IMCO
Investment Management Corporation of Ontario

2022 ESG REPORT

Focused on the future

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ABOUT IMCO

SECTION 1

ABOUT IMCO

The Investment Management Corporation of Ontario (IMCO) was designed to drive better investment outcomes for Ontario's broader public sector and manages more than $73 billion of assets on behalf of our clients. Led by an experienced management team and guided by a professional board of directors, we are an independent organization with a public 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.

OUR 2022 ESG PROGRESS

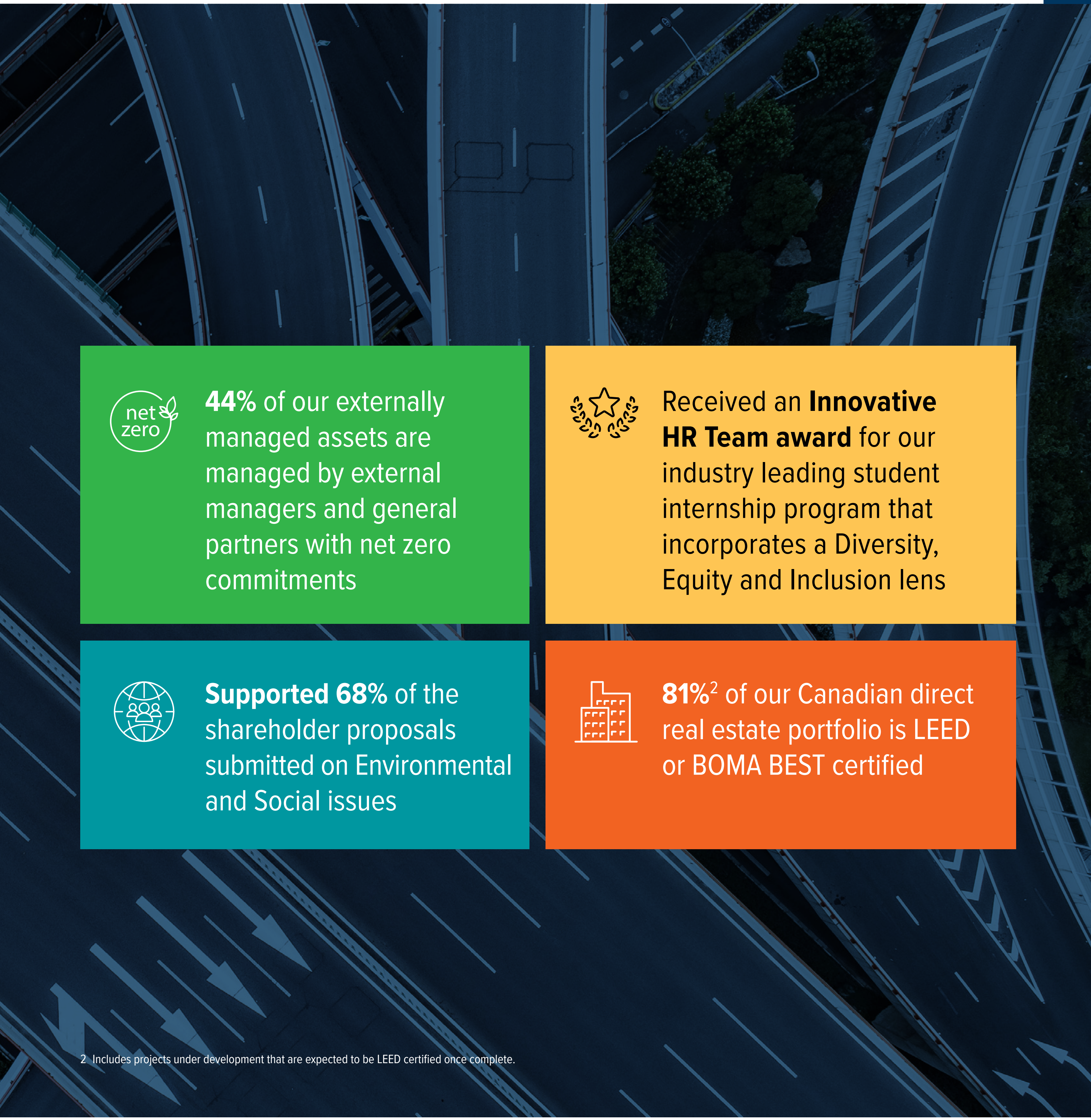
Committed to a **50% reduction** in portfolio carbon emissions intensity by 2030, as compared to our 2019 baseline

Committed to **investing 20%** of our portfolio in climate solutions[1] by 2030

Reduced our portfolio carbon emissions intensity by **40% since 2019**

Invested 11% of total AUM in climate solutions

1 Climate solutions are investments in companies or projects that derive most of their business from products or services that reduce emissions or otherwise mitigate climate change effects.



44% of our externally managed assets are managed by external managers and general partners with net zero commitments

Received an **Innovative HR Team award** for our industry leading student internship program that incorporates a Diversity, Equity and Inclusion lens

Supported 68% of the shareholder proposals submitted on Environmental and Social issues

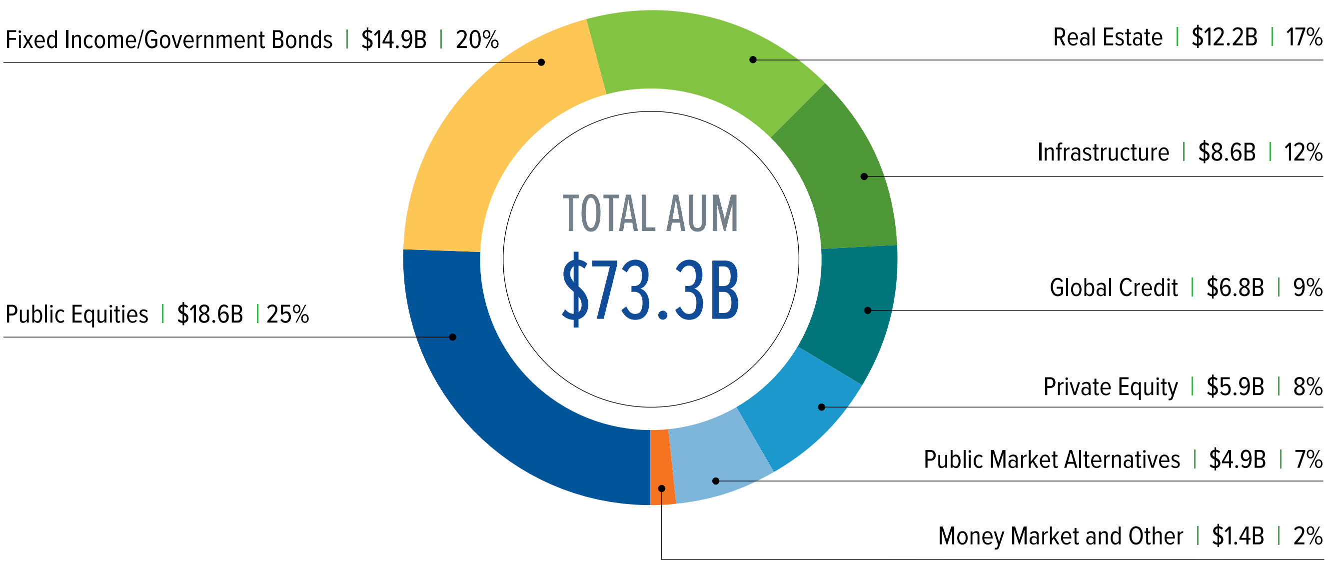
81%[2] of our Canadian direct real estate portfolio is LEED or BOMA BEST certified

