IMCO
Investment Management
Corporation of Ontario

2023 ANNUAL REPORT

Driving performance amid market volatility

INVESTMENT MANAGEMENT CORPORATION OF ONTARIO

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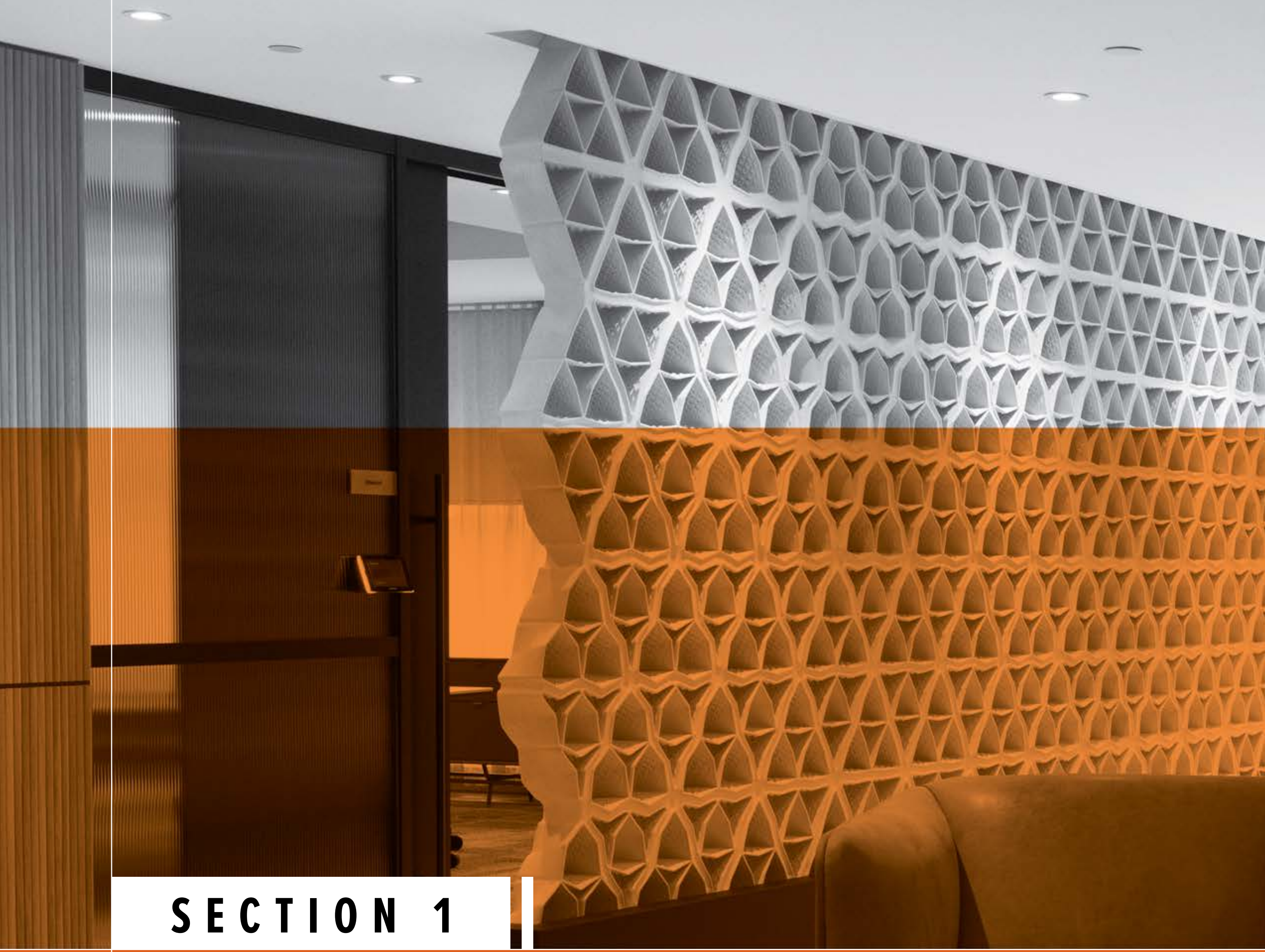


SECTION 1

ABOUT IMCO

DRIVING BETTER INVESTMENT OUTCOMES FOR ONTARIO

IMCO was designed exclusively to invest on behalf of 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, advisory, and oversight needs.

Our mission is clear: We work in partnership with our clients to help them meet their financial obligations on a long-term, sustainable basis. Our purpose, expertise, and scale are at 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: We offer unbiased strategic asset mix advice, portfolio construction services, and 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 the 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.

UNBIASED STRATEGIC ASSET MIX ADVICE: Our objective is to achieve long-term results that enable clients to meet their financial obligations. We work diligently to understand each client's obligations and objectives, then advise on, and build tailored investment strategies for each.

PARTNERSHIPS: We believe in collaborating with strong investment partners. As we continue to evolve 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 desired asset allocations and risk tolerances.

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.

2023 HIGHLIGHTS

Assets under management: $77.4 billion

Delivered one-year weighted average net return of 5.6 per cent

Launched two additional private asset pools (Global Credit and Private Equity)

Selected by four new clients, representing $2.6 billion in assets under management, to provide asset management services

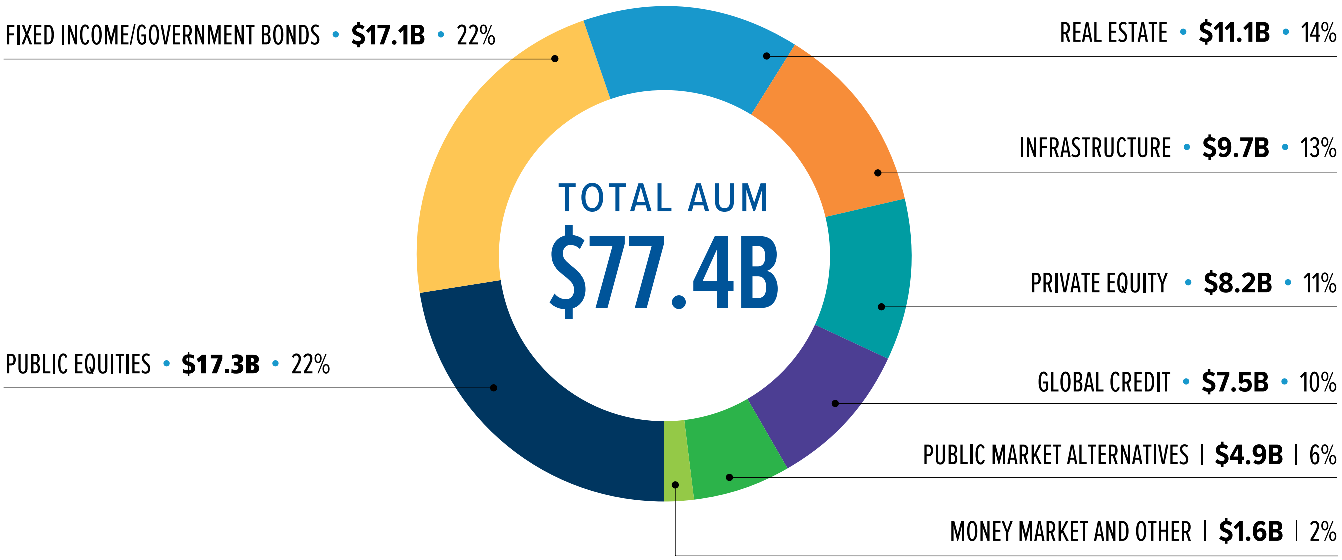
Made a US$400 million direct investment in Northvolt, a leading integrated battery platform

Achieved a Greater Toronto Top Employer for 2024 recognition by Canada's Top 100 Employers

