCHMARK:

Real Estate Custom Benchmark

Drivers

Real estate markets were in recovery mode in 2021, after the widespread office and retail shutdowns prompted by the pandemic in 2020. We saw strong valuation gains in our recent investments in the industrial, multi-residential and life sciences sectors, as well as our office development projects in Toronto.

Retail assets continue to struggle due to ongoing government mandated lockdowns and capacity limits, although the huge valuation declines of 2020 were not repeated in 2021, and there was some recovery in retail leasing. More than 85 per cent of the IMCO retail portfolio is certified either BOMA Best Gold or Platinum, providing a consistent framework to assess key areas of environmental performance and management.

Within IMCO's strong office portfolio in Toronto, Vancouver and New York, tenants continued to pay rents, and offices were almost entirely leased, even if minimally occupied. The new office building developments in which we participate have high environmental and wellness standards, typically with third-party certifications. For example, 160 Front Street and 16 York Street developments in Toronto are built to exceed LEED Platinum standards.

Multi-residential properties performed well as vacancy rates remain low and city dwellers who fled major metropolitan areas during the pandemic made a return to urban cores.

Industrial properties continued to do exceedingly well. Industrial rents continued to climb and demand outstripped supply for modern warehouse properties to satisfy the boom in e-commerce. IMCO capitalized on very good investment opportunities in the industrial sector in 2021.

In the life sciences property sector, strong demand has met with limited supply in key markets. We view the demographic tailwinds and record-breaking funding and activity in life sciences as fundamentally sound conditions and expect that investments in this sector will create long-term value for our clients.

We continued our multi-year diversification strategy in 2021, which included the sale of certain non-core/non-strategic assets. We sold four properties at a significant premium to appraised value.

Select Transactions

We deployed capital into new industrial, multi-residential, and life sciences opportunities across major U.S. markets in 2021.

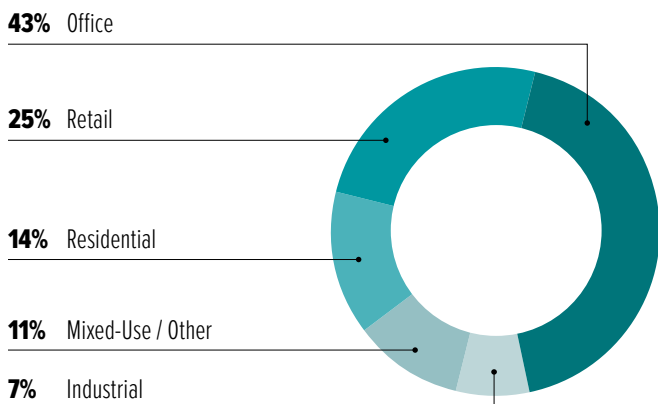
Our joint venture with **WPT REIT** was extremely active in 2021. We committed \$225 million to 12 industrial development projects totaling over 9.4 million square feet throughout the United States. Industrial real estate assets continue to be in high demand as e-commerce, home delivery and short delivery services surge, and supply chain disruptions boost demand for warehouse space.

IMCO increased its commitment to a U.S. multi-family strategy co-sponsored by **Lincoln Property Company's** residential division and **Cadillac Fairview**. The joint venture is a long-term investment vehicle, focusing on developing and acquiring high-quality multi-family assets in top U.S. markets. This transaction played an important role in diversifying IMCO's portfolio (both by sector and geographic exposure).

IMCO closed a US\$325-million commitment to **Breakthrough Life Science Property Fund** in 2021 and made its first co-investment, in the US\$1 billion development of a mixed-used research campus at Harvard University in Boston. The 14-acre site includes 900,000 square feet of life sciences labs, hotel, conference, and residential uses. The Breakthrough Life Science Property Fund was created by Breakthrough Properties, a real estate investment company jointly formed by **Tishman Speyer's** global real estate platform and **Belco Capital**, a firm focused on life science companies and investment.

Real Estate Distribution by Property Type

As of Dec. 31, 2021



GLOBAL INFRASTRUCTURE

Strategy

The goal of our global infrastructure program is to generate long-term, inflation-sensitive total returns for clients, composed of stable income and capital appreciation over time. We invest in high-quality infrastructure assets across regions and sectors, notably in the energy transition, transportation, utilities, social and telecom sectors.

We invest directly; alongside funds or strategic partners; and through external fund relationships. Our fund partners provide access to global deal flow and operational expertise.

We believe ESG factors like climate change, social impact, diversity, and good governance are massive forces of change, fundamentally reshaping how capital flows into infrastructure assets globally. That's why we're building a dynamic, future-focused portfolio that enables clients to take part in the global transition to a low-carbon economy.

The global infrastructure portfolio is expected to grow through the addition of world-class assets and collaboration with strategic investment partners. We continue to review opportunities, assets and partners that can capitalize on major global trends such as digitization, decarbonization, urbanization, globalization, and food and health security.

We are active investors and asset managers. Our size and scale mean we can secure strong governance rights when we invest. Having regular, candid dialogue with management enables us to drive positive long-term change. When we allocate capital to funds, we can achieve significant cost savings. Our extensive relationships with world-leading general partners give us access to direct investment opportunities that aren't available to all investors.

Performance

As of Dec. 31, 2021

Net Investments (\$B)	2021 Net Return (%)	2021 Benchmark (%)	2021 Net Value Add (%)	2-Year Return* (%)
\$6.3	12.3%	21.7%	(9.4%)	6.8%

*Average annualized compounded rate of return

BENCHMARK:

Dow Jones Brookfield Global Infrastructure Index

Drivers

Infrastructure results were driven by positive returns across all sectors and, in particular, by a strong recovery in energy and transportation investments. Fund managers also took the opportunity throughout 2021 to sell a number of positions at attractive valuations, which contributed to the strong absolute return.

As for relative performance, IMCO’s infrastructure performance is benchmarked against an index of publicly listed securities. The index tends to be more volatile than IMCO’s infrastructure portfolio reflective of higher risk within the index constituents relative to the infrastructure portfolio.

A key driver to delivering long-term net value add is active portfolio management. We completed over \$3 billion of infrastructure transactions during 2021. We actively engage with our portfolio companies through their boards of directors, are active in key strategic decisions, focus management on initiatives that deliver value, reduce risk and align with our ESG objectives.

In 2021, we worked with portfolio companies to improve ESG outcomes, measure and reduce carbon footprints, influenced greater diversity within portfolio company management teams and board appointments, and assisted in refinancings and recapitalizations. By the end of 2021, 40 per cent of IMCOs shareholder-nominated board directors offered gender diversity to portfolio company boards and every portfolio company for which IMCO has governance has diversity within the senior management or board level.

Select Transactions

We made our first control acquisition of a private company, buying 100 per cent of Britain’s **Pulse Clean Energy** (formerly Green Frog Power Limited), a leading developer, owner, and operator of flexible generation and storage projects. Utility-scale batteries play a critical role in providing electricity grids with stability services, and the purchase reflects IMCO’s commitment to the low-carbon energy transition. We expect to invest up to \$500 million over the next several years to

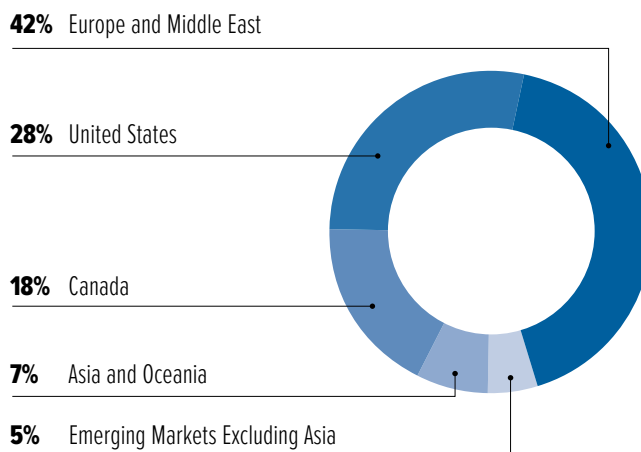
transform the company into a global owner and operator of utility scale batteries. By converting diesel-fuelled short-term-operating-reserve power generation assets to battery technology, Pulse Clean Energy will enable more renewable sources (which are intermittent) to come onstream.

IMCO participated in the take-private transaction of **AusNet Services** alongside Brookfield Asset Management and several of our Canadian peers. AusNet owns and operates electricity and gas utility network assets in Australia. It is a key enabler of renewable penetration by connecting renewable sites to load centres through the construction of new transmission lines. IMCO’s approximate 10 per cent ownership interest in AusNet represents our largest infrastructure investment to date.

We made meaningful commitments to key fund partners in 2021, including to Brookfield’s US\$12.5 billion **Brookfield Global Transition Fund**. It aims to scale clean energy and invest capital to spur carbon-intensive businesses to align their operations with the transition to a net-zero emissions economy. The fund will report to investors on both its financial performance and environmental impact.

Infrastructure Distribution by Geography

As of Dec. 31, 2021



PUBLIC MARKET ALTERNATIVES

Strategy

IMCO's Public Market Alternatives (PMA) program offers clients a combination of true diversification and absolute returns, matched by flexibility and a commitment to innovation.

Our PMA strategy seeks to outperform traditional asset classes on a risk-adjusted basis, while keeping low correlation to equity markets. The team invests in a variety of mandates, from global macro and active currency, equity market neutral and event-driven investments, to credit relative-value, arbitrage and other strategies that can enhance risk-adjusted returns.

Our internal expertise is augmented by select in-depth relationships with world-class external managers who have a proven and sustainable advantage. We have introduced ESG analysis in all our fund manager selections, screening for ESG and stewardship practices.

IMCO uses a managed account platform (MAP) that provides transparency and greater control over our portfolio. With our reputation in the market and size, we can also access hedge fund managers at improved terms. At the end of 2021, IMCO had 12 managers on the MAP, up from five managers at the end of 2020.

Performance

As of Dec. 31, 2021

Net Investments (\$B)	2021 Net Return (%)	2021 Benchmark (%)	2021 Net Value Add (%)	2-Year Return* (%)
\$4.9	3.1%	0.0%	3.1%	2.6%

*Average annualized compounded rate of return

BENCHMARKS:

Public Market Alternatives Custom Benchmark

Drivers

Despite the volatility throughout the pandemic, we continued to transition our core PMA portfolio while delivering absolute returns and diversification. In 2021, with most of the transition completed and the pooling structure in place, we began to focus on finding niche opportunities where the risk-return profile is attractive.

