IMCO
Investment Management Corporation of Ontario

2022 Annual Report

FOCUSED ON THE FUTURE

Navigating turbulent markets and driving long-term client value

INVESTMENT MANAGEMENT CORPORATION OF ONTARIO

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SECTION 1

ABOUT IMCO

OUR STRENGTHS

IMCO was designed exclusively to drive better investment outcomes for Ontario's broader public sector. 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.

Our purpose, expertise, and scale are the heart of our value proposition to clients.

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

FULL SUITE OF ADVISORY AND INVESTMENT MANAGEMENT SERVICES: Through our expert teams, we offer unbiased strategic asset mix advice, portfolio construction services, investment strategies that include externally managed mandates and internal direct investments, total portfolio management capabilities and a client-centric reporting and service model.

BENEFITS OF SCALE: We have scale to pursue targeted internal management, build high-calibre investment capabilities and invest across a wide range of deal sizes, while being small enough to remain agile, entrepreneurial and innovative. We give clients improved access to a broad range of investment opportunities, including private and alternative asset classes, at efficient cost.

PARTNERSHIPS: We believe in collaborating with strong investment partners. As we continue to build our investment programs, we place high value on creating win-win relationships.

RISK MANAGEMENT AND TOTAL PORTFOLIO OVERSIGHT: We provide comprehensive risk monitoring, management and reporting capabilities. Our risk team monitors client portfolios daily to ensure they are consistent with the desired asset allocation and risk tolerance.

COST EFFICIENT OPERATIONS: We manage costs to optimize client net investment returns. We recognize that robust internal processes and controls, as well as flexible technology, are critical to achieving investment excellence, client success and cost efficiency.

2022 HIGHLIGHTS

Assets under management
$73.3 billion

Generated a positive net value add of **0.3 percentage points**

Approved new Five-Year Strategic Plan for the period **2023 to 2027**

Since inception, or the three years that assets have been managed under IMCO strategies, delivered a return of 2 per cent and generated positive net value add of **0.4 percentage points**

Developed and released Climate Action Plan: IMCO's road map to **achieving net zero by 2050**

Added new external partners across all **asset classes**

Launched our first private asset pool: Infrastructure Pool will enable efficient access to this asset class for clients

Invested in first Private Equity impact fund, **Apax Global Impact Fund I**

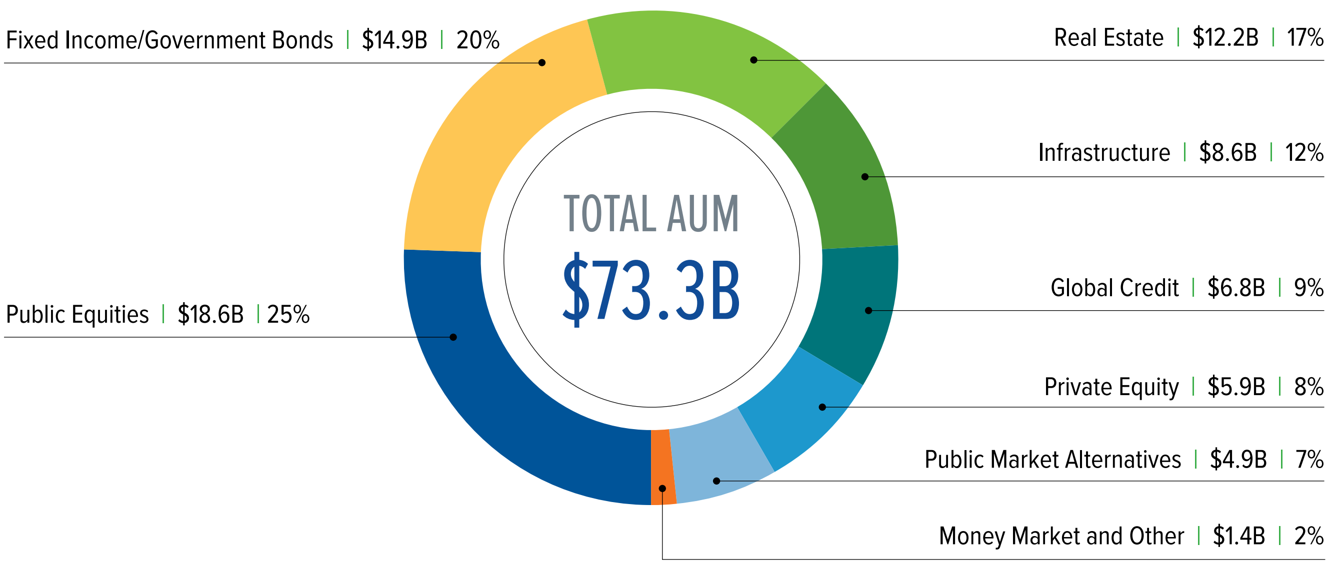
Made US $450 million direct investment in **DataBank,** the largest edge infrastructure operator in the U.S.

Committed over $2 billion to new managers in our Global Credit portfolio, including new exposure to actively managed public credit

IMCO PORTFOLIO IN BRIEF

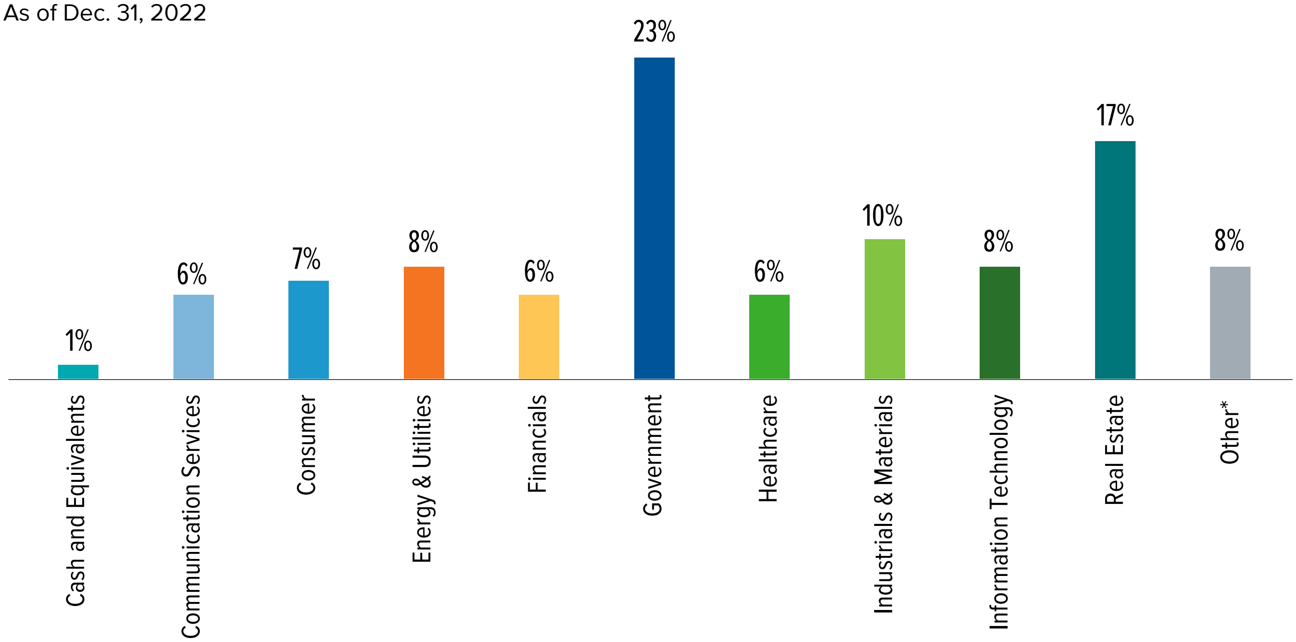
ASSETS UNDER MANAGEMENT BY ASSET CLASS

As of Dec. 31, 2022



PORTFOLIO BREAKDOWN BY SECTOR

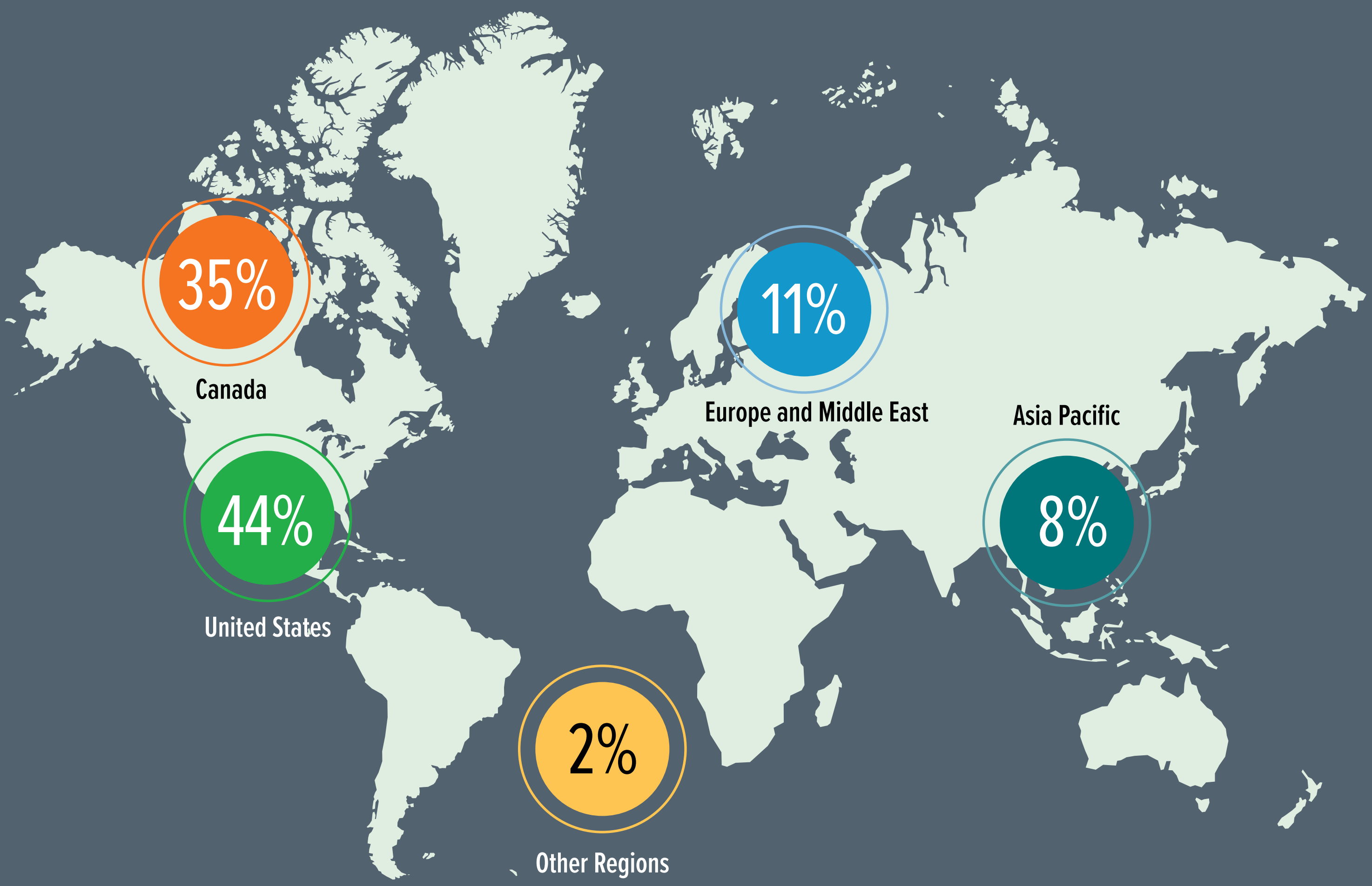
As of Dec. 31, 2022



*Other primarily includes public market alternatives and other diversified holdings

REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

As of Dec. 31, 2022



REPORT FROM THE CHAIR

Brian Gibson
Chair, IMCO Board of Directors

Last year was an unusually challenging one for investors. Despite the short-term effects our clients' portfolios experienced, IMCO is well-positioned to take advantage of investment opportunities as they arise.

In recent years, the IMCO board of directors (Board) has supported management as it developed new strategies, hired and built expert teams and transitioned client portfolios. These actions were designed to improve returns and to prepare clients' assets to withstand different market environments. All of this was accomplished in a cost-effective manner.

The unusual decline in both stock and bond markets in 2022 left its mark on one-year results. Nevertheless, over the past three years, the consolidated portfolio return has been better than benchmark. This indicates that our changes are working and that IMCO remains well positioned and ready to manage through economic and geopolitical shifts.

We know the next decade won't look like the last one. Money was cheap and returns were easier. Many institutions did quite well even as they took on greater risk. However, volatility is bound to be higher, and market returns more subdued, in a new era of higher inflation, higher average interest rates and fiscally extended governments. The investment opportunities will be different. Patience will be rewarded.

With that in mind, the Board acted as a resource while IMCO management developed a new five-year corporate strategy. Our goal was for IMCO to continue to create sustainable value for clients over the long term, but in a changed environment.