2 Includes projects under development that are expected to be LEED certified once complete.

IMCO PORTFOLIO IN BRIEF

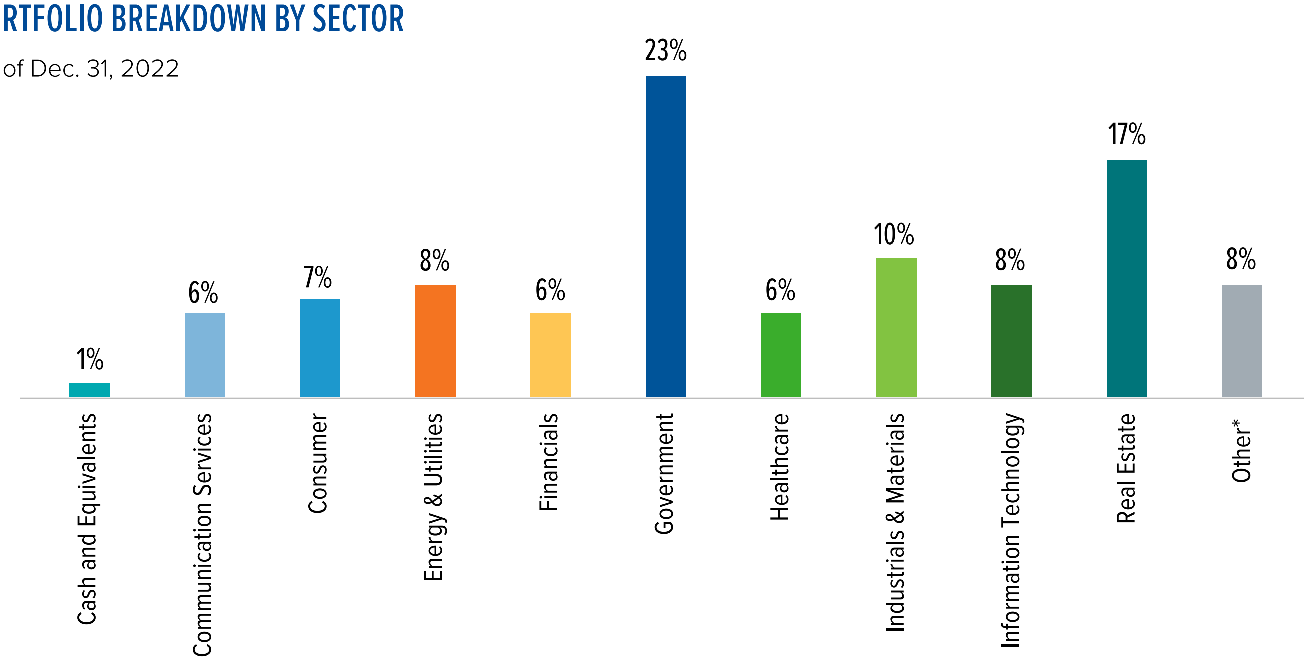
ASSETS UNDER MANAGEMENT BY ASSET CLASS

As of Dec. 31, 2022



PORTFOLIO BREAKDOWN BY SECTOR

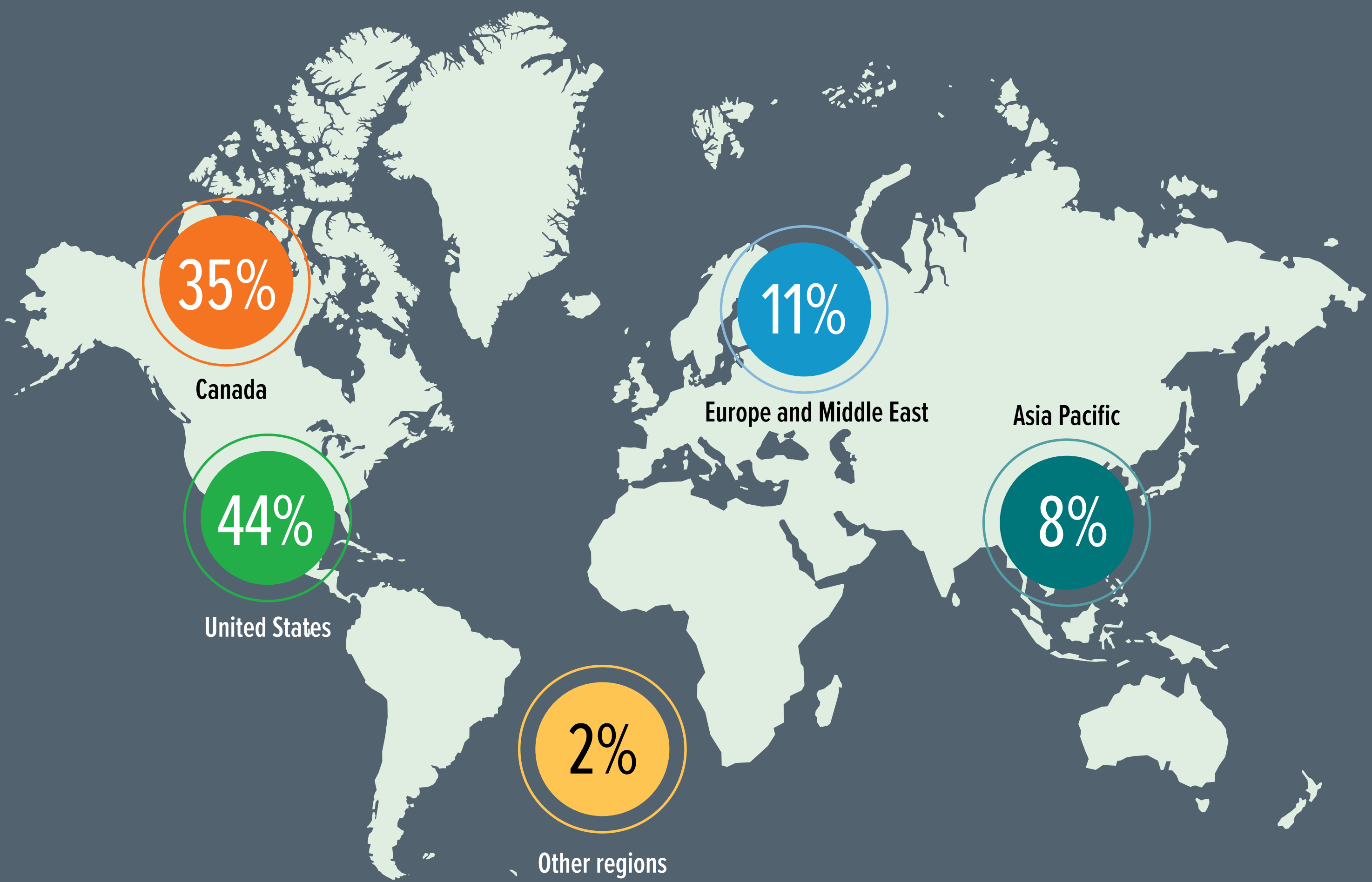
As of Dec. 31, 2022



* Other primarily includes public market alternatives and other diversified holdings.

REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

As of Dec. 31, 2022



LEADERSHIP MESSAGES

Brian Gibson, Chair, Board of Directors

Report from the Chair

On behalf of the IMCO Board of Directors, I am pleased to present the organization's second ESG Report. It provides an update on environmental, social, and governance (ESG) activities and progress over the last year. As long-term stewards of funds on behalf of public-sector entities, we understand the importance of ESG to create value for clients, ourselves and society.

ESG matters, particularly climate change, remain important considerations. 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.

As the net zero transition continues, the Board is focused on ensuring the resilience of IMCO's portfolio. The next decade is expected to bring significant changes, partially due to the collective efforts of governments and companies around the world to decarbonize the global economy and limit the worst effects of climate change. We believe that integrating ESG considerations, including those pertaining to climate, in investment decisions helps drive long-term value creation. While the transition to a net zero economy will be uncertain and challenging, it will also produce tremendous opportunities to invest in new sectors and companies and drive positive action on climate and other global sustainability goals.

The Board is proud of the progress IMCO has made in developing the Stewardship Guideline, setting interim climate targets, and advancing internal priorities such as diversity, equity and inclusion (DEI). IMCO's next strategic plan, developed in 2022, weaves ESG considerations into investment, operational and human resource plans for the coming five years. We look forward to working with management to continue our recent momentum.

Message from the CEO

As IMCO has grown over the past five years, we have built a strong foundation for integrating ESG across our investments and operations. We believe that ESG issues, and especially climate change, represent powerful long-term investment trends. We remain steadfast in our commitment to consider ESG and climate-related risks and opportunities to achieve our performance objectives while accelerating decarbonization.

Bert Clark, President & CEO

We are embedding ESG in every area of our business, from our investment processes to recruitment and employee development as we build IMCO's reputation as a diverse, inclusive and innovative place to work.

In 2022, we made important progress on our ESG and climate journey by:

- developing our Climate Action Plan, which includes science-based targets to reduce the carbon emissions intensity of our portfolio and a target for investment in climate solutions, both critical components for reaching a net zero world by 2050;
- developing our Stewardship Guideline, aligned with the Stewardship Principles by the International Corporate Governance Network (ICGN) and the Canadian Coalition for Good Governance (CCGG).

We use our influence as investors to drive sustainability improvements. We exercise our right to vote on behalf of our clients at shareholder meetings to encourage sound governance and sustainability practices. We have a strong and experienced team, and we partner with strategic external managers to capture opportunities to drive risk-adjusted returns for clients over the long term.

We recognize the unprecedented global risk posed by climate change. The world needs urgent action to address this crisis. In our World View research, we describe how efforts to mitigate climate change will require significant capital investments, new technologies and government policies. These changes will lead to a range of new investment opportunities and ultimately create climate "winners and losers."

That's why establishing ESG leadership in strategic areas, such as the energy transition, is part of our five-year strategic plan. We continue to carefully manage ESG and climate-related risks in our investment processes, while at the same time focusing on sustainable, long-term investment opportunities that provide sustainable solutions with a positive impact on the environment and society.

To safeguard a sustainable and prosperous future, and drive long-term client value, it has never been more important to invest responsibly. We will continue to build on our progress to date by implementing our Climate Action Plan, acting on our corporate ESG priorities, and working with our portfolio companies and external managers to adopt sustainable business practices that are consistent with long-term value creation.

OUR ESG APPROACH

SECTION 2

OUR ESG BELIEFS

1. ESG issues affect investment returns and risk and therefore should be integrated into our investment process.

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

3. Climate change presents both a systemic investment risk and an opportunity, and we consider the potential impacts of the transition to a low-carbon economy and the physical impacts of a range of potential climate scenarios.

4. Governance continues to be central to our investment decision-making and the assessment of companies in which we invest.

5. Diversity, equity and inclusion (DEI) contribute to long-term sustainable performance, and we integrate these into our investment process, taking steps to encourage better practices.

ESG AND CLIMATE GOVERNANCE

Accountability and oversight for ESG and climate action are integrated in our governance and management structures, ensuring a firm-wide approach. In addition, firm-wide ESG objectives are considered, among other factors, in determining senior executive compensation.

ESG and climate-related risks and opportunities are overseen by IMCO's Board of Directors through our Board Investment Committee. In 2022, IMCO's Board Investment Committee reviewed and approved our 2030 climate targets for reductions in our portfolio emissions intensity and investment in climate solutions.

BOARD INVESTMENT COMMITTEE (BIC)

Approves Responsible Investing Policy and oversees IMCO's approach to investment and corporate ESG considerations. BIC consists of all Board members.

Senior Executive Team (SET)

Provides strategic oversight of responsible investing initiatives, ESG objectives and strategy, as well as related commitments and implications. Responsible for integration of ESG across corporate functions including Risk, Operations, Human Resources and Corporate Services.

Management Investment Committee (MIC) and Investment Department Committees (IDCs)

Every investment decision or activity requiring Board approval must first be recommended for approval by the MIC, co-chaired by the Chief Investment Officer and Chief Risk Officer.

Senior members of the Investments and Risk teams co-chair IDCs that approve investment decisions and activities up to specific thresholds.

INVESTMENT TEAMS

Implement IMCO's ESG strategy and initiatives relevant to their asset classes

Responsible Investment Team

Provides subject matter expertise on ESG and leads development and delivery of IMCO's ESG strategy.

ESG Champions

Represent their teams in IMCO's key ESG initiatives and serve as a sounding board to support and advance ESG integration in each asset class and the Risk team.