We navigated macro rotations well throughout 2021. Investor sentiment shifted from positive in the first few months of 2021, as economies began to reopen, to negative late in the year, as coronavirus variants began to spread, and the higher inflation outlook and supply chain woes weighed. From the Delta and Omicron variants to weather catastrophes, to high oil prices and rising inflation, we met various challenges by taking a broad view of scenarios, rather than relying on a single market view. Our investment goal in a volatile environment is to maintain a diversified strategy mix, deliver value-add independent of market performance, and avoid uncompensated risks. In 2021, all main strategy components contributed positively to returns.

Select Highlights

IMCO launched the Public Market Alternatives Pool in 2021, combining assets and providing portfolio construction benefits and portfolio management efficiencies, as well as better liquidity management.

Having an active commodities/natural resources strategy provides support to our portfolio in a rising inflation regime, and the strategy incorporates ESG considerations and sustainability. To provide some inflation protection, we made allocations to active commodity managers. We implemented a natural resources strategy, primarily through mining investments in metals and minerals, for diversification.

We also introduced credit long/short strategies in 2021 to take advantage of relative opportunities in the credit markets.

GLOBAL CREDIT

Strategy

IMCO's global credit strategy seeks to gain exposure to a wide range of credit market segments to build a well diversified global portfolio. This asset class is expected to provide higher risk-adjusted returns than traditional fixed income, and diversification benefits to our clients' total portfolios.

At IMCO, global credit is a stand-alone asset class. We do not differentiate between public or private, we look at investment grade and high-yield credit, and we include real asset, emerging market, and special situations credit. Our longer-term horizon and inclusion of private credit allow us to realize illiquidity and complexity premiums that are not available in the public credit markets. We will internalize a significant portion of the strategy through our own direct co-investments to reduce expenses and enhance returns. The result will be a fully diversified and cost-effective portfolio that manages risk and maximizes returns.

With an expert team and a broad view, we can be flexible and creative in response to the market opportunities that present themselves.

In selecting external partners, we consider ESG criteria and seek to understand how managers approach ESG and climate risks in their underwriting and engagement practices. In direct investments, we include an analysis of ESG risks as part of the decision-making process.

Performance

As of Dec. 31, 2021

Net Investments (\$B)	2021 Net Return (%)	2021 Benchmark (%)	2021 Net Value Add (%)	2-Year Return* (%)
\$6.0	2.9%	1.4%	1.5%	6.9%

*Average annualized compounded rate of return

BENCHMARKS:

40% ICE Bank of America Global Corporate Index

60% ICE Bank of America Global High Yield Index

Drivers

Credit markets continued the trend that started in the latter half of 2020, with strong investor demand and tighter credit spreads (the yield differential between credit and government bonds). There was record new issuance in both the public and private credit markets in 2021, with corresponding high demand. This paralleled the appetite for risk in public equity markets. Corporate leverage, while still elevated, peaked at the beginning of 2021, and then began to trend down. As expectations for higher interest rates increased, there was a rotation out of fixed-rate into floating-rate credit to enhance yields.

Credit market returns were more idiosyncratic in 2021 compared to 2020, with inflation, supply chain disruptions and labour force dynamics affecting each market segment and issuer differently. On the private credit side, returns were more compelling – investors were getting paid incrementally more, reflecting the illiquidity and complexity premiums available. Private debt lending provides stable returns and aligns well with IMCO's tolerance for illiquidity and our long investing horizon.

The key drivers of IMCO's net value add in 2021 were active sector and security selection by our external managers and solid performance from IMCO direct and co-investments. Strong performers included our **Superior Plus** co-investment with Brookfield, which is a good example of an asset with credit-like downside protection and equity-like upside potential; the allocation to distressed credit through **Oaktree Opportunities Fund XI**, which was able to capture significant opportunities created by the pandemic; and private credit allocations to a variety of middle-market funds including **Piney Lake Opportunistic Credit**, **Sagard Credit Partners 1**, **Falcon Strategic Partners V** and **EMZ 8**.

We broadened and diversified the portfolio by sector and geography in 2021. We expect to continue pursuing a range of opportunities in direct lending and active public, emerging market, and real asset credit.

Select Transactions

We closed a US\$500 million commitment with a new strategic partner, **Ares Management Corporation**, giving IMCO timely access to an actively managed, diversified multi-strategy credit portfolio. With a track record of more than 20 years, depth and breadth of capabilities and expertise, Ares is an ideal strategic partner. The relationship enables IMCO clients to gain access to a wide spectrum of credit products and markets.

IMCO also invested US\$500 million with **Antares Capital LP**, a private debt credit manager and leading provider of financing to mid-market private equity-backed companies in North America. This initial investment forms the foundation of the direct lending component of our global credit strategy and aims to build a diverse portfolio of sponsor-backed loans in the middle-market, focusing on U.S. and Canadian borrowers.

Our global credit team works with our investment peers at IMCO on cross-asset opportunities. In 2021, IMCO transferred a \$140 million real estate investment in mortgage funds to the global credit portfolio and made a \$40 million follow-on investment in one of the funds. This holding represents the foundation of the real asset component of the global credit strategy.

Providing capital solutions

Many attractive deals fall into a burgeoning niche, called capital solutions. We see growing opportunities to provide private credit solutions that do not neatly fit into a public market segment, nor into direct mid-market lending or private equity. These flexible solutions provide the borrower with a bespoke, more holistic solution to their financing needs. They are structured with the downside protection of a credit security, have an income feature and provide equity upside. Companies could access this financing for an acquisition, or they might prefer to use a single, specific source of funding, or keep a lending group small and cohesive to maintain confidentiality and streamline reporting. Capital solutions financings can also be used by financial institutions to divest portfolios and assets.

PRIVATE EQUITY

Strategy

Our objective is to generate attractive risk-adjusted returns through long-term capital appreciation, outperforming public equities returns by investing in a portfolio of primarily private companies.

Our private equity strategy leverages long-term relationships with best-in-class strategic partners around the world, offering IMCO clients efficient access to investment opportunities diversified across products, sectors, and geographies. We complement our fund commitments with a highly experienced team to make direct and co-investments, realizing significant cost savings.

Our actively managed portfolio is focused on companies in North America and Europe with strong management teams. It is diversified across growth sectors such as industrials, services, consumer, technology/media/telecommunications, healthcare, and financial services. We take a fundamental approach to underwriting, have a long-term horizon, and we excel in the buyout segment.

Our clients and partners benefit from close collaboration between IMCO's public equities, global credit, and private equity teams. We pursue and share multi-asset class opportunities among our teams, with the ability to customize capital solutions for companies in our target areas.

We use an ESG framework to assess fund managers and direct investments during the due diligence process. The framework includes sector-specific sustainability standards. In our direct investments, we closely monitor our portfolio companies' ESG performance and encourage greater diversity at portfolio company boards.

Performance

As of Dec. 31, 2021

Net Investments (\$B)	2021 Net Return (%)	2021 Benchmark (%)	2021 Net Value Add (%)	2-Year Return* (%)
\$4.6	19.2%	16.9%	2.3%	26.4%

*Average annualized compounded rate of return

BENCHMARK:

Private Equity Custom Benchmark

Drivers

We are expanding our private equity team and related capabilities to facilitate an increase in direct investing, which drives value in the portfolio. Direct investing is a more efficient and cost-effective way for our clients to access the private equity asset class.

There were eight new co-investments/direct deals, and two follow-on investments during the year. The largest three contributors to net dollar-value add came from **VersaCold**, **Shawbrook**, and **CanArt**. This was offset by a reduction in value from our shares in **Corsair Gaming Inc.**

The funds portfolio added four new strategic partners committing \$1.47 billion. The top three funds in terms of net dollar-value added were venture and growth focused funds: **Sierra Ventures XI**, **Sumeru Equity Partners**, and **GHO Capital Partners Fund II**.

Select Transactions

During 2021, IMCO closed several direct equity and co-investment deals with **Kohlberg & Company**, such as the acquisition of **Ob Hospitalist Group**, the largest obstetric hospitalist services provider in the United States.

In line with our strategy to add European exposure in resilient sectors, we made a commitment to **Ardian**, a fund manager based in France and a leader in sustainable investing.

Ardian’s buyout fund makes control investments in European middle-market companies focused primarily on healthcare, food, technology, and services. IMCO completed two co-investments alongside Ardian in 2021.

IMCO also added greater North American exposure with fund commitments to new strategic partners **GI Partners**, **KKR**, and **Peloton Capital Management**.

- GI Partners is a North American middle-market private equity firm that aims to pursue control-oriented investments in the healthcare, IT infrastructure, services, and software sectors. IMCO also co-invested alongside GI in the acquisition of Valet Living, which provides amenity services to multi-family properties in the United States.
- KKR’s North American private equity platform pursues primarily control investments in upper middle-market, large capitalization companies and platform buildups, as well as growth equity investments in various sectors.
- Peloton is a Canadian-based private equity firm focused on control and minority investments in North American middle-market businesses in the financial services, healthcare services and consumer sectors.

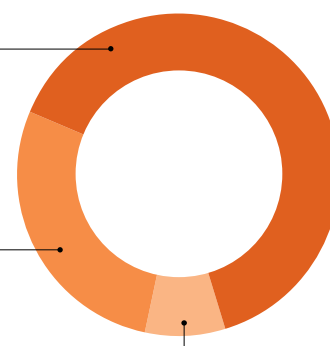
Private Equity Distribution by Region

As of Dec. 31, 2021

64% United States

28% Europe and Middle East

8% Canada





RESPONSIBLE INVESTING

OUR COMMITMENT TO ESG

We incorporate environmental, social and governance (ESG) considerations as part of our investment process, to better manage risk and generate sustainable, long-term returns.



ESG RISKS AND OPPORTUNITIES

We incorporate material ESG risks and opportunities across all asset classes.

Environmental issues relate to the quality and functioning of the natural environment and natural systems, and broadly encompass climate change, energy, water, waste and pollution, and biodiversity.