The Board approved the new strategy in 2022, and it takes advantage of IMCO's competitive strengths. IMCO is not unusual in seeking to invest more in private markets, but its execution will be distinctive. IMCO is managing a portion of private assets directly, while partnering with a set of strategic external managers. Why is this distinctive? IMCO has enough scale to be cost-effective but is small enough to be nimble and innovative in private markets.

Environmental, social, and governance (ESG) matters, particularly climate change, remain important priorities. The Board has strongly supported the setting of robust ESG and climate-focused targets. The interim climate targets IMCO announced in November 2022 are expected to reduce portfolio emissions' intensity and ramp up investments in climate solutions. The latter represents an exciting change: with the energy transition, there are tremendous opportunities to put capital to work for IMCO's clients while helping to solve global problems.

Another development is that IMCO has become even more proactive with clients. We have refined our advice on options for achieving risk-adjusted returns and share our investment expertise and views to help clients understand the strategies taken on their behalf. This cultural evolution has been well received by clients and is another way that IMCO delivers value.

In the near term, IMCO has a great deal of capital to put to work and the right teams to find and act on new opportunities. This organization is in a strong position as it looks to the future.

Lastly, I am pleased to report that in early 2023, we welcomed two new directors to the Board. Lisa Raitt and Daniel Nowlan bring deep experience stemming from their senior roles in the public sector, as well as extensive careers in the capital markets.

IMCO has continued to move forward with the support of its stakeholders and, importantly, the support and enthusiasm of its employees. On behalf of the board, I thank them all for their support and contributions.

Brian Gibson
Chair, IMCO Board of Directors

REPORT FROM THE CEO

Bert Clark
President & CEO

With this annual report, IMCO turns the page on its first five years.

In that time, we have built an asset manager that provides Ontario public-sector clients with access to a wider array of investments than they could attain on their own, and at a lower cost.

Five years on, there is a great deal of progress to celebrate.

Our clients receive a wider range of products and services than ever before, while costs have been less than what they would have been without IMCO. On top of new investment opportunities, such as global credit and direct deals in private equity, infrastructure and real estate, clients receive asset mix advice, sophisticated risk and liquidity management, total portfolio leverage, a pragmatic decarbonization plan, in-house expertise and best-in-class external managers. Our net value add (NVA) since implementing IMCO strategies in 2020 is 0.4 percentage points.

As we built our team and established our culture over the past five years, we took significant strides toward becoming a client-centric organization and putting clients at the heart of all we do.

2022: STAYING THE COURSE AND FOCUSING ON WHAT MATTERS MOST

The weighted average net return of all client portfolios (net of all costs) was negative 8.1 per cent in 2022. The benchmark consolidated return was negative 8.4 per cent. Through the most turbulent markets in recent memory, we outperformed our benchmark in 2022, with NVA of 0.3 percentage points. As all assets re-priced with rising inflation and interest rates, we stuck to our long-term strategy.

In 2022, we:

- made 23 direct investments valued at a total of $2.8 billion alongside our key strategic partners;
- published our first ESG annual report, as well as our Climate Action Plan with interim net-zero targets and plans;
- sharpened our client focus, with training for employees and improved client financial reporting;
- launched our first private market pool, for infrastructure assets;
- created a middle office to remove administrative tasks from the investment teams so they can focus on investing activities; and
- advanced our risk management capabilities and risk-aware culture.

With COVID-19 still present but less potent, employees returned to the office, and we implemented a hybrid work arrangement. In our engagement survey, employees reported strong management support, as well as positive results on social wellbeing, meaningful work and inclusiveness. We made substantial progress on diversity, equity, and inclusion (DEI), which is important for IMCO's productivity and success. Our DEI council and Human Resources team developed a 2022 DEI roadmap and completed critical action items. We also announced significant benefit improvements in response to employee feedback and to better reflect our inclusive culture.

IMCO'S NEXT CHAPTER

In 2022, our employees, senior executive team and Board participated in strategy sessions to set the course for IMCO's next five years. That led to development and Board approval of our new strategic plan in December 2022.

Now, we are turning our attention to this next chapter.

We will keep building investment capabilities in the areas that matter the most and where we have clear advantages: providing asset mix advice to clients, investing in private assets alongside a core group of strategic partners and navigating long-term trends, such as the energy transition. We will continue to reinforce our culture, ensuring that we are client-centric, nimble, caring, and inclusive.

We will also deepen and evolve our client relationships to ensure we help them achieve their investment objectives. We will continue to focus on costs because costs matter when it comes to investing, and they are one of the few things that an investor can control.

This is an ambitious plan, and we have shown that we can achieve amazing things.

To all my IMCO colleagues, thank you for your dedication, teamwork and creativity. You have brought IMCO to where it stands today, and your efforts will carry the organization forward.

Bert Clark
President & CEO

SECTION 2

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.

With guidance from IMCO's Board of Directors, the senior executive team implements strategic and business-unit plans to provide efficient and effective investment and risk management to our clients: public-sector entities delivering a wide range of benefits to people and businesses across Ontario.

DEVELOPING OUR STRATEGIC PLAN (2023 to 2027)

In 2022, most of the initiatives related to our initial five-year strategy were complete, and we were ready to identify new long-term, aspirational objectives for our organization. We were moving out of the start-up mode and becoming a mature asset manager, operating at scale with targeted areas of excellence.

We reviewed our competitive and business context by evaluating what makes us different from other asset managers, the needs of our clients and where we have real advantages as an investor. Our assessment included interviews with board members and clients.

Over the next five years, we expect to help our clients to achieve their financial objectives by delivering a suite of differentiated and deep investment capabilities in an efficient, scalable way. Our strategic plan focuses on four priority areas: *Investment Excellence, Client Success, Culture Evolution* and *Cost-efficient Operations.*

Our MD&A has been structured to reflect these four themes of our strategic plan.

REFRESHING OUR MISSION, VISION, AND VALUES

MISSION

Our mission statement describes what we do, who we do it for and how we do it. It unifies our organization around a common approach. In 2022, as part of our strategic planning effort, we evolved the definition of IMCO's mission to capture the spirit of the trust-based partnership we aspire to build with our clients, and to sharpen our focus on driving positive investment outcomes.

We work in partnership with our clients to help them meet their financial obligations on a long-term, sustainable basis.

VISION

Our vision represents where we see IMCO in the future. It inspires us with an attainable, yet ambitious goal, and sets the direction for our strategy and corresponding business plans and actions.

As the investment partner of choice for Ontario's public-sector funds, we will be among the world's leading public-sector asset managers.

VALUES

Our values reflect the ethics embraced by IMCO. They are a set of beliefs we share. They inform how we work together as an organization and with our clients and hold us accountable for our behaviour.

CLIENT FOCUS: We recognize that our success is intrinsically linked to our clients' ability to deliver on their financial objectives. We are proud of our purpose to build Ontario's asset manager of choice for the public sector.

INTEGRITY: We hold ourselves to the highest professional standards.

RESPECT: We treat each other, our partners, and our clients with respect. We are caring and inclusive.

PARTNERSHIP: We partner internally and with our key strategic relationships to achieve more than any of us could accomplish on our own.

INNOVATION: We embrace innovation and empower our people to be nimble, so they can execute with excellence.

INVESTMENT EXCELLENCE

As a multi-client asset manager, IMCO oversees investment portfolios on behalf of public sector clients. We combine a long-term fundamental approach to investing at the asset class level with sophisticated asset mix, liquidity and risk management at the total portfolio level.

We believe that asset allocation is the most important determinant of total portfolio returns. Superior asset allocation advice is critical for our clients to achieve their long-term return objectives. Advising and informing our clients about IMCO strategies, and the risks that are taken to earn returns, allows them to understand the implications of various asset allocations and options, and make well-informed, long-term investment decisions. Formal investment management agreements govern how we manage client portfolios, with each client making their strategic asset allocation decisions and setting targets to reflect funding and liquidity needs, as well as return objectives and risk tolerances.

We offer our clients a wide range of asset classes, with each playing a clear role in the portfolio. Active management can drive value, through superior investment selection and value creation.

At the total portfolio level, leverage is a new tool we can use carefully to increase the total amount of assets available for investment, with the expectation of generating superior risk-adjusted returns.

When it comes to investing in private assets, our advantages include a long investment time horizon, tolerance for illiquidity and complexity, and the ability to partner with best-in-class investors. Our size enables us to invest in private assets directly (including co-investments and direct investments) and we aim to do more of this over time to reduce costs. We focus on a small group of strategic partners who help us leverage specialized expertise and investment advantages and achieve our internalization objectives by driving direct deal flow.

We are also focusing on investing in the energy transition and ensuring that our investments are managed in ways that are consistent with our ESG priorities: climate change, diversity, equity and inclusion, and good governance.

Q&A WITH ROSSITSA STOYANOVA

Chief Investment Officer

We asked Rossitsa to reflect on a difficult year for investors and what's in store for 2023.

Q: From the return of inflation to geopolitical conflict and slowing economic activity, 2022 was particularly challenging. How did IMCO manage the volatile investing environment?

RS: It was a difficult year because we came out of COVID and then had to contend with the war in Europe. This was one of the worst years for public markets in generations. Equities and bonds posted large losses, making it different from the global financial crisis in 2008. Inflation spiked and central banks raised rates by 400 basis points in a very short period. All public assets dropped, except for commodities, which were driven higher by the war in Ukraine.

Our strategy for navigating short-term turbulence is staying focused on the long term, systematic rebalancing and watching closely for investment opportunities that can arise from temporary dislocations. The key is not to try to significantly alter asset mixes or change strategies, but to have adequate liquidity available to ride out short-term volatility and in some cases, profit from it.

Q: What steps did IMCO take to make client portfolios more resilient?

RS: We stayed the course. We continued to invest in private assets and alongside our strategic partners. We also increased tools for liquidity and added leverage. We advise our clients to stick to their long-term asset mixes. We seek high-quality investment opportunities on their behalf during times of market stress.

For example:

- We added more credit to portfolios, as attractive private credit opportunities arose with public credit markets effectively closed;
- We added more real estate and infrastructure assets, which will help protect against inflation;
- We used alternative sources of liquidity, so as not to rely solely on selling government bonds;
- We used a prudent amount of leverage for the first time, to enhance overall risk-adjusted returns; and
- We added new external partners in all asset classes.

Q: It was a particularly rough year for public equities. U.S. market indexes had their worst year since 2008, dropping between 9 per cent (DJIA) and 33 per cent (Nasdaq). In Canada, the S&P/TSX Composite fell 8.7 per cent. How is IMCO managing volatility in public markets?

RS: Our public equities performance has been challenging. Thus, we are making adjustments with the objective of modest, but positive and steady value add. We are considering internalizing strategies and accelerating our shift toward factor, internal fundamental and index mandates.

Q: What were the bright spots in this challenging year?

RS: Our net value add was good, with strong outperformance by our private asset strategies. We delivered 0.3 percentage points of NVA, which shows the benefit of active investment management. This result would have been impossible for our clients with index investing.

We also finalized our five-year strategy and in it, identified the priorities that will enable us to deliver investment excellence.

We think that sharing strategic research insights with clients and integrating them into portfolio decisions is part of our role. That's why we developed our comprehensive World View which provides our perspectives on major global themes and their investment implications in the next five to 10 years.

We also completed planned initiatives that will reduce costs for clients. For example, we launched our first private asset pool, the Infrastructure Pool. In public equities, we continue honing our roster of external managers to reduce fees and are allocating more to factor and index investing. We also participated in more private co-investments with external partners. All of these will deliver savings. Costs matter because they directly affect net returns.

Q: What progress did IMCO make in responsible investing in 2022?

RS: Responsible investing and ESG integration play a growing role in our strategies, and I am confident that IMCO will become an industry leader. ESG topics are important to all our stakeholders, and we believe that companies that strategically manage material ESG risks and turn them into opportunities will outperform their peers. We have incorporated these views into every investment thesis across our portfolios.

We released our inaugural ESG report, followed by our Climate Action Plan in 2022, with details and targets to help our teams reduce IMCO's portfolio greenhouse gas emissions.

Q: What are IMCO's interim climate targets, and how will you achieve them?

RS: To reduce portfolio carbon emissions to net zero by 2050 or sooner, we set interim targets that will drive our investment decisions and engagement activities between now and 2030.

Our interim targets include a science-based 50 per cent reduction in portfolio emissions intensity by 2030, as measured against IMCO's 2019 baseline; and investments in climate solutions totaling 20 per cent of the portfolio by 2030. To reach the interim targets, we have plans for each investment team. We have already made significant investments in the energy transition.

Q: As a long-term investor, what are the key activities you're focused on?

RS: Our objective is to build resilient portfolios for our clients that can withstand the ups and downs of any investing environment. That never changes.

To deliver long-term NVA to our clients, we will improve our capabilities in the areas of strategic asset allocation, total portfolio management (liquidity, leverage, rebalancing), and internal asset management. We will continue to internalize our investing activities while working closely with strategic partners. We're also focusing on being a more innovative and nimbler investor, so we can take advantage of the trends identified in our World View, like investing in the energy transition and climate solutions.

IMCO'S WORLD VIEW

IMCO's research team developed our forward-looking World View after speaking to investment teams, senior management, and external research partners. We focused our efforts on defining and better understanding the global trends that will have the most impact on our clients' asset exposure, and the implications from an asset and portfolio management perspective.