IMCO PORTFOLIO IN BRIEF

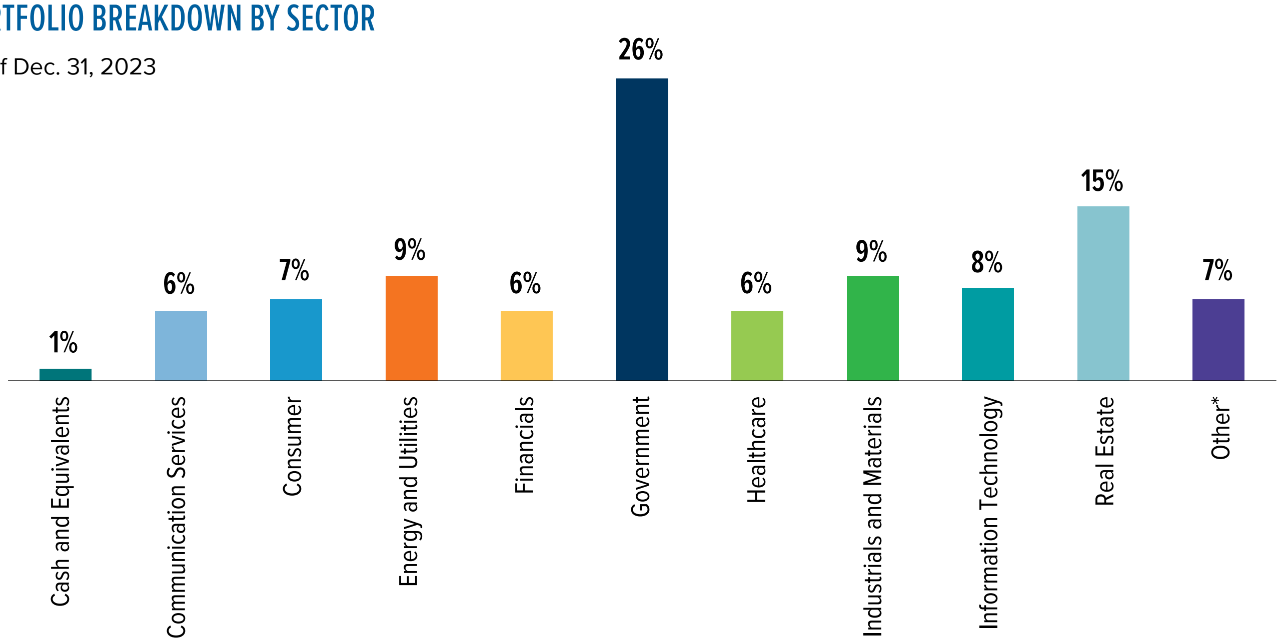
ASSETS UNDER MANAGEMENT BY ASSET CLASS

As of Dec. 31, 2023



PORTFOLIO BREAKDOWN BY SECTOR

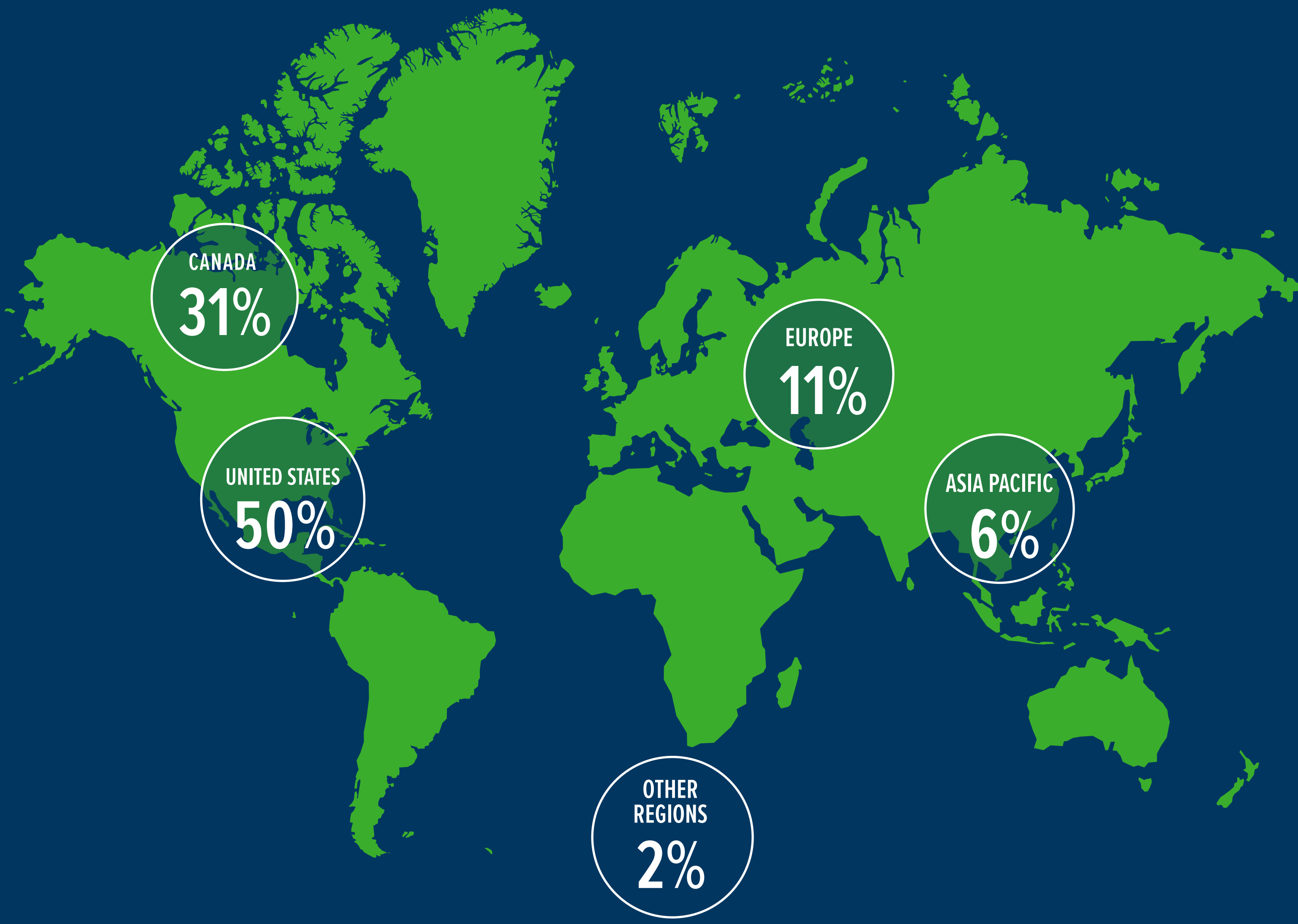
As of Dec. 31, 2023



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

REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

As of Dec. 31, 2023



REPORT FROM THE CHAIR

BRIAN GIBSON
Chair, IMCO Board of Directors

In 2023, major economic, technological, and political developments occurred around the world. These developments resulted in a volatile investing environment. Despite the challenging markets, IMCO delivered a solid return for its clients. This result largely reflects the steady and strategic changes that IMCO has introduced into client asset mixes. It also reflects the enhancements and improvements that have been realized within discreet investment strategies at the asset class level, which are designed to enhance returns.

Positioning its clients to achieve long-term growth and minimize potential losses is the cornerstone of IMCO's approach. Over the last four years we witnessed a global pandemic, major geopolitical events, and dramatic increases in inflation. IMCO's focus on risk management and working with clients to advise them on their strategic asset allocations have never been more important.

As the world moves away from traditional energy sources, trillions of dollars will be required to create the new infrastructure needed to meet the ongoing energy demands. The IMCO board is particularly proud of IMCO's focus on the energy transition. The investment team has been pursuing attractive new opportunities that fit our clients' objectives today and over the longer term.

In 2023, IMCO made good progress on its objective to bring more public sector clients in Ontario on board. We welcomed four new additions to our client roster, with others expected to join. The board considers this a clear validation of the exceptional value proposition that IMCO has built.

IMCO's achievements in 2023 reflect the strength of its culture and talent. IMCO's values, including integrity, respect, partnership, and innovation, are aligned throughout the organization. IMCO's investment team also works with some of the world's best investors who share our culture. The board remains committed to working alongside IMCO's management team to continue to evolve its culture and to attract world class talent.

Lastly, I am pleased to report that we welcomed two new directors to the Board. Daniel Nowlan and Lisa Raitt joined us in January and have contributed throughout the year with their extensive level of expertise from their senior roles in the public sector and years of experience in capital markets.

With the full support of the board, IMCO continues to make excellent progress across all dimensions of its five-year strategy. This is only possible through the ongoing partnership that it successfully maintains across a range of stakeholders (especially with its clients) and with the dedication and enthusiasm of its employees. On behalf of the board, I thank everyone on the IMCO team for their contributions in 2023.

Brian Gibson
Chair, IMCO Board of Directors

REPORT FROM THE CEO

BERT CLARK
President & CEO

2023 was a transformational year for IMCO. It marked the first full year of our new strategy. It represented the point in our history when we transitioned from building foundations to building a leading asset manager.

Our strategy is straightforward: We are focused on delivering strong investment results, satisfying our clients, keeping our employees engaged, and maintaining our cost effectiveness. I'm pleased to report that we are doing well on all fronts. Our organization, and our team, are in a very strong position to continue to achieve the objectives we set for the next four years of our strategic plan, and well into the future.

A YEAR OF SOLID INVESTMENT PERFORMANCE

The weighted average net return of all client portfolios was 5.6 per cent in 2023. Despite a backdrop of volatility and ongoing inflation, IMCO performed well. All asset classes, except for Real Estate, generated positive returns.

Our results are beginning to reflect the long-term work we've done with most clients to adjust their asset mix and reposition our asset class strategies. We expect to see continued improvement in results over the coming years as we help all clients optimize their asset mixes and fully dispose of off-strategy legacy assets.

FOSTERING HAPPY CLIENTS

At IMCO, one of the most rewarding aspects of our job is working side-by-side with our clients. I was pleased to note that our client satisfaction scores increased, year-over-year in 2023. Helping our clients meet their important public missions is what makes our work not only interesting but meaningful.

We also welcomed four new public sector organizations as clients in 2023, representing $2.6 billion in additional assets under management. As our client base continues to grow, adapting our service model to serve more clients in an efficient and scalable manner will be critical.

COSTS MATTER

Unplanned factors such as ongoing inflation and reduced assets under management coming out of 2022 required our organization to make significant effort to stay within our operating budget in 2023. I was proud of the actions our Finance team and senior leaders took to effectively manage and contain our costs. Costs matter because they directly impact net returns and the funds available to meet important public obligations.

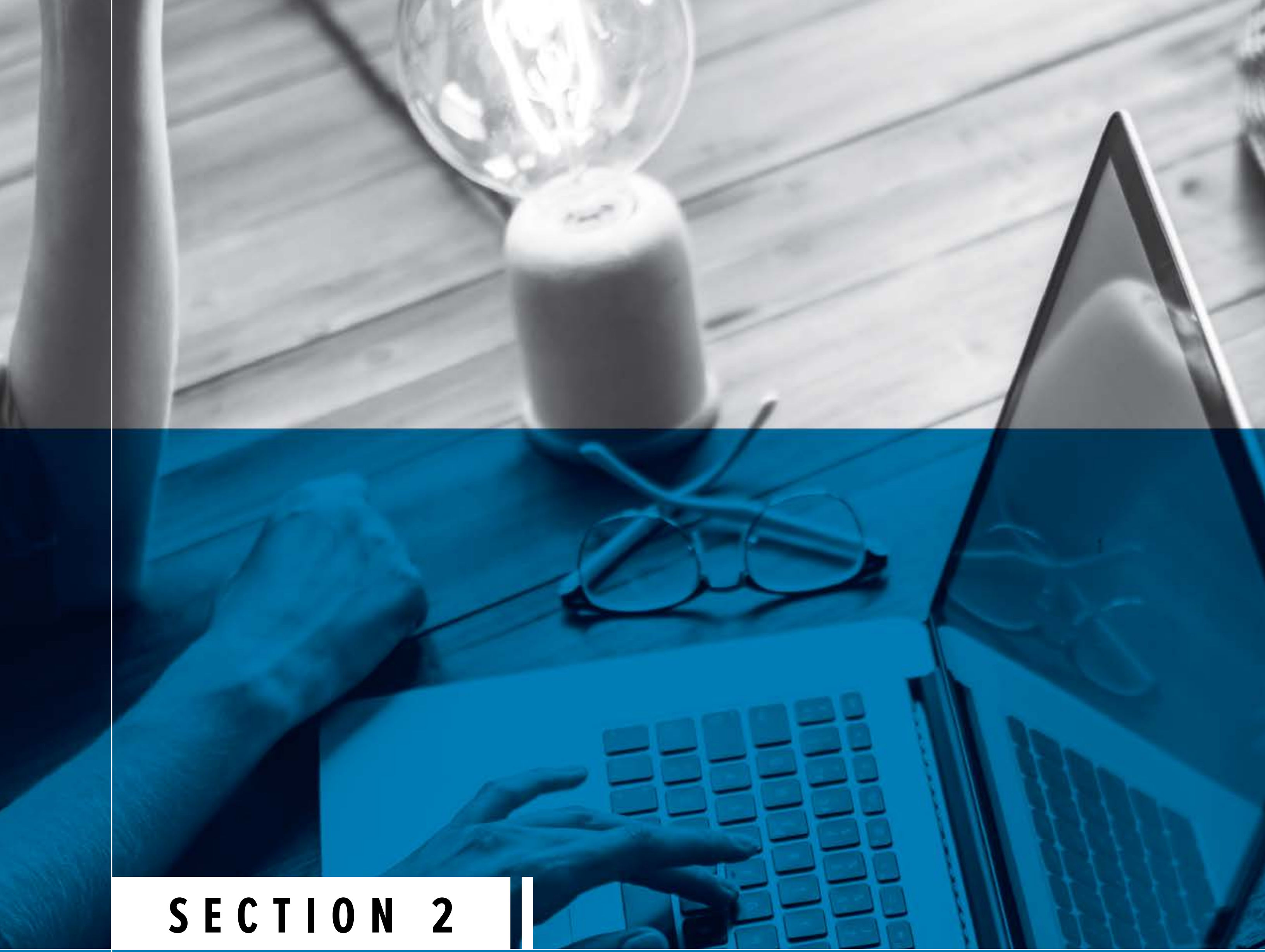
CULTURE IS KEY

The right culture is pivotal for us to achieve our strategic objectives. In 2023, we focused on engaging and training employees across IMCO to ensure they have the fundamentals they need to succeed. We also explicitly engaged our senior leadership team with improved information dissemination, productive offsites, and development of our budget and annual plan.