Social issues relate to the rights, well-being and interests of people and communities and include diversity, equity, and inclusion; health and safety;

human rights; labour standards; and supply chain management.

The governance of companies and other investee entities includes such issues as board structure, diversity, and independence; business ethics; executive compensation; accounting and audit quality; and risk management.

Based on dialogue with our stakeholders, IMCO has selected **climate change, diversity, equity, and inclusion (DEI)**, and **good governance** as priority areas within our investment process.



In 2022, we will publish our first ever ESG Report, which describes ESG in our investment and corporate processes, summarizes our sustainable investments, and discusses our stewardship activities including proxy voting, industry collaboration and engagement efforts.

CLIMATE CHANGE

In 2021, we set a long-term climate goal to achieve net-zero greenhouse gas emissions by 2050 or sooner to be aligned with the Paris Agreement.

As a steward of client capital and a responsible corporation, IMCO will play a role in limiting the negative impacts of climate change and contributing to the transition to a net-zero emissions economy.

IMCO's Responsible Investing team has developed a climate action plan, which is supported by four pillars: capital deployment, asset ownership, portfolio management, and climate guardrails. As part of our net-zero emissions commitment, we will establish targets in 2022 for emission reductions and investments in climate solutions.

To facilitate this journey, IMCO:

- joined the Paris Aligned Investment Initiative (PAII) on Climate Action, an investor-led global forum that supports asset owners and managers in implementing net-zero commitments;
- became a signatory of the Canadian Investor Statement on Climate Change, along with 35 institutional investors managing more than \$5.2 trillion in assets;

- became a founding participant of Climate Engagement Canada, which aims to drive investor and corporate collaboration towards net zero economy;
- signed the 2021 Global Investor Statement to Governments on the Climate Crisis, joining 457 investors representing over USD \$41 trillion in assets.

Through these collaborations, we will continue to learn and encourage the transition to a low-carbon economy.

DIVERSITY, EQUITY, AND INCLUSION (DEI)

DEI can contribute to better idea generation and outcomes. We incorporate a dedicated section on DEI matters in our due diligence questionnaires and encourage best DEI practices among our managers and investee companies.

GOOD GOVERNANCE

Good governance enhances corporate performance and IMCO consistently assesses and engages portfolio companies on governance matters, to encourage best practices. Through our membership in the Canadian Coalition for Good Governance, we also support engagement with Canadian public companies and support public policy submissions, guidance, and research.

ESG BELIEFS

The following five beliefs underpin our Responsible Investing policy:

1

ESG issues impact investment returns and risk, and therefore should be integrated within our investment process.

2

Climate change presents both a systemic investment risk and opportunity, and we should consider the potential impacts of the transition to a low-carbon economy and the physical impacts of different climate outcomes.

3

Governance matters and will continue to be central to our investment decision-making and the assessment of companies into which we invest.

4

Diversity, equity and inclusion contribute to long-term sustainable performance and we will integrate diversity and inclusion into our investment process, where possible, and take steps to encourage better practices.

5

The four pillars of IMCO's ESG strategy – Integration, Stewardship, Sustainable Investing and Screening – are designed to improve risk-adjusted investment outcomes for our clients.

IMCO'S ESG STRATEGY

Our ESG strategy is built on four pillars: Integration, Stewardship, Sustainable Investing and Screening.



INTEGRATION: We integrate material ESG risks and opportunities in our investment processes to support and enhance our investment analysis and decisions.



STEWARDSHIP: We practice good stewardship by actively monitoring, influencing, and engaging with external managers and companies on ESG matters.

For example, our private equity team pushed for greater diversity at the board level and added ESG matters to board agendas of portfolio companies.

We engage collaboratively with other institutional investors and through investor organizations when appropriate, including promoting ESG standards and best practices as well as providing input to regulators.

Proxy voting is an important component of stewardship and we published IMCO's new Proxy Voting Guideline. It raised our expectations on our key priority areas: increasing board diversity, addressing climate change risk, and improving governance on sustainability risks. Significant changes to the guideline include:

- **DEI:** IMCO expects a minimum of 30% of the board to be represented by women, which aligns with the 30% Club's objective to achieve a minimum of 30% women on boards and at the executive level by 2022. We also believe that boards should consider all forms of diversity in the director recruitment process.
- **Climate Change:** We expect companies to commit to net zero carbon emissions by 2050 or sooner, set science-based emission reduction targets, and disclose climate information in line with Task Force on Climate-Related Financial Disclosures (TCFD).
- **Governance:** We believe that boards should have adequate governance, skills, and experience to oversee sustainability risks.



SUSTAINABLE INVESTING: We invest in sustainable, long-term ESG opportunities that contribute to investment returns and have a positive impact on the environment and society. We started assessing companies on their contribution to the UN Sustainable Development Goals and are making investments to capitalize on the ongoing energy transition. As part of our net-zero commitment, we will establish targets for investments in climate solutions.



SCREENING: We developed IMCO's ESG Screening Guideline in 2021, which helps determine which investments are ineligible for IMCO portfolios. It applies to all investments where we can meaningfully influence or control the investment decision.

We exclude investments in:

- entities sanctioned under Canada's Special Economic Measures Act or United Nations Act;
- companies involved in the production of controversial weapons such as antipersonnel landmines, cluster munitions, chemical, biological, and nuclear weapons;
- companies that manufacture firearms and small arms ammunitions for civilian markets;
- companies involved in the operation of for-profit prisons and detention centres;
- companies involved in the production of tobacco products.



RISK MANAGEMENT

OUR RISK MANAGEMENT APPROACH

RISK MEASUREMENT AND MONITORING:

Ensuring risks are measured, monitored, and understood across all strategies as well as client and enterprise level. Promoting useful risk insights through appropriate measurement.

INDEPENDENT PERSPECTIVE:

Ensuring appropriate risk governance and limits are in place. Providing independent risk-related perspective to investment and operational decisions.

TRUSTED ADVISOR:

Supporting better risk-aware decision making and creating valuable insights to enhance our investment process.

ENHANCEMENTS IN 2021

We continued to advance the risk management function in 2021. Key achievements included: selecting a new Risk and Total Portfolio Management system; developing enhanced quarterly risk reports for clients and the Board; improving the ways we measure market risk, credit risk and liquidity risk, as well as more robust stress testing; implementing a new program to capture operational risk events; and adding new expertise to the Risk team, including experienced senior management hires.

New risk and total portfolio management system

A priority for 2021 was to select a new Risk and Total Portfolio Management system that could meet our growing needs and aspirations towards best-in-class portfolio and risk management. A project to replace our current system began in early November 2020 when IMCO issued an extensive request for proposals and invited potential vendors to participate in a competitive process to supply the new system solution.

After a rigorous review of proposals in 2021, we selected a vendor and expect the new system, which will be delivered in 2022, to lead to a more risk-aware business achieving better results. It will support future initiatives, new asset classes and new products. We also expect the new system to provide better transparency into tail risks; improve our total portfolio management services for clients; and streamline our operations.

Improved reporting

In 2021, we redesigned our Board and client reporting in several ways. We introduced a new Quarterly Risk Insights report to assist those audiences looking for information at different levels. We also sought to make our report scalable as the number of new clients grows. Our new investment risk report combines detailed quantitative information with higher level commentary, provides information on various risks and concentrations, and will continue to be shaped by feedback from clients and our Board.

We also introduced a new Quarterly ERM Risk Insights report for the Board, delivering non-investment risk information in a format that focuses on risks that matter most. This, in turn, drives more productive risk discussions.

RISK MANAGEMENT FRAMEWORK

Our risk management framework has six pillars. Each comprises various processes, methodologies, tools, and enablers that help us to adopt practical and effective risk management practices.



1. Risk Governance

IMCO has governing rules, committees, structures, and processes to effectively manage risk. These include board and management committees where risks are formally reviewed and discussed; our Risk Management, Legal, Compliance and Internal Audit functions; and corporate and investment policies and guidelines.



2. Risk Strategy and Risk Appetite

IMCO's approach to managing material risks is shaped by the priorities of the organization, and our risk appetite will dictate how much risk IMCO is willing to accept in the pursuit of these priorities.



3. Identification and Assessment

We apply several methodologies, tools, and processes to identify and assess inherent and emerging risks in various categories: investment risk, operational risk, strategic risk, and reputational risk.



4. Monitoring

Perspectives across all levels in IMCO are integrated to obtain a holistic understanding and prioritization of risks, to determine risk responses, and to monitor and report on risk management activities.



5. Risk Systems and Risk Data

We ensure that we have appropriate and integrated applications, systems, tools, and technology in place, and that the appropriate amount and type of risk data is captured to help drive risk-informed decision making.



6. People and Culture

We work to embed risk management across the organization, with a focus on learning, awareness, and continuous improvement. IMCO's various risk management teams seek to build strong collaborative relationships and provide a supportive yet independent challenge function to decision making.

INVESTMENT RISK MANAGEMENT

We aim to provide insight in optimizing return on risk, prevent undue concentrations of risk, and deliver quality and meaningful risk analysis and discussions to inform decision making and ensure compliance with client mandates.

As IMCO's portfolio grows in size and scope, we are developing increasingly better analytics and insights about investment risks and opportunities to help construct resilient portfolios for clients.

ROLES AND RESPONSIBILITIES

IMCO's investment risk management group has two distinct roles: one is to partner with and support the investment teams by providing an independent risk review of each asset class and monitor compliance, and the other is to provide investment risk research and thought leadership across the organization.

1

INVESTMENT RISK SUPPORT: This function has the unique role of acting as a liaison between the IMCO internal investment teams and the investment risk research function. Risk Support facilitates transaction reviews from a risk perspective, performs limit monitoring and helps with asset class modeling, working very closely with the investment teams while still maintaining independence as a risk function.

2

INVESTMENT RISK RESEARCH: This team conducts research in the areas of robust risk methods, systems, data, and quality; portfolio risk measurement methodology; and policies, frameworks, governing principles, and procedures. It also provides portfolio construction risk support and model validation, as well as client reporting on investment risks.

We further developed our risk support and research capabilities in 2021 to support the growing complexity of IMCO's investment strategies and risk exposures.