After decades of relative stability and predictability in economic policy, the world is becoming more volatile. Sources of economic and geopolitical disruption are surfacing everywhere: the COVID-19 pandemic, war in Ukraine, climate change, rise of populism, tensions between the West and China. Macroeconomic frameworks that were once viewed as unflappable are starting to come under growing scrutiny.

GLOBAL TRENDS

1. **ADDRESSING INEQUALITY:** The past several decades have been characterized by a free-market approach to economic management. While this has helped generate unprecedented levels of wealth, it has also contributed to rising inequality. The resulting social discontent has spurred politicians around the world to increasingly shape policy in ways that address the uneven distribution of income and wealth, potentially prompting more sustained inflationary pressures.
2. **DEGLOBALIZATION:** International economic integration is facing headwinds from increasingly protectionist policies, which are being enacted alongside a renewed focus on domestic employment. Geopolitical instability, tensions between the West and Russia and China, and the desire to secure supply chains is spurring countries to restore domestic production of critical goods and resources.
3. **POLICY INFLECTION**: Economic policy in recent decades has been dominated by central bankers, with fiscal policy relegated to a secondary role. The policy stage looks set to shift over the coming years, with governmental use of fiscal levers and real economy priorities taking precedence over monetary policy. Central banks could focus on taming burgeoning inflationary forces with restrictive monetary policy.
4. **ESG AND CLIMATE CHANGE:** ESG and climate considerations are increasingly prominent for investors. Both the public and private sectors are increasingly adopting cleaner energy sources and technologies, creating climate "winners and losers." Mitigating climate change will require significant capital investments, new technologies and governmental policies.
5. **DISRUPTIVE TECHNOLOGIES:** Advances in computing, automation, and other technologies have accelerated, boosting productivity but also exacerbating inequality as gains have accrued to a small group of firms and skilled workers. Technological disruption and innovation will continue to shape value creation, investment opportunities, and risks.
6. **EVOLVING MARKET STRUCTURE:** Private asset markets have grown dramatically, as institutional investors are attracted by the potential for long-term improvements and returns, and companies turn to private financing over traditional bank-based sources. Meanwhile, the rising popularity of index investing has also transformed public markets. These changes heighten the potential for unintended risk exposures.

IMPLICATIONS FOR IMCO AND OUR CLIENTS

1. **END OF "LOW FOR LONG" INFLATION AND INTEREST RATES:** Deglobalization, decarbonization and fiscal policy aimed at addressing inequality are among the factors likely to generate sustained increases in inflation and interest rates. Investors should consider greater exposure to inflation-sensitive assets including inflation-linked bonds, commodities and real assets.
2. **HEIGHTENED VOLATILITY AND GREATER DISPERSION:** Rising inflation and less accommodative monetary policy could lead to sharper and more frequent bouts of market volatility, as well as greater dispersion. This environment should create opportunities for outperformance through active management. Systematic rebalancing, diversification and currency hedging will also be useful tools in this environment.
3. **CAPITAL INVESTMENT BOOM:** Public priorities such as decarbonization and onshoring will require significant capital investments, both private as well as public. This will create opportunities in capital-intensive investments such as infrastructure, particularly in assets facilitating the energy transition.
4. **GROWING ROLE FOR PRIVATE INVESTMENTS:** Many promising business strategies will be financed in private markets, and the shift away from bank-based financing for private-market players will create more high-quality private investment opportunities. Investors with scale, the ability to add value, and long investment horizons are best positioned to capitalize on this shift.
5. **GROWING SCOPE FOR UNINTENDED EXPOSURES:** Index investing can mask exposures to specific countries and ESG-related issues that are inconsistent with investors' goals and values. They can also present potential concentration risks. Monitoring external managers' compliance with ESG policies and using custom indices to limit undue concentration risks are mitigation tools.
6. **NEED FOR INNOVATION AND FLEXIBILITY:** Innovation and flexibility will be key for investors in a period of dramatic technological, political, and societal change. Investors that can innovate, identify, and integrate key insights, and adapt to changing risks and opportunities, will be at an advantage.

The full version of IMCO's World View is available at www.imcoinvest.com.

2022 INVESTMENT PERFORMANCE

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 2022, the weighted average net return of all client portfolios (net of all costs) was negative 8.1 per cent. The benchmark consolidated return for 2022 was negative 8.4 per cent. IMCO delivered 0.3 percentage points of net value add.

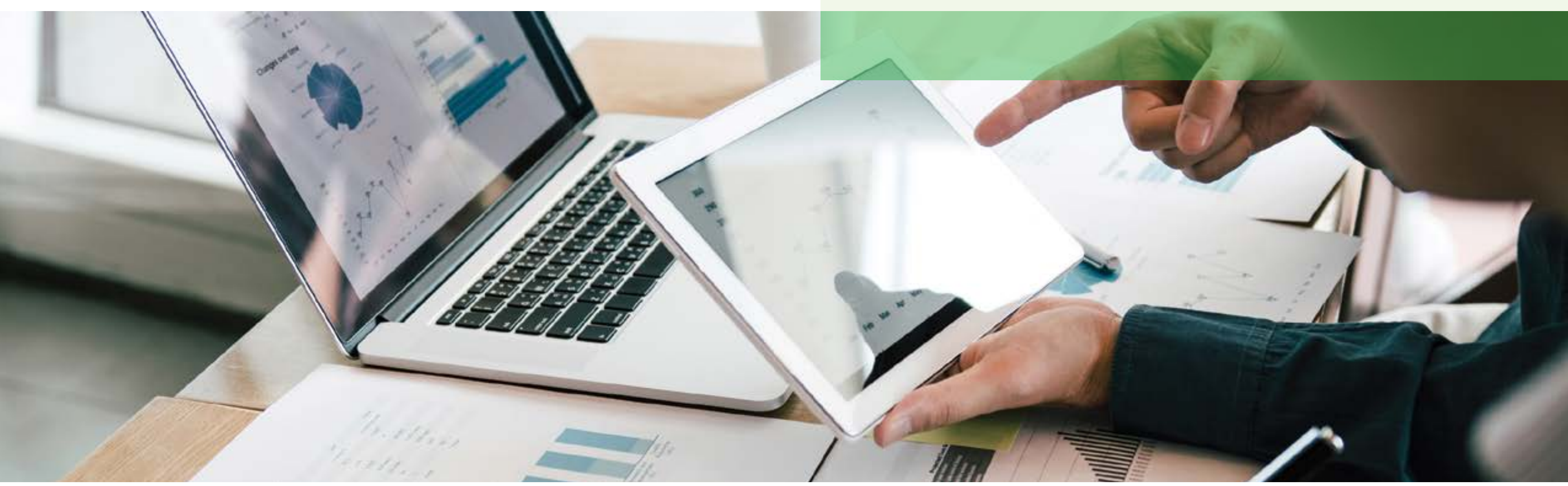
The range of returns across IMCO's client portfolios was negative 9.1 per cent to 1.6 per cent in 2022, while the NVA ranged from negative 0.7 to positive 0.5 percentage points. This performance primarily reflects broad differences in their asset mix decisions.

CALCULATING 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. We refer to January 1, 2020, as our "inception date". (From 2017 to the end of 2019, IMCO managed client assets under legacy strategies, as per the organization's plan.)

Therefore, 2022 represents IMCO's third full year of reporting. IMCO's one-year and three-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.



ASSET CLASS RATES OF RETURN

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

2022 Net Investments and Rates of Return by Asset Class

As of Dec. 31, 2022

ASSET CLASS	NET INVESTMENTS (C$ BILLIONS)	1-Year Return			3-Year Return		
		Actual	Benchmark	NVA	Actual	Benchmark	NVA
Public Equities	$18.6	(13.5%)	(11.9%)	(1.6%)	3.6%	4.5%	(0.9%)
Fixed Income	$14.9	(19.2%)	(19.1%)	(0.1%)	(4.8%)	(4.8%)	0.0%
Real Estate[1]	$10.7	(0.3%)	12.0%	(12.3%)	(0.3%)	2.6%	(3.0%)
Global Infrastructure	$8.6	7.4%	(3.7%)	11.1%	7.0%	1.7%	5.3%
Global Credit	$6.8	(7.7%)	(12.8%)	5.1%	1.8%	(2.1%)	3.9%
Public Market Alternatives	$4.9	1.9%	3.6%	(1.7%)	2.4%	1.8%	0.6%
Private Equity	$5.9	12.0%	(9.1%)	21.1%	21.4%	5.1%	16.3%
Money Market and Other[2]	$1.4	—	—	—	—	—	—
Leverage[3]	($2.7)	—	—	—	—	—	—
Total IMCO	**$69.1**	**(8.1%)**	**(8.4%)**	**0.3%**	**2.0%**	**1.6%**	**0.4%**

1 Real Estate is net of certain assets (mortgages) and investment-related liabilities (debentures).

2 Money Market & Other includes other assets and strategies for portfolio rebalancing and asset allocation purposes and are included in the total return.

3 Leverage employed by IMCO's clients as part of their strategic asset allocation is applied at the total portfolio level rather than within a specific asset class.

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 benchmarks. The Management Investment Committee reviews and recommends benchmarks and any changes in benchmarks to the Board, which is responsible for approving the IMCO benchmarks.

RESULTS BY ASSET CLASS

PUBLIC EQUITIES

We invest in publicly traded companies around the world to provide our clients long-term growth through capital appreciation and dividend income. The public equities program also provides liquidity as needed in IMCO's portfolio rebalancing process. Exposures are diversified by geographic region, market capitalization, business sector and investment style.

Our Fundamental Equities strategy invests in a small number of companies and works with the management teams over the long term to unlock shareholder value. Our factor investing strategies are designed to provide incremental value add by focusing on size, quality, value and momentum attributes. We also partner with a select set of proven external managers who execute concentrated, actively managed equity strategies.

Over the last two years, we have transitioned public equities from an overly diversified portfolio reliant on generalist external managers to one that pursues value add from high-conviction, concentrated mandates as well as actively managed portfolio completion, which fills gaps or reduces overlapping exposure to certain sectors, regions or factors.

Performance

As of Dec. 31, 2022

Net Investments (C$ billions)	1-Year Return			3-Year Return		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$18.6	(13.5%)	(11.9%)	(1.6%)	3.6%	4.5%	(0.9%)

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

Key performance drivers

The Russia/Ukraine war, lingering COVID effects, and rising interest rate environment had a dramatic impact on domestic and international stocks in 2022.

Our public equities portfolio has a tilt in favour of stable businesses with reliable cash flows, strong balance sheets, leading brands, and management of ESG risks. It was underweight commodity and energy stocks, which were among the few sectors that performed well in 2022.

Consequently, our lack of exposure to commodity and energy companies lead to underperformance compared to the benchmark.

Consistent with our long-term view, we look for companies that will deliver returns over periods of up to 10 years.

The Fundamental Equity program took advantage of the market volatility during 2022, doubling the portfolio's size to $1.25 billion as well as its breadth as markets sold off.

This internally managed strategy invests in companies with superior business models and management teams, and sustainable competitive advantages. We aim to hold these for five years or more. In addition, we can take a significant ownership stake, provide transformative capital and work with management to help a company accelerate growth, change its business mix, or shore up the balance sheet, an approach that we call "Fundamental+".

Our internal Factor Investing program also grew to $1 billion in assets. While both internal programs are new, they exhibit promising results.

Select highlights

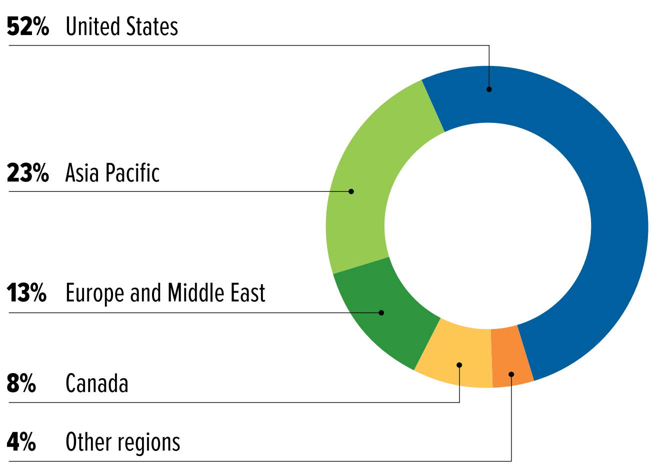
The Canadian equities portfolio delivered strong value add, despite being underweight to the top-performing energy sector. Increased market volatility provided opportunities to add value through stock selection and negated the impacts from underweighting energy stocks. Our initial Fundamental+ investment in Definity Financial Corp., which was made in 2021, continued to perform well and contributed to the strong value add from stock selection.

The global equities portfolio underperformed its benchmark, mainly due to an underweight position in the top-performing energy sector. We continued to balance the portfolio across factor exposures, and in 2022, we allocated incrementally to global value-oriented strategies. This active decision helped to minimize the negative value add, as growth-oriented stocks took a hit from rising interest rates while value-oriented stocks rose.