We introduced a new milestone program, which celebrates employees' tenure and implemented our first enterprise recognition program, The IMpact Awards. Our efforts were recognized as IMCO was named a Greater Toronto Top Employer.

I am thankful for the dedication, teamwork, and hard work from everyone at IMCO. Looking ahead to the remainder of our five-year strategy, we are ready to achieve our ambitious plans as we build on the success of this year.

Bert Clark
President and Chief Executive Officer, IMCO



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.

OUR STRATEGIC PLAN (2023 TO 2027)

In 2023, we pursued long-term objectives for our organization, aligned with the timeline of our five-year strategy. This included engaging existing and new clients, focusing our investment efforts where we have real comparative investment advantages, strengthening operational capabilities, and building and reinforcing our culture.

We tracked our progress against four priority areas: Investment Excellence, Client Success, Culture Evolution, and Cost-Efficient Operations. Our MD&A has been structured to reflect the four themes of our strategic plan.

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.

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

OUR APPROACH

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 offer our clients a wide range of asset classes with each playing a clear role in the portfolio. 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 to make well-informed, long-term investment decisions.

We also believe that active management can drive value, through superior investment selection and value creation.

At the total portfolio level, leverage is used carefully, and in accordance with our investment and risk management policies, 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.

Q&A

WITH ROSSITSA STOYANOVA,

CHIEF INVESTMENT OFFICER

We asked Rossitsa to reflect on a volatile year for investors and what's in store for 2024.

Q: ROSSITSA, YOU'RE A PROPONENT OF "TAKING THE LONG VIEW". TELL US WHY THAT MATTERS?

RS: Taking a long-term view is essential for two reasons. First, this approach avoids the pitfalls of a short-sighted or 'yo-yo' strategy, which can be detrimental in a fluctuating market environment. If you consider the market volatility in the past 18 months alone, we went from public markets being depressed due to rising interest rates in 2022, to a dramatic upswing in public markets in the third quarter of 2023—a year that defied recession expectations. We do not time the markets or react to market events. We believe that maintaining conviction in the long-term investment strategy and asset mix, and staying disciplined in our execution is the best approach to delivering strong, sustainable, risk-adjusted returns.

Second, our ability to invest for the long-term is a competitive advantage. The ability to hold illiquid assets and withstand short-term noise necessitates taking the long view. In particular, our private investments need time to mature and demonstrate results. We assess our investment strategies' effectiveness over a minimum of five years.

Our patient, long-term focus, beyond immediate market reactions, enables our clients to meet their financial obligations decades into the future.

Q: WHAT WERE SOME OF THE BRIGHT SPOTS FROM 2023?

RS: Despite a backdrop of volatility and heightened inflation, 2023 presented several positive highlights for IMCO. Several of our private market strategies, including Global Credit, Infrastructure, and Private Equity, are generating substantially positive net value add, on an inception-to-date basis. They are on the right track to benefitting from the significant progress we've made in internalizing our investment activities and have yet to reach their full potential. Internalization enables us to achieve outsized returns and manage risks, which we will begin to see through the multiple direct and co-investments we've made this year.

The recovery of Public Equities and Fixed Income from the lows of 2022 was another highlight, signaling a rebound in these asset classes.

We continue evolving our asset class strategies, to reflect our growing capabilities and areas of competitive advantages, such as investing in the energy transition, and our approach has proven effective in navigating the uncertain economic landscape of the past year.

Q: WHAT CHANGES WERE MADE TO ASSET CLASSES THIS YEAR?

RS: In 2023, three asset classes underwent significant changes, reflecting our evolving investment strategies and growth capabilities.

In Global Credit, we shifted from investment grade to high-yield credit, to harvest the credit spread and to take advantage of the full risk-return spectrum. We increased our exposure to private credit and launched the internalization program.

All this activity came at an opportune time, coinciding with high rates and reduced bank lending, as we pursue investments in capital solutions, middle-market loans, high-yield, and private credit.

Our Infrastructure strategy was updated to focus on three key themes: digital infrastructure, energy transition, and regulated utilities. We targeted these themes because we believe they represent the future of global infrastructure and are areas where we are differentiated as investors. For example, the energy transition will require massive amounts of capital and our team has built up the internal experience and expertise needed to make differentiated investment calls and to close transactions in the highly competitive and crowded clean energy space. We saw this in action this year through our investments in Northvolt AB (a leading Swedish integrated battery platform); and NeXtWind Capital Ltd. (a German renewable energy company).

Within digital infrastructure, we invested in Cellnex Nordics (a leading Scandinavian operator of wireless telecommunications infrastructure); and increased our investment in DataBank (the largest "edge infrastructure" operator in the U.S.)

Public Equities was re-designed to better align with our clients' investment goals and liquidity needs. We will maintain an active approach in public equities to target attractive opportunities and to achieve better diversification and risk management. Within public equity pools, we have segmented a portion of the assets for liquidity portfolios to enable greater cost efficiency, portfolio management nimbleness, and transparency. Within active public equities, we pursued investment themes aligned with IMCO's World View, including energy transition investments.

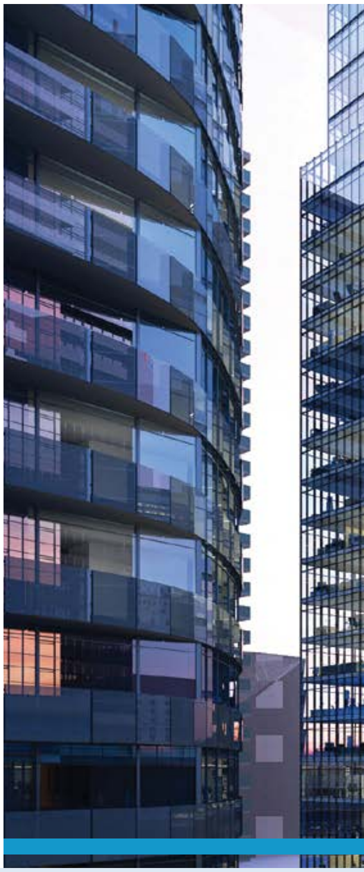
Q: WHAT WILL YOUR AREAS OF FOCUS BE IN 2024?

RS: In 2024, we will continue advancing our internalization capabilities and hone our roster of strategic partnerships.

We will sharpen our focus on sustainable investing and the global energy transition. These areas represent not just strategic choices but will be crucial for future success for our entire portfolio. The energy transition is an area rich with opportunities for attractive returns and significant environmental and social benefits. We are committed to investing $5 billion by 2027 in the energy transition and as of 2023, we have already achieved over $1 billion in clean energy transition investments. Much of this investment has been within our Infrastructure area. Over time, we expect this activity to spread across our portfolio.

We have built a strong foundation for sustainable investing and are poised to take the next step in our sustainable investing strategy. This means picking our spots on where we can have an impact and make returns. There is an ever-increasing volume of sustainable investing trends, policies, and regulations, and we're turning them into actionable insights for our investment team. Sustainable investing is long-term investing, so we're equipping everyone on our investment team with the skills and knowledge they need to be a sustainable investor. And we continue working with our investment partners and portfolio companies to chart a path towards net zero.

TAKING THE LONG VIEW



IMCO invests for the long term, enabling our clients to sustainably meet their financial obligations decades into the future. Our ability to invest over an extended horizon is the source of one of our biggest advantages. While we are mindful of short-term market impacts on portfolio risks and returns, we can withstand market volatility and invest in illiquid, growth-oriented private assets which, although susceptible to frequent periods of volatile returns in the near-term, reliably generate higher long-term returns than low risk assets.

Our inception to date ("ITD") period for performance reporting commenced on Jan. 1, 2020. ITD returns are lower than long-term expectations due to lower-than-expected returns in the last four years for a significant portion of the portfolio.

Since 2020, we recommended and implemented significant changes to our clients' long-term Strategic Asset Allocation ("SAA") targets to better align investments to their long-term needs. These changes include further diversifying fixed income, increasing allocations to private assets, and introducing total portfolio leverage capabilities.

We believe our clients are now better positioned to meet their immediate liquidity needs while achieving their long-term investment objectives. We remain mindful of trends and in an environment of rising geopolitical risks and higher interest rates, we will continue recommending a respective reduction in allocations to emerging markets public equity and public market alternatives.

At the asset class level, our historical performance in public equities and real estate has been challenged. We have re-designed both strategies to deliver returns aligned with our investment objectives. Within Public Equities, our Fundamental Equities program will pursue investments identified within IMCO's World View, and we continue to internalize the factor investing program. We are re-positioning Real Estate towards a more global portfolio, diversifying sectors, and have established an active Real Estate Investment Trust ("REIT") strategy to take advantage of relative value between public and private markets.

Within private markets, we have realized stronger performance in Infrastructure, Global Credit, and Private Equity. With fewer inherited legacy assets, we were able to align these asset classes to target strategies sooner. We continue to make significant progress internalizing our investing activity. By investing alongside our strategic partners, we lower costs, earn outsized returns, and manage risks while selecting investments where we have conviction. Over time, we anticipate the benefits of internalization will become more apparent in our performance.

In four short years, our ITD period has spanned a global pandemic, the first major war in Europe since WWII, and a dramatic increase in inflation. While these events and the gradual transition to IMCO strategies have hampered our historical performance, we, like our clients, remain focused on the long-term.

We believe that maintaining conviction in the long-term investment strategy and asset mix, and staying disciplined in our execution is the best approach to delivering strong, sustainable risk-adjusted returns.

Our improving results at the total portfolio and asset class level are beginning to reflect implementation of our SAA advice and investment strategies. As such, we believe our clients are increasingly well-positioned to benefit from IMCO's competitive advantages: Customized SAA advice, internalized investment management expertise, deep strategic partnerships, and demonstrated leadership in sustainable investing.