ASSESSING INVESTMENT RISK

We assess investment risk from several perspectives, including liquidity risk, counterparty credit risk, concentration risk, and stress scenario risk. We seek to monitor and assess, and proactively identify and understand, risks within our investment strategies and at the total portfolio level. This is to ensure we emphasize the intended risks for which we believe we are being appropriately compensated and avoid or mitigate those risks that are unintended and uncompensated.

Market risk

Market risk is the risk of loss due to fluctuations in various market factors such as equity and commodity prices, interest and foreign exchange rates, and credit spreads.

IMCO measures market risk using a combination of sensitivities, stress tests, and statistical measures. Standard market sensitivities such as duration and convexity are used to assess the riskiness of fixed income portfolios relative to interest rate movements. Sensitivities such as delta and gamma are employed for derivative exposures. We also use custom sensitivities, in which risk factors are tweaked individually to determine portfolio and benchmark exposures. Stress tests are used to assess market risk, including tests that revisit significant market events in the past (such as the global financial crisis) and customized tests that assess unique risks (such as the COVID-19 pandemic).

To assess market risk at the portfolio level, we use statistical approaches incorporating volatilities and correlations for underlying positions to determine portfolio-level risks. Some statistical measures we use include total risk, which measures the dispersion of returns around the mean (or expected) return for an investment or portfolio; active risk, which measures the standard deviation of relative returns versus a benchmark; and factor risk, which shows how exposed an investment or portfolio is to market factors such as interest rates and inflation, and style factors such as value, size, momentum, and volatility. This allows us to assess concentrations of risk, or the risk-adjusted return of an investment style.

Credit risk

Credit risk is the risk of financial loss arising from default of an entity on its obligation. The entity could be a counterparty to a derivative transaction, or an issuer of a financial instrument.

For counterparty credit risk, we measure credit exposure at the counterparty level on a notional, current exposure and potential future exposure basis. All over the counter (OTC) derivative positions are consolidated under the counterparty transacted with. Netting of exposures is captured to reflect International

Swaps and Derivatives Association agreements in place and, where applicable, collateral is also captured to reflect the risk mitigation brought about by collateral. Exposures are monitored and reported daily. IMCO has checks and balances to ensure that counterparties are suitable and financially sound and uses constraints to ensure counterparty credit exposures remain within comfort levels.

For issuer credit risk, we capture default likelihoods by public credit rating for various investments and integrate them with our market-based risk measures. As our private credit investments do not have public ratings, we enhanced our framework in 2021 to map these investments into rating groups based on dozens of financial indicators.

Liquidity risk

Liquidity risk is the risk that IMCO cannot meet a demand for cash or fund its obligations as they come due. Ensuring adequate liquidity will prevent the fund from having to sell assets at an impaired value in a crisis. IMCO measures liquidity using the concept of a liquidity coverage ratio (LCR), which is intended to ensure there are sufficient liquid reserves to withstand short-term periods of intense volatility as well as longer, but less volatile, periods. The LCR can be expressed as high-quality liquid assets (e.g., cash, sovereign bonds, and real-return bonds) compared to total net cash outflow (e.g., client fund outflows, rebalancing requirements, capital calls on the private market, foreign exchange hedging and other liquidity needs). It is calculated under a variety of past stressful market environments, as well as a one-in-20-year event, to ensure that enough liquidity remains to continue running the fund without having to sell securities during the crisis.

ASSESSING RISK ACROSS MULTIPLE ASSET CLASSES

Our current risk system and proprietary tools allow us to model each asset class in detail and to tie the risks of each asset class and strategy back to common risk factors. The stress testing and simulation of common factors allows for an integrated view of portfolio risks. For instance, we can “shock” market indices and see the resulting impact on both equity and real estate portfolios in a consistent fashion.

While we monitor and assess various dimensions of risk and, where relevant, aggregate portfolio-level risks to the overall strategy/client portfolio risk, IMCO recognizes that not all risks can be aggregated to the total portfolio level. Some risks in private markets, for example, are unique, and we have a devoted team responsible for assessing the idiosyncratic nature of these investment risks.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) aims to provide an aggregated and integrated view of all the non-investment risks that IMCO is exposed to, allowing management and the Board to ensure that the total level of risk IMCO is exposed to is managed appropriately.

The ERM team seeks practical and effective ways to help the organization identify, understand, assess, prioritize, manage, govern, monitor, and report risks that may impede the achievement of IMCO's strategy and business objectives.

To formulate an aggregate perspective of IMCO's risk profile, our ERM team engages all areas and levels of the organization through 'top-down' (i.e., Board, executive team) and 'bottom-up' (i.e., departmental) approach.

We help to foster a risk-aware culture through risk training and role modelling, participating in formal risk discussions and processes, and helping to develop risk-related policies, procedures, and reporting.

Some 2021 developments are described below.

1

Strategic, Operational and Reputational Risk: We launched an Operational Risk Event Capture framework in 2021 to capture, analyze, monitor, report and derive insights on a history of incidents occurring across the organization that originated from operational risk causes – people, processes, systems, and external events. This framework will help us to learn from events and drive awareness, discussions, and decisions to improve risk management practices and allocate resources. It supports one of IMCO’s core values, which is to aim for continuous improvement.

2

Business Continuity: Business continuity management (BCM) seeks to ensure operational resilience in the event of unplanned events. IMCO’s sound BCM framework and ongoing business impact analysis process were effective through the COVID 19 pandemic, resulting in updates to IMCO’s crisis management plan, departmental business continuity plans and a deeper understanding of the resiliency of our trusted third parties.

3

Corporate Insurance: Our corporate insurance program seeks to protect IMCO from events that may lead to potential losses. An independent party reviews insurance coverage annually to ensure it is appropriate.

MANAGING CYBER RISK

Cyber risk management continues to be a core focus in all our business activities and a shared responsibility throughout IMCO. The pandemic has increased our reliance on technology and generated more opportunities for malicious individuals to exploit vulnerable targets. We keep an eye on future technology trends, the threat landscape, and macro changes that could affect our ability to manage cyber risks effectively.

IMCO’s senior executive team, with the support of the Board, strives to establish a strong cybersecurity culture, while leveraging industry best practices and partnerships with leading firms to strengthen our security posture. In 2021, we focused heavily on employee security training and awareness to continue to enhance the cybersecurity culture of the organization. We also improved our monitoring, detection, and response capabilities by making further investments in new tools to protect our clients, our employees, and our data.



CORPORATE GOVERNANCE

A strong governance structure is critical in ensuring that investment decisions are prudent and in the best interests of our clients.

Sound governance helps us effectively invest, manage risk, and maintain overall confidence among clients and other key stakeholders.

Our investment and operational activities are led by an experienced senior executive team and overseen by a highly qualified, professional board of directors.

When IMCO was formed, independence was a fundamental principle to which all parties agreed. This included an arm's-length relationship with government.

IMCO INVESTMENT GOVERNING POLICIES AND GUIDELINES

The Investment Governing Policies and Guidelines provide for principled, consistent application of investment management practices and promote transparency in our investment approach.

IMCO's Investment Approval Policy sets out the approval process by the Board of Directors for material investment decisions and material investment activities of, or to be made by, IMCO.

Investment Policy Statements describe, among other things, the investment objectives, investment strategies, permitted investments, and restrictions for each IMCO investment strategy.

Day-to-day management of IMCO's investment activities and affairs is the responsibility of IMCO's management team.

COMMITTEES AND AUTHORITIES

The Management Investment Committee is composed of the Chief Investment Officer, the Chief Risk Officer, (co-chairs) and the General Counsel, along with other senior management team members. Every investment decision or activity requiring Board approval must first be recommended for approval by the Management Investment Committee. A formal committee mandate sets out the approval, review, and governance process for investment decisions and investment activities.

The Management Investment Committee may delegate certain authorities to Investment Department Committees, which were developed in 2021 after an extensive review. This new framework is designed to help streamline decision-making.

IMCO has three Investment Department Committees: one for Total Portfolio, one for Equities and Credit, and one for Real Assets. Each of these committees is co-chaired by a senior member of the Investments and Investment Risk team. Senior investment managers and representatives from Legal, Investment Risk, and Responsible Investing provide additional perspectives. Investment Department Committees can approve investment decisions and activities up to specific thresholds. Approval authorities between the Board, Management Investment Committee, and Investment Department Committees are clearly defined.



BOARD OF DIRECTORS

Our professional and independent board of directors (the Board) is committed to high governance standards in the oversight of IMCO's investment and operational activities.

The Board is responsible for the stewardship of IMCO and is required to manage or supervise the activities and affairs of IMCO in accordance with the IMCO Act, as well as the IMCO by-laws. Board members are generally subject to and oversee several policies.

The Board has generally delegated to management the responsibility for IMCO's day-to-day operations, with appropriate oversight from the Board and/or Board committees.

BOARD COMPOSITION

The Board has expertise in investment management, risk management, finance, corporate governance, accounting, law, human resources, and other professional areas. No IMCO officer or employee sits on the Board.

The Board must consist of at least seven and not more than 11 directors. The Ontario Minister of Finance appoints the chair and can appoint up to two other directors. The remaining board members are elected pursuant to section 13 of the IMCO Act, which provides that a nominating committee of the Board will propose candidates who may be elected to the Board by the Members, pursuant to a process set out in the IMCO by-laws.

The Board consisted of nine directors in 2021, with the chair and two other directors appointed by the Minister. Three of the nine directors are women.

During 2021, the Minister of Finance re-appointed IMCO director Rajendra Kothari to a three-year term, expiring June 21, 2024.

BOARD COMMITTEES

To assist the Board in fulfilling its mandate, it delegates certain matters to four committees, as described below.

The **Board Investment Committee** was established on Sept. 23, 2021. It comprises all the members of the Board. This committee is responsible for supervising the management of IMCO's investment activities and affairs, including IMCO's approach to environmental, social and governance (ESG) matters in its investment activities. The committee is responsible for: a) reviewing and, if satisfied, approving the investment decisions and activities; b) reviewing strategic asset allocation advice to clients; c) monitoring the performance of IMCO's investment strategies at the asset class, client and overall portfolio levels; d) monitoring the principal risks related to IMCO's investment decisions and activities, and overseeing the implementation of appropriate systems to manage these risks; and e) reviewing IMCO's material activities on ESG issues under the Responsible Investing Policy.