The emerging markets equities portfolio delivered negative value add, as stocks were challenged by the Russia-Ukraine war, U.S.-China tensions, and China's Zero Covid policy. We manage emerging market stocks actively because there is higher potential for long-term value add from market inefficiencies and greater opportunities to influence ESG issues through engagement and stewardship activities. We transitioned $2 billion to the Emerging Markets Public Equities Pool and mitigated clients' transition costs and risks. At the same time, we secured further cost savings by negotiating lower management fees.

Public Equities Distribution by Region

As of Dec. 31, 2022



FIXED INCOME

We invest in a broad range of fixed income products with the objectives of preserving our clients' capital and providing liquidity.

Our strategies provide exposure to highly liquid money market securities and nominal bonds issued by Canadian federal, provincial and municipal governments as well as inflation-linked bonds. In the Canadian government bond universe, we invest in short-, medium- and long-term bonds and may include exposure to G7 sovereign bonds.

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

Performance

As of Dec. 31, 2022

Net Investments (C$ billions)	1-Year Return			3-Year Return		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$14.9	(19.2%)	(19.1%)	(0.1%)	(4.8%)	(4.8%)	0.0%

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

Key performance drivers

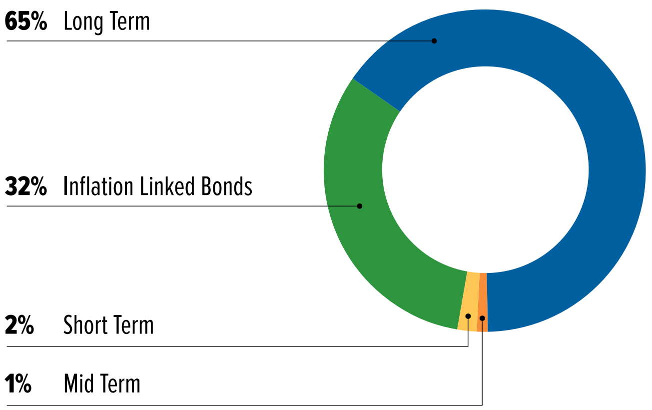
The fixed income market was ravaged in 2022 by the fast, hawkish shift among global central banks to rein in surging inflation. The Bank of Canada and other central banks made a rapid series of interest rate hikes to combat inflation that reached 40-year highs. The speed and scale of monetary policy tightening took markets, and even policymakers, by surprise.

In Canada, the central bank increased rates by a total of 400 basis points through the year, taking the policy rate to a 15-year high of 4.25 per cent, compared to 0.25 per cent at the beginning of 2022.

IMCO is assessing the impact of the Government of Canada's announcement in 2022 that it would stop issuing new real-return bonds (RRBs). We use government RRBs to provide diversification and inflation protection in client portfolios.

Fixed Income Breakdown by Portfolio Mandate

As of Dec. 31, 2022



REAL ESTATE

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

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

We have been working since 2019 to diversify IMCO's portfolio across all real estate sectors, from industrial and office, to multi-family residential and retail, in markets outside Canada. This includes the planned sale of certain non-core assets.

Performance

As of Dec. 31, 2022

Net Investments (C$ billions)	1-Year Return			3-Year Return		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$10.7	(0.3%)	12.0%	(12.3%)	(0.3%)	2.6%	(3.0%)
BENCHMARKS:						
Real Estate Custom Benchmark						

Key performance drivers

The economic uncertainty associated with monetary and fiscal actions caused many real estate market participants to take a "wait and see" approach in 2022. Rising interest rates pushed real estate values down, construction material costs increased, and it became difficult to source financing for development projects.

Demand for industrial real estate was robust, with record low vacancies fueling market rents, and asset pricing still elevated. The retail sector showed some positive signs of recovery as sales and foot traffic improved. Despite a partial return to the office for many employers, office sector fundamentals weakened as vacancy rates rose and asset values softened, particularly for older assets.

In a challenging market, IMCO increased non-Canadian exposure in the portfolio, as planned, with investments in the U.S. and Europe. We focus on assets in major urban areas with greater relative growth prospects, greater liquidity, and lower volatility.

We also made commitments to industrial, life sciences, property technology and multi-residential investments, alongside key strategic partners. Overall, we made progress diversifying the IMCO portfolio by increasing exposure to multi-residential and industrial properties.

ESG remains a key focus for asset management and new investments. For example:

- We made new commitments to property technology and climate technology funds in 2022.
- A 300,000-square foot Laval industrial development, in which IMCO is invested, will seek zero-carbon and LEED Silver certification upon construction completion. The building will have to meet standards for embodied carbon and operational carbon.
- As a co-owner of the Royal York Hotel in Toronto, we committed to an investment in energy efficiency that is expected to be the largest single-building decarbonization project in North America.

Inaugural Climate Tech investment

IMCO made our first investment in real estate venture capital focused on climate change in 2022. The Fifth Wall Climate Tech Fund aims to decarbonize the real estate industry and our US$50 million commitment will help venture companies develop new technologies. We believe this investment will deliver returns for our clients, reduce the real estate industry's carbon emissions, and support sustainability objectives at some of our own buildings. It aligns well with IMCO's Climate Action Plan and commitment to net zero by 2050 or earlier. A network of partners is already piloting several of the fund's products.

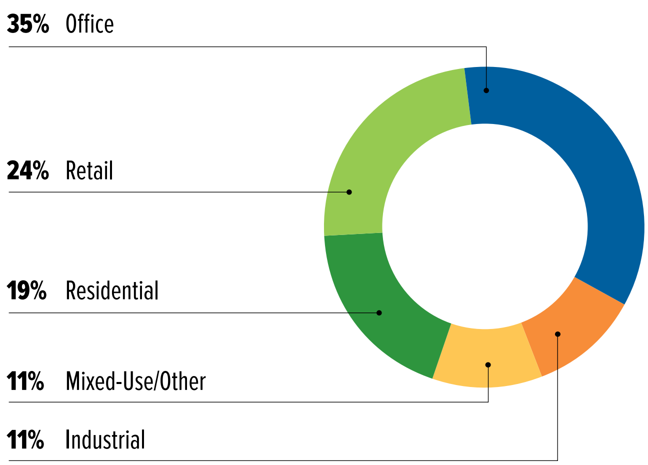
Select transactions

We are an anchor investor in the ***Tishman Speyer Proptech Venture Fund***, making a $30 million commitment. The fund invests in early-stage companies with technologies intended to improve efficiencies in real estate and construction processes. We expect these companies will create solutions to better manage our investments.

We also increased allocations to existing strategic partners. We pledged an additional US$500 million to ***Tishman Speyer Separately Managed Account 2.0***, to invest in strategic value add and build-to-core opportunities as part of a portfolio of office, mixed-use and multi-residential assets in major U.S. markets. We also allocated an additional US$400 million to our ***WPT Industrial joint venture***, which is aggregating a portfolio of industrial properties in strategic U.S. logistics markets through development, redevelopment, and value add strategies.

Real Estate Distribution by Property Type

As of Dec. 31, 2022



GLOBAL INFRASTRUCTURE

We invest in high-quality infrastructure assets across regions and sectors, notably in the energy transition, transportation, utilities, social and telecom sectors. These investments are expected to generate long-term, inflation-sensitive returns for clients through stable income and capital appreciation.

We invest in a variety of ways: direct deals; co-investments alongside strategic partners; and through external funds. Our strategic partners provide access to direct deals and regional or operational expertise. We invest with like-minded investors in high quality assets that include meaningful governance and aim to create value through active asset management.

Our direct investments portfolio grew to 10 at year-end, from nine at the end of 2021, after the completion of two acquisitions and the divestment of a non-strategic investment.

With our strong focus on ESG, the portfolio enables our clients to take part in the global transition to a low-carbon economy. For example, our portfolio company euNetworks, a European bandwidth infrastructure provider, joined The Climate Pledge in 2022, setting science-based emission reduction targets and committing to being carbon net zero by 2040, while Pulse Clean Energy, our U.K.-based energy storage company, is helping to decarbonize the U.K. power grid with utility-scale batteries.

Performance

As of Dec. 31, 2022

Net Investments (C$ billions)	1-Year Return			3-Year Return		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$8.6	7.4%	(3.7%)	11.1%	7.0%	1.7%	5.3%
BENCHMARKS:						
Dow Jones Brookfield Global Infrastructure Index						

Key performance drivers

Our strategy to invest in high-quality companies, management teams, and fund managers delivered strong performance in 2022. Investments in utilities and energy-focused businesses performed well in an inflationary and increasing yield environment.

Our investments in digital infrastructure assets benefited from strong sector tailwinds. Our key fund partners also capitalized on the changing macro-economic environment, for example by selling investments in the energy and logistic sectors at attractive valuations. Pulse Clean Energy benefited from greater energy price volatility in 2022, as it gained from high peak pricing experienced in the U.K.

Select highlights

IMCO launched the Infrastructure Pool in 2022, our first private market pool. This is a significant milestone, as it forms the structural and operational foundation for subsequent private market pools, such as private equity and real estate. Through the Infrastructure Pool, we manage approximately $8.4 billion of client assets.

In terms of transactions, we made sizeable direct investments and partnered with additional fund managers to complement our funds portfolio.

We closed the acquisition of ***AusNet Services Limited*** in 2022 with our consortium partners. AusNet, a regulated energy utility in the state of Victoria, Australia, is IMCO's largest infrastructure investment and our first take-private transaction. AusNet will play a leading role in helping the state achieve its net zero by 2050 commitment.

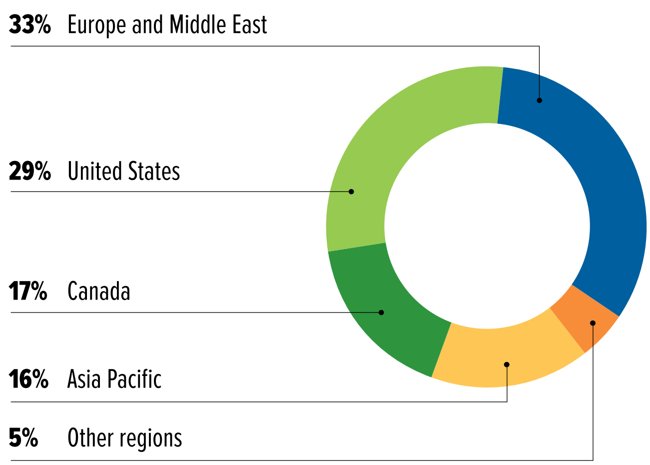
We committed to invest $552 million in ***Antin Fund V***, which will target sectors in which Antin has established operations and significant expertise, specifically transport, energy and environment, telecom and social infrastructure – including opportunities in education, specialist care facilities and diagnostics facilities. This investment benefits our clients by diversifying the infrastructure assets in our portfolio.

We invested US$450 million in ***DataBank***, a leading U.S. digital infrastructure operator, in partnership with global infrastructure investors. With more than 65 purpose-built data centres in U.S. metro areas, Databank provides cloud, colocation, connectivity and managed services to enterprise and telecommunication customers. It is well-positioned to capitalize on future growth in digital infrastructure and in particular, the growing demand for latency sensitive applications.

We committed to invest $455 million in the ***Macquarie GIG Energy Transition Solutions Fund*** to accelerate our investments in the global energy transition. This fund will invest in sustainable infrastructure assets that are expected to produce attractive risk-adjusted returns and meaningful social impact.

Infrastructure Distribution by Geography

As of Dec. 31, 2022



GLOBAL CREDIT

We invest in a wide range of credit market segments including public and private credit, investment grade and high-yield credit, and real asset, emerging market, and special situations credit.

We seek to provide clients with a well diversified global credit portfolio that provides higher risk-adjusted returns than traditional fixed income, as well as diversification benefits to our clients' total portfolios.

IMCO's public equities, global credit, and private equity teams collaborate closely on multi-asset-class opportunities, with the ability to customize capital solutions for companies in our target areas and deliver unique benefits to clients.

Performance

As of Dec. 31, 2022

Net Investments (C$ billions)	1-Year Return			3-Year Return		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$6.8	(7.7%)	(12.8%)	5.1%	1.8%	(2.1%)	3.9%

BENCHMARKS:
40% ICE Bank of America Global Corporate Index
60% ICE Bank of America Global High Yield Index

Key performance drivers

Our outperformance was driven mainly by the allocations to private and alternative credit, especially from our distressed debt and private real estate debt holdings.

We allocated capital to public and private credit, including mid-market loans, capital solutions and infrastructure, and continued to focus on broader investment opportunities by underwriting direct investments.

Within private credit, our external managers continued to build exposures across a range of market segments including direct middle market lending, real estate, infrastructure, and distressed/special situations. Our private debt funds' allocation to floating exposure mitigated downside interest rate volatility and allowed them to outperform during the broad market selloff as rates rose.

Our strategic partnerships helped us to access complex investment opportunities and diversify the portfolio, with allocations to direct lending, infrastructure credit, distressed debt, alternative credit, and healthcare royalties financing.

Select transactions

We made sizeable commitments to several partners and funds, including:

A total of US$1 billion to two of the world's leading global credit managers, ***Loomis, Sayles & Co. and Beach Point Capital Management***. These are new partners for IMCO, and give our clients access to investment grade debt, high-yield bonds, structured credit and leveraged loans, further diversifying their assets with the opportunity to earn attractive risk-adjusted returns.