ESG STRATEGY

INTEGRATION

We integrate ESG risks and opportunities in our investment processes to support and enhance our investment analysis and decisions

SUSTAINABLE INVESTING

We invest in sustainable, long-term ESG opportunities that contribute to investment returns and have a positive impact on the environment and society

STEWARDSHIP

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

SCREENING

We use Screening Guidelines to align our investment decisions with our core values and risk tolerances

Our Responsible Investing Policy outlines the key commitments, beliefs and priorities that define our ESG approach. We have developed guidelines for our investment teams that detail our approach to ESG integration; selection, appointment and monitoring of external managers; proxy voting; stewardship; sustainable investing; and screening, which ensure that ESG considerations are embedded in our investment practices.

As noted in the Limitations section of this Report, measuring portfolio emissions is an emerging field and there are various limitations in how we are able to measure our portfolio carbon emissions. Please keep these limitations in mind as you read this Report.

Q&A WITH ROSSITSA STOYANOVA

Rossitsa Stoyanova,
Chief Investment Officer

1. The past year has been a challenging one for investors. How is IMCO thinking about ESG in 2023?

We are firm in our belief that ESG and climate change are essential considerations in achieving strong investment returns, and the past year has only confirmed our resolve. We see several trends within this realm affecting the investment landscape, including deglobalization and decarbonization. While these trends may lead to short-term volatility in financial markets, we see ESG risks and opportunities as critical inputs to building resilient portfolios for the long term.

We continue to evolve our approach to ESG and have set our climate targets, which we will use to measure our progress in the short and long term. Our Climate Action Plan demonstrates our strong commitment to the decarbonization of our portfolio and includes a commitment to invest in climate solutions across our asset classes.

2. How does IMCO's emission intensity reduction target affect its investment approach?

Setting our climate targets was the culmination of a dialogue with each investment team. This bottom-up approach led to each asset class setting its own emission intensity reduction target – and owning the steps required to achieve it. Using this approach has helped us better understand how each asset class will contribute to IMCO's net zero target.

Our investments in real assets are our first areas of focus as they are relatively carbon intensive compared to other asset classes. Reducing absolute emissions in these sectors will be essential for the economy to transition to net zero and for IMCO to meet our climate objectives. In real estate, we are focused on investing in green and low-carbon buildings that are more energy efficient, resilient to climate risks and attractive for tenants. In infrastructure, decarbonization is core to our investment thesis. With each investment we assess transition plans to the low-carbon economy and understand how the investment will contribute to the energy transition. We believe these investments will help us reach our climate objectives and result in better returns in the long term.

3. What do you see as the biggest challenges and the most significant opportunities as IMCO advances its overall approach to ESG?

Availability of good data continues to be a challenge. This includes systematic ways to measure the GHG emissions for all assets in our portfolio. We have a growing need to source accurate and timely information to support our decisions.

At the same time, we see a generational opportunity for investing in climate solutions. We believe the move away from fossil fuels will require a sizeable amount of capital and create significant opportunities for investors. As an innovative and nimble investor, we are well-positioned to take advantage of these opportunities while advancing a more sustainable economy and future.

SECTION 3

OUR CLIMATE ACTION

OUR CLIMATE ACTION

The climate crisis poses an urgent, systemic and unprecedented risk to the global economy. As an institutional investor, the long-term nature and large-scale impacts of climate change present unique challenges and opportunities for our investment decisions and portfolio management. Climate-related risks have the potential to diminish our assets and returns, while climate-related opportunities have the potential to help our assets and returns grow.

Our Climate Action Plan ensures we are taking thoughtful action across our portfolio. Our plan reflects our commitment to achieving a net zero greenhouse gas (GHG) emissions portfolio by 2050 or earlier, and coordinates our efforts to reduce our portfolio emissions and capture emerging climate opportunities.

In 2022, IMCO set our interim science-based targets of achieving a 50% reduction in our emissions intensity from our 2019 baseline and 20% of our portfolio invested in climate solutions by 2030. IMCO's interim emission-reduction target is aligned with science-based net zero pathways developed by the Intergovernmental Panel on Climate Change, International Energy Agency, Networking for Greening the Financial System and One Earth Climate Model.

OUR CLIMATE ACTION PLAN

OUR COMMITMENT	Achieving net zero alignment by 2050 or sooner			
OUR TARGETS	50% reduction in portfolio carbon emissions intensity by 2030, as measured against our 2019 baseline		20% of the portfolio invested in climate solutions by 2030	
OUR CLIMATE STRATEGY	Capital deployment	Asset ownership	Portfolio management	Climate guardrails

CAPITAL DEPLOYMENT

The net zero transition will present a range of sustainable, long-term investment opportunities for IMCO that we expect will deliver better investment returns. In 2022, 11% of IMCO's portfolio was invested in climate solutions.

Climate solutions are investments in companies or projects that derive most of their business from products or services that reduce emissions or otherwise mitigate climate change effects. We define climate solutions in line with the categories detailed in the Green Bond Principles[1] as set out by the International Capital Market Association (ICMA).

CLIMATE SOLUTIONS INCLUDE

- Renewable energy and alternative fuels
- Energy efficiency and clean technology
- Green buildings
- Clean transportation
- Climate change adaptation
- Circular economy and recycling
- Pollution prevention and emission control
- Sustainable agriculture and natural capital
- Sustainable water and wastewater management
- Terrestrial and aquatic biodiversity

1 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/

INVESTING IN ENERGY TRANSITION SOLUTIONS

MACQUARIE

IMCO committed US$300 million to the Macquarie Energy Transition Solutions Fund, formed by Macquarie Asset Management's Green Investment Group to accelerate investment in the global transition. The fund invests in climate-positive opportunities across infrastructure, real assets, infrastructure-enabling technology, and service businesses that seek to accelerate decarbonization, a focus in line with IMCO's objective of achieving net zero carbon emissions by 2050.

INVESTING IN GREEN PRIVATE CREDIT

Blackstone

IMCO committed to invest US$300 million in Blackstone Green Private Credit Fund III, a fund formed by Blackstone Alternative Credit Advisors to provide capital to companies and assets in renewable energy, the energy transition and climate change solutions. Through this partnership, we believe Blackstone will deliver competitive risk-adjusted returns while providing downside protections.

INVESTING IN ZERO-CARBON BUILDINGS

IMCO believes that making buildings more sustainable is good business, as sustainable buildings typically deliver lower operating and maintenance costs and can be more attractive to tenants. In our real estate investments, we are working closely with our strategic partners to drive climate action and decarbonization of the real estate industry and pursue the development of the zero-carbon buildings in Canada.

CAGBC | Canada Green Building Council

- IMCO, alongside our real estate partner Cadillac Fairview, achieved Canada Green Building Council (CAGBC)'s Zero Carbon Building™ (ZCB)[2] certifications for performance in seven of IMCO's co-owned office buildings in Vancouver. The buildings achieved this certification by using technologies including a geo-exchange plant and heat recovery chiller systems, and reglazing exteriors to optimize energy efficiency.
- IMCO is working with our commercial real estate partner, Kingsett Capital, to implement an ambitious decarbonization program for the Fairmont Royal York Hotel, targeting CAGBC's ZCB™ certification in 2023.

2 Zero Carbon Building Performance Standard Version 2, https://www.cagbc.org/wp-content/uploads/2022/06/CaGBC_Zero_Carbon_Building_Standard_v2_Performance.pdf

ASSET OWNERSHIP

We are determined to help accelerate the transition to net zero, as this will make our portfolio more sustainable. We accelerate climate action by engaging with portfolio companies and external managers and collaborate with like-minded investors and policymakers to drive collective climate action. Below are examples of our collaborative engagements that have made material progress.

ENBRIDGE – CLIMATE ACTION 100+

In 2022, we engaged with Enbridge Inc. collectively with other investors through Climate Action 100+ to encourage the company to set absolute emission reduction targets and strengthen its 2030 emission intensity reduction target in line with Canada's climate roadmap, which requires 42% emissions reduction by 2040 for the sector. We encouraged the company to disclose how its capital expenditure allocation plans and lobbying practices align with the Paris Agreement goals. We welcomed the company's recent disclosure on methane and the enhanced disclosure in its May 2023 Climate Lobbying Report.

WASTE CONNECTIONS – CLIMATE ENGAGEMENT CANADA

We engaged with Waste Connections Inc. through Climate Engagement Canada to encourage the company to align its public disclosure with international carbon accounting standards and set more rigorous interim emission reduction targets. We were pleased to see the company disclose its first Task Force on Climate-Related Financial Disclosures (TCFD)-aligned report in 2022 and its commitment to seek Science Based Targets initiative's approval on its emission reduction targets.

CDP SCIENCE-BASED TARGET AND DISCLOSURE CAMPAIGNS

We are a member of CDP (formerly known as the Carbon Disclosure Project), a global organization that drives companies and governments to disclose and manage a variety of environmental impacts. IMCO joined more than 300 financial institutions and multinational firms to sign letters to over 1,000 high-emitting companies to urge them to set science-based emissions reduction targets aligned with 1.5°C warming scenarios. We also joined CDP's non-disclosure campaign by signing letters to 1,466 companies calling on them to improve corporate transparency around climate change, deforestation and water security, which resulted in an 18% increase in number of companies that responded with disclosure (388) compared to 2021.

PORTFOLIO MANAGEMENT

We integrate climate-related risks and opportunities in our investment decision-making processes. We analyze material ESG risks and opportunities, including climate, as part of our investment due diligence procedures for all potential investments. This may include an analysis of physical climate risks, such as exposure to extreme storms and wildfire, and an assessment of resilience and opportunities for risk mitigation.

PORTFOLIO EMISSIONS

We define and measure our portfolio carbon emissions in line with the Partnership for Carbon Accounting Financials (PCAF) standard, which is a global industry standard for GHG accounting for investment portfolios. We made significant improvements in the sophistication of our emissions measurement in 2022, including broadening the coverage of Scope 1 and 2 emissions to include Scope 3 emissions and sovereign bonds[3].

We calculate financed emissions of the following asset classes covered under PCAF guidance: public equities, fixed income/government bonds, real estate, infrastructure, global credit and private equity. Combined, these portfolios represent 91% of IMCO's assets under management as of December 31, 2022.