Eric Tripp is Chair of the Board Investment Committee.

The **Finance & Audit Committee** is responsible for: (a) overseeing IMCO's financial statements and financial disclosures, internal controls and controls over IT, information security, cyber security and information systems risks; (b) monitoring the principal risks of IMCO's business related to finance and audit matters and overseeing the implementation of appropriate systems to manage these risks; (c) overseeing the appointments of an external and internal auditor including a review of their performance; (d) overseeing IMCO's compliance with applicable laws and regulations and its compliance with all significant policies and procedures approved by the Board in relation to finance and audit matters, including with respect to IMCO's investment pools; (e) reviewing and monitoring IMCO's annual budget, to support IMCO's annual business plan; and (f) reviewing and discussing with management and the internal and external auditors IMCO's policies and procedures with respect to risk management, including in relation to IMCO's major financial risk exposures and related mitigation plans.

Colleen McMorrow is Chair of the Finance & Audit Committee. Other members include Eric Wetlaufer, Robert Bertram, Rajendra Kothari, and Brian Gibson (ex-officio).

The **Nominating & Governance Committee** is responsible for: (a) the Board nomination process and succession planning, reviewing the Board skills/needs matrix, the Board and director assessment process, reviewing committee membership, overseeing director orientation and continuing board education; (b) overseeing the effectiveness of IMCO's corporate governance framework; (c) monitoring the principal risks of IMCO's business related to corporate governance matters and overseeing the implementation of appropriate systems to manage these risks; and (d) overseeing IMCO's compliance with applicable laws and regulations and its compliance with all significant policies and procedures approved by the Board in relation to governance matters.

Vincenza Sera is Chair of the Nominating & Governance Committee. Other members include Robert Bertram, Eric Tripp, Geoffrey Belsher, and Brian Gibson (ex-officio).

The **Human Resources & Compensation Committee** is responsible for: (a) overseeing IMCO's human resources and compensation matters, including annually reviewing the talent management strategy, organizational structure and the corporate goals and objectives of the CEO and other executive officers; (b) monitoring the principal risks of IMCO's business related to human resources and compensation matters, overseeing the implementation of appropriate systems to manage these risks, and discussing IMCO's key HR risk exposures with management; and (c) overseeing IMCO's compliance with applicable laws and regulations and its compliance with all significant Board-approved policies and procedures related to human resources and compensation matters.

Jacqueline Moss is Chair of the HR & Compensation Committee. Other members include Eric Wetlaufer, Eric Tripp, Geoffrey Belsher, Rajendra Kothari, and Brian Gibson (ex-officio).

REQUIREMENTS AND CORE COMPETENCIES

IMCO board members are expected to meet certain requirements and possess a set of personal attributes that enable them to effectively fulfill their duties. The expectation is that the majority will have investment management experience and expertise as part of their core skills.

Directors are required to:

- comply with the IMCO Act, its regulations, and by-laws;
- exercise the care, diligence, and skill in the investment of client assets that a person of ordinary prudence would exercise in dealing with the property of another person; and
- use in the investment of client assets all relevant knowledge and skill that they possess or, by reason of their profession, business or calling, ought to possess.

In addition, each individual director and the Board as a whole must demonstrate the following attributes and competencies:

- a high standard of personal values and ethics, including integrity, accountability, commitment, and courage;
- excellent business and professional judgment;
- the ability to think strategically and problem solve;
- demonstrated mature and cooperative leadership;
- a strong understanding of fiduciary duty;
- support for defined benefit plans;
- strong communication skills, including the ability to listen and speak his/her mind independently and respectfully;
- willingness and ability to commit the required time to the role and actively participate in meetings;
- commitment to ongoing training and education for board skills and duties; and
- financial and investment competency/literacy.

As a whole, the Board is also required to demonstrate the core and ancillary skills described in the matrix on the following page, which also details the skills of each director.

INTEGRITY
ACCOUNTABILITY
COMMITMENT
COURAGE

BOARD SKILLS MATRIX

Experience and Expertise	Brian Gibson (Chair)	Geoffrey Belsher	Robert Bertram	Rajendra Kothari	Colleen McMorrow	Jacqueline Moss	Vincenza Sera	Eric Tripp	Eric Wetlauffer
CORE SKILLS									
Investment Management									
Public Markets, including derivatives	■	■	■	■				■	■
Private Markets	■	■	■	■	■		■		■
Asset Allocation	■		■				■	■	■
Investment Strategy	■		■					■	■
ESG Management					■	■			■
Pension/Insurance Liability Management	■		■			■			■
Risk Management (including experience in investment and enterprise risk management)	■	■	■	■	■	■	■	■	■
Finance/Accounting/Audit (including experience in the development of, and/or oversight over, internal controls)	■	■	■	■	■	■	■	■	■
Public Sector Experience/ Government Relations			■						
Senior Leadership with a significant pension plan, insurance company, financial services institution, or investment organization	■	■	■			■	■	■	■
Human Resources/ Compensation	■	■	■		■	■		■	■
Information Technology (including Cyber Security)					■				■
Corporate Governance	■	■	■	■	■	■	■	■	■
Legal/Regulatory		■				■			■
ANCILLARY SKILLS									
Senior Business/Organizational Management Experience	■	■	■	■	■	■	■	■	■
Strategic Planning	■	■	■	■	■	■	■	■	■
Client Relations/Service Delivery		■		■	■			■	

DIVERSITY

IMCO believes that embracing diversity and inclusion enhances corporate governance. IMCO's current Board has three women, or 33 per cent, and 25 per cent of our senior executive team is composed of women.

We are a member of the 30% Club Canada, a group of business leaders committed to better gender balance through voluntary action. The organization's goal is for 30 per cent of board seats and C-suite roles at Canadian companies to be held by women by 2022. IMCO is also a member of Women in Capital Markets, the largest network of female professionals in Canadian finance, which aims to accelerate equality in Canadian finance.

In 2021, we also became a sponsor of Indspire, with the establishment of two bursaries providing support for Indigenous post-secondary students in finance related programs; and CAUFP (Canadian Association of Urban Financial Professionals), where we participated in a youth summit and thought leader programming.

IMCO endorses the Responsible Investing Association of Canada's Canadian Investor Statement on Diversity & Inclusion. As a signatory, we acknowledge the existence of systemic racism, inequalities and discrimination and its impact in Canada and globally. We believe that institutional investors can contribute to addressing these inequities by taking steps to promote diversity and inclusion across our portfolios and within our organizations. Promoting diversity and inclusion is not only the right thing to do; it is good for business and our society. IMCO established a Diversity, Equity, and Inclusion Council in 2021, composed of management and staff, to act as both a resource and a recommending body. The council will review the DEI priorities and act as a liaison to departments as IMCO pursues greater diversity, equity, and inclusion.

BOARD EVALUATION

The Board has established an annual process for evaluating its performance through the Nominating & Governance Committee. This process includes evaluating the performance of the chair, board committees, and the contributions of individual directors. Assessments are conducted through surveys, and director interviews done by the chair of the Board and the chair of the Nominating & Governance Committee.

A final report is provided to the Board by the chair of the Nominating & Governance Committee.

2021 ACTIVITIES

With the ongoing pandemic, the Board continued to hold virtual meetings, rather than in-person meetings.

The Board meets on a regular basis, and not less than once each quarter.

There were 10 Board meetings in 2021. In addition, there were six Finance & Audit Committee meetings, six Human Resources & Compensation Committee meetings, four Nominating & Governance Committee meetings. The newly created Board Investment Committee met twice.

Investment transactions and ESG-related matters occupied most of the Board's attention in 2021. To delve deeper into select investment, macroeconomic, sustainability and ESG matters, the Board invited the following guests to discuss key topics.

- Howard Marks, Co-Chairman of Oaktree Capital Management
- Bruce Flatt, Chief Executive Officer of Brookfield Asset Management
- Stephen Poloz, Special Advisor at Osler, Hoskin & Harcourt LLP, and former Governor of the Bank of Canada
- Robert Eccles, Senior Advisor and founding chairman of the Sustainability Accounting Standards Board

BOARD OF DIRECTORS

Brian Gibson, CFA, ICD.D Chair



Mr. Gibson has 40 years of investment experience, including as Senior Vice President at the Ontario Teachers' Pension Plan and Alberta Investment Management Corporation. During his career, he has built or restructured large investment operations and has managed large investment portfolios, including those of insurance companies, a chartered bank, pension and mutual funds, and endowments.

Mr. Gibson is a director of Precision Drilling Corporation and of Samuel, Sons & Company Ltd. He is an advisory board member of Kruger Inc. He is also the former chair of the Corporate Disclosure Policy Committee of the CFA Institute.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to June 20, 2022</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Member (<i>ex-officio</i>), Finance & Audit Committee		6 of 6 meetings
Member (<i>ex-officio</i>), Nominating & Governance Committee		4 of 4 meetings
Member (<i>ex-officio</i>), Human Resources & Compensation Committee		6 of 6 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$150,000 plus expenses	–	–

Geoffrey Belsher



Mr. Belsher has over 30 years of experience as a senior business executive, investment banker and corporate lawyer. He served as the Group Co-Head of Wholesale Banking at CIBC until late 2015. Since retiring from CIBC, Mr. Belsher has focused on providing strategic advice to public and private clients. Prior to joining CIBC, Mr. Belsher had more than 12 years of investment banking experience with major Canadian and global investment banks and was a partner at a national law firm. In 2018, he joined the board of AGT Food and Ingredients Inc.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to June 20, 2022</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Member, Nominating & Governance Committee		4 of 4 meetings
Member, Human Resources & Compensation Committee		6 of 6 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	–

Robert Bertram, O.C., CFA, ICD.D, F.ICD



Mr. Bertram is the retired Executive Vice President, Investments of the Ontario Teachers' Pension Plan. He led Ontario Teachers' investment program and had oversight of the pension fund's growth to \$108 billion from \$19 billion when it was established in 1990. Mr. Bertram is also a Fellow of the Institute of Corporate Directors and an Officer of the Order of Canada. He is a member of the independent review committee for Strathbridge Capital funds, a director of the Strathbridge closed end funds and a member of the Alaris Royalty Corp. board of directors. He is also a director of several not-for-profit boards and societies.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to July 1, 2022</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Member, Finance & Audit Committee		6 of 6 meetings
Member, Nominating & Governance Committee		4 of 4 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	–