Up to US$200 million in the ***Carlyle Credit Opportunities Fund III***. This provides access to special situations credit and opportunities fueled by a rapidly shifting macroeconomic environment. The fund will invest in illiquid/private credit and seeks to generate income with strong downside protection.

Up to US$300 million in the ***Blackstone Green Private Credit Fund III***, a US$7.5 billion fund formed by Blackstone Alternative Credit Advisors. The fund will provide flexible credit capital to companies and assets in renewable energy, the energy transition, and climate change solutions.

We also made two key commitments to invest in infrastructure debt:

Up to US$300 million in ***Brookfield Infrastructure Debt Fund III***. This investment will add incremental yield and diversification through exposure to hard assets with contracted cash flows (utilities, renewable power, transportation, midstream energy) outside North America.

Up to US$300 million to ***Ares' Infrastructure Debt Fund V***. This fund aims to address the substantial gap between planned and required investment to improve or replace aging infrastructure in developed markets.

PUBLIC MARKET ALTERNATIVES

With the flexibility to invest in a variety of mandates, our public market alternatives (PMA) strategy diversifies the total IMCO portfolio aims to enhance risk-adjusted returns for our clients. It can contain global macro, active currency and commodity mandates, equity market neutral and event-driven investments, as well as credit relative-value, arbitrage, and other diversifying strategies such as royalties and insurance-linked securities.

We seek to outperform traditional asset classes on a risk-adjusted basis, while keeping low risk sensitivity to equity markets. Our internal expertise is augmented by select relationships with world-class external managers who have a proven and sustainable advantage.

Performance

As of Dec. 31, 2022

Net Investments (C$ billions)	1-Year Return			3-Year Return		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$4.9	1.9%	3.6%	(1.7%)	2.4%	1.8%	0.6%

BENCHMARKS:

Public Market Alternatives Custom Benchmark

Key performance drivers

PMA's multi-asset mandate, and a balance of directional and relative value strategies, helped to deliver diversifying positive returns and manage broad market risks and exposures for clients. Our discretionary macro strategies posted strong gains, driven by active views on bonds, equities, and commodities. Our equity long/short and credit relative value strategies protected capital during the broad equity market selloff and a difficult credit environment in which asset prices declined, new credit issues slowed, and market liquidity decreased.

In an era of tighter monetary policy, active investment management and downside protection took on greater importance and alternative strategies proved useful in such an environment.

Select highlights

We built a diversified allocation to liquid strategies that provided diversification, protected capital, and earned a positive return in the difficult market environment. Active investment strategies are expected to benefit from more dislocations and relative value opportunities in the markets.

Our active commodity strategy navigated volatile commodity markets and delivered strong gains. While commodities initially benefited from supply pressures in critical markets such as oil, gas, and power due to the Russia-Ukraine war, this gave way to concerns over recession-driven demand destruction and global commodity prices subsequently fell.

Our decision to stay away from trendy themes (such as risky technology stocks, special purpose acquisition companies and cryptocurrencies) paid off, as these assets were hit particularly hard.

PRIVATE EQUITY

We invest primarily in private companies and funds, diversified across sectors, vintages and geographies. Our objective is to generate attractive risk-adjusted returns for our clients through long-term capital appreciation that outperforms public equities returns.

We have, and continue to build, long-term relationships with strategic partners around the world, offering IMCO clients efficient access to investment opportunities. We complement our fund commitments with direct and co-investments, which among other benefits help to realize significant cost savings.

IMCO's public equities, global credit, and private equity teams collaborate closely on multi-asset-class opportunities, with the ability to customize capital solutions for companies in our target areas.

We started a small co-investment program in 2022 (for lower dollar value co-investments alongside strategic fund partners) to nimbly deploy more capital across a greater number of smaller investment positions. This reduces risk through greater portfolio diversification, improves deal flow and generates cost savings through reduced fees. We remain ready to invest in large opportunities when we have strong conviction in the investment case and can obtain governance rights.

Performance

As of Dec. 31, 2022

	1-Year Return			3-Year Return		
Net Investments (C$ billions)	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$5.9	12.0%	(9.1%)	21.1%	21.4%	5.1%	16.3%
BENCHMARKS:						
Private Equity Custom Benchmark						

Key performance drivers

Despite the turbulent market environment, our private equity portfolio performed well. One of the biggest contributors to performance was the sale of VersaCold Logistics Services in August 2022. IMCO acquired VersaCold alongside TorQuest Partners and OPTrust in 2020, and as an owner, we were involved in multiple initiatives to increase the company's value, including ESG initiatives. IMCO sold this stake for approximately three times the amount that we invested, and a 100%+ net IRR based on the expected upfront payment at closing.

Other strong contributors for the year included Kohlberg Fund IX and North Haven Fund VII, managed by two of our strategic partners. This was offset by a reduction in the value of our publicly traded shares in Corsair Gaming Inc.

The fundraising environment became more difficult for venture capital/growth equity companies, to which IMCO has selective exposure. Fundamental performance and operational improvement initiatives at our underlying portfolio companies remained positive.

Select transactions

We invested capital throughout the year, closing 12 direct and co-investment deals worth over $500 million across a broad set of companies, and committing over $2 billion to existing and new strategic partners, which are expected to drive significant direct deal flow in future.

We invested in ***CDK Global Inc.***, a leading software provider to North American auto dealerships, which formerly traded on the NASDAQ. This investment was made in partnership with Brookfield Capital Partners, a new strategic partner. Taking the company private offers opportunities to build on its position as a leading software provider to auto and non-auto dealerships by enhancing its services and productivity.

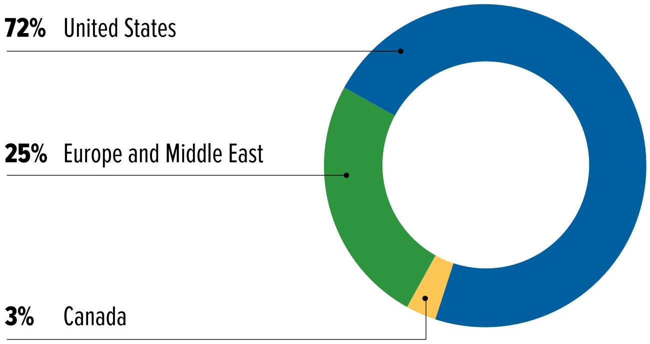
We committed $100 million to ***Apax Global Impact Fund I***, managed by Apax Partners. This is a new partnership for IMCO, and the first private equity investment in an impact fund. Apax defines "impact" as positive societal and/or environmental impact generated by a company's core business activities as well as how the company is managed from an ESG perspective. Apax focuses on themes that include environment and resources, health and wellness, social and economic mobility, as well as technology businesses that enable impact in those three themes.

Alongside Peloton Capital and KKR, two of our existing strategic partners, we co-invested in ***123Dentist***, a Canadian dental support organization, as part of its merger with Altima Dental. Dental services are less affected by the ups and downs of economic cycles.

Alongside Kohlberg & Company, a strategic partner since 2020, we co-invested in ***Trinity Life Sciences***, a company that helps bring new drugs to market by providing consulting and analytics services. The critical nature of its services makes it resilient to various economic cycles. IMCO has completed four co-investments alongside Kohlberg.

Private Equity Distribution by Region

As of Dec. 31, 2022



ESG AT IMCO

We know that considering ESG issues can improve risk-adjusted investment results for our clients. Stakeholders want greater transparency on how organizations are managing ESG risks, notably climate change, in their business strategies.

By identifying and managing material ESG risks and opportunities in our investment strategies, we are positioning our investment portfolios for the future.

2022 HIGHLIGHTS

We published our first ESG report in 2022. It described our responsible investment governance, ESG beliefs, policies, and approach to identifying and managing material ESG risks and opportunities in our investment strategies. The report also included our first response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), showing how we integrate climate-related risks and opportunities into our investment process. We will continue to align our approach with the TCFD recommendations and will update our disclosures accordingly in future years.

Our ESG report, *Adapting to a Changing World*, is available at www.imcoinvest.com.

CLIMATE ACTION PLAN AND TARGETS

We recognize the urgency of climate change. Managing climate-related risks and opportunities and supporting the global transition to a net zero emissions economy are priorities. We manage both the physical and transition risks associated with climate change and seek opportunities to earn returns for clients in our portfolios.

Following our 2021 commitment to reach net-zero emissions in our portfolio by 2050 or sooner, we published a Climate Action Plan in November 2022 that set interim targets for emission reductions and a target for investments in climate solutions.

Our Climate Action Plan and interim targets for 2030 are consistent with science-based net zero pathways aimed at achieving the 1.5°C temperature goal of the Paris Agreement and net zero emissions by 2050.

The four tenets of our climate strategy and related targets are:

1. **CAPITAL DEPLOYMENT:** We pursue climate-positive and transition investment opportunities, emphasize low-emission investments and support companies in preparing for the net zero transition.

   INTERIM TARGET: IMCO targets 20 per cent of the portfolio to be invested in climate solutions by 2030. These are defined as companies or projects that derive most of their business from products and services such as renewable energy, alternative fuels, clean technology and transportation, recycling, pollution prevention, green buildings, and adaptation. Eligible assets are consistent with those defined in the International Capital Market Association's Green Bond Principles.

2. **PORTFOLIO MANAGEMENT:** We focus on further integrating climate-related risks and opportunities into our investment decision-making processes, and continuously monitor climate risk across our portfolio. We will prioritize partnerships with external managers that have made, or plan to make, net zero commitments and increase investment in companies with net zero commitments.

   INTERIM TARGET: IMCO targets a reduction in portfolio carbon emissions intensity of 50 per cent by 2030, as measured against our 2019 baseline. This target is consistent with science-based net zero pathways in line with the 1.5°C temperature goal of the Paris Agreement and net zero emissions by 2050. We calculate financed emissions in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard.

3. **ASSET OWNERSHIP:** We engage with external managers and portfolio companies to establish Paris-aligned plans, report on and reduce emissions. We vote at shareholder meetings to encourage companies to manage climate-related risks and opportunities and collaborate with like-minded investors and policymakers to drive collective climate action.

4. **CLIMATE GUARDRAILS:** We mitigate risk using climate guardrails, which limit our exposure to investments that are incompatible with a net zero future.

   We will phase out new investment commitments in development of new unabated fossil fuel assets, in line with appropriate global, science-based scenarios and limit exposure to investments in thermal coal mining and Arctic drilling.

NEW GUIDELINES

We developed two new guidelines in 2022 to guide our engagement and sustainable investing actions and to be transparent about how we manage ESG issues on our clients' behalf.

IMCO's **Stewardship Guideline** discloses our approach for engaging with investee entities on material ESG issues. We use the Principles for Responsible Investment (PRI) definition of stewardship, which is "the use of influence by institutional investors to maximize overall long-term value including the value of common economic, social and environmental assets, on which returns, and clients' and beneficiaries' interests depend." Our stewardship activities seek to influence portfolio companies and external managers to adopt sustainable business practices that are consistent with long-term value creation, which includes management of ESG risks and opportunities. As a member of the International Corporate Governance Network (ICGN) and the Canadian Coalition for Good Governance (CCGG), we endorse those groups' stewardship principles.

IMCO's **Sustainable Investing Guideline** outlines the approach we use to define investments as "sustainable solutions" and map them to the relevant UN Sustainable Development Goals (SDGs). The 17 SDGs were adopted by all UN member states in 2015. IMCO defines sustainable solutions as companies or projects that derive at least 50 per cent of their business from products or services that provide climate solutions or social solutions (in line with the Green Bond Principles and Social Bond Principles developed by the International Capital Market Association). Companies that are involved in significant ESG controversies or cause significant harm are not eligible for inclusion as sustainable solutions.

These new guidelines complement IMCO's **Proxy Voting Guideline**, which was updated in 2022. It outlines how IMCO generally votes proxies on corporate governance issues, and describes our expectations on climate change, diversity, equity and inclusion, and governance of sustainability risks. For more detail, see our guidelines at www.imcoinvest.com.

RISK MANAGEMENT

We believe that managing risk is central to investing well. IMCO is building a risk-aware culture with superior capabilities in the governance, identification, measurement, assessment, prioritization, management, reporting, and monitoring of all risks.

A risk-aware culture is set by the "tone from the top." All of us at IMCO are risk managers – assessing risk is a complex task and we believe no one person has all the answers. We work together as a team to solicit multiple views and our risk team works closely with other support and oversight-related functions.

We have a structured risk management framework, effective policies and processes, and training to promote desired behaviours and help drive performance.

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.

INVESTMENT RISK MANAGEMENT

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

Our investment risk management group has two distinct roles: one is to be a partner with the investment teams by providing independent risk reviews and monitoring compliance, and the other is to provide investment risk research and thought leadership.

1

INVESTMENT RISK SUPPORT:

This function acts as a liaison between the IMCO internal investment teams and the investment risk research function. The team facilitates transaction reviews from a risk perspective, performs limit monitoring and helps with asset class modeling, working closely with the investment teams while still maintaining independence.