Scope 1 and 2 emissions intensity of our portfolio decreased to 45 tCO2e/$ million invested in 2022, down 40% from 75 tCO2e/$ million invested in 2019. This was driven by several factors, including a shift in our selection of securities toward assets with lower emissions intensity. We expect our carbon footprint to fluctuate in the short term, even as it improves in the long term, for a number of reasons:

- Asset allocation: strategic asset allocation decisions may lead to fluctuations in emissions due to lower data quality in private assets (proxy emissions estimates are often higher than actual emissions).
- Market value changes: IMCO's carbon intensity metrics are not only affected by the carbon emissions reported by the companies in our portfolio, but they are also sensitive to financial metrics such as market value.
- Methodological advancements: we expect emissions measurement methodologies will continue to improve and become more reflective of actual emissions. That evolution may make it difficult to compare our portfolio carbon footprint over various time periods.

Scope 1 and 2 Portfolio Emissions	2019	2020	2021	2022	2022 vs 2019
Total financed emissions (tCO2e)	3,223,480	2,324,864	2,351,913	2,070,359	-36%
AUM in scope for financed emissions ($ million)	46,942	49,694	55,150	50,541	+8%
Financed emissions intensity (tCO2e/$ million)[4]	75	54	47	45	-40%

3 Scope 1 emissions are direct emissions that occur from sources owned or controlled by IMCO, Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling, and Scope 3 emissions are from the corporate value chain.

4 Emissions intensity is estimated taking into account the portion of our AUM in scope for which we are able to measure financed emissions. The measurable portion is a subset of the total in scope AUM; thus intensity cannot be derived from the simple division of the above rows.

This year, for the first time, IMCO's investment portfolio emissions calculation includes Scope 3 emissions of our holdings. Approximately 29% of the holdings in our portfolio by market value report Scope 3 emissions. This limited disclosure is indicative of the low data quality and coverage for Scope 3 emissions, affecting the quality of the final figure. We continue to advocate that companies disclose Scope 3 emissions where material.

Scope 3 Portfolio Emissions	2022
Total financed emissions (tCO2e)	11,143,129
AUM in scope for financed emissions ($ million)	50,541
Financed emissions intensity (tCO2e/$ million)[5]	243

Portfolio emissions breakdown by sector[6]

As of Dec. 31, 2022

	Scope 1 and 2 Financed Emissions	Scope 3 Financed Emissions
Communication Services	4%	1%
Consumer	10%	11%
Energy & Utilities	47%	53%
Financials	0.4%	4%
Healthcare	2%	1%
Industrials & Materials	24%	27%
Information Technology	2%	2%
Real Estate*	11%	1%
Total	**100%****	**100%**

* Only Scope 1 and 2 emissions are measured for the Real Estate asset class. All three scopes of emissions are measured for assets in the Real Estate sector held in other asset classes.

** All emissions percentage values in this column are rounded, except for financials. The value for financials is the actual emissions percentage. The total, when rounded, does equal 100%.

In December 2022, PCAF published a new methodology to calculate financed emissions from sovereign bond investments. The carbon emissions intensity of our sovereign bond investments is 287 tCO2e/$M invested in 2022. The calculation quantifies each country's emissions by considering all emissions generated within the country's territorial boundary. As per the PCAF guidance, we are disclosing the results separately from the Total Fund calculations.

Scope 1, 2 and 3 Emissions from Sovereign Bonds	2022
Total financed emissions (tCO2e)	2,279,060
AUM in scope for financed emissions ($ million)	7,954
Financed emissions intensity (tCO2e/$ million)	287

5 Ibid.

6 The values in the following table correspond with our corporate financed emissions. They exclude emissions associated with Sovereign Bonds.

CLIMATE SCENARIO ANALYSIS AND STRESS TESTING

An important input into IMCO's climate strategy is scenario analysis. In 2022, we rolled out a scenario analysis framework for measuring risks associated with climate change. Our Climate Value-at-Risk analysis helps capture how transition risks and physical risks might impact the assets we manage.

We estimate the resilience of our portfolio to climate risks in time horizons of 2050 and 2100 under four different temperature and policy scenarios, which were those used in the Scenario Analysis Pilot conducted in 2022 by the Bank of Canada and Office of the Superintendent of Financial Institutions:

BASELINE 3°C

a baseline scenario consistent with global climate policies in place at the end of 2019

BELOW 2°C IMMEDIATE

an immediate policy action toward limiting average global warming to below 2°C

BELOW 2°C DELAYED

a delayed policy action toward limiting average global warming to below 2°C

NET ZERO 2050 (1.5°C)

a more ambitious immediate policy action scenario to limit average global warming to 1.5°C, which includes current net zero commitments by some countries

In general, the results continue to show relatively small losses across our portfolios compared with benchmarks and underscore our portfolio's resilience to climate risks. Our portfolio would be more resilient, however, in an immediate and orderly transition to a 2°C future than it would be in a delayed and disorderly transition.

CLIMATE GUARDRAILS

We mitigate climate risk in our portfolio through climate guardrails, which limit our exposure to investments that are incompatible with a net zero future. Where we can meaningfully influence or control investable assets, IMCO will not make new investments[7], in line with appropriate global, science-based scenarios.

We have updated our Screening Guideline to exclude investment in companies where over 10% of revenue on a three-year rolling basis is derived from mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and Arctic oil & gas production.

7 Assets without interventions such as carbon capture and storage (CCS) or carbon capture, utilization and storage (CCUS) or equivalent technologies that substantially reduce the amount of emissions throughout the life cycle.

2022 PROGRESS ON ESG STRATEGY

SECTION 4

IMCO continued to execute on the four pillars of our ESG strategy: Integration, Stewardship, Sustainable Investing and Screening.

The previous section focused on our climate-related progress in 2022. This section describes our broader ESG performance, and how we work with our managers and portfolio companies to drive positive change on various ESG topics.

ESG INTEGRATION

A broad set of ESG issues are material to corporate performance and valuation. These factors vary by sector and asset class. Examples of ESG issues considered by IMCO are:

ENVIRONMENTAL

Issues relating to the quality and functioning of the natural environment and natural systems.

- Climate change
- Energy
- Water
- Waste and pollution
- Biodiversity

SOCIAL

Issues relating to the rights, well-being and interests of people and communities.

- Diversity, equity, and inclusion
- Health and safety
- Human rights
- Human capital
- Supply chain management

GOVERNANCE

Issues relating to the governance of companies and other investee entities.

- Board structure, diversity, and independence
- Business ethics
- Cybersecurity
- Executive compensation
- Accounting and audit quality
- Risk management

MANAGER SELECTION AND MONITORING

IMCO partners with external managers that share our commitment to ESG and are aligned with our ESG beliefs. Through our ESG due diligence questionnaire, we collect information on the manager's ESG-related policies, practices and performance, including:

CATEGORY	TOPICS
Governance	ESG policy, standards, commitments and remuneration
Resources	ESG responsibilities (oversight and implementation) and resources
Investment Process	ESG integration in pre-investment, post-investment and portfolio management
Climate change	Net zero commitment, portfolio alignment with low-carbon transition and net zero
	Climate risk and opportunities assessment
	Sustainable Development Goals (SDGs)
	Targets and metrics
	TCFD implementation and reporting
Diversity, Equity and Inclusion (DEI)	Policy/initiatives, performance, targets and metrics
Sustainable Development Goals (SDGs)	Measurement of positive and negative impacts (e.g., contribution to SDGs) and target sustainability outcomes
Reporting / Stakeholder Management	Reporting frequency, format and standards

EXTERNAL MANAGER ESG METRICS	% OF EXTERNAL MANAGERS (As of Dec. 31, 2022)*
ESG Policy	75%
UN Principles for Responsible Investment signatories	70%
Net Zero Targets	44%
DEI Policy	73%
Side Letters with ESG Language	75%

* Based on market values as of December 2022

ESG HIGHLIGHTS FROM PORTFOLIO COMPANIES

DATABANK

DATABANK – DRIVING GREEN POWER IN DATA INFRASTRUCTURE

In 2022, we made a US$450 million direct investment in DataBank, one of the largest data centre operators in the United States. With more than 65 purpose-built data centres across the U.S., Databank provides colocation, connectivity and cloud services to enterprise, hyperscale, government and telecommunication customers.

DataBank has pledged to achieve net zero Scope 1 and 2 emissions by 2030. In 2022, Databank procured 190 GWh or 20% of its electricity consumption from renewable sources and intensified efforts to source renewable power to meet its net zero pledge. The company was recognized for the third consecutive year for its commitment to sustainability and environmental stewardship through inclusion on the U.S. Environmental Protection Agency's 2022 Green Power Partnership Top 30 Tech & Telecom list.

Sika

SIKA AG – SUPPORTING THE TRANSITION TO CIRCULAR ECONOMY

Sika AG, an investment in our active public equities portfolio, manufactures specialty chemical products for sectors such as concrete and roofing, embedding sustainability and delivering environmental benefits to customers in these hard-to-abate sectors. Sika has developed new technologies and methods, such as the ReCO2ver program. This is a concrete recycling process that facilitates the production of new, high-quality concrete using 100% aggregates from recycled concrete demolition waste. The program is expected to make a significant contribution to the circular economy and reduce the environmental footprint of the construction industry.

ESG HIGHLIGHTS FROM EXTERNAL MANAGERS

IMCO also partners with managers that embed ESG within their investment processes and that are making progress on IMCO's ESG priorities.

Here are examples of some external managers leading the way on ESG practices.

CERTIFIED BENEFIT CORPORATION (B CORP) MANAGERS

Our European mid-market credit manager **Three Hills Capital Partners** (THCP) and public equity emerging market manager **Trinetra Investment Management** both achieved B Corp certification, the verified standard of social and environmental performance, transparency, and accountability, and were recognized as a top performing B Corp within their peer group. Both managers also guide their portfolio companies to embark on B Corp certification. In December 2022, THCP's portfolio company Recycling Lives was certified, ranking as one of the highest performing B Corps. Trinetra supported portfolio company Vitasoy International in its 2022 pursuit of B-Corp certification, which was achieved in January 2023.