Rajendra Kothari, FCPA, FCA



Mr. Kothari is a Chartered Professional Accountant and was formerly Vice Chair of PricewaterhouseCoopers LLP in Canada. He was also Managing Partner for the Greater Toronto area and National Practice Leader for the Asset & Wealth Management industry in Canada. His experience spans the areas of business assurance and advisory services, transaction support services, valuation, and related services to clients in a variety of businesses. Mr. Kothari is currently the chair of the board of directors at the UHN Foundation (formerly Toronto General & Western Hospital Foundation) and serves on the boards of The Aga Khan Museum and University Health Network. He also serves on the independent review committee of Brompton Funds and on the board of Jarislowsky Fraser.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to June 20, 2024</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Member, Finance & Audit Committee		6 of 6 meetings
Member, Human Resources & Compensation Committee		6 of 6 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	–

Colleen McMorrow, FCPA, FCA, ICD.D

Chair, Finance & Audit Committee



Ms. McMorrow is a Certified Public Accountant, Chartered Accountant and former Assurance Partner at Ernst & Young. She was a senior client serving partner in EY's Assurance practice until her retirement in 2016 and held a number of senior leadership roles over her 38-year career at EY. Ms. McMorrow serves on the boards of public and private corporations and not-for-profit organizations including Exco Technologies Limited, Ether Capital Corporation, West Fraser Timber Co. Ltd., and Plan International Canada. In 2015, she was recognized by WXN as one of Canada's Most Powerful Women Top 100 as a Trailblazer and Trendsetter.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to July 1, 2022</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Chair, Finance & Audit Committee		6 of 6 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	\$10,000

Jacqueline Moss, ICD.D

Chair, Compensation and Human Resources Committee



Ms. Moss is a senior executive with over 25 years of business experience leading legal, human resources, and strategy and corporate development functions. She has been a partner at a major Canadian law firm, and an executive vice president of CIBC.

Ms. Moss is an experienced director with expertise in a wide range of corporate areas including human resources, legal, strategy and corporate governance. She is a member of the board for Minto Apartment REIT, where she is the chair of that board's compensation, governance, and nominations committee, and is a director for Ontario Health. She has been recognized multiple times by WXN as one of Canada's Most Powerful Women Top 100.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to July 1, 2022</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Chair, Human Resources & Compensation Committee		6 of 6 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	\$10,000

Vincenza Sera, ICD.D

Chair, Nominating & Governance Committee



Ms. Sera is an experienced corporate director who served on the board of the Ontario Pension Board (OPB) for 12 years, nine of them as chair of the board and chair of OPB's Investments Committee (2007 to 2016). She is chair of the board of Dream Industrial REIT and a member of the boards of Equitable Bank and Dream Unlimited Corp.

A former investment banker with more than 25 years' expertise in debt and equity markets, corporate finance, mergers and acquisitions and corporate governance, Ms. Sera's career has included senior positions with National Bank Financial, First Marathon Securities and CIBC.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to July 1, 2022</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Chair, Nominating & Governance Committee		4 of 4 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	\$10,000

Eric Tripp



Mr. Tripp is a capital markets and financial services executive with experience building and leading global investment and corporate banking, trading products and treasury operations businesses. From 2008 to 2014, he was the President of BMO Capital Markets. He served as a member of BMO Financial Group's Management Committee with responsibility for the bank's dealings with corporate, institutional and government clients. Mr. Tripp is an experienced director with a diverse governance profile, highlighted by current and past memberships on both corporate and not-for-profit boards. He serves on the boards of Connor, Clark and Lunn Financial Group and is chair of the Michael Garron Hospital Foundation board.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to July 1, 2022</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Member, Nominating & Governance Committee		4 of 4 meetings
Member, Human Resources & Compensation Committee		6 of 6 meetings
Chair, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	–

Eric M. Wetlaufer, CFA, ICD. D



Mr. Wetlaufer has over 35 years of experience as an institutional investor. Most recently, he was responsible for leading the CPP Investment Board's Public Market Investments department, investing over \$200 billion globally in publicly traded assets and related derivatives. Prior to that, he held executive roles in the investment management industry, including Group Chief Investment Officer, International at Fidelity Investments, Chief Investment Officer at Putnam Investments and Managing Director at Cadence Capital Management.

Mr. Wetlaufer is a director, advisor, and investor to a range of large public to smaller private companies, with a focus on technology and financial sectors. He is a managing partner of TwinRiver Capital and serves on the board of directors of the TMX Group (Toronto), Niyogin Fintech (Mumbai) and Enterra Solutions (Princeton, NJ). He has also served on the board of the UN-supported Principles for Responsible Investment and is past president of the CFA Society, Boston.

IMCO Board and Committee Appointments		2021 Attendance
<i>Current term to June 1, 2023</i>		
Director, IMCO Board of Directors		10 of 10 meetings
Member, Finance & Audit Committee		6 of 6 meetings
Member, Human Resource & Compensation Committee		6 of 6 meetings
Member, Board Investment Committee		2 of 2 meetings
2021 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	–



COMPENSATION DISCUSSION & ANALYSIS

At IMCO
we are
committed to
our people
and strive
to create
a culture
that attracts,
retains, and
inspires a
world-class
workforce.

We believe that all employees have an important contribution to make, both individually and as a team. We are committed to providing an environment where all employees are encouraged to reach their highest potential.

IMCO offers total rewards (salary, incentive pay, benefits and a defined benefit pension plan) that are competitive with the market and intended to support the strategic objectives and public mandate of the organization.

The Human Resources & Compensation Committee (HRCC) of the Board is responsible for annually reviewing IMCO's overall compensation philosophy, including its compensation, pension and other benefit plans and programs, and makes recommendations on these matters to the Board. The HRCC is supported by an independent external advisor, Hugessen Consulting. The advisor provides independent advice on executive compensation, the compensation framework and any recommendations on compensation made by management.

COMPENSATION PHILOSOPHY

IMCO's total rewards philosophy and compensation program is designed to:

- Be competitive to attract, retain and engage qualified talent to effectively execute on our mandate;
- Reinforce and reflect our values, ensuring employees act ethically, professionally, and with integrity;
- Reward employees for achieving both annual objectives and long-term performance, which promotes sustained long-term success;
- Align with client and stakeholder interests; and
- Link back to our public purpose.

IMCO's incentive plan is designed to:

- Be aligned with the public purpose (based on limited tolerance for downside risk, stability of returns, cost sensitivity, and long-term time horizon);
- Be competitive, while recognizing the distinct differences of IMCO compared to peers;
- Be flexible and simple to understand;
- Enable differentiation by individual contribution and performance;
- Reward not only what is done, but how it is accomplished; and
- Allow for the application of informed judgment where needed.



COMPENSATION PROGRAM

IMCO's flexible compensation program consists of two elements: Salary, and Total Incentive Pay. An individual's salary is based on job level, skills and experience and is intended to compensate for the fulfillment of core job responsibilities. Formal salary reviews are carried out in line with our performance management process and are informed by a market review of relevant comparable organizations.

Total Incentives are designed to be consistent with investment management market practice, for results tied to the experience of our clients. The Total Incentive Award is based on a Performance Score that takes into consideration both IMCO corporate and individual performance against predetermined criteria. The Total Incentive Award may pay out as either a Cash Award, or a Cash Award and a Deferred Cash Award, depending on eligibility.

The Cash Award is paid out in cash after the end of the fiscal year. For select employees at mid- and senior levels, a portion of the Total Incentive Award is deferred over a period of three years (Deferred Cash Award). The Deferred Cash Award will vest equally over three years and may be further adjusted by the total fund performance (which is a combined

net performance based on our clients' performance results, calculated on an asset-weighted basis, adjusted for cash flows). This incentive pay structure is intended to promote long-term alignment with the organization and support retention.

PERFORMANCE FRAMEWORK

IMCO has designed and implemented a performance framework that differentiates individual performance related to specific performance objectives, demonstrated behaviours and values. It also recognizes overall corporate performance, in terms of both investment performance and corporate objectives. The two factors are then multiplied to come up with the overall performance score for each employee.

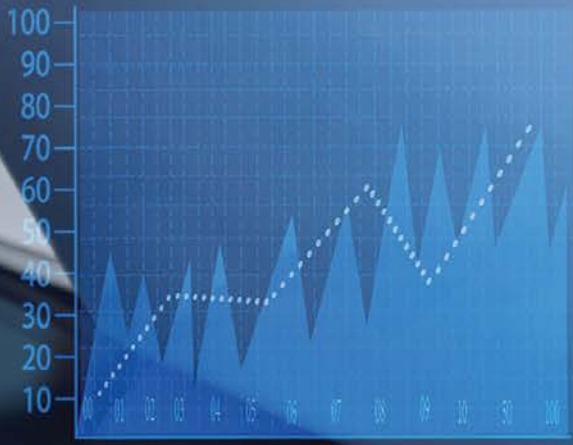
The HR & Compensation Committee (HRCC) and Board determine the corporate factor as well as the personal factor for the President & CEO. Performance and compensation recommendations for the senior executive team and other key employees are reviewed with HRCC, as presented by the CEO.

EXECUTIVE COMPENSATION

The HRCC reviewed the 2021 objectives, performance evaluation and total compensation for the President & CEO, the senior executive team, and other key employees (including the named executive officers listed below).

Name and Position	Year	Base Salary	Annual Cash Incentive	Deferred Cash Incentive	All Other Compensation	Total Compensation
Bert Clark, President & CEO	2021	\$575,000	\$1,417,950	\$1,417,950	\$84,211	\$3,495,111
Rossitsa Stoyanova, Chief Investment Officer*	2021	151,515	750,000	750,000	223,015	1,874,530
Ben De Prisco, Chief Risk Officer	2021	375,000	554,850	554,850	64,984	1,549,684
Allen Garson, General Counsel & Corporate Secretary	2021	375,000	416,138	416,138	55,435	1,262,711
Kathy Jenkins, Chief Financial Officer	2021	362,500	250,107	250,107	51,167	913,881

*Start date effective September 13, 2021.