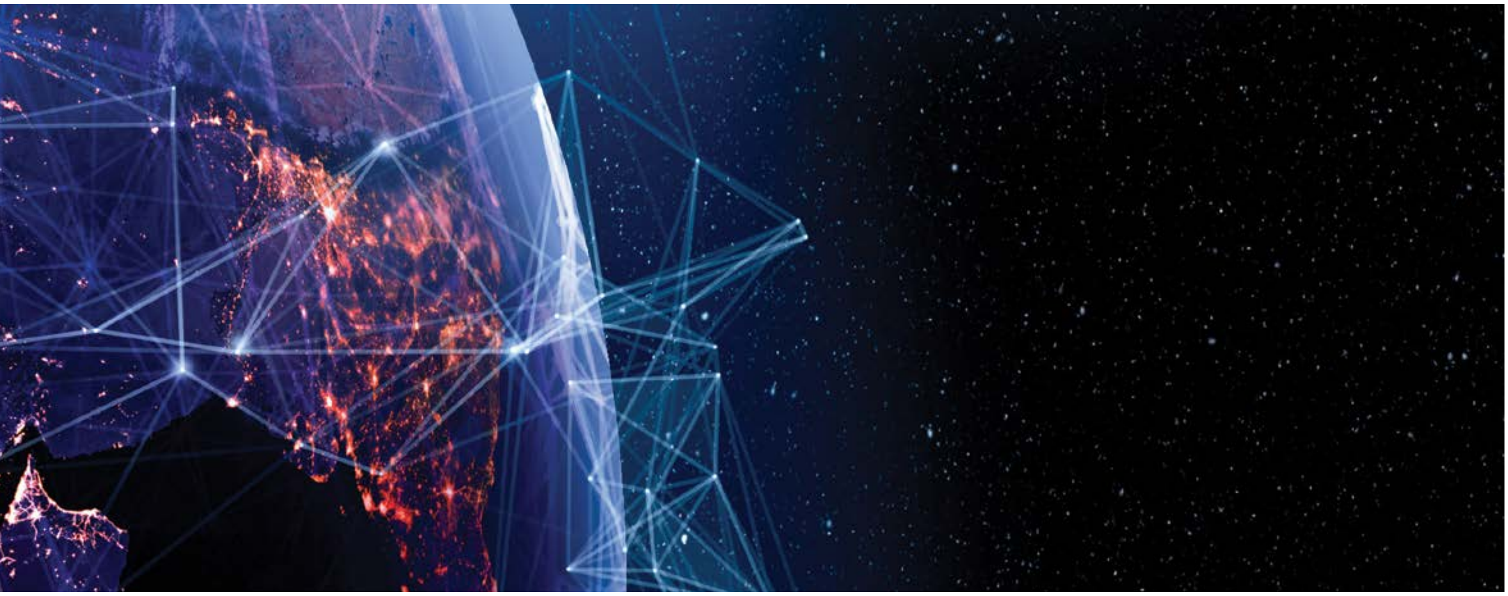
IMCO'S WORLD VIEW

We developed our World View to define the trends that will most impact our clients' assets. These primary themes are expected to play a significant role in driving long-term returns. The implications are the economic and market implications of themes that will shape investors' decision-making.

Key developments are analyzed and continuously reviewed to navigate the changes they bring and adjust accordingly. We connect the dots between the short-term noise of daily headlines into signals that inform our long-term economic outlook and investment strategy.

IMCO's World View continues to inform our five-year strategy, investment activities within individual asset classes, and asset mix recommendations. It also helps us define the global trends that will most impact clients' assets and the economic and market implications of these themes.

Since we compiled the details of our World View in 2022, and officially released our insights to the public in early 2023, there have been several major economic, technological, and political developments that will shape the investment landscape for years to come. IMCO identified four key developments in our World View that feature important themes and implications for long-term investors to consider.



THEMES

ADDRESSING INEQUALITY
The social discontent from rising inequality has spurred politicians to increasingly shape policy in ways that address the uneven distribution of income and wealth, potentially prompting more sustained inflationary pressures.

DEGLOBALIZATION
Increasingly protectionist policies from countries to restore domestic production of critical goods and resources has resulted in international economic integration headwinds.

POLICY INFLECTION
Economic policy in recent decades has been dominated by central bankers, but the policy stage looks set to shift over the coming years with fiscal levers taking precedence over monetary policy.

ESG & CLIMATE CHANGE
Both the public and private sectors are increasingly adopting cleaner energy sources and technologies, creating climate "winners and losers."

DISRUPTIVE TECHNOLOGIES
Technological disruption and innovation will continue to shape value creation, investment opportunities and risks.

EVOLVING MARKET STRUCTURE
Private asset markets have grown dramatically as the rising popularity of index investing has also transformed public markets. These changes heighten the potential for unintended risk exposures.

IMPLICATIONS

END OF LOW FOR LONG
Deglobalization, decarbonization, and fiscal policy aimed at addressing inequality are among the factors likely to generate sustained increases in inflation and interest rates.

HEIGHTENED VOLATILITY & 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.

CAPITAL INVESTMENT BOOM
Public priorities such as decarbonization and onshoring will require significant capital investments, both private as well as public.

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.

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.

NEED FOR INNOVATION & FLEXIBILITY
Investors that can innovate, identify, and integrate key insights, and adapt to changing risks and opportunities, will be at an advantage.

1

FURTHER FRAYING IN U.S.-CHINA RELATIONS

Declining globalization, rising protectionist policies and intensifying competition between global economic power houses is a common theme throughout the World View. The increasingly frayed relationship between the U.S. and China since 2018 has resulted in economic efficiency and free trade taking a back seat to new priorities such as strategic competition, de-risking critical supply chains, domestic employment, climate, and national security.

These dynamics support the likelihood of an *End of Low for Long* scenario for inflation and interest rates. Increasing allocations to inflation-sensitive assets to help mitigate risks stemming from inflation and interest rate volatility can help limit the *Scope for Unintended Exposures* and alleviate geopolitical risks while reducing direct and indirect regional exposure.

The unpredictability of U.S.-China relations, along with *Heightened Volatility & Greater Dispersion*, creates a riskier market, economic and geopolitical environment. Investors need to take an active management approach, informed by research, to identify beneficiaries of new policies and geopolitical developments in strategically important sectors. Having the *Innovation and Flexibility* to formulate and implement contingency plans in response to major unexpected changes and events for geopolitical and domestic policies will allow investors adapt to the evolving U.S.-China relationship in the months and years to come.

2

PASSAGE OF THE IRA & CHIPS ACT

In the post-pandemic era, governments are increasingly relying on major fiscal programs to grow targeted sectors and promote broader domestic social objectives. The CHIPS and Science Act (CHIPS) and Inflation Reduction Act (IRA), signed into law by the U.S. in August 2022, reflect an active policy approach that has significantly impacted capital expenditures in manufacturing construction.

U.S. manufacturing construction activity recently hit its highest growth rate since WWII and spurred investors to consider opportunities in materials needed to support the *Capital Investment Boom*. This World View theme refers to governments' growing focus on decarbonization and onshoring opportunities especially in relation to the energy transition and in strategic sectors identified as vital for geopolitical risk mitigation. There is also a growing divergence between sectors and geographies that benefit from these policies, contributing to *Heightened Volatility & Greater Dispersion*. Investors must assess which countries and industries stand to benefit or face headwinds from government policies to better ensure long-term returns. *Innovation and Flexibility* to adjust portfolios, including potentially adding more inflation-sensitive assets in an *End of Low for Long* era, can help investors manage through an environment in which inflation and volatility play a more impactful role.

3

U.S. REGIONAL BANKING CRISIS

The surge in U.S.-inflation since 2021 triggered one of the largest and fastest interest rate increases by the U.S. Federal Reserve in decades. Rapid changes in monetary conditions are often fraught with unforeseen and unintended consequences. Consistently, last spring, four regional U.S. banks failed, representing one of the largest bouts of banking failures in U.S. history.

The recent banking instability could accelerate and further support the longer-term trend of credit disintermediation away from U.S. banks, creating further opportunities for long-term investors to fill the financing void. Uncertainty around the outlook for interest rates and inflation is expected to result in *Heightened Volatility & Greater Dispersion* in the coming years. Being well-positioned to take advantage of opportunities and risks also requires the recognition that changes in the term structure of interest rates in an *End of Low for Long* scenario can alter the risk/return profile of both private and public credit investments.

4

THE YEAR OF ARTIFICIAL INTELLIGENCE (AI)

The release of ChatGPT, a chatbot developed by OpenAI that can generate human-like text from input prompts, helped broaden the adoption of generative AI around the world in 2023. For generative AI to be generationally disruptive and transformative, a large infrastructure build-out is necessary. At the same time, new regulatory, ethical, and legal considerations will have to be navigated.

The generative AI roll out requires vast computational infrastructure and energy resources. Data centers and the transmission capacity needed to scale up digitization are prime examples of opportunities for investors as part of the ongoing *Capital Investment Boom* such as IMCO's investment in DataBank, a U.S. datacenter operator. Identifying where AI efficiencies will have a significant impact, either positive or negative, will be critical for investment portfolios in the coming decades. In addition, actively managing benchmarked investments in an environment characterized by *Growing Scope for Unintended Exposures* will be important to better manage concentration risks where a small number of constituents may drive a large share of the total returns.

For more, visit **www.imcoinvest.com** for the full version of IMCO's 2024 World View.

2023 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 2023, the weighted average net return of all client portfolios (net of all costs) was 5.6 per cent. The benchmark consolidated return for 2023 was 6.6 per cent.

The range of returns across IMCO's client portfolios was 3.2 to 7.9 per cent in 2023 while the net value add ("NVA") ranged from negative two to positive 0.1 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 was required by its initial clients to manage assets under their legacy strategies.)

2023 represents IMCO's fourth full year of reporting. IMCO's one-year and four-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, weighted daily based on clients' proportionate investment in each IMCO strategy.

2023 NET INVESTMENTS AND RATES OF RETURN BY ASSET CLASS

As of December 31, 2023

ASSET CLASS	NET INVESTMENTS (C$ BILLIONS)	Annualized Returns, net (%)					
		1-Year			4-Year		
		Actual	Benchmark	NVA	Actual	Benchmark	NVA
Public Equities	$17.3	18.0%	17.5%	0.5%	7.1%	7.7%	(0.6%)
Fixed Income	$17.1	5.9%	5.8%	0.1%	(2.2%)	(2.3%)	0.1%
Real Estate[1]	$9.8	(13.0%)	(12.1%)	(0.9%)	(3.7%)	(1.3%)	(2.4%)
Global Infrastructure	$9.7	4.9%	2.5%	2.4%	6.5%	2.0%	4.5%
Global Credit	$7.5	7.7%	8.7%	(1.0%)	3.3%	0.5%	2.8%
Public Market Alternatives	$4.9	1.4%	6.4%	(5.0%)	2.2%	3.0%	(0.8%)
Private Equity	$8.2	5.7%	12.6%	(6.9%)	17.3%	6.9%	10.4%
Money Market and Other[2]	$1.6	—	—	—	—	—	—
Leverage[3]	($4.4)	—	—	—	—	—	—
Total IMCO	**$71.7**	**5.6%**	**6.6%**	**(1.0%)**	**2.9%**	**2.8%**	**0.1%**

[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.