KOHLBERG & COMPANY - ADVANCING CARBON FOOTPRINTING IN OUR PRIVATE EQUITY PORTFOLIO

Our private equity strategic partner, Kohlberg, invites all its portfolio companies to participate in an independent ESG assessment, which covers a range of material ESG topics. Kohlberg discusses the results with management and establishes a plan to mitigate material ESG risks and pursue identified ESG opportunities, which includes key performance indicators to track over the life of the investment. Kohlberg has implemented positive changes in its ESG risk mitigation including improving the carbon footprint measurement of its portfolio companies, with 100% of its portfolio companies completing a baseline carbon footprint in 2022, up from 67% in 2021. Kohlberg's portfolio companies are estimating their emission footprints through their participation in a private market disclosure process facilitated by CDP.

KINGSETT CAPITAL - LEADER IN THE GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

In 2022, our commercial real estate partner KingSett was recognized as a global leader in the GRESB Assessment for the second year in a row. GRESB compares management attributes and performance across real estate companies and collects information on material ESG issues. KingSett ranked first in North America and first globally, continuing its ESG leadership status in the industry.

LOS ANGELES CAPITAL MANAGEMENT (LACM) - STRENGTHENING CLIMATE FACTOR MODELLING

Our factor investing manager, LACM, has integrated climate-related risks and opportunities, as well as climate resilience factors, into its factor modelling. LACM enhanced its dividend discount model to consider the potential impact on expected returns from companies with assets exposed to policy and physical risks related to climate change. It also enhanced its ESG model to incorporate additional data sets on low-carbon patents, helping to gauge exposure to emerging technologies and CDP scores.

STEWARDSHIP

At IMCO, we take our role as responsible stewards of our investments seriously. Our stewardship efforts encompass active engagement and proxy voting. Through direct engagement with companies, we initiate constructive dialogues to address ESG concerns, advocate for sustainable practices and foster long-term value creation. We also maintain open and ongoing dialogues with our external managers and regularly discuss ESG concerns and opportunities within externally managed portfolio companies. We work collaboratively with our external managers to engage with portfolio companies to drive positive change. Our engagements aim to promote transparency, encourage responsible governance and mitigate risks that could impact the financial well-being of our clients.

In addition to engagement, we exercise our ownership rights through proxy voting, leveraging our influence to support proposals aligned with our ESG principles.

In 2022 we developed our Stewardship Guideline, which describes how we use our influence with our managers, portfolio companies, external managers and policymakers to support long-term value creation and sustainable outcomes for our clients and for society. We endorsed the Stewardship Principles of the International Governance Network (ICGN) and the Canadian Coalition for Good Governance (CCGG), and our Stewardship Guideline is aligned with these principles. See our Stewardship Guideline for more details on our approach.

ENGAGING WITH OUR PORTFOLIO COMPANIES

Our engagement efforts are yielding results across our portfolio. Examples of outcomes we supported in 2022 are below.

EUNETWORKS – VALUE CREATION THROUGH FOCUS ON SUSTAINABILITY

IMCO has been an investor in euNetworks, a leading European bandwidth infrastructure company, since 2018. The company owns and operates fibre networks in 17 cities and intercity fibre infrastructure backbone connecting over 50 cities across 17 countries. IMCO engaged with the management team and co-shareholders to elevate the ESG agenda at the company and in 2022, euNetworks joined the Climate Pledge, committing to being carbon net zero by 2040 and setting science-based emission reduction targets across Scopes 1, 2 and 3. Microsoft recognized euNetworks's commitment to sustainability and pioneering of climate change initiatives with its Showstopper of the Year: Strides in Sustainability award.

VERISK ANALYTICS – CREATING VALUE THROUGH GOVERNANCE ENGAGEMENT

During our pre-investment due diligence on Verisk Analytics, a multinational data analytics solutions provider to international insurance markets, we noted governance issues relating to a classified board structure, and combined CEO and Chair roles, as two key areas for engagement. Following our engagement with the company and feedback from other investors, management moved to eliminate the classified board structure, separated the roles of the CEO and Chair effective at the 2022 annual meeting, and refreshed the board by appointing four new directors.

EXERCISING OUR SHAREHOLDER RIGHTS TO ADDRESS ESG ISSUES

We vote to drive positive change and promote sustainable practices within the companies we invest in, thereby aligning corporate behaviour with the long-term interests of our clients. Our Proxy Voting Guideline outlines our approach to proxy voting for public equity holdings and provides guidance to how we will vote our shares. Per our guideline, we evaluate management resolutions and shareholder proposals on a case-by-case basis.

We are transparent about our proxy voting activity. We make our voting intentions public ahead of annual meetings and provide our rationale when we vote against management proposals and our rationale for all shareholder proposals.

Climate resolutions

We voted against 59% of climate resolutions put forward by companies in 2022 as they did not meet our expectations set out in our Proxy Voting Guideline. We expect that companies set a net zero target by 2050 or sooner, with science-based short- and medium-term emissions reduction targets, and disclose activities in line with TCFD recommendations.

DEI

As a member of the 30% Club Canada, we expect 30% of a company's board of directors to be represented by women. We also expect boards to consider all forms of diversity in the director recruitment process, not just gender. In 2022, we voted against or withheld votes from directors at 574 companies due to a lack of board diversity.

Shareholder proposals on ESG

We consider human rights, racial equity, climate change, and shareholder rights as key priority areas when assessing shareholder proposals. In 2022, we cast our votes on 385 Shareholder proposals submitted on Environmental and Social issues and supported 68% of them that met our criteria. Specifically, we supported 94% of the shareholder proposals requesting that our portfolio companies conduct human rights risk assessments, improve human rights standards or policies, and conduct racial equity and/or civil rights audits. We also supported 78% of the shareholder proposals requesting our portfolio companies to put their climate strategy to a shareholder's vote and to improve their climate-related disclosures. Further, we supported 88% of the shareholder proposals that requested companies to provide enhanced shareholder rights.

PARTICIPATING IN COLLABORATIVE ENGAGEMENT

Partnering with our co-investors to engage our portfolio companies, policymakers and the broader financial industry is a key component of IMCO's approach to stewardship. In 2022, IMCO's engagement activities included the following.

30% CLUB CANADIAN INVESTOR GROUP

As a member of 30% Club Canada, IMCO and fellow investor members wrote a joint updated statement of intent. The new statement calls on publicly traded companies to take prompt and considered action to achieve and exceed a minimum of 30% women on boards and at the executive management level, and to increase the presence of other underrepresented groups on their boards and among their executive managers.

CERES

As a member of Ceres investor network, IMCO works with other institutional investors to identify and share best practices in sustainable investing. IMCO participates in Ceres' Paris-Aligned Investment Working Group and shares our experience in education sessions for other investors on topics such as setting interim climate targets and developing an action plan.

CANADIAN COALITION FOR GOOD GOVERNANCE (CCGG)

Through our CCGG membership, we promote good governance practices at Canadian public companies and an improved regulatory environment to better align the interests of boards and management with those of their shareholders. Hyewon Kong, IMCO's Vice President, Head of Responsible Investing, sits on CCGG's Environmental & Social Committee and supports CCGG's public policy submissions, guidance and research.

CLIMATE ACTION 100+

As a member of Climate Action 100+, IMCO participates in collective engagements with the world's largest corporate GHG emitters, encouraging them to take action to improve climate change governance, cut emissions and strengthen climate-related financial disclosures.

CLIMATE ENGAGEMENT CANADA (CEC)

IMCO is a founding member of CEC, a coalition of investors and associations that drives dialogue between the financial community and top Canadian corporate emitters, and promotes a just transition to a net zero economy. Hyewon Kong, Vice President, Head of Responsible Investing, sits on the CEC Steering and Technical Committees.

ESG DATA CONVERGENCE INITIATIVE (EDCI)

IMCO has joined over 100 general partners (GPs) and limited partners from across the globe working to streamline the private equity industry's historically fragmented approach to collecting and reporting ESG data. Data from GPs is aggregated into an anonymized benchmark covering GHG emissions, renewable energy, board diversity, work-related injuries, net new hires and employee engagement, enabling greater transparency and more comparable portfolio reporting in private markets.

PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF)

IMCO is a member of PCAF, a global group of financial institutions developing industry standards for GHG measurement and accounting for investment and lending portfolios. IMCO measures our investment emissions in line with the PCAF standard.

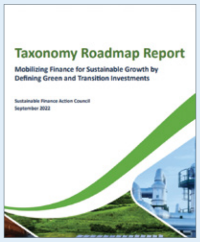
PENSION INVESTMENT ASSOCIATION CANADA (PIAC)

As a member of the Investor Stewardship Committee, IMCO is an active member in PIAC and regularly contributes to thought leadership and knowledge sharing.

RESPONSIBLE INVESTMENT ASSOCIATION (RIA)

As an RIA member, IMCO collaborates with other investors to advance best practices in ESG integration. Hyewon Kong, Vice President, Head of Responsible Investing, chairs the Canadian Responsible Investment Working Group.

ADVANCING POLICY THROUGH ADVOCACY



TAXONOMY TECHNICAL EXPERTS GROUP (TTEG) CONTRIBUTION TO THE DEVELOPMENT OF THE TAXONOMY ROADMAP REPORT

As a member of the TTEG for the Government of Canada's Sustainable Finance Action Council, IMCO contributed to the development of the Taxonomy Roadmap Report to establish a Canadian green and transition financial taxonomy framework. The report lays out 10 recommendations addressing the merits, design and implementation of a green and transition finance taxonomy for Canada.

JOINT RESPONSE TO INTERNATIONAL SUSTAINABILITY STANDARDS BOARD ON SUSTAINABILITY- AND CLIMATE-RELATED DISCLOSURES

IMCO wrote a joint letter along with other Canadian public pension managers to the International Sustainability Standards Board (ISSB) in support of its proposal to improve and standardize sustainability- and climate-related disclosures for investors. To deliver on our mandates and meet our clients' objectives, we need companies to disclose consistent, comparable, and reliable information on sustainability and climate matters.