FINANCIAL STATEMENTS



December 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Investment Management Corporation of Ontario

Opinion

We have audited the financial statements of **Investment Management Corporation of Ontario** [the "Corporation"], which comprise the statement of financial position as at December 31, 2021, and the statement of operations, statement of changes in members' surplus and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada
February 24, 2022

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2021	2020
Assets		
Cash	\$ 48,477	\$ 46,821
Accounts receivable (note 5)	37,468	18,268
Prepaid expenses	573	554
Right-of-use asset, net (note 8)	37,777	42,221
Capital assets, net (note 7)	15,787	15,774
Total assets	\$ 140,082	\$ 123,638
Liabilities and members' surplus		
Accounts payable and accrued liabilities (note 4)	\$ 83,862	\$ 65,374
Lease liabilities (note 8)	40,323	42,812
Deferred recovery of costs (note 7)	15,897	15,452
Total liabilities	140,082	123,638
Commitments (note 9)		
Members' surplus	—	—
Total liabilities and members' surplus	\$ 140,082	\$ 123,638

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:



Brian Gibson
Chair, Board of Directors



Colleen McMorrow
Chair, Finance and Audit Committee

STATEMENT OF OPERATIONS

For the year ended December 31
(in thousands of dollars)

	2021	2020
Revenue		
Recovery of costs	\$ 216,615	\$ 132,429
Interest income	286	410
	216,901	132,839
Expenses		
Compensation and benefits	102,571	69,686
Information technology and data costs	18,427	15,150
Legal and professional fees	18,014	17,579
Investment management and product costs	60,116	15,719
Pension	6,656	5,084
Occupancy	583	2,942
General, administrative and other	4,871	4,290
Depreciation (notes 7 and 8)	5,663	2,389
	216,901	132,839
Net operating surplus	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' SURPLUS

For the year ended December 31
(in thousands of dollars)

	2021	2020
Balance, beginning of year	\$ —	\$ —
Net operating surplus for the year	—	—
Balance, end of year	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31
(in thousands of dollars)

	2021	2020
Operating activities		
Net operating surplus for the year	\$ —	\$ —
Add (deduct) items not affecting cash:		
Depreciation on capital assets <i>(note 7)</i>	1,219	167
Depreciation on right-of-use asset <i>(note 8)</i>	4,444	2,222
Changes in non-cash working capital balances related to operations:		
Change in prepaid expenses	(19)	229
Change in accounts receivable	(19,200)	2,396
Change in accounts payable and accrued liabilities	18,488	19,709
Change in deferred recovery of costs	445	15,176
Cash provided by operating activities	5,377	39,899
Investing activities		
Purchase of capital assets <i>(note 7)</i>	(1,232)	(15,176)
Cash provided by (used in) investing activities	(1,232)	(15,176)
Financing activities		
Lease incentive allowance received	1,741	—
Rent paid on lease liabilities – principal portion <i>(note 8)</i>	(4,230)	(1,631)
Cash used in financing activities	(2,489)	(1,631)
Net increase in cash during the year	1,656	23,092
Cash, at beginning of year	46,821	23,729
Cash, at end of year	\$ 48,477	\$ 46,821

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021
(in thousands of dollars)

1. Nature of operations

Investment Management Corporation of Ontario (“IMCO” or the “Corporation”) (in French, Société ontarienne de gestion des placements) was incorporated as a not-for-profit corporation on July 1, 2016 by proclamation of the *Investment Management Corporation of Ontario Act*, 2015. IMCO was established as a non-share corporation to enable Ontario’s Broader Public Sector (“BPS”) organizations to lessen costs and increase returns by pooling their assets. Pooling of assets is expected to lower administrative and investment costs, which will help improve return on investments. IMCO is headquartered in Toronto, Ontario, Canada.

Participation of BPS organizations to receive IMCO’s services is voluntary, and these organizations retain responsibility for determining how their assets are invested via provision of individualized Strategic Asset Allocations (i.e., asset mix) and other specifications as outlined in their respective Investment Management Agreements. IMCO commenced commercial operations in July 2017 and currently provides investment management and advisory services to its clients on a full cost recovery basis, without profit.

The founding members and initial clients of IMCO are the Ontario Pension Board (“OPB”) and the Workplace Safety and Insurance Board (“WSIB”). OPB is the administrator of the Public Service Pension Plan (“PSPP” or the “Plan”), a major defined benefit pension plan sponsored by the Government of Ontario. PSPP membership comprises employees of the provincial government and its agencies, boards and commissions. WSIB is an independent agency, consisting of Insurance Fund, Employees’ Pension Plan (“EPP”) and Loss of Retirement Income Fund, that administers compensation and no-fault insurance for Ontario workplaces. Effective July 1, 2020, the WSIB EPP was converted to a jointly sponsored pension plan (“JSPP”) and became a separate IMCO client at that time. WSIB JSPP now operates under its new trade name, WISE Trust (Workplace Insurance and Safety Employee Trust). The founding and all subsequent IMCO clients (jointly “Clients”) will be governed by a cost recovery methodology, which ensures the continuous operations of the Corporation.

These financial statements have been prepared based on accounting principles applicable to a going concern, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. IMCO allocates to and recovers all its operational costs from its Clients based on the agreed cost allocation principles.

2. Basis of presentation

(a) Statement of compliance

These financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements were authorized for issuance by the Board of Directors on February 24, 2022.

(b) Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are made based on information available as of the date of issuance of the financial statements.

Judgments are made in the assessment and application of accounting policies and financial reporting standards. Key areas of estimation include assumptions used in the evaluation of lease arrangements and the determination of employee benefit obligations including incentive compensation accruals. Refer to the relevant accounting policies in note 3 for details on our use of estimates and judgments. Actual results may differ from these amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by management of the Corporation in the preparation of these financial statements. The significant accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Consolidation

Subsidiaries are consolidated in the Corporation's financial statements from the date that control is obtained until the date that control ceases.

The Corporation consolidates entities when all three of the following characteristics are present:

- When the Corporation exerts power over the relevant activities of the entity. Power exists if the Corporation has decision making authority over those activities that significantly influence the entity's returns;
- Where the Corporation has exposure or rights to variability of returns of the entity. Exposure exists if the Corporation's returns vary as a result of the performance of the entity; and
- Where there exists a linkage between power and returns as described above. A linkage exists when the Corporation can use its power over the activities of the entity to generate returns for itself.

Generally, the Corporation utilizes investment vehicles to facilitate the management of Client investment assets. This includes establishing various structured entities, which may comprise pooled investment entities and other subsidiaries, through its role as investment manager. While IMCO has power over the relevant activities of the structured entities it manages; in all cases, the Corporation has no exposure or rights to variability of returns in these structured entities. Accordingly, these investment entities do not meet the criteria for control and are not consolidated.

(b) Financial instruments***Recognition and initial measurement***

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities that are classified as fair value through profit or loss (“FVTPL”) financial instruments are recognized initially at fair value with subsequent changes in fair value recognized in the statement of operations. Transaction costs on FVTPL financial instruments are charged to operating expense as incurred. In the case of an accounts receivable without a significant financing component, its initial fair value is established at its transaction price plus any transactions costs that are directly attributable to the acquisition or issuance of the receivable.

Classification and subsequent measurement

IMCO classifies its financial assets and financial liabilities, in accordance with IFRS 9, *Financial Instruments*. Financial instruments included in the Corporation’s accounts have the following classifications:

All cash and accounts receivable are classified at amortized cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to collect the contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All payables, accrued liabilities and deferred recovery of costs are classified at amortized cost.

(c) Deferred recovery of costs

The Corporation recovers its operating costs from its Clients. If an amount has been collected from the Clients in advance of the actual expense being incurred by the Corporation, the amounts are initially reported as deferred recovery of costs in the statement of financial position, and subsequently recognized in the statement of operations when the expense is incurred by the Corporation.

Amounts that are collected from the Clients to fund the acquisition of the Corporation’s capital assets, including leasehold improvements, are initially reported as deferred recovery of costs in the statement of financial position, and subsequently amortized to the statement of operations as the related capital assets are amortized.

(d) Prepaid expenses

Prepaid expenses primarily consist of prepaid insurance, travel and security deposits.

(e) Capital assets

Capital assets are recorded at cost less accumulated depreciation. Cost includes expenditures directly attributable to the acquisition of the capital asset.

Depreciation is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	Term of lease

(f) Right-of-use asset and Leased liabilities

Under IFRS 16, *Leases*, IMCO capitalizes the right-of-use of all assets held under operating leases and a corresponding lease liability. The lease liability is initially measured at the present value of lease payments that are unpaid at the lease commencement date, discounted at IMCO’s incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. The right-of-use asset is initially measured as the initial lease liability, initial direct costs incurred, estimated cost of removal, and is reduced for lease payments made on or prior to the lease commencement date and lease inducements received. The right-of-use asset is depreciated over the lease term or the useful life, whichever is shorter.

The lease liability is remeasured when there is a change in future lease payments arising from a change in the incremental borrowing rate or if IMCO changes its assessment of whether it will exercise a purchase, extension, or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset and recognized in the statement of operations.

IMCO has elected not to recognize lease assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets, including computer equipment. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Generally, the lease term corresponds to the duration of the contracts signed, except in cases where IMCO is reasonably certain that it will exercise contractual extension options. The exercise of extension options will result in a change in estimate of lease assets and lease liabilities. The assessment regarding exercise of extension options involves management judgment and estimate based on information at the time the assessments are made. Extension options are included in the lease term when IMCO has an economic incentive to exercise the option. Taken into consideration is the evidence available at the time of the assessment, including potential favourable terms upon extension, potential termination penalties, the relative costs associated with potential relocation or termination of the lease and the extent of leasehold improvements undertaken.

(g) Employee benefits

(i) Defined benefit plan

The employees of the Corporation participate in the Plan, which is a multi-employer contributory defined benefit pension plan in accordance with the *Public Service Pension Act*, 1990. OPB administers the Plan, including payment of pension benefits to employees. The Province of Ontario is the sole sponsor (the "Sponsor") of the Plan. This Plan is accounted for as a defined contribution plan because insufficient information is provided to the Corporation or otherwise available for the Corporation to apply defined benefit plan accounting to this pension plan.