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

The public equities portfolio provides long-term growth through capital appreciation and dividend income by actively investing in publicly traded entities across developed and developing market economies. While higher inflation and interest rates have magnified the impact of slow growth and raised the possibility of borrowers defaulting, the resulting volatility has created unique opportunities for investors. In this environment investors need active management with a research-driven, policy-aware investment process to navigate through the heightened market volatility to generate value-add.

Public equities are an essential component of a total portfolio, providing liquidity, diversification, market returns, and active value-add to weather volatility while generating growth. IMCO's active strategy comprises four sub programs with different, specialized purposes to satisfy these objectives:

1. Fundamental equities provide access to investments aligned with our World View, relative value opportunities that take advantage of pricing differences between public and private markets, and between-the-lines opportunities that do not fit in traditional asset classes.
2. The factor program delivers targeted exposure to factors such as quality, value, momentum, and low volatility as well as optimized diversification and calibrated risk.
3. External partnerships allow for themes and opportunities outside of IMCO's internal teams that span across different investment approaches, geographies, and sectors while complementing our internal programs.
4. Portfolio construction aims to mitigate unintended risks created by the other strategies.

In the first quarter of 2023, IMCO undertook a strategic review of the Public Equities program to better align it to IMCO client's investment goals and liquidity needs. We will maintain an active approach in public equities to target attractive opportunities and achieve better diversification and risk management.

Within the public equity pools, we have segmented a portion of the assets for liquidity portfolios. The liquidity portfolios enable cost efficiency, better portfolio management nimbleness, and improved transparency.

Performance

As of Dec. 31, 2023

Net Investments (C$ billions)	1-Year			4-Year		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$17.3	18.0%	17.5%	0.5%	7.1%	7.7%	(0.6%)

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 turbulent macroeconomic market environment was a driving factor within public equities across the globe. Ongoing global conflicts and geopolitical tensions, returns being concentrated in a very small percentage of the market, a volatile rate environment and a slower than anticipated recovery were all contributors to public market volatility. Despite these challenges, we outperformed through our active management decisions, such as increase in exposure to growth and quality factors in Global Equity; and underweighting energy and overweighting IT in Canadian Equity. All three strategies—Canadian Equity, Emerging Market Equity, and Global Equity—generated positive year-to-date NVA.

In a year of rising rates and tough environments for businesses, IMCO created value through our team's ability to invest in relative value opportunities, cross-asset-class opportunities, structured deals, and thematic opportunities as part of our World View and optimized diversification approaches.

In alignment with IMCO's Five-year Strategic Plan, we also continued to focus on growing our internalized World Diversified Multi-Factor mandate, resulting in better risk management and additional cost savings to IMCO.

Select highlights

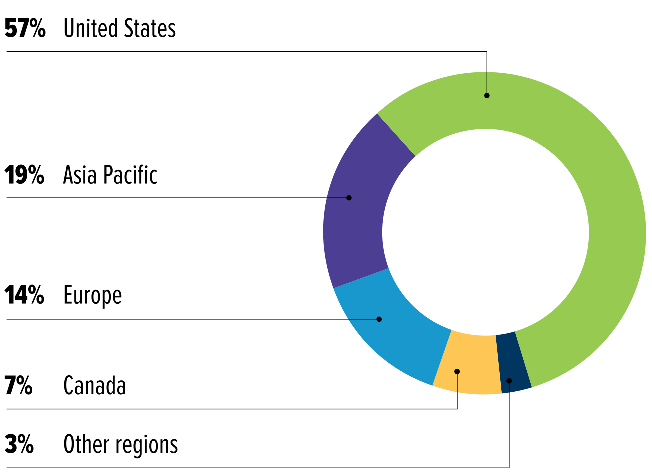
We committed US$400 million in **Northvolt**, a leading integrated battery platform focused on the research and development, manufacturing, and recycling of sustainable battery cells and systems. The investment was IMCO's first cross-asset-class transaction, made jointly by fundamental equities and infrastructure, reflecting a shared priority to manage climate change while creating long-term value and enabling the global transition to a net zero emissions economy.

As identified in IMCO's World View, technology advancements continue to create investment opportunities, with artificial intelligence and its widening rollout taking centre stage in 2023. IMCO is analyzing AI's disruption across markets and industries, and identifying sectors and investment opportunities where AI efficiencies will have a substantial impact. As a result, Fundamental Equities also invested US$150 million in **CoreWeave**, a leading provider in the AI industry. The company provides the cloud infrastructure for generative AI, and adds risk-managed, high-growth exposure to the rapid adoption of artificial intelligence applications to our portfolio.

These investments are an example of the increase in our internally managed public equity programs which allows IMCO to optimize and balance investment management expenses with generating value-add over the total public equity program.

Public Equities Distribution by Region

As of Dec. 31, 2023



FIXED INCOME

We invest in short-, medium-, and long-term fixed income to provide interest rate sensitivity, liquidity, safety, and diversification based on clients' liability profiles.

As fixed income allocation continues to transition to long-term strategic asset allocations, IMCO places an emphasis on inflation-linked bonds from nominal long bonds to help moderate inflation risks and mitigate deflation risk. Our strategies provide exposure to highly liquid money market securities and nominal bonds issued by Canadian federal, provincial, and municipal governments, as well as opportunistically in other developed economies.

Fitting with our long-term strategic asset allocation recommendations, IMCO's fixed income employs a beta replication approach with a focus on providing the needed liquidity for clients in both normal and stressed periods.

Performance

As of Dec. 31, 2023

Net Investments (C$ billions)	1-Year			4-Year		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$17.1	5.9%	5.8%	0.1%	(2.2%)	(2.3%)	0.1%

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 U.S. Inflation-Linked Treasury Index

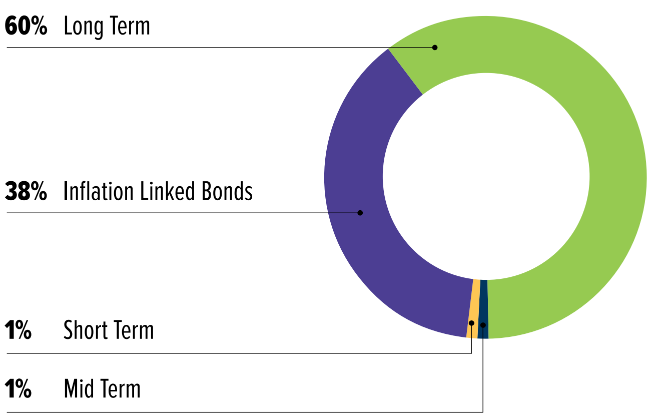
Key performance drivers

Central banks, including the Bank of Canada, continued to adjust policy rates higher to help reduce relatively high levels of inflation back toward central bank inflation target levels. The Bank of Canada increased policy interest rates by 75 basis points to a 20-year high of 5 per cent as compared to 4.25 per cent at the beginning of 2023. The worst bond bear market in 40 years saw bond yields continue to rise for most of 2023 with the Canada 10-year yield peaking at just over 4.25 per cent in October. This was then followed by one of the largest two-month rallies in history to bring yields back to 3.1 per cent and slightly positive returns for the asset class for 2023. Volatility seems to be the norm as central bank official rates are no longer set at zero.

During the year, IMCO completed its assessment of the Government of Canada's 2022 announcement to stop issuing new real return bonds (RRBs) and revamped its inflation strategy to draw on the U.S. inflation bond market for new purchases. This change provides similar effects of diversification and inflation protection to maintain the overall characteristics and benefits for clients' portfolios.

Fixed Income Breakdown by Portfolio Mandate

As of Dec. 31, 2023



REAL ESTATE

We invest in a diversified portfolio of real estate holdings to provide long-term total returns comprised principally of stable, high-quality cash flow with capital appreciation over the long-term.

Our strategy focuses on active asset management of direct holdings, diversification by property type and geography, as well as the prudent disposition of investments that are not expected to enhance future portfolio performance.

The cultivation of strategic partners continues to evolve through expanded mandates and investment, generating significant pipeline opportunities and deal flow to meet the original five-year targets.

Performance

As of Dec. 31, 2023

Net Investments (C$ billions)	1-Year			4-Year		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$9.8	(13.0%)	(12.1%)	(0.9%)	(3.7%)	(1.3%)	(2.4%)
BENCHMARKS:						
Real Estate Custom Benchmark						

Key performance drivers

The rising interest rate environment and regional bank failures increased volatility, which led to tightening debt markets and decreased available capital from investors. Additional contributing factors included economic headwinds, recessionary fears, and the uncertainty of office tenancy in the post-COVID world.

Within a challenging market, IMCO decreased its allocation targets in office and retail due to expected underperformance. IMCO increased its allocation to multi-residential and industrial to deliver more stable, consistent performance as well as increase exposure to non-domestic investments.

Prior to the pandemic, office assets were a cornerstone of institutional real estate investing, providing investment scale, strong occupancy, and credit quality tenancies in key investment markets. IMCO's office investments focus on well located and/or newly developed high-quality assets in desirable locations and will benefit as the return-to-office recovery improves.

Retail as an asset class had challenges due to e-commerce and changes in consumer habits. While a few select super-regional malls continue to outperform, secondary market enclosed shopping centres struggled to maintain long-term occupancy and attract high caliber retailers, challenging the fashion-oriented shopping centre's dominance within the community.

Multi-residential properties have consistently performed in all economic periods given its needs based diversified tenant base and consistent cash flow characteristics. Even amidst a challenging financing environment, liquidity for multi-residential remained the strongest among all real estate sectors with strong interest from both institutional and private investors.

The industrial warehouse sector continued to present attractive investment and development opportunities as e-commerce logistics' demand held strong and global supply chains evolved. Most of the existing North American industrial real estate is approaching functional obsolescence. High-quality tenants have a demand for increased functionality with a sustainability-focused design.

Select highlights

IMCO's disposition strategy remains an important part of executing our five-year plan to reposition the portfolio, reduce retail, and select office exposure that reflect long-term trends such as e-commerce, housing constraints, aging demographics, and increase for global diversification.