JOINT RESPONSE TO THE U.S. SECURITIES AND EXCHANGE COMMISSION (SEC) ON PROPOSED ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS

We wrote a joint letter along with other Canadian public pension managers to the SEC in support of its proposal to improve and standardize climate-related disclosures for investors. Our perspective is that improving the comparability of climate-related financial information is a high priority.

ENDORSEMENT OF A JOINT STATEMENT CALLING FOR GLOBAL ALIGNMENT OF SUSTAINABILITY REPORTING STANDARDS AND FRAMEWORKS

We support the disclosure of consistent, comparable, and reliable information, and the global alignment of standards on sustainability disclosure. For that reason, we signed a joint statement in August 2022 from companies, investors and accountants that encouraged standard-setters, including the ISSB, the U.S. SEC and the European Financial Reporting Advisory Group, to continue to work closely on a global baseline for reporting sustainability information.

SUSTAINABLE INVESTING

In 2022 we developed our Sustainable Investing Guideline, which outlines the approach we use to define investments as "sustainable solutions" and map them to the relevant UN Sustainable Development Goals (SDGs). IMCO defines sustainable solutions as companies or projects that derive at least 50% 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 ICMA). We define two sub-categories of sustainable solutions:

Climate Solutions are investments in companies where a majority of their business is derived from climate solutions activities. We define Climate Solutions in line with ICMA Green Bond Principles.

Climate Solutions	Examples of Eligible Assets	IMCO's Recommended SDG Mapping
Renewable energy / Alternative fuels	Generation, transmission and distribution of energy from renewable sources including solar, wind, hydro, geothermal, bioenergy, nuclear energy, renewable technology or suppliers, alternative fuels to hydrocarbons	7 Affordable and Clean Energy; 13 Climate Action
Energy efficiency / Clean Technology	Technology and solutions to support decarbonization or energy efficiency (e.g., batteries, smart grid, electrification)	7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 13 Climate Action
Green buildings	Buildings with third party verified green building standards such as LEED	11 Sustainable Cities and Communities
Clean transportation	Low carbon transport assets such as electric, hybrid, public, rail, multi-modal transportation, and associated infrastructure	9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities
Climate change adaptation	Products or solutions to support climate change adaptation and increase resiliency	13 Climate Action
Circular economy / recycling	Reusable, recyclable, and refurbished materials, circular tools and services, eco-efficient products	11 Sustainable Cities and Communities; 12 Responsible Consumption and Production
Pollution prevention and emission control	Reduction of air emissions, greenhouse gas control, and carbon capture technologies	11 Sustainable Cities and Communities; 12 Responsible Consumption and Production
Sustainable agriculture and natural capital	Sustainable farm inputs, sustainable forestry, preservation/ restoration of natural landscapes	12 Responsible Consumption and Production; 15 Life on Land

Climate Solutions	Examples of Eligible Assets	IMCO's Recommended SDG Mapping
Sustainable water and wastewater management	Clean and/or drinking water, wastewater treatment, sustainable urban drainage, flooding mitigation	6 CLEAN WATER AND SANITATION
Terrestrial and aquatic biodiversity	Protection of coastal, marine and watershed environments, sustainable fishing, oil spill response	6 CLEAN WATER AND SANITATION; 14 LIFE BELOW WATER; 15 LIFE ON LAND

Social Solutions are investments in companies where a majority of their business is derived from social solutions activities. We define Social Solutions in line with ICMA Social Bond Principles

Social Solutions	Examples of Eligible Assets	IMCO's Recommended SDG Mapping
Access to essential services		
Healthcare	Health care equipment and services, treatment of major diseases as defined by WHO, vaccines and medicines, mental health and well-being	3 GOOD HEALTH AND WELL-BEING
Education	Educational publications, materials or software, early education and vocational education products and services	4 QUALITY EDUCATION
Financing	Micro finance, financial service providers that provide access for the poor and vulnerable	1 NO POVERTY; 4 QUALITY EDUCATION
Affordable basic infrastructure		
Communications infrastructure	Networks, antenna towers, fibre cables	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Social infrastructure	Schools, hospitals (buildings only)	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Affordable housing	Affordable residential housing, affordable student housing, affordable elderly residences. (Excludes luxury retirement homes and care homes)	11 SUSTAINABLE CITIES AND COMMUNITIES
Food security and sustainable food systems	Safe, nutritious food products and services, reduction of food loss and waste, food testing, natural additives that contribute to food product safety	2 ZERO HUNGER; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

OUR INVESTMENTS IN SUSTAINABLE SOLUTIONS

APAX GLOBAL IMPACT - INVESTING FOR IMPACT IN PRIVATE EQUITY

In 2022, we committed $100 million to Apax Global Impact Fund I, the first impact fund in our private equity portfolio. We selected Apax Partners, a leading U.K.-based private equity firm, due to its alignment with impact values, global and institutional platform, and team experience as well as with IMCO's private equity strategy. We used a multi-stage screening process that evaluated emerging and established impact managers.

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, and social and economic mobility, as well as technology businesses that enable those three themes.

FIFTH WALL CLIMATE TECH - INVESTING IN CLIMATE TECH SOLUTIONS FOR REAL ESTATE

IMCO invested US$50 million in the Fifth Wall Climate Tech funds, the largest investment vehicles designed to decarbonize the global real estate industry. The funds invest in software, hardware, renewable energy, energy storage, smart buildings and carbon sequestration technologies. Property technology and digitization are essential tools to improve operational efficiencies and reduce emissions in the sector. In 2022, one of the funds invested in Brimstone, a company that makes zero-carbon cement using carbon-free silicate rock. Cement production is one of the most carbon-intensive industrial processes and the Brimstone process addresses abatement challenges in the industry.

FLORIDA FOOD PRODUCTS - INVESTING IN NATURAL FOOD INGREDIENTS

Since 2021, IMCO has held an investment in Florida Food Products, which makes healthy, naturally sourced plant-based ingredients that provide alternatives to artificial food additives. For example, it uses acerola cherries as natural cure accelerators, green tea and rosemary as antioxidants, and rice bran extract to improve moisture retention and eating experience. The company also supplies natural beverage ingredients, as well as custom ingredients to improve the look and texture of meat alternatives. Its additives and preservatives replace synthetic ingredients and help extend shelf life. This improves access to safe, nutritious food. Effective food preservation also helps reduce food waste, which accounts for a significant portion of global GHG emissions.

SCREENING

IMCO's ESG Screening Guideline outlines the categories of investments that are screened out from our portfolio because the risk associated with those categories outweigh any potential rewards. We exclude investments in:

CONTROVERSIAL WEAPONS: companies involved in the production of antipersonnel landmines, cluster munitions, chemical, biological and nuclear weapons.

FIREARMS: companies where more than 10% of revenue (as measured on a three-year rolling basis) is from the manufacture of firearms and small arms ammunitions for civilian markets. The exclusion does not cover companies that cater to the military, government and law enforcement markets.

FOR-PROFIT PRISONS: companies where more than 10% of revenue (as measured on a three-year rolling basis) is derived from the operation of for-profit prisons and detention centres.

TOBACCO: companies where more than 10% of revenue (as measured on a three-year rolling basis) is derived from the production of tobacco products.

THERMAL COAL MINING: companies where more than 10% of revenue (as measured on a three-year rolling basis) is derived from mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.

ARCTIC OIL AND GAS PRODUCTION: companies where more than 10% of revenue (as measured on a three-year rolling basis) is derived from Arctic oil and gas production, either offshore or onshore production. The definition of Arctic is geographic and includes production activities north of the 66.5° latitude.

The Screening Guideline is applicable to all investments and asset classes where we can meaningfully influence or control investable assets.

OUR CORPORATE ESG EFFORTS

SECTION 5

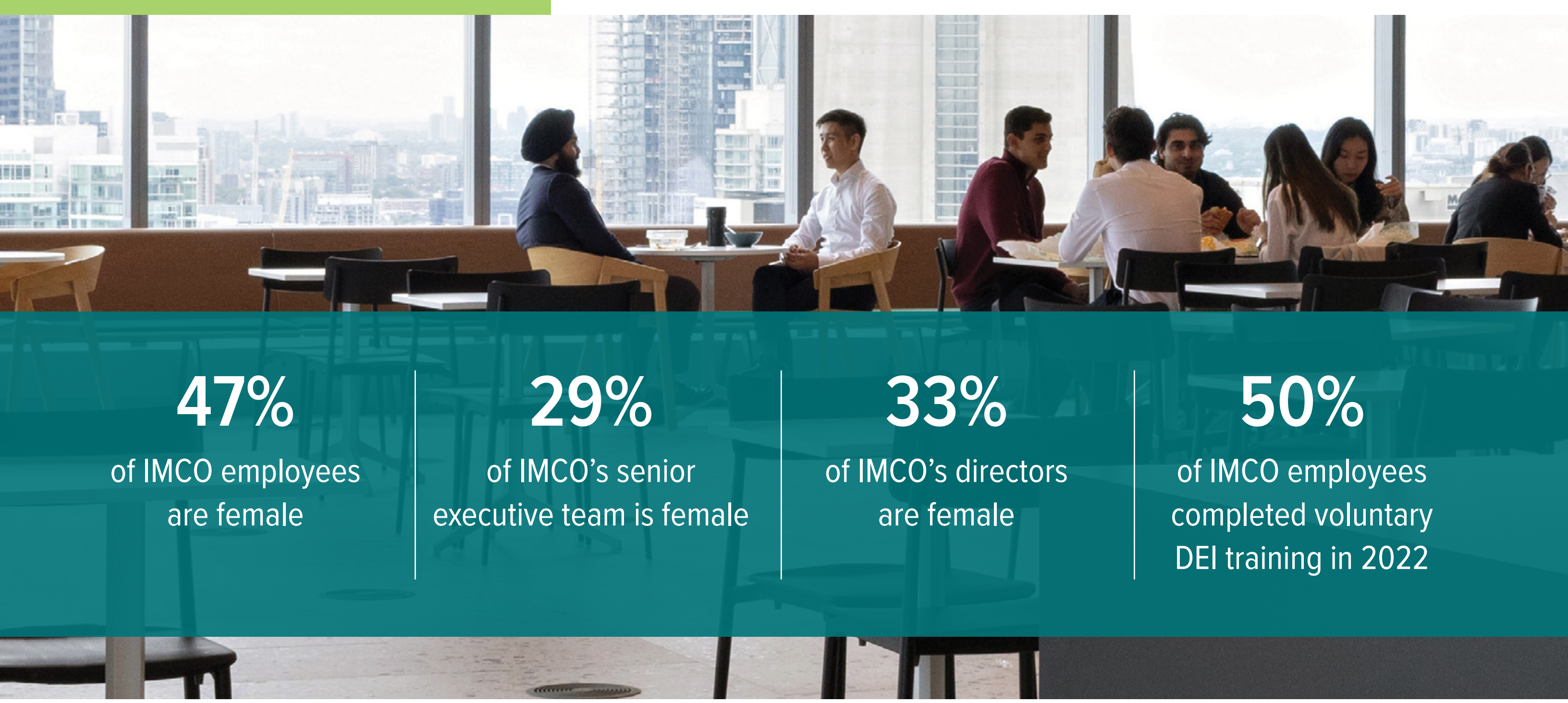
One of our strategic aspirations over the next five years is to continue building a purpose-driven culture that is nimble, empowered, innovative and caring. For us, having a culture that embraces sustainability and inclusivity is not just the right thing to do, but a strategic imperative we believe can help serve our clients better and drive innovation.