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 monitor, assess, and seek to proactively identify and understand risks within our investment strategies and at the total portfolio level. This is to ensure we are appropriately compensated for intended risks, while avoiding or mitigating risks that are unintended and uncompensated.

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

Managing through 2022 market events

We continued to enhance investment risk management capabilities in 2022 to protect our clients' capital. Market-impact events provided important lessons through the year about the importance of stress testing to understand various risks and maintaining sufficient liquidity to avoid having to sell assets at depressed prices to cover obligations. Heightened volatility in markets was driven by many events, including:

- the Russia-Ukraine conflict
- the rout in both equity and bond markets
- the pullback in risk capital, particularly affecting the technology sector and emerging markets
- cryptocurrency losses and bankruptcy of crypto exchange FTX
- U.K. pension plans' scramble for liquidity when gilt yields spiked

Through the year, we increased the number and types of stress testing and scenario analysis performed, expanded our liquidity analysis and monitoring, and in the wake of Russia's invasion of Ukraine, performed additional country risk analysis to ensure we only have desired country exposures.

Stress testing and scenario analysis

We examined the potential impacts of inflation and interest rate risks on our client portfolios. Different but complementary analyses were conducted, such as scenario analysis, historical stress tests, risk factor analysis and economic sensitivity analysis.

We did deep dives into portfolios to determine the true drivers of risk and return, and how each factor contributes to overall portfolio risk. We performed prospective stress tests in which a specific market shock was applied in isolation (for example, a 10 per cent drop in commodities prices) or multiple market shocks were applied concurrently (for example, how the combination of economic stagnation and inflation would affect currencies, credit spreads, equities, and term structure).

Liquidity monitoring

Lower return expectations have forced many investors to consider higher allocations to illiquid and higher-risk assets. Such assets are attractive because they offer the prospect of higher returns and additional diversification in the portfolio. However, illiquid assets come with added complexities that cannot be captured in a traditional asset allocation approach. We continued to build on our framework for managing liquidity across asset classes and improved our liquidity metrics to include further historical stressed environments.

ENHANCEMENTS IN 2022

Risk and total portfolio management system

In addition to the expanded analysis and monitoring described previously, we made significant progress toward setting up a new risk and total portfolio management system. Implementation began in early 2022, and the new system is expected to lead to a more risk-aware business and support future initiatives, new asset classes and new products. It will also provide better transparency into tail risks, improve our total portfolio management services for clients and streamline our operations. Most of the implementation was completed, with some portions of the system going live in December 2022. The remainder of the implementation is scheduled for early 2023.

Leverage framework and governance

As our clients adopted leverage for the first time, we designed a framework and guideline for how leverage should be deployed, managed, measured and monitored at IMCO. It sets out client responsibilities for setting targets at the client level, as well as type, limits and measurements of leverage at the pool level.

We also monitored regulatory developments around leverage from the Canadian Association of Pension Supervisory Authorities. We support the use of principles-based approaches for monitoring and managing leverage-related risks.

Risk reporting

We designed new asset class quarterly reports, based on stakeholder input, which are used as a tool to monitor overall risk taking and engage with IMCO's deal teams and clients (and IMCO Board as needed). The reports combine detailed quantitative information with higher level commentary spanning market risk, credit risk, liquidity risk and concentrations. We also continued to enhance our risk reporting through business intelligence tools to allow for dynamic, on-demand risk information.

Environmental stress testing

We rolled out a scenario analysis framework for capturing the impact of climate change on our client portfolios. The Climate Value-at-Risk (VaR) reports capture the impact of both transition and physical risks and allow our teams to advance our ESG objectives by understanding how climate risks might impact the assets we manage. We use scenario analysis to capture assumptions about economic growth, climate policy, technological advances and the potential effect on asset prices. The analysis looks at 2050 and 2100 time horizons.

ASSESSING INVESTMENT RISK

We assess investment risk from several perspectives. There is no single risk metric that generates all insights necessary to make an investment decision or assess performance. IMCO measures and analyzes several risk metrics within each risk category.

Market risk

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

The risk of financial loss arising from the default of 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. Exposures are netted to reflect International Swaps and Derivatives Association agreements in place and, where applicable, collateral is incorporated to reflect the risk mitigation in place. Exposures are monitored and reported daily. IMCO has checks and balances to ensure that counterparties are suitable and financially sound and uses limits 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 use third party analytics to map these investments into rating groups based on dozens of financial indicators.

Liquidity risk

The risk that IMCO cannot meet a demand for cash or fund its obligations as they come due.

Ensuring adequate liquidity prevents the fund from having to sell assets 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 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. While we monitor and assess various dimensions of risk and, where relevant, aggregate portfolio-level risks, 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 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 IMCO Board to ensure that the total level of risk is managed appropriately.

The ERM team seeks practical and effective ways to help the organization identify, understand, assess, prioritize, manage, govern, monitor, and report non-investment risks.

Operational risks – those arising from inadequate or failed internal processes, people, and systems or from external events – span the organization. IMCO's ERM team works closely with other departments to follow consistent risk methodologies, governance, tools, and processes, and to drive desired, consistent behaviours. The team helps foster a risk-aware culture by developing strong trusted partnerships across the organization, participating in various committees and driving formal risk discussions, and contributing to the development and maintenance of risk-related policies, procedures and reporting.

In 2022, the ERM team developed an initial set of key risk indicators (KRIs) and other metrics for select non-investment risks, and these efforts will continue in tandem with the initial development of risk appetite statements in 2023.

We helped strengthen oversight over third parties and vendors to better understand our risk exposures and operational resilience.

IMCO has a sound business continuity management framework and seeks to ensure operational resilience to unplanned events. The business continuity team managed the Rogers Communications Inc. national network outage in July 2022. While this service disruption affected millions of Canadian internet and telecom users, it had minimal operational impact on IMCO. We updated 20 departmental business continuity plans through the year and facilitated planning exercises.

We also partnered with our IT colleagues in the development of IMCO's cybersecurity framework and response plan.

CLIENT SUCCESS

Prioritizing client success is a business strategy and organization-wide philosophy that places clients at the core of our decisions and processes. We are building mutually beneficial long-term relationships with our clients.

We have spent our first five years creating the foundations to provide client service. In the coming years, we aim to develop long-term partnerships with our clients through an aligned, efficient and proactive service model and be their trusted source of investment knowledge, advice and insight. Our organizational focus on enabling clients to achieve their long-term investment objectives is a unifying purpose across IMCO.

In 2022, we took several steps to enhance client engagement, improve financial reporting services, and further develop our private market, research, and ESG capabilities.

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

ENGAGING OUR CLIENTS

IMCO adopted a new service model in 2022, with our Client Relationship Management team becoming the main contact and conduit between our clients and our internal IMCO teams. This has simplified and clarified our interactions and has been well received.

Through the year, IMCO subject matter experts spoke regularly with our clients to help them understand our investment strategies and our financial and operational processes. Our discussions are becoming more strategic and targeted.

CLIENT FORUM

We hosted our second annual Client Forum for clients and prospects, exploring global trends and their investment impact. We hosted the event at our new office space at 16 York St., Toronto. Historian, author, and Bloomberg Opinion columnist Dr. Niall Ferguson delivered the keynote address, followed by a fireside chat with IMCO Chief Strategist Nick Chamie. The forum featured two panels hosted by our in-house experts: One focused on opportunities in the energy transition, and the other examined the opportunities we see across public and private credit spectrum.

We also enriched our client research insights capability and published several strategic reports to educate clients and showcase IMCO's investment approach.

ENHANCED FINANCIAL REPORTING

Enhancing client financial reporting and standardizing these services was a focus for our Client Relationship Management, Finance, and Operations teams in 2022. We collaborated to design the target financial reporting services model, document its design for new clients and prospects, and improve efficiencies and timelines to both manage client expectations and meet their deadlines, while standardizing the framework for financial reporting.

OUR CLIENT BASE

We continue to work on expanding our client base, which will enable us to achieve our vision: to be the investment partner of choice for Ontario's public-sector funds, and among the world's leading public-sector asset managers.

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.

IMCO can provide investment management services to the following entities:

- Crown agencies;
- Corporations, with or without share capital, which 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, which 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.

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.

EMPLOYEE TRAINING ON CLIENT SUCCESS

Our focus on enabling clients to achieve their long-term investment objectives is a unifying purpose for all IMCO employees. Building a culture with client success at its core involves everyone, no matter their role.

That's why all IMCO employees completed an online module, *Fundamentals of Client Success*, in the fall of 2022. This training module focused on the foundational concepts of client success, such as IMCO's unique approach, the importance of building strong relationships, and how to manage client expectations and address concerns.

The overview helped employees on all teams understand how they directly or indirectly affect the experiences our clients have with IMCO, whether they are interacting on financial reporting, research, or advice or discussing ESG strategy. It will be a mandatory module for future IMCO employees, and we plan to roll out additional learning initiatives to make our organization more client-aware and knowledgeable.

CULTURE EVOLUTION

DIVERSITY, EQUITY AND INCLUSION

IMCO believes that diversity, equity and inclusion (DEI) are fundamental to the company's future growth and progress, an integral part of our corporate values and underpin our business activities.

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; and
- all employees feel comfortable bringing their authentic self to work and can reach their full potential.

EMPLOYEE ENGAGEMENT

In 2022, we introduced a new provider for our employee engagement survey. Peakon, an employee listening platform, enables IMCO to foster a better people-first culture while leveraging global industry benchmarks. This first year with Peakon will provide a baseline from which to measure employee sentiment in future years.

In combination with our enterprise action on engagement, this new platform allowed us to see improvement in our net promoter score (eNPS), to +29 in 2022, from -8 in 2021. Our 95 per cent employee participation rate placed IMCO in the top 5 per cent of employers. Key areas of strength from the survey were management support (88 per cent), social wellbeing (84 per cent), meaningful work, freedom of opinion, autonomy (tied at 83 per cent), and inclusiveness (81 per cent).

In our 2021 employee engagement survey, 80 per cent of respondents asked for changes to IMCO's benefits coverage and more flexibility for health and wellness expenses. Through 2022, we worked on making benefits more inclusive to ensure all employees could equally benefit from the package. Improvements will be available in 2023, including an increased paramedical reimbursement limit; a healthcare spending and lifestyle spending account; fertility drug and treatment coverage; and gender affirmation coverage. IMCO acts on our employee feedback, and we are committed to a more inclusive and caring work culture.

2022 DEI ROADMAP

In 2021, IMCO established a Diversity, Equity, and Inclusion Council composed of management and staff, to act as both a resource and a recommending body and ensure the voice of our employees was represented in our work. The council helped to identify our DEI priorities and acted as a liaison to departments as IMCO pursues greater diversity, equity, and inclusion. The DEI council partnered with Human Resources to develop our 2022 DEI strategy, which was built from the foundation of IMCO's corporate objectives and self-disclosure data, along with labour market predictions and socio-cultural factors.

We introduced a new Diversity, Equity and Inclusion Centre on the IMCO intranet, which provides a centralized hub for information and resources including an overview of what DEI means for our organization, links to our DEI mission and vision statements, our DEI roadmap, milestones, and partners. It includes a mailbox for employees to send feedback, voice concerns or ask questions.

HYBRID WORK MODEL

As pandemic health restrictions eased, IMCO's return to office was phased in through the first half of 2022. It started with the senior executive team in March, followed by volunteer employee cohorts from April to May. Employee groups were given office tours of our new space at 16 York St. prior to their return dates.

A resource hub on our company intranet provided detailed information about the new facility as well as hybrid work resources for managers and new employees. In-person schedules vary by team. Employees are in the office between two and five days a week, including a monthly anchor day for all staff.

In a summer 2022 survey, employees gave positive feedback on the return to office process: 95 per cent of respondents said their manager held monthly team meetings (if applicable), 91 per cent said they worked in the office on a schedule that worked for them, and 89 per cent said IMCO maintained a safe environment.

COST EFFICIENT OPERATIONS

OPERATIONAL PROGRESS

Our operational and project management teams advanced key projects and strategies in 2022 to allow IMCO to operate effectively and support the future growth and development of our investment and client service capabilities.

Centralization, process enhancements, workflow and reporting automation, and technology solutions that support operational improvements are required as we internalize asset management, launch additional private asset pools and expand our client base.

LAUNCH OF INFRASTRUCTURE POOL

In 2022, we introduced IMCO's first private markets pool, for infrastructure assets, representing $8.4 billion of client assets.

IMCO previously launched asset pools for public market alternatives and for global, emerging markets and Canadian public equities. By the end of 2022, our pools represented $31.5 billion in assets under management.

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

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

Due to legal agreements and the illiquid nature of private assets, the Infrastructure Pool required development of appropriate legal structures and an asset transition plan to move clients' segregated infrastructure holdings into the pool. We launched the first phase in October 2022, at which point the Infrastructure Pool was operational and capable of supporting new investments. In the second phase we worked with co-investors, partners, sponsors, and advisors to transfer our clients' investments to the pool.

The work done to create and launch the Infrastructure Pool forms the blueprint for other private markets pools, such as the Private Equity Pool.