In 2023, we committed to our first direct real estate investment outside North America in **Trinity House**, a state-of-the-art life science laboratory project located in Oxford, England, alongside our partner Breakthrough Properties. The life sciences sector continues to benefit from demographic tailwinds, and we are focused on exploring more life sciences opportunities in key research hubs around the world.

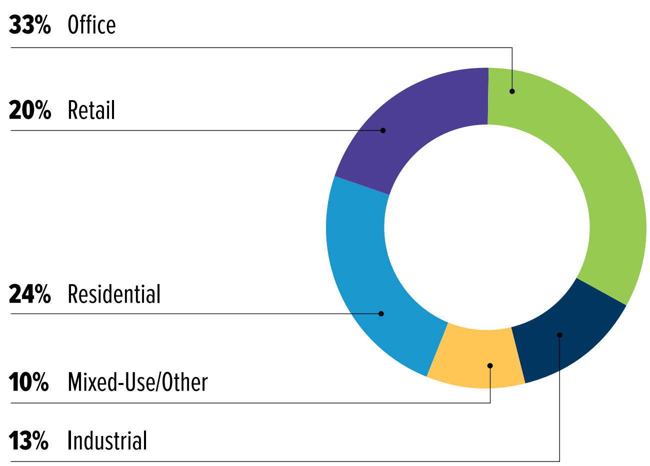
Capitalizing on depressed public market evaluations for REITs, we initiated an active strategy for a globally diversified REIT portfolio that we expect to benefit from value appreciation as public and private real estate market pricing realign. REIT markets were up at the end of the year, compensating for earlier underperformance.

With real estate buildings accounting for roughly 40 per cent of global CO2 emissions, sustainability remains a primary focus in our investment decisions. Real estate is uniquely positioned to be a leader in the climate space as the industry prioritizes reducing emissions through sustainable initiatives such as **ClimateTech**. We have doubled our allocation to property technology to capitalize on this growing trend. We continue to partner with industry leaders to advance climate sustainability solutions across all property sectors with all new development projects incorporating sustainable building elements. Within the existing portfolio, over 80 per cent of our Canadian direct real estate portfolio is LEED or BOMA Best Certified and we will look to invest additional capital over the next three years to improve energy efficiency and reduce carbon emissions in both our existing portfolio and new investment opportunities.

In alignment with IMCO's ESG priorities, we have invested in several net zero projects, including the **Fairmont Royal York** Hotel, one of the largest single-building decarbonization projects in North America, as well as a 296,000 square foot industrial Zero Carbon Design Standard building in Greater Montreal.

Real Estate Distribution by Property Type

As of Dec. 31, 2023



GLOBAL INFRASTRUCTURE

With the continued push and focus on decarbonisation, we see material opportunities to invest in the infrastructure required to produce, transport, and manage new sources of clean energy. In addition, the massive proliferation of digital technologies and the expansion of artificial intelligence is leading to greater need for digital infrastructure such as datacenters, fibre networks, and mobile networks.

IMCO's infrastructure program and strategy is focused on three key themes that we believe represent the future of global infrastructure, and where we are differentiated as investors: Clean energy transition, digital infrastructure, and regulated utilities. Our investments in these sectors provide clients with exposure to critical infrastructure assets with high barriers to entry and long-term cashflows for stable income and inflation protection over the long term.

Our experienced team invests in top-tier private assets across geographies through fund commitments and direct investments. IMCO recognizes the importance of customer-centric business models and focuses on value-enhancing activities by adopting an active asset management approach to maximize returns.

Performance

As of Dec. 31, 2023

Net Investments (C$ billions)	1-Year			4-Year		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$9.7	4.9%	2.5%	2.4%	6.5%	2.0%	4.5%
BENCHMARKS:						
Dow Jones Brookfield Global Infrastructure Index						

Key performance drivers

Infrastructure investments, particularly in the digital and the renewable energy sectors, performed well in 2023. While higher interest rates create downward pressure on value, this is offset by higher inflation, which tends to increase revenues in this asset class. The public markets were also quite volatile over the year. Private market valuations also tended to be sticky as investors continue to see long-term value in this asset class, though we do note that there were fewer completed transactions than in years past.

Select highlights

IMCO had an active year for direct investments in the infrastructure asset class. We focused our investment efforts on opportunities that aligned with our three investment themes of decarbonization, digitalization, and electric grid reinforcement. As we pursue our goal of growing the infrastructure portfolio to more than $12 billion by 2027, we will continue to drive direct investment deal flow to reduce costs to our clients.

In 2023, we announced our investment of US$400 million in **Northvolt** alongside our fundamental equities team. This is a leading integrated battery platform with over $55 billion in long-term revenue contracts that is focused on the research and development, manufacturing, and recycling of sustainable battery cells.

Together with our strategic partners Sandbrook and PSP Investments, we collectively committed US$750 million to acquire and grow **NeXtWind**, a German based renewable firm specializing in the repowering of European wind farms which are coming to the end of their useful life.

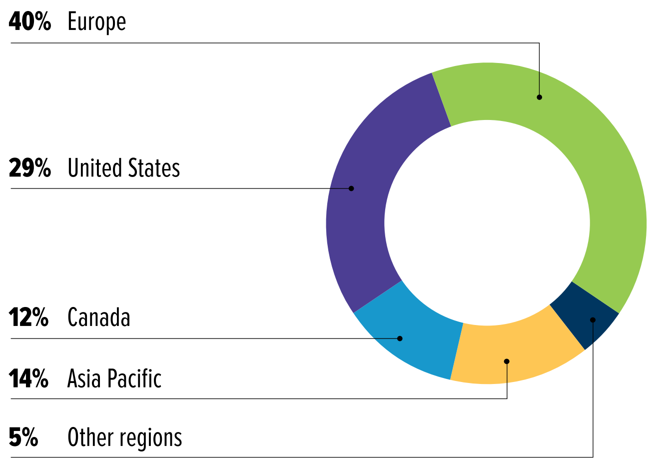
IMCO bolstered its investments in the digital infrastructure space through its investment in **Cellnex Nordics**, a leading Scandinavian tower operator, alongside its investment partner Stonepeak.

Asset management is another core tenet to unlocking value in the infrastructure portfolio and we are proud to have supported our investments in several important initiatives. At **Pulse Clean Energy**, one of UK's leading energy storage businesses, we helped lead a first of its kind debt raise of GBP175 million to help support the buildout of it's now 500 MWs of energy storage projects.

IMCO continued to support **Databank** as it accelerates its business plans and raised over $1.6 billion in 2023 to facilitate the buildout of several new datacenters around the country. Our team helped guide the **Exolum** team to diversify its business interests and focus on sustainability as it announced it received a five-star rating in the 2023 GRESB sustainability index and announced the acquisition of a 50 per cent interest in a leading ammonia storage terminal in Houston, Tex.

Infrastructure Distribution by Geography

As of Dec. 31, 2023



GLOBAL CREDIT

We invest in credit to provide higher risk-adjusted returns than traditional fixed income and contribute additional diversification benefits to the total portfolio through credit alpha/spread.

IMCO takes a comprehensive approach to credit investing to provide clients with a unique offering as a single, consolidated global credit portfolio combining public and private credit. This provides access to a full range of credit opportunities to generate outperformance through credit spread from allocations to private corporate credit, infrastructure credit, real estate credit, special situations credit, and high yield credit. By investing in a broad range of credit sub-asset classes with low correlations to each other, IMCO aims to achieve a more stable return stream and more diversified portfolio. We reduce costs through internalization of a significant portion of the portfolio.

The flexibility of IMCO to move into different market segments and leverage internal relationships as needed for transactions, particularly among public equities, global credit, and private equity, is a differentiator that delivers expertise to clients.

As part of a planned evolution of IMCO's global credit strategy to drive stronger risk-return outcomes, allocation to private credit will increase to 70 per cent from 50 per cent. This warranted a change in benchmarks consistent with this shift to ensure IMCO's targeted private market segments are appropriately reflected while keeping the return-to-risk ratio of the previous and new benchmarks approximately the same.

Performance

As of Dec. 31, 2023

Net Investments (C$ billions)	1-Year			4-Year		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$7.5	7.7%	8.7%	(1.0%)	3.3%	0.5%	2.8%

BENCHMARKS:

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

Key performance drivers

2023 saw some of the best investment opportunities in private credit in years as both returns and credit quality increased. Base rates rose with central bank tightening while loan-to-value decreased due to higher interest carrying costs. Together, this led to an all-in rate of 9-to-12 per cent for corporate credit, and 13-to-16 per cent for capital solutions credit, compared to single digit returns in 2022.

2023 also saw banks de-risk due to tighter regulations and pressures emerging from regional bank failures. This trend supported the expansion of private credit investing into larger corporations, infrastructure, and hybrid capital solutions, expanding the investment opportunity set for IMCO. IMCO took advantage of these opportunities by launching into vintages with lower leverage and higher rates.

The launch of the global credit pool and the global credit internalization program provided new ways for clients to invest in effective, scalable, and efficient ways while ensuring more efficient sourcing, rigorous underwriting and incremental annual value-add through fee savings.

Select highlights

Global credit repositioned the portfolio from public to private credit and, within private credit, added more exposure to middle market loans, real estate, infrastructure, and capital solutions.

In 2023, IMCO's private credit allocation grew to 46 per cent from 37 per cent of the portfolio, through approximately US$1 billion of fund commitments and US$700 million of co-investments, enabled by the launch of the internalization program.

For example, IMCO invested with **Ares Pathfinder II**, which is a flagship global alternative credit fund focused on providing tailored financial solutions for owners of large, diversified portfolios of assets generating predictable and contractual cash flows throughout market cycles. We committed capital to **Carlyle Credit Opportunities Fund III** to access special situations credit and opportunities fueled by a rapidly shifting macroeconomic environment. Our investments in **Oaktree Opportunities XII** also provide us with returns from a wide range of private investments as a major component of its opportunistic credit strategy. IMCO also committed capital to the **Blackstone Green Private Credit Fund III** to provide flexible credit capital to companies and assets in renewable energy, the energy transition and climate change solutions.

IMCO also invested in **Blackstone Tactical Opportunities**, which is focused on private investment opportunities outside of traditional private equity and private credit. In addition, we invested in **Sagard Senior Lending** to generate risk-adjusted returns while helping entrepreneurs build and grow their businesses.

PUBLIC MARKET ALTERNATIVES

We invest in a low beta portfolio which employs active and niche strategies to provide absolute returns, diversification uncorrelated to the equity markets, and liquidity to stay agile in changing market conditions. This includes opportunistic strategies such as 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.

As each strategy is uncorrelated, we can pursue differentiated investment opportunities to enhance risk-adjusted returns through active management. Our select, in-depth relationships with world-class external managers provides attractive terms for clients' portfolios benchmarked against ESG screening, analysis, and stewardship practices.