DEI AT IMCO

At IMCO, we believe that a work environment that encourages inclusion and fosters diversity brings out the full potential of our workforce, stimulates innovation and enables organizational growth.

In 2022, we began to implement our DEI strategy that was developed in partnership with an employee-led DEI council in 2021. Key initiatives we focused on in 2022 were:

- Educating employees on DEI, including formal DEI training, learning events with our community partners, and the creation of a DEI centre on IMCO's intranet to share information with employees, including our DEI roadmap, employee voice platform and curated learning resources
- Conducting an external best practice review to better understand how IMCO's DEI performance compares to peers in the financial industry
- Attracting diverse talent through, for example, using external partners to help us reach untapped talent pools
- Providing employees with resources and support on DEI and providing disclosure of our progress and approach



47%
of IMCO employees are female

29%
of IMCO's senior executive team is female

33%
of IMCO's directors are female

50%
of IMCO employees completed voluntary DEI training in 2022

STUDENT INTERNSHIP PROGRAM

Each year IMCO provides several internships with a focus on diverse representation. These internships provide valuable experience to students, including technical training, formal learning and executive leadership and mentorship sessions. Through the program, we improve access and opportunities for students from a variety of backgrounds and improve the diversity of Canada's financial sector. In 2022, IMCO offered 18 internships to diverse students. In 2023, IMCO received an Innovative HR Team award from Human Resources Director Canada for our student internship program.

COMMUNITY PARTNERSHIPS

IMCO also supports progress on ESG issues by partnering with organizations that promote diversity and equal opportunity in Canada. These include:

CAUFP CANADIAN ASSOCIATION OF URBAN FINANCIAL PROFESSIONALS

- The Canadian Association of Urban Professionals provides a link between corporations and the Black community, through innovative programs that facilitate economic growth and educational opportunities

WCM

- WCM, the largest network of female professionals in Canadian finance, aims to accelerate equality in the industry. IMCO employees attended several WCM events in 2022.
- IMCO also used the WCM job board to recruit for several positions.

Indspire
Indigenous education, Canada's future. | L'éducation des autochtones, L'avenir du Canada.

- IMCO partners with Indspire, an Indigenous national charity investing in the education of First Nations, Inuit and Métis people, to support the 'Bright Futures Program', through bursaries totaling $30,000, which are distributed to post-secondary students in finance-related programs.
- Charity Intelligence Canada classifies Indspire as a high impact charity and estimates that the organization generates $138 million in social value each year through its scholarship program, equivalent to $5 in value for each dollar spent.[1] This shows that Indspire is driving meaningful change.

1 https://www.charityintelligence.ca/images/Indspire_Ci_Impact_Slidedoc3.pdf

EMPLOYEE ENGAGEMENT

IMCO conducts an annual employee survey to better understand sentiment across a range of topics, including DEI. In 2022 we changed survey providers to provide better access and visibility to people leaders so that they are better positioned to implement changes. Our new survey provider will also offer deeper analysis of our results, including industry benchmarking data to help us understand our performance along particular DEI themes. These changes will help us delve deeper into employee sentiment, improve employee wellbeing and continue to execute our DEI roadmap.

ENVIRONMENTAL IMPACT

IMCO strives to minimize the environmental impact of our operations and encourages environmental awareness and sensitivity in key stakeholders and employees. While we recognize our operational emissions are much smaller than our portfolio carbon footprint, it is still important to measure and disclosure the environmental impact from our operations. IMCO's headquarters, located at 16 York St., Toronto, was designed to meet the highest LEED standard, platinum, as well as the international WELL certification for health and safety. Our energy-efficient office helps us to minimize our GHG emissions and waste output.

In 2022, our facilities team took steps to limit our environmental impact by:

- using filtered water machines, which save approximately 30,000 water bottles annually
- sourcing biodegradable kitchenware
- purchasing catering from vendors that offset the GHG emissions relating to IMCO deliveries

We estimate our operational emissions using the GHG Protocol. As the economy continues to adjust to the post-pandemic environment, workforces have returned to offices in varying degrees, and organizations have revamped and restarted business activities. Emissions that previously may have occurred in work-from-home scenarios or not occurred at all due to interruptions in business activities, are once again being captured in corporate carbon emissions accounting. As a result, IMCO's operational emissions have fluctuated.

IMCO's Operational Emissions

	2020	2021	2022
Scope 1 and 2 emissions (tCO_2e)	396	263	373
Scope 3 emissions (tCO_2e)[2]	172	10	142
Total operational emissions (tCO_2e)	568	273	515

2 Scope 3 emissions for operational footprint refers to corporate travel.

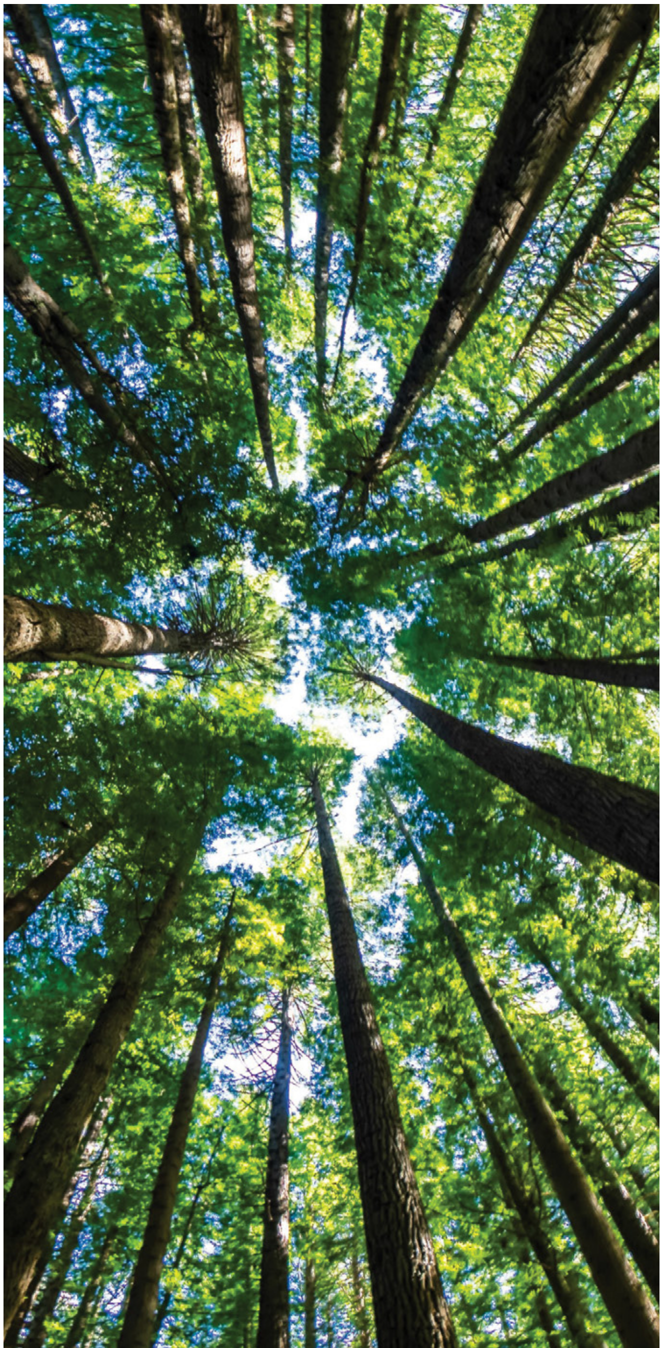
OUR FUTURE PRIORITIES

SECTION

6

OUR FUTURE PRIORITIES

IMCO plans to continue building on our progress. We will execute our ESG strategy and climate action plan to guide investment decisions that will earn returns for our clients while moving toward a net zero economy.



CLIMATE ACTION

- Reduce our financed emissions by prioritizing partnerships with external managers with net zero commitments and increasing investment in companies with net zero commitments
- Continue to increase investments in climate solutions to achieve IMCO's target of 20% invested in climate solutions by 2030
- Continue to manage climate-related risks through investment due diligence, climate-related metrics and scenario analysis

ESG INTEGRATION

- Continue to partner with external managers to advance our ESG priority areas – DEI, climate change and corporate governance
- Improve asset-level tools to better integrate IMCO's ESG and climate targets in investment decision-making and monitoring

STEWARDSHIP

- Continue to drive sustainability outcomes across our investments in line with IMCO's Stewardship Guideline
- Use IMCO's scale and influence to drive climate progress across our portfolio, including the development of credible transition plans

CORPORATE ESG

- Review our procurement practices to identify opportunities to further consider environmental and social considerations in purchasing

CARBON FOOTPRINT METHODOLOGY

APPENDIX A

METHODOLOGY

Financed emissions refer to the GHG emissions generated from the assets in our portfolio, proportionate to our debt and equity holdings. Financed emissions are sometimes referred to as a portfolio carbon footprint. Intensity is financed emissions for the portfolio, normalized by millions of dollars of investment.