ASSURANCE OVER INTERNAL CONTROLS – SOC 1 CERTIFICATION

In 2022, IMCO completed the second phase of a multi-year program to become System and Organization Controls (SOC 1) certified. SOC 1 provides independent assurance of IMCO's internal controls that support our clients' financial reporting. We provided our clients with an inaugural SOC 1 Type 2 report, which included a clean audit opinion and concluded that IMCO's controls were adequately designed and operated effectively from Oct. 1, 2021, to Sept. 30, 2022. This followed our clean SOC 1 Type 1 report the previous year, on the design of our internal controls framework.

OPERATIONAL REVIEW

An independent review of our operations was conducted in 2022 to ensure that IMCO is operating effectively and efficiently, in accordance with best practices for Canadian public sector managers in the manner intended, and in the best interests of all stakeholders. The review included the testing of procedures. There were no material findings from this external review. The results provided insights into areas of improvement as our operations continue to grow and mature, and these have been incorporated into our five-year strategic plan. The review report was shared with our clients.

IMCO's Infrastructure portfolio: State-of-the-art, enterprise grade data centre located in downtown Atlanta, Georgia. Images by DataBank.

TECHNOLOGY AND DATA

We worked to advance our systems technology, which includes: implementing software to administer private market assets as an interim solution while we evaluate a long-term private markets portfolio management solution; implementing a new risk and total portfolio management system; and launching a public markets order management system.

Our technology and data teams also:

- supported the launch of online tools/training for all IMCO employees;
- implemented a centrally managed data repository housing account information with standardized taxonomy, which facilitates communication and document exchange, and reduces the risk of error; and
- developed a data management strategy focused on quality (improved governance and stewardship of data) and timeliness (accessibility and vendor partnerships).

CYBER SECURITY

IMCO made significant progress in 2022 on our commitment to manage cyber risk and strengthen our security posture.

As our supplier ecosystem expands, the ability to anticipate, adapt, and recover quickly to cyber incidents is crucial. Cybercriminals use ever more sophisticated tools and technologies to gain access to organizations' information and systems. We continue to invest in technologies, hire additional resources, and test and improve processes and procedures, such as our cyber incident response.

We expanded our security awareness program in 2022 by incorporating security presentations across IMCO and simulating quarterly phishing campaigns so that all employees remain vigilant to potential threats. The human element is the number one cyber risk most organizations face, making continuous phishing campaigns important in maintaining employee awareness of warning signs. We also provided IT employees with cyber training to ensure security is incorporated in foundational design and coding practices.

A cybersecurity table-top exercise was conducted in 2022 with our senior executive team and board of directors. The goal was to validate our incident response plan, as well as identify any areas for improvement. These have been incorporated into the cyber incident response plan.

MANAGING COSTS EFFECTIVELY

OUR FOCUS

IMCO's costs are driven by our clients' strategic asset mix decisions, our corporate objectives, and our investment strategies. Over time, our costs have increased in relation to asset mix strategies and overall AUM, largely due to a shift in our clients' portfolios to more expensive private assets, such as private equity, infrastructure and real estate. Our investment strategy includes engaging a range of strategic partners in our private asset portfolio to complement our internal investment strategies. As a fundamental part of our next five-year strategy, we will continue to build our internal teams to increase the proportion of private assets managed internally, which will mitigate the cost of external investment partnerships and deliver significant cost savings to clients.

In 2022, we invested in several strategic projects to enhance our investment and operational capabilities, create efficiencies, and allow for the onboarding of additional clients. Continuous investment in our capabilities is necessary to meet the evolving needs of our existing clients and attract new ones. We deliver value added services to our clients for less than what it cost before they joined IMCO, including enhanced risk management, performance analytics, portfolio construction and investment reporting support, among others.

COST GOVERNANCE

We understand that costs matter to our clients, and it is one of the things we can control as an investor. Cost consciousness has been embedded in our culture since we opened our doors. Because we operate on a cost-recovery model, we have robust governance over operating and investment management costs. Our budgets are developed with our clients in mind. We continue to ensure that all costs incurred are aligned with our objectives and strategy and drive value for our clients.

We also assess our cost-effectiveness through external benchmarking studies. Results from the 2021 benchmarking study completed by CEM Benchmarking, an independent research firm, indicate that IMCO's costs and staffing level are aligned with our peer benchmark. We continue to use benchmarking data in our long-term financial planning to ensure we deliver on our strategy cost-effectively.

INVESTMENT COSTS

Our costs depend on the types of assets under management, changes to asset mixes, and strategies used to meet client objectives. We also incur costs to maintain business operations. The table below describes 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 investments or access specific strategies.
Custodial Fees and All Other Investment Management Expenses	Costs 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 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.

2022 COST PERFORMANCE

IMCO's total costs in 2022 were $515.9 million, or 70.4 cents per $100 of AUM, an increase of 7.3 cents compared to the previous year (63.1 cents).

Investment management costs were $342.5 million, or 46.7 cents per $100 of AUM, an increase of 4.4 cents compared to 2021 (42.3 cents). Costs have increased as we continue to drive toward our clients' target asset mix, which represents a shift toward higher-cost private asset classes.

Operating expenses were $173.4 million, or 23.7 cents per $100 of AUM as compared to $156.5 million, or 20.8 cents per $100 in 2021. The increase is primarily due to the growth in our headcount: in 2022, the IMCO team grew from 257 to 328, an increase of 28 per cent. We added people to enhance operational capabilities, internalize our investment strategies and build out systems, all to support the increasing complexity in our client portfolios.

IMCO Real Estate portfolio: 1.2 million square feet of modern, best-in-class logistics space fully leased to a large, global logistics and supply chain company with over 1,000 employees in 35+ countries worldwide, located in Glendale, Arizona. Image by WPT Capital Advisors

2022 COSTS

AVERAGE AUM ($ BILLIONS)	2022 Average AUM $73.3 billion		2021 Average AUM $75.1 billion	
	2022 TOTAL COSTS		2021 TOTAL COSTS	
Cost Items	$ thousands	basis points[1]	$ thousands	basis points[1]
Investment Management Expenses				
External management fees[2, 3]	321,367	43.8	291,039	38.8
Custodial fees and all other investment management costs[4]	21,105	2.9	26,172	3.5
Total Investment Management Expenses	**342,472**	**46.7**	**317,211**	**42.3**
Operating Expenses				
Compensation and benefits	119,983	16.4	109,227	14.5
Other operating costs	53,449	7.3	47,271	6.3
Total Operating Expenses	**173,432**	**23.7**	**156,498**	**20.8**
Total Costs	**515,904**	**70.4**	**473,709**	**63.1**

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

2 External management fees include 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-funds structures. External management fees exclude performances 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 statements include the invoiced external investment management fees incurred on IMCO's pool funds. The note disclosures in the financial statements only report the cash payments during the period for invoiced amounts on clients' segregated assets 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.

SECTION 3

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 transparency in our investment approach.

IMCO's Investment Approval Policy sets out the approval process by the board of directors (Board) 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. This framework, established in 2021, 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 committee is co-chaired by senior members of the Investments and Investment Risk teams. 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.

In 2022, the Board consisted of nine directors, with the chair and two other directors appointed by the Minister.

The Minister of Finance re-appointed Brian Gibson and Geoffrey Belsher to three-year terms, expiring March 31, 2025. Five other directors were re-elected to terms of varying lengths:

- Robert Bertram for one year, expiring July 1, 2023;
- Jacqueline Moss for one year, expiring July 1, 2023;
- Eric Tripp for three years, expiring July 1, 2025;
- Vincenza Sera for three years, expiring July 1, 2025; and
- Colleen McMorrow for three years, expiring July 1, 2025.

BOARD COMMITTEES

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

The **Board Investment Committee** (BIC) comprises all 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 BIC 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 and management information systems; (b) monitoring the principal risks of IMCO's business and overseeing the implementation of appropriate systems to manage these risks, including overseeing the appointment of an external auditor and an internal auditor; (c) 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; (d) reviewing IMCO's annual budget, and annual business plan with IMCO management; and (e) 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.

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, including annually reviewing the talent management strategy, significant organizational structure changes and the corporate goals and objectives of the CEO and other executive officers; (b) overseeing IMCO's approach to culture, inclusion, diversity and well-being; (c) 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 (d) 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.

BOARD SKILLS MATRIX

Experience and Expertise	Brian Gibson (Chair)	Geoffrey Belsher	Robert Bertram	Rajendra Kothari	Colleen McMorrow	Jacqueline Moss	Vincenza Sera	Eric Tripp	Eric Wetlaufer
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		■		■	■			■	

BOARD DIVERSITY

IMCO believes that embracing diversity and inclusion enhances corporate governance. IMCO's 2022 Board included three women, or 33 per cent, and 28 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. 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.

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 developed a multi-year diversity, equity and inclusion (DEI) roadmap with a substantial number of commitments delivered in 2022. All programs developed, and current programs in review for 2023, are in alignment with our corporate ESG priorities.

BOARD EVALUATION

The Board has established an annual process for evaluating its performance through the Nominating and 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 and Governance Committee.

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

2022 ACTIVITIES

The Board meets on a regular basis, and not less than once each quarter. There was a total of five Board meetings in 2022, held both in person and virtually.

In addition, there were seven Board Investment Committee meetings; six Finance and Audit Committee meetings; four Human Resources and Compensation Committee meetings; and five Nominating and Governance Committee meetings.

Investment transactions and development of the next five-year strategic plan matters occupied most of the board's attention in 2022.

To delve deeper into select investment, macroeconomic, sustainability and ESG matters, the Board invited the following guests to discuss key topics: H.R. McMaster, former White House National Security Advisor; Mark Carney, Vice Chair of Brookfield Asset Management and Head of ESG and Impact Fund Investing.

IMCO 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	2022 Attendance
Current term to March 31, 2025	
Director, IMCO Board of Directors	5 of 5 meetings
Member *(ex-officio)*, Finance & Audit Committee	6 of 6 meetings
Member *(ex-officio)*, Nominating & Governance Committee	5 of 5 meetings
Member (ex-officio), Human Resources & Compensation Committee	4 of 4 meetings
Member, Board Investment Committee	7 of 7 meetings

2022 REMUNERATION

Annual Retainer	Meeting Fee	Committee Chair Fee
$185,000 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	2022 Attendance
Current term to March 31, 2025	
Director, IMCO Board of Directors	5 of 5 meetings
Member, Nominating & Governance Committee	4 of 5 meetings
Member, Human Resources & Compensation Committee	4 of 4 meetings
Member, Board Investment Committee	7 of 7 meetings

2022 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	2022 Attendance
Current term to July 1, 2023	
Director, IMCO Board of Directors	5 of 5 meetings
Member, Finance & Audit Committee	6 of 6 meetings
Member, Nominating & Governance Committee	5 of 5 meetings
Member, Board Investment Committee	6 of 7 meetings

2022 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 chair of the board of directors at the UHN Foundation and serves on the independent review committee of Brompton Funds, as well as on the boards of The Aga Khan Museum, Jarislowsky, Fraser Limited, MD Growth Investments Limited, and University Health Network.

IMCO Board and Committee Appointments	2022 Attendance
Current term to June 20, 2024	
Director, IMCO Board of Directors	5 of 5 meetings
Member, Finance & Audit Committee	6 of 6 meetings
Member, Human Resources & Compensation Committee	4 of 4 meetings
Member, Board Investment Committee	7 of 7 meetings

2022 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 Chartered Professional 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	2022 Attendance
Current term to July 1, 2025	
Director, IMCO Board of Directors	5 of 5 meetings
Chair, Finance & Audit Committee	6 of 6 meetings
Member, Board Investment Committee	7 of 7 meetings

2022 REMUNERATION

Annual Retainer	Meeting Fee	Committee Chair Fee
$50,000 plus expenses	$1,500	$15,000

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	2022 Attendance
Current term to July 1, 2023	
Director, IMCO Board of Directors	5 of 5 meetings
Chair, Human Resources & Compensation Committee	4 of 4 meetings
Member, Board Investment Committee	6 of 7 meetings

2022 REMUNERATION

Annual Retainer	Meeting Fee	Committee Chair Fee
$50,000 plus expenses	$1,500	$15,000

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	2022 Attendance
Current term to July 1, 2025	
Director, IMCO Board of Directors	5 of 5 meetings
Chair, Nominating & Governance Committee	5 of 5 meetings
Member, Board Investment Committee	7 of 7 meetings

2022 REMUNERATION

Annual Retainer	Meeting Fee	Committee Chair Fee
$50,000 plus expenses	$1,500	$15,000

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 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	**2022 Attendance**
Current term to July 1, 2025	
Director, IMCO Board of Directors	5 of 5 meetings
Member, Nominating & Governance Committee	5 of 5 meetings
Member, Human Resources & Compensation Committee	4 of 4 meetings
Chair, Board Investment Committee	7 of 7 meetings

2022 REMUNERATION

Annual Retainer	**Meeting Fee**	**Committee Chair Fee**
$50,000 plus expenses	$1,500	$15,000

ERIC M. WETLAUFER, CFA, ICD. D

Mr. Wetlaufer has over 35 years of experience as an institutional investor. Most recently, he led 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.