Performance

As of Dec. 31, 2023

Net Investments (C$ billions)	1-Year			4-Year		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$4.9	1.4%	6.4%	(5.0%)	2.2%	3.0%	(0.8%)
BENCHMARKS:						
Public Market Alternatives Custom Benchmark						

Key performance drivers

Higher interest rates and greater market volatility early in the year increased economic uncertainty. While the global economy continued to experience the effects of elevated interest rates, inflation slowly reduced throughout the year, and the economy demonstrated unexpected resiliency. Macro managers concerned with the resiliency of consumer spending, the labour market, and potentially over leveraged companies in a high corporate debt environment took defensive positions and less risk, which detracted from their performance.

2023 marked the end of a 40-year period of declining interest rates. Many of the building blocks of the public market alternatives strategy were designed during this period. IMCO's World View makes it clear that we have seen the end of lower-for-longer. Therefore, IMCO has recognized the need for the public market alternatives strategy to evolve.

In volatile environments, active management can take advantage of dislocations in areas such as mortgages, structured credit, risk transfer, credit markets, and fixed income relative value. These can capture both up and downside in the markets. IMCO's public market alternatives team pursued these niche opportunities throughout the year to provide downside protection.

Select highlights

In 2023, we focused on repositioning the portfolio and taking advantage of dislocations created by higher rates, through investments in mortgages, structured credit, credit markets, risk transfer, and fixed income relative value.

IMCO rebalanced the portfolio towards strategies that are better aligned for cash in a higher rate environment, such as inflation-sensitive systematic, market-neutral sector, and relative value strategies. The public market alternatives team continued to research and advance IMCO's strategies for potential opportunities in structured credit, emerging markets, distressed credit, energy long/short, agriculture, equity small cap, and alternative trend-following investing.

The team's internal processes and continued learning and development in specific sectors such as mortgage service rights will enable IMCO to capitalize on the end of low for long. Other World View themes the team continues to focus on include deglobalization, where relative strategies may be exploited as monetary policies across countries desynchronize; heightened volatility, where active management will be critical to delivering alpha; and the energy transition by exploring the accompanying natural resources opportunities.

PRIVATE EQUITY

IMCO's private equity program focuses on investing capital in a diversified portfolio of direct and co-investments (collectively "directs"), where we do not pay fees and carry, in addition to making fund commitments. This hybrid approach seeks to achieve outperformance through security selection and superior risk-adjusted returns through cost-effective access to private equity funds with strategic partners.

The strategy delivers cost-effective returns by building long-term relationships with strategic partners and selecting the best individual assets with the best owners to grow the direct-to-fund ratio. IMCO also continues to develop its internal private equity team's sector specialization to generate higher-quality direct investment opportunities and continuously improve the strategy's direct-to-fund ratio.

Performance

As of Dec. 31, 2023

Net Investments (C$ billions)	1-Year			4-Year		
	Actual	Benchmark	NVA	Actual	Benchmark	NVA
$8.2	5.7%	12.6%	(6.9%)	17.3%	6.9%	10.4%
BENCHMARKS:						
Private Equity Custom Benchmark						

Key performance drivers

In 2023, private equity activity was negatively impacted by rising interest rates, inflation, a looming recession, and geopolitical uncertainty. Market activity overall slowed down, but IMCO observed high quality assets still trading at fair valuations and selectively deployed capital in transactions alongside our strategic partners while prioritizing add-on opportunities in the portfolio.

IMCO also initiated a sector coverage model, which helps facilitate knowledge exchange with strategic partners and allows the team to better identify investment trends and build conviction in high quality assets, while capitalizing on IMCO's long-term investment horizon.

IMCO's ESG beliefs are integrated into our approach to opportunity screening, due diligence, and portfolio value creation for private equity. All new investment opportunities are screened against industry-leading sustainable investing frameworks such as the Sustainable Accounting Standards Board ("SASB") criteria and the UN's Sustainable Development Goals ("UNSDG"). In 2023, we also began tracking each direct investment and strategic partner's carbon footprint with the goal of reducing our footprint over time.

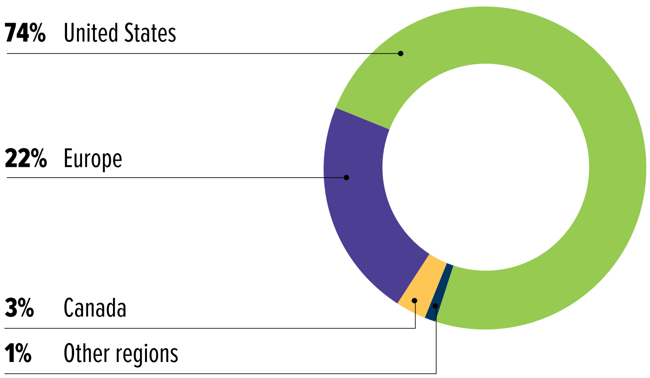
Select highlights

In 2023, we invested $988 million of capital across 11 direct and co-investment transactions in a variety of different sectors and geographies. These included a co-investment alongside Kohlberg in **Worldwide Clinical Trials**, a US-headquartered specialty contract research organization; a co-investment alongside Morgan Stanley Capital Partners in **Apex Companies**, a leading provider of end-to-end environmental consulting and engineering solutions; and a co-investment alongside EagleTree Capital in **MMGY Global**, the world's leading integrated travel and hospitality marketing services firm.

In addition, we committed $509 million to three new private equity fund partners to further diversify our portfolio and drive additional direct deal flow. Specifically, **Cinven Fund VIII** is a leading pan-European buyout fund managed by Cinven Capital. **Harvest Fund IX** is a North American middle-market private equity fund managed by New York-based Harvest Partners. Lastly, **IK X Fund** is a European middle market buyout fund managed by IK Investment Partners.

Private Equity Distribution by Region

As of Dec. 31, 2023



SUSTAINABILITY AT IMCO

We believe sustainability considerations are fundamental to managing long-term returns and risks. We view sustainability both as a set of investable opportunities to pursue and as risks to evaluate, mitigate and improve. Therefore, we incorporate sustainability in decision-making across our entire investment lifecycle.

The pillars of IMCO's ESG strategy, including integration, stewardship, sustainable investing, and screening, are key to achieving our clients' long-term financial goals. We believe our approach to sustainability is a differentiator for IMCO.

In our portfolio, we pursue and capitalize on long-term sustainable, climate-positive and energy transition opportunities that contribute to investment returns and have positive impacts.

Beyond the investment process, we also integrate ESG into every area of our corporate strategy from recruitment to employee development, continuously building IMCO's reputation as a diverse, inclusive, and innovative place to work.

2023 HIGHLIGHTS

Our second ESG report, published in 2023, highlights how IMCO is transitioning from ambition setting to practice action on sustainability by taking specific steps to make progress on our climate strategy and related targets.

Sustainable investing provides important data about the quality of an investment, which informs better decisions, enhanced underwriting, and improved returns. Sustainability as a lens is used to manage ever-evolving business risks and seek opportunities without sacrificing risk-adjusted returns. As we share our next chapter in line with the five-year strategy, 2023 represented a refreshed model of what leadership in sustainability really means by developing our capabilities to leverage sustainability insights and achieve clarity on what really matters to clients' portfolios.

For more, visit **www.imcoinvest.com** for additional details and the full version of IMCO's most recent ESG report.

CLIMATE ACTION PLAN AND TARGETS

We recognize the urgency of climate change. As an investor, we play a role in helping the world tackle one of the largest transitions undertaken by humanity: the global transition to a net zero emissions economy.

Our Climate Action Plan carefully considers the climate-related risks and opportunities from this transition, including the physical and transition risks associated with climate change to protect and enhance returns for clients.

Following our commitment to reach net zero emissions in our portfolio by 2050 or sooner, we published a Climate Action Plan 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 degree °C temperature goal of the Paris Agreement. In 2023, we continued to make progress on these commitments.

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. We calculate financed emissions in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard.

3. **ASSET OWNERSHIP:** We engage with external managers encourage reporting on emissions and encourage progress towards net zero alignment of portfolios, prioritizing heaviest-emitting sectors. Where we have governance rights at asset level, we work with our co-shareholders to encourage portfolio companies to establish Paris-aligned business plans 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 where IMCO can meaningfully influence or control those investment decisions.

RISK MANAGEMENT

We believe that managing risk is central to investing well and maintaining effective and resilient operations. IMCO continues to enhance its risk-aware culture while overseeing effective capabilities in governance, identification, measurement, assessment, prioritization, management, reporting, and monitoring of all risks.

MANAGING THROUGH 2023 MARKET EVENTS

2023 saw many events and developments that impacted global markets and required revaluations to account for the added volatility and unique circumstances. These key developments, also highlighted in our World View, included: Further fraying in US-China relations; passage of the IRA & CHIPS Act; the U.S. regional banking crisis; and the rise of artificial intelligence.

Throughout the year, we worked across all asset classes to review and revamp strategies based on our analyses to support how they manage risks. In addition, major systems were overhauled, to ensure a clear and consistent understanding of systematic risk and to be able to model an unknown future more accurately.

2023 ENHANCEMENTS

Introduction of a new risk model

Assessing investment risk from several perspectives helps optimize returns while preventing undue concentration of risk. We developed a new risk framework to ensure that systemic risk, especially in an everchanging and rapidly changing macroeconomic environment, is as clear and relevant as possible.

To identify the target model, we considered a wide range of qualitative and quantitative criteria and implemented using industry best practices. This resulted in significant enhancements to measure and manage market, liquidity, credit, and counterparty risk.

Strategy reviews

IMCO's risk management team collaborated with our investment team to conduct comprehensive reviews of several key strategies. For select asset classes, risk management performed analysis to support their portfolio construction and evaluate benchmarks, risk-adjusted returns, and risk limits. These reinforced the strategies and plans for new investments in each asset class and supported their appropriateness in portfolios.

Stress testing and scenario analysis

We designed and implemented a new climate risk dashboard to estimate how resilient some of our asset classes are to climate risks through to 2100. This includes reports on both transition risks such as the combined impact of policies, technology, and market responses to accelerating climate change as well as physical risks such as extreme weather.

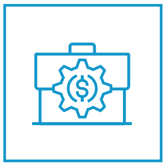
Key risk indicators

In 2023, risk management established quarterly reporting for risks related to compliance, talent, project and change management, and cybersecurity. These forward-looking indicators act as early warning detection signals that risks may be coming closer, which enables management to monitor, analyze, and leverage as applicable to inform decision-making.

ENTERPRISE RISK MANAGEMENT

In 2023, IMCO's Enterprise Risk Management (ERM) team kicked off a multi-year initiative to develop risk appetite for various key non-investment risks. Once implemented, risk appetite will provide the organization with additional clarity and guidance on acceptable levels of non-investment risk taking and will complement other risk insights gathered through quarterly risk interviews, quarterly risk surveys, the operational risk event capture program, and ERM's membership in various working and governance committees.