We support the need for standardized and transparent carbon emissions accounting and reporting. We calculated our financed emissions in accordance with the PCAF financed emissions second edition guidance (2022) and the GHG Protocol. The general approach to calculate our financed emissions is illustrated by the following PCAF formula:

$$\text{Financed emissions} = \sum_i \text{Attribution factor}_i \times \text{Emissions}_i \quad \text{(with } i = \text{borrower or investee)}$$

$$\text{Attribution factor}_i = \frac{\text{Outstanding amount}_i}{\text{Total equity + debt}_i}$$

We include financed Scope 1, Scope 2 and Scope 3 emissions in our financed emissions calculation. Scope 1 emissions are direct emissions that occur from sources controlled by a company (e.g., company facilities) and Scope 2 emissions are indirect emissions associated with the company's purchase of electricity, steam, heating and cooling. Scope 3 emissions include all other indirect emissions, such as emissions associated with the use of sold products. For 2022, financed Scope 3 emissions are included in our portfolio carbon footprint for the first time. Scope 3 emissions are reported for different sectors in accordance with PCAF guidance.

Since the second edition of PCAF guidance includes requirements for estimating sovereign debt emissions, we also calculated 2022 financed emissions for sovereign bonds. The definition of the scopes of emissions differs for sovereign debt emission calculations. Scope 1 refers to domestic GHG emissions from sources located within the country/territory, Scope 2 refers to GHG emissions occurring because of domestic use of grid-supplied electricity, heat, steam and/or cooling imported from another country/territory, and Scope 3 refers to emissions attributable to non-energy imports as a result of activities taking place within the country/territory. Sovereign debt emissions are calculated using the following approach:

$$\text{Attributed Emissions} = \frac{\text{Exposure to Sovereign Bond (CAD)}}{\text{PPP–Adjusted GDP (CAD)}} \times \text{Sovereign Emissions } (tCO_2e)$$

This is representative of a production-based approach to measuring the emissions of a sovereign. An alternative approach is to measure the consumption-based emissions of a sovereign, which are the domestic emissions adjusted for trade. This involves taking the production approach and then subtracting the emissions associated with exported goods. IMCO has opted to take a more conservative production-based approach rather than a consumption-based approach and therefore, has not subtracted exported emissions.

Sovereign bond intensity is calculated by summing the production-based emissions for each sovereign and dividing by the total ownership amount of those bonds, using the following formula:

$$\text{Intensity} = \frac{\text{Financed Emissions}}{\text{(Outstanding Amount/\$1000000)}}$$

PORTFOLIO COVERAGE

We calculate the portfolio emissions of the following asset classes covered under PCAF guidance: public equities, fixed income/government bonds, real estate, infrastructure, global credit and private equity. Combined, these portfolios represent 91% of IMCO's assets under management as of December 31, 2022. Most of the remainder comes from public market alternatives and money market[1] which PCAF methodology does not currently cover.

We strive to measure emissions for all investments where PCAF publishes guidance and where we have sufficient data availability. We will update our financed emissions calculation over time as data quality, coverage and methodologies improve.

DATA QUALITY

We align the data quality of our portfolio emissions data with the PCAF guidance, which assigns a data quality score from 1 to 5, where 1 is for verified reported emissions, 2 is for unverified reported emissions and 3-5 is for physical activity-based emissions or economic activity-based emissions of varying accuracy.

Reported emissions data is sourced directly from public company disclosures or third-party service providers. IMCO data for reported emissions do not distinguish between verified and unverified emissions due to lack of data availability. Where reported emissions data is not available, we estimate emissions based on sector and regional emission factors. While 74% of our public holdings report emissions data, the majority of private assets depend on a greater degree on estimated emissions derived from region and sector averages. We strive to increase the share of reported emissions in our calculation of financed emissions over time.

PCAF Data Quality Breakdown

Score	Emissions Type	Public Assets		Private Assets	
		% of AUM	% of Scope 1+2 Financed emissions	% of AUM	% of Scope 1+2 Financed emissions
1	Reported emissions, verified by a third party	30%	21%	5%	6%
2	Reported emissions, unverified by a third party				
3	Estimated emissions based on physical activity[2]	0%	0%	0%	0%
4	Estimated emissions based on economic activity	9%	9%	39%	39%
5	Estimated emissions based on economic activity with only sector information	3%	6%	14%	19%
	Total	**42%**	**36%**	**58%**	**64%**

1 Money Market includes other assets and strategies for portfolio rebalancing and asset allocation purposes and are included in the total return

2 IMCO does not have access to the physical-activity data at this time.

LIMITATIONS

Measuring portfolio emissions is still an emerging field, and several limitations in our measurement approach should be kept in mind when interpreting results. As noted, we measure our portfolio carbon emissions in line with the PCAF standard, and our methodology has several limitations across various asset classes, which have been noted by PCAF itself.

PCAF attributes emissions across total equity and debt of the underlying asset. Market value fluctuations and changes in capital structure can impact financed emissions, even if total asset emissions remain consistent. Given this fluctuation, objectives to reduce financed emissions can become a moving target.

Estimates by nature can have varying degrees of accuracy and are driven by the underlying emission factors.[3] Emission factors are generally updated on an annual basis. If updates are applied to emission factors, there would be year-over-year variations in estimated emissions. In addition, Scope 3 emissions are not widely reported, and estimates vary widely. Companies may also use different approaches on Scope 3 emission categories and coverage and may further expand their carbon footprint boundaries.

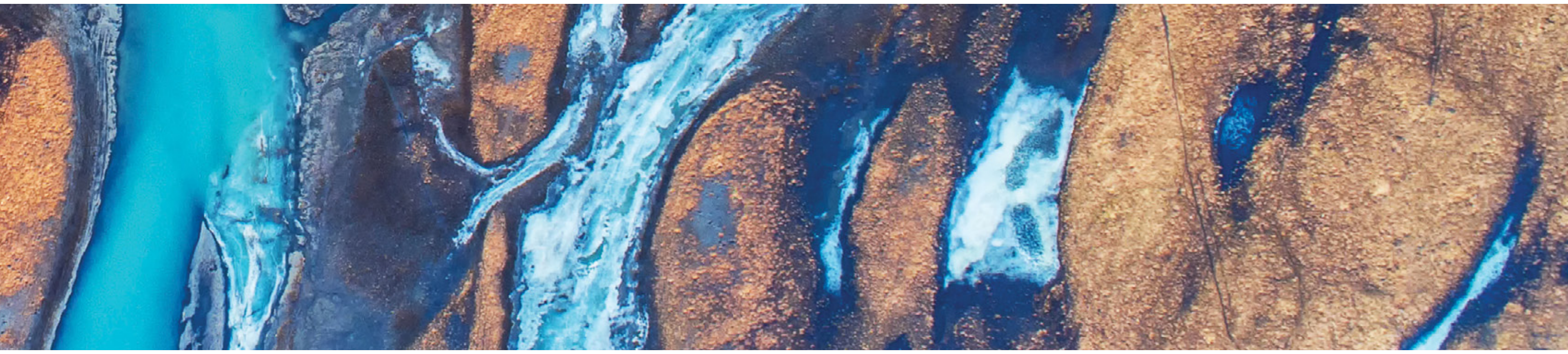
Private assets generally have lower quality of emissions data. We depend more on assumptions and approximations derived from region and sector averages. However, we expect that data availability for private assets will evolve in the future and we will continue using the highest quality of data available for our portfolio carbon footprint calculations.

Double counting can occur between different scopes of emissions. This form of double counting cannot be avoided but we are transparent by reporting Scope 1 and 2 emissions separately from Scope 3 emissions.

For sovereign bonds, the approach to classify scope 1, 2, and 3 emissions of sovereigns is an attempt to mirror the approach developed and adopted for corporates and cities. Despite the attempt to mirror the approach of corporate emissions measurements, Sovereign Emissions scopes differ in calculation methodology and therefore cannot be compared 1:1 with corporate emissions. Double counting can occur in two dimensions:

1. Double counting of emissions of non-sovereign sectors (e.g., corporates) due to accounting of emissions at sovereign territorial level.
2. Double counting of emissions of other sovereigns when accounting for emissions beyond Scope 1.

Additionally, purchasing power parity-adjusted GDP (i.e., the value of a country's output as a proxy for the 'value of the country') has its limitations as the attribution factor, as it is a flow metric averaging annual sovereign spending while investments in sovereign debt occur on a more frequent cadence., Scope 1 emissions are sourced from the United Nations Framework Convention on Climate Change with the most recent data available from 2020. Scope 2 and 3 emissions are sourced from the Organization for Economic Cooperation and Development with the most recent data available from 2018.



3 Emission factor – a value that relates the quantity of GHG emissions with an activity (physical or economical) that causes its release

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

APPENDIX B

We align our disclosure with the TCFD recommendations and expect our external managers and portfolio companies to do the same. We believe in the value of consistent, decision-useful information about climate-related risks and opportunities. Below is a cross-reference to where the recommended disclosures can be found throughout the report.

Disclosure	Page
Governance	
a) Describe the Board's oversight of climate-related risks and opportunities	ESG and Climate Governance, page 12
b) Describe management's role in assessing and managing climate-related risks and opportunities	ESG and Climate Governance, page 12
Strategy	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Portfolio Management, page 20
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Capital Deployment, page 17, Climate guardrails, page 23 and Stewardship, page 29
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Climate Scenario Analysis and Stress Testing, page 22
Risk Management	
a) Describe the organization's processes for identifying and assessing climate-related risks.	Portfolio Management, page 20
b) Describe the organization's processes for managing climate-related risks.	Portfolio Management, page 20
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Portfolio Management, page 20, and Climate Guardrails, page 23
Metrics and Targets	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Our Climate Action, page 16, and ESG Highlights from External Managers, page 28
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Portfolio Management, page 20, and Environmental Impact, page 43
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Our Climate Action, page 16

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