The Plan Sponsor is responsible for ensuring that the pension plan is financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Corporation. The Corporation is not exposed to any liability to the Plan for other entities' obligations under the terms and conditions of the Plan.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the Corporation from the Plan. Payments made to the Plan are recognized as an expense when employees have rendered the service entitling them to the contributions. Information on the level of participation of the Corporation in the Plan compared with other participating entities is not available. The Corporation's contributions are disclosed in the statement of operations under pension expense. The expected contributions for the Plan for fiscal 2022 are not available.

(ii) Supplementary income retirement plan

The Corporation provides supplemental pension benefits to certain eligible legacy WSIB employees who transferred to IMCO in 2017. The benefits are payable to the employees at the termination of employment, retirement or death. The supplemental pension benefits are provided to increase the WSIB pension benefits to those provided under IMCO's defined benefit plan for the entire duration of employees' employment at WSIB. WSIB will reimburse the Corporation for the costs incurred under this supplementary income retirement plan. The benefits obligation is calculated based on certain demographic and economic assumptions, which represent IMCO's best estimate of future experience. This obligation is accrued as a liability with an equal amount recognized for the receivable from WSIB.

(iii) Incentive cash award plan

The Corporation provides eligible employees with a cash award (Short-Term Incentive or “STI”). Certain employees are also eligible for a deferred cash award (Long-Term Incentive or “LTI”). The STI award is accrued on an annual basis and paid out in the subsequent year. LTI is accounted for as ‘compensation and benefits’ and is accrued on a graded vesting basis for eligible employees in the year of performance and over the following three-year period. Each LTI award vests and is paid out in three equal installments over the subsequent three-year period.

(h) Functional currency

All figures presented in the financial statements and note disclosures to the financial statements are reflected in Canadian dollars, which is the functional currency of the Corporation.

(i) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rates prevailing at the dates of the transactions. The monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect at year-end.

(j) Income taxes

IMCO is a not-for-profit corporation without share capital and, accordingly, no provision for income taxes has been recorded in these financial statements.

4. Accounts payable and accrued liabilities

	2021	2020
Trade payables and other accruals	\$ 34,591	\$ 29,139
Compensation and benefits accruals	49,271	36,235
	\$ 83,862	\$ 65,374

Compensation and benefits accruals are comprised primarily of accruals in respect of the annual and deferred incentive cash award plans as described in note 3(g)(iii), and other employee-related payments and benefits. In 2021, total expense related to the STI was \$24,245 (2020 – \$18,641) and for LTI was \$7,869 (2020 – \$8,728), respectively, which are reported under compensation and benefits in the statement of operations.

5. Related party transactions

As at December 31, 2021, included in cash and accounts payable and accrued liabilities is \$9,227 (2020 – \$11,582) relating to agency fees collected from clients, but not yet billed by external vendors.

As at December 31, 2021, of the total accounts receivable balance, the majority relates to cost recoveries due from Clients for operating expenses, investment management and product costs incurred by IMCO in the amount of \$36,575 (2020 – \$17,735), plus HST. The remainder relates to miscellaneous receivables for various charges paid on behalf of Clients and other minor balances.

As an agent, IMCO administers external management fees, custodian fees, and other investment related fees pertaining to the assets managed on behalf of its Clients. The contracts relating to these fees are with the Clients, and therefore not liabilities of the Corporation. These fees are collected from the Clients, and subsequently paid to external vendors upon receipt of billings.

	2021	2020
Agency fees collected from members	\$ 198,311	\$ 196,632
Agency fees paid or payable on behalf of members		
Investment management fees	190,629	184,514
Custodial and other investment related fees	7,682	12,118
	\$ 198,311	\$ 196,632

OPB administers the PSPP, in which all IMCO employees participate. In relation to this service, IMCO remits to OPB the employee contributions and employer match portion.

The Corporation maintains prior banked vacation liabilities for certain legacy OPB and WSIB employees upon their transfer to IMCO in 2017. The assumed obligation is reported as a liability with an offset to a fixed receivable from OPB and WSIB. The value of the liability may change due to changes in the base compensation of the associated employees. The liability is paid out when the employee leaves IMCO. As the liability is settled with employees over time, a recovery is made from the Clients, thereby reducing the receivable balance. As at December 31, 2021, the legacy banked vacation liability was \$329 (2020 – \$550).

Remuneration of key management personnel and directors is as follows:

	2021	2020
Key management personnel and directors	\$ 20,032	\$ 13,606
	\$ 20,032	\$ 13,606

Notes 7 and 8 describes additional related party transactions.

6. Letter of credit

The Corporation holds various letter of credit facilities from its lead Canadian chartered bank, which are used for specific purposes including as a guarantee on its contributions to the PSPP and for certain investment entities that IMCO manages on behalf of its Clients. A fee of 0.475% per annum is charged for all letters of credit on the face amount payable monthly and each revolving letter of credit may be renewed or extended on their next expiry or anniversary date. Total aggregate letters of credit facilities available as at December 31, 2021 was \$10,246 (2020 – \$4,077).

As at December 31, 2021 and December 31, 2020, there were no amounts drawn on any letters of credit.

7. Capital assets

Capital assets are comprised of the following:

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance, December 31, 2019	\$ —	\$ 492	\$ 1,634	\$ 2,126
Additions	930	1,947	12,299	15,176
Balance, December 31, 2020	930	2,439	13,933	17,302
Additions	—	624	608	1,232
Fully depreciated capital assets	—	(492)	(1,358)	(1,850)
Balance, December 31, 2021	\$ 930	\$ 2,571	\$ 13,183	\$ 16,684
Accumulated depreciation				
Balance, December 31, 2019	\$ —	\$ 121	\$ 1,240	\$ 1,361
Depreciation expense	—	49	118	167
Balance, December 31, 2020	—	170	1,358	1,528
Depreciation expense	82	437	700	1,219
Fully depreciated capital assets	—	(492)	(1,358)	(1,850)
Balance, December 31, 2021	\$ 82	\$ 115	\$ 700	\$ 897
Net book value				
As at December 31, 2020	\$ 930	\$ 2,269	\$ 12,575	\$ 15,774
As at December 31, 2021	\$ 848	\$ 2,456	\$ 12,483	\$ 15,787

As at December 31, 2021, the computer equipment, furniture and fixtures, and leasehold improvements all relate to the 16 York St., Toronto ("16 York") new office premises. Effective July 1, 2021, depreciation commenced on the 16 York capital assets upon its completion and available for use and occupancy. Note 9 includes additional details on the 16 York lease.

As at December 31, 2021, all capital expenditures funded by OPB and WSIB in respect of capital assets at 16 York are reported as deferred recovery of costs in the amount of \$15,897 (2020 – \$15,452) in the statement of financial position.

8. Right-of-use asset and lease liabilities

In 2019, IMCO entered into an arrangement to lease office space in the new 16 York building. The lease commenced in August 2020 with a lease term of 10 years and contains an extension option. Management is uncertain at this time whether the extension option will be exercised.

The movement in the 16 York right-of-use asset and lease liability since commencement of the lease is set out below:

	2021		2020	
	Right-of-use asset	Lease liabilities	Right-of-use asset	Lease liabilities
Balance, beginning of year	\$ 42,221	\$ 42,812	\$ —	\$ —
Additions	—	—	44,443	44,443
Depreciation expense	(4,444)	—	(2,222)	—
Interest expense	—	942	—	404
Lease payments	—	(5,172)	—	(2,035)
Lease incentive allowance received	—	1,741	—	—
Balance, end of year	\$ 37,777	\$ 40,323	\$ 42,221	\$ 42,812

9. Lease commitments

The 16 York lease commenced in August 2020 and is considered a related party transaction, as OPB has ownership interest in this property. The lease agreement, however, was negotiated on an arm's length basis. As at December 31, 2021, total future lease commitments for 16 York are \$51,073 (2020 – \$57,014).

The minimum annual cash payments related to non-cancellable lease commitments for office premises are as follows:

	2021	2020
Within one year	\$ 5,844	\$ 5,941
After one year but not more than five years	23,635	23,452
More than five years	21,594	27,621
	\$ 51,073	\$ 57,014

10. Financial instruments and risk management

The various risks that the Corporation is exposed to and the Corporation's policies and processes to measure and manage them are set out below:

(a) Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default of a counterparty on their obligation to the Corporation and arises principally from the Corporation's accounts receivable and cash on deposit with banks.

The accounts receivables are all due to be recovered from the Clients. The Corporation is not exposed to significant credit risk as the Corporation acts as fund manager for Clients and recovers the outstanding amounts in accordance with Agreements with them.

The cash on deposit with banks is held with Canadian Schedule I banks that have high credit-ratings. The Corporation considers the cash on deposit to have a low credit risk as the cash is highly liquid and available on demand, and the banking counterparties have high credit ratings.

No impairment allowance has been recognized on the Corporation's financial assets, and the Corporation does not hold any collateral as security. The maximum exposure of the Corporation to credit risk is the carrying amount of these financial assets.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Corporation. The Corporation does not have significant exposure to interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet a demand for cash or fund its obligations as they come due. The Corporation is entirely dependent upon support from its Clients to meet its obligations as they become due. The Corporation's management is responsible for ensuring adequate funds exist to support its various business functions. The Corporation manages its liquidity risk by forecasting cash flows and anticipated operating activities. Senior management is also actively involved in the review and approval of planned expenditures.

11. Comparative information

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or operating surplus as a result of these reclassifications.

12. COVID-19 impact

IMCO continues to closely monitor the impact of the COVID-19 pandemic and is managing its operating expenses and delivery on its key corporate priorities accordingly. The evolving nature and duration of the pandemic continues to be a source of uncertainty for businesses and capital markets. The Corporation has a comprehensive business continuity plan and has taken specific measures since the start of the pandemic to mitigate any business risks while ensuring continuity of its business operations and protection of its employees during these exceptional times.

To date, the Corporation has operated effectively through remote access and experienced no material impact to its business operations. IMCO continues to refine its return to workplace plan for 2022, which will be measured ensuring above all else, the health and safety of its employees, clients and surrounding communities.

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