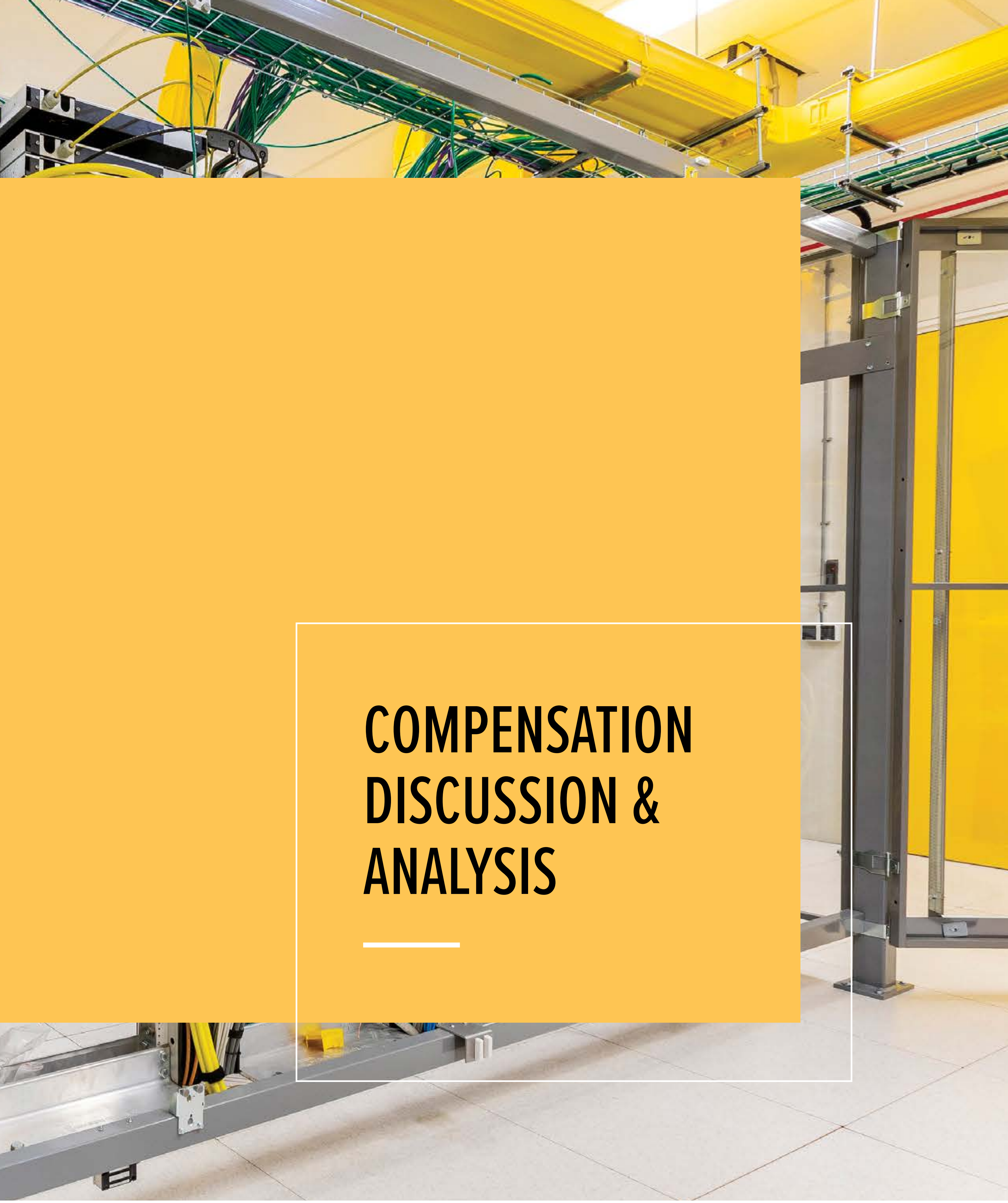
Mr. Wetlaufer is a director, advisor, and investor to a range of public and private companies, with a focus on technology and financial sectors. He is a managing partner of TwinRiver Capital and serves on the board of directors of TMX Group (Toronto), Niyogin Fintech (Mumbai) and Enterra Solutions (Princeton, 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	2022 Attendance
Current term to June 1, 2023	
Director, IMCO Board of Directors	5 of 5 meetings
Member, Finance & Audit Committee	6 of 6 meetings
Member, Human Resource & Compensation Committee	4 of 4 meetings
Member, Board Investment Committee	6 of 7 meetings

2022 REMUNERATION

Annual Retainer	Meeting Fee	Committee Chair Fee
$50,000 plus expenses	$1,500	–

SECTION 4



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 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 and simple 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.

At the beginning of the year, employees receive a Total Incentive Target, which is expressed as a percentage of salary.

Total Incentives are designed to be consistent with investment management market practice, and reward participants for both past and future results tied to the experience of our clients. The Total Incentive Target is multiplied by the Performance Score that takes into consideration both IMCO corporate and individual performance against predetermined criteria. The Total Incentive may pay out in either an Annual Cash Award, or an Annual Cash Award plus a Deferred Cash Award, depending on the eligible employee level.

The Annual 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). Employees receive one third of the award in the first, second and third years of the grant date. During the deferral period, the value of the award will fluctuate with the value of IMCO's total fund performance. This structure is intended to promote longer-term alignment with the organization and to support retention.

PERFORMANCE FRAMEWORK

IMCO has designed and implemented a performance framework that differentiates individual performance related to specific performance objectives, as well as consistent behaviours and values. It also recognizes overall corporate performance, in terms of investment performance and corporate objectives.

IMCO management determines the personal factor for staff below the executive level and the HRCC and Board determine the personal factor for the senior executive team and other key staff, and the overall corporate factor. Effective January 2022, the overall Performance Score will be based on the weighted average of the corporate factor and the individual factor for the CEO and senior executive team members.

EXECUTIVE COMPENSATION

The HRCC reviewed the 2022 objectives, performance evaluation and total compensation for the President & CEO and recommended them to the Board for approval. The HRCC also reviewed compensation and performance evaluations for the senior executive team and all other key staff, including the named executives listed below.

Name and Position	Year	Base Salary	Annual Cash Incentive	Deferred Cash Incentive	All Other Compensation	Total Compensation
Bert Clark, President & CEO	2022	$575,000	$1,329,400	$1,329,400	$94,987	$3,328,787
Rossitsa Stoyanova, Chief Investment Officer	2022	525,000	1,184,400	1,184,400	421,220	3,315,020
Ben De Prisco, Chief Risk Officer	2022	375,000	538,125	538,125	50,722	1,501,972
Allen Garson, General Counsel & Corporate Secretary	2022	375,000	396,563	396,563	55,701	1,223,827
Raneet Aggarwal, Chief Financial Officer *	2022	328,875	283,168	267,585	97,205	976,833

* Appointed July 1, 2022

SECTION 5

FINANCIAL STATEMENTS

December 31, 2022

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, 2022, 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, 2022, 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 2, 2023

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

		2022		2021
Assets				
Cash	**$**	**47,274**	$	48,477
Accounts receivable *(note 5)*		**42,930**		37,468
Prepaid expenses		**2,853**		573
Right-of-use asset, net *(note 8)*		**33,121**		37,777
Capital assets, net *(note 7)*		**14,993**		15,787
Total assets	**$**	**141,171**	$	140,082
Liabilities and members' surplus				
Accounts payable and accrued liabilities *(note 4)*	**$**	**89,011**	$	83,862
Lease liabilities *(note 8)*		**37,167**		40,323
Deferred recovery of costs *(note 7)*		**14,993**		15,897
Total liabilities		**141,171**		140,082
Commitments *(note 9)*				
Members' surplus		**—**		—
Total liabilities and members' surplus	**$**	**141,171**	$	140,082

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)

		2022		2021
Revenue				
Recovery of costs	**$**	**252,678**	$	216,615
Interest income		**1,060**		286
		253,738		216,901
Expenses				
Compensation and benefits		**119,983**		109,227
External investment management and product costs		**79,245**		60,116
Information technology and data costs		**19,056**		18,427
Professional services		**21,726**		18,014
General, administrative, and other		**7,302**		5,454
Depreciation *(notes 7 and 8)*		**6,426**		5,663
		253,738		216,901
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)

		2022		2021
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)

	2022	2021
Operating activities		
Net operating surplus for the year	**$ —**	$ —
Add (deduct) items not affecting cash:		
Depreciation on capital assets *(note 7)*	**1,986**	1,219
Depreciation on right-of-use asset *(note 8)*	**4,440**	4,444
Net change in non-cash working capital balances related to operations:		
Change in prepaid expenses	**(2,280)**	(19)
Change in accounts receivable	**(5,462)**	(19,200)
Change in accounts payable and accrued liabilities	**5,149**	18,488
Change in deferred recovery of costs	**(904)**	445
Cash provided by operating activities	**2,929**	5,377
Investing activities		
Purchase of capital assets *(note 7)*	**(1,192)**	(1,232)
Cash used in investing activities	**(1,192)**	(1,232)
Financing activities		
Lease incentive allowance received *(note 8)*	**1,483**	1,741
Rent paid on lease liabilities – principal portion *(note 8)*	**(4,423)**	(4,230)
Cash used in financing activities	**(2,940)**	(2,489)
Net increase (decrease) in cash during the year	**(1,203)**	1,656
Cash, beginning of year	**48,477**	46,821
Cash, end of year	**$ 47,274**	$ 48,477

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022
(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 March 2, 2023.

(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 receivable 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 account 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 amount is 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 lease 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 estimates 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. The 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 the Plan.

The Plan Sponsor is responsible for ensuring that the 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 compensation and benefits. The expected contributions for the Plan for fiscal 2023 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 instalments 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

	2022	2021
Trade payables and other accruals	$ 38,698	$ 34,591
Compensation and benefits accruals	50,313	49,271
	$ 89,011	**$ 83,862**

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 2022, total expense related to the STI was $32,805 (2021 – $24,245) and for the LTI was $13,061 (2021 – $7,869), respectively, which are reported under compensation and benefits in the statement of operations.

5. Related party transactions

As at December 31, 2022, included in cash and accounts payable and accrued liabilities is $7,265 (2021 – $9,227) relating to agency fees collected from clients, but not yet billed by external vendors.

As at December 31, 2022, 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 $42,685 (2021 – $36,575), plus HST. The remainder relates to miscellaneous receivables for various charges paid on behalf of Clients.

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, are not liabilities of the Corporation. These fees are collected from the Clients and subsequently paid to external vendors upon receipt of billings.

	2022	2021
Agency fees collected from members	$ 126,168	$ 198,311
Agency fees paid or payable on behalf of members		
Investment management fees	120,534	190,629
Custodial and other investment related fees	5,634	7,682
	$ 126,168	**$ 198,311**

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, 2022, the legacy banked vacation liability was $329 (2021 – $329).

Remuneration of key management personnel and directors is as follows:

	2022	2021
Key management personnel and directors	$ 12,206	$ 20,032
	$ 12,206	**$ 20,032**

Notes 7 and 8 describe 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, 2022 was $11,845 (2021 – $10,246).

As at December 31, 2022 and December 31, 2021, there were no amounts drawn on any letters of credit.

7. Capital assets

Capital assets consist of the following:

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance, December 31, 2021	$ 930	$ 2,571	$ 13,183	$ 16,684
Additions	—	442	750	1,192
Balance, December 31, 2022	**$ 930**	**$ 3,013**	**$ 13,933**	**$ 17,876**
Accumulated depreciation				
Balance, December 31, 2021	$ 82	$ 115	$ 700	$ 897
Depreciation expense	177	287	1,522	1,986
Balance, December 31, 2022	**$ 259**	**$ 402**	**$ 2,222**	**$ 2,883**
Net book value				
As at December 31, 2021	$ 848	$ 2,456	$ 12,483	$ 15,787
As at December 31, 2022	**$ 671**	**$ 2,611**	**$ 11,711**	**$ 14,993**

The computer equipment, furniture and fixtures, and leasehold improvements all relate to the 16 York St., Toronto ("16 York") office premises. Effective July 1, 2021, depreciation commenced on the 16 York capital assets upon its completion and available for use and occupancy. Notes 8 and 9 include additional details on the 16 York lease.

As at December 31, 2022, 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 $14,993 (2021 – $15,897) 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 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 during the year is set out below:

	2022		2021	
	Right-of-use asset	Lease liabilities	Right-of-use asset	Lease liabilities
Balance, beginning of year	$ 37,777	$ 40,323	$ 42,221	$ 42,812
Depreciation expense	(4,440)	—	(4,444)	—
Interest expense	—	717	—	942
Lease payments	—	(5,140)	—	(5,172)
Lease incentive allowance received	—	1,483	—	1,741
Other	(216)	(216)	—	—
Balance, end of year	**$ 33,121**	**$ 37,167**	**$ 37,777**	**$ 40,323**

9. Lease commitments

The 16 York lease 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, 2022, the minimum annual cash payments related to non-cancellable lease commitments for the 16 York office premises are as follows:

	2022	2021
Within one year	$ 5,633	$ 5,844
After one year but not more than five years	23,816	23,635
More than five years	15,568	21,594
	$ 45,017	**$ 51,073**

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 receivable 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.

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