The ERM team underwent an internal audit to assess the overall adequacy, effectiveness, and maturity of the program. The audit concluded the program was effective by aligning with good industry practices, continuously maturing, and improving to increase risk governance while generating value and collaborating with various departments. From this audit, minor improvement opportunities will be pursued such as the development of risk appetite statements, enhancements to IMCO's centralized risk registers, and the creation of formal documentation for specific ERM processes.



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.

CLIENT SUCCESS

At IMCO, prioritizing client success is a business strategy and organization-wide philosophy that places clients at the core of our decisions and processes. Our aim is 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 Client Relationship Management ("CRM") team provides strategic leadership and oversight of IMCO's Client Success strategy, including ensuring a consistent and positive client experience across the scope of IMCO services and capabilities, and leading the client growth function. The CRM team is responsible for establishing and maintaining deep partnerships with our clients and fostering a client-centric tone across the organization.

OUR CLIENT BASE

We are the investment manager for a variety of public-sector entities, delivering a wide range of benefits to people and businesses across Ontario. Public sector funds in Ontario benefit from IMCO's scale, including cost-effective access to a broad range of investment advisory and management solutions, and deep global expertise and market presence.

We service a diverse range of clients, managing almost every client type that falls within our overall mandate, including municipal and provincial funds, closed and open defined benefit pension plans, insurance funds and capital reserve funds.

Our current clients include:

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

NEW CLIENTS

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 publics sector funds, and among the world's leading public-sector asset managers. In December 2023, following a competitive evaluation process, IMCO announced that it was chosen to manage assets for four new public sector clients:

- Ontario's Pension Benefits Guarantee Fund ("PBGF"),
- Tarion Warranty Corporation's Guarantee Fund ("Tarion"),
- City of Ottawa's OC Transpo employees' defined benefit pension plan, and
- OCWA's reserve fund.

The *PBGF* provides protection to Ontario beneficiaries of single employer defined benefit pension plans when their employer cannot satisfy funding obligations under the Pension Benefits Act.

Tarion is an independent, not-for-profit, consumer protection organization designated by the Ontario government to administer the Ontario New Home Warranties Plan Act (ONHWPA). Tarion safeguards new home buyers' and owners' purchases through the province's new home warranty and protection program.

The *City of Ottawa* sponsors the closed OC Transpo employees' defined benefit pension plan, which provides retirement benefits to more than 2,000 public transit workers in Ottawa.

OCWA is an Ontario Crown Agency providing solutions to municipalities, First Nations, businesses, governments, and institutions, and committed to ensuring that communities across Ontario have access to safe and reliable water and wastewater services.

IMCO will begin the process for bringing its new clients on board in 2024, following required regulatory changes and contracts completion.

ENHANCED ENGAGEMENT AND SERVICE EXPERIENCE

A key point of differentiation is our ongoing focus on enhancing the engagement and proactive support we provide to clients as part of our leading service delivery model. Our objective is to ensure our clients view us as trusted advisors and partners in the investment management of their assets.

The CRM team works closely with the Investment, Risk, Operations, Finance, and Legal teams to ensure clients receive timely reporting, relevant insights, and advisory services to meet their needs and objectives.

A key part of how we continue to deepen our client relationships is through our in-person client events including our Annual IMCO FORUM and interactive client roundtables.

STRENGTHENING OUR ROLE AS TRUSTED ADVISOR

Our role as a trusted advisor to our clients remains a core focus for IMCO. Strategic asset allocation, which defines target allocations to different asset classes within an investment portfolio, is the main determinant of total portfolio returns and is the most important investment decision for institutional investors. This is why unbiased strategic asset allocation advice, focused on helping our clients achieve their long-term objectives, is a critical part of our service and engagement with clients.

When guiding our clients in selecting a suitable and appropriate asset mix, our dedicated client portfolio construction team works with each client to understand their individual needs, circumstances, investment objectives, and risk tolerance. This work is supported by a comprehensive suite of investment strategies, covering both public and private markets, which give our clients of all sizes ready access to the building blocks needed to create an asset mix suitable to their specific circumstances.

The resulting strategic asset allocation is reviewed regularly to incorporate our robust research and views on key medium-term market themes and trends, outlined in our World View. While many of our clients are long-term investors and can withstand short-term market disruption, pension plans, and other institutional investors, have increasingly factored market awareness and medium-term themes into their investment programs, recognizing that these forces can have an impact on long-term outcomes.

ASSET MIX IMPLEMENTATION

In 2023, IMCO introduced several enhancements to our asset mix implementation approach. These changes are designed to improve client outcomes by enabling more nimble asset mix transitions that can react and adjust in response to changing market conditions. This has become increasingly important in an everchanging and volatile market.

By fully delegating the implementation of both public and private asset mix transitions to IMCO, our clients' governance burden is dramatically reduced. This enables them to focus their time and resources on long-term strategic asset allocation decisions.

IMCO FORUM

As part of our commitment to further deepening relationships with clients and support strategic level dialogues, IMCO hosted its third annual FORUM in October 2023. This event explored the latest global trends and their impacts on investments and investment strategies.

At our FORUMs, our clients hear first-hand expert analysis and insights relevant to how IMCO identifies investment opportunities to achieve long-term results for our clients. In addition to industry leaders and world-renowned commentators, our internal investment expert panels provoke engaging discussions about critical strategic topics that matter to our clients.

CULTURE EVOLUTION

At IMCO, we are committed to our people and to creating a culture that attracts, retains, and inspires world-class talent. Nurturing a strong culture is pivotal for us to achieve our strategic objectives with a shared vision and purpose, strong talent management, and supportive leaders who engage their teams.

We have developed and will continue to improve our culture of delivering investment success for clients by empowering our teams and nurturing a caring and inclusive environment.

For the first time, IMCO was named a Greater Toronto Top Employer. This prestigious recognition is awarded to organizations that are regarded as leaders in areas ranging from workplace environments, employee benefits, professional development, and community involvement. This designation is based on criteria that includes work atmosphere and social, health; financial and family benefits; vacation and time off; employee communications; performance management training and skills development; and community involvement.

DIVERSITY, EQUITY, AND INCLUSION

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

As we work to embed these values into our workplace culture, our priorities in 2023 started with reviewing and updating our policies to ensure they fully reflect inclusion and equity for all employees. With these, we developed and provided new resources for employees to help mitigate unconscious biases and exclusionary practices for current and future talent while conducting education through our fundamentals, respect at work, and hiring without bias training programs.

Throughout the year, we hosted DEI events and conducted activities with third-party experts to bolster our strategy and training, including Women in Capital Markets, Canadian Centre of Diversity, and Inclusion. The IMCO team also engaged in ongoing support for Indspire, CAUFP, and Disability:IN.

In addition, we implemented an employee referral program leveraged to reward and recognize current employees to participate in helping attract diverse talent.

DEI MISSION

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
- All employees feel comfortable being their authentic self at work and can reach their full potential

EMPLOYEE ENGAGEMENT

We believe that engaged employees are more committed, motivated, and invested in their work, which results in high-quality outcomes and for our clients. It is a top priority for us to supporting our teams, featuring some of the best talent in the industry, so we keep them engaged and happy to work at IMCO for years to come.

Feedback from our teams is critical to understanding our culture and ensuring we improve against our engagement metrics over time. Based on feedback from our annual employee engagement survey, and recommendations from our employee engagement committee, we introduced several new programs and initiatives in 2023.

We have developed a culture of recognition through our new milestone program, which celebrates our employees' tenures at the one-, three-, and five-year marks, and the implementation of our first peer-to-peer enterprise recognition program. The IMpact Awards allow employees to nominate their peers based on the IMCO pillars of respect, integrity, client focus, partnership, and innovation to be awarded each year at the December town hall. This year, we received almost 70 nominations representing a high level of engagement to participate.

Our organization introduced leadership dashboards for senior leaders as a pivotal tool aimed at enhancing visibility and fostering accountability regarding engagement results. To support this effort, our Employee Engagement team created educational clinics and supportive learning materials to ensure a smooth transition. This change has empowered strategic business units to enable precise identification of strengths and areas for improvement.

Several enhancements were made to IMCO's 16 York office in 2023 to provide an improved work environment for our teams. These included a larger variety of snacks, additional microwaves on all floors, additional technology in one and two-person workspaces, free feminine hygiene products, and single-sign on capabilities for Envoy, our workspace management system.

We also made improvement to our employee healthcare plan by increased the paramedical reimbursement limit per treatment, added healthcare and lifestyle spending accounts for each employee, and added new coverage for fertility and gender affirmation. IMCO acts on our employee feedback, and we are committed to a more inclusive and caring work culture.

COMMUNITY ENGAGEMENT

We are committed to giving back to our community through our Days of Giving events. IMCO held a food drive for the Parkdale Community Food Bank and alongside Kits for a Cause to support The Native Women's Resource Centre of Toronto. Currently, we are supporting the United Way through multiple initiatives such as the executive-led pancake breakfast and vacation day donations.

TALENT MANAGEMENT

IMCO kicked off foundational work on the talent management strategy in 2023. More than 120 internal stakeholders were engaged through focus groups and workshops to gather insights for the strategic framework. This has been continued through monthly business committee regroups that include more than 20 employees

The talent management strategy is built upon three key talent pillars: attract, grow, and inspire. The proposed initiatives and programs identified in the strategic work will enable IMCO to attract top talent, foster growth, and inspire IMCO team members to reach their full potential.

Implementation of the developed talent strategy is a priority for 2024 and will include programs across talent attraction, career planning, learning and development, talent development, and employee wellbeing.

FOSTERING A CLIENT-FOCUSED MINDSET

Nurturing and embracing a culture that embodies client success is an enterprise-wide effort. To foster a client-focused mindset across IMCO, we have designed internal campaigns to increase awareness of key initiatives including showcasing clients in communications ensuring that our talent strategy is linked to our client focus.

In November, we were pleased to host the Chief Investment Officers from OPB, and WSIB at our all-staff town hall to share their perspectives and experiences with IMCO over the years. It was impactful for our broader organization to hear client perspectives as we continue to work collectively to support an enhanced client experience.

COST EFFICIENT OPERATIONS

OPERATIONAL PROGRESS

Our operational and project management teams advanced key projects and strategies in 2023 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.

POOLING

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

In 2023, we launched two additional private asset pools, the Global Credit and Private Equity Pools. At end of 2023, the Global Credit Pool managed $7 billion of client assets. The Private Equity Pool is expected to manage $7.8 billion following completion of client asset transfers in early 2024. These two new pools add to the current suite of IMCO pool offerings spanning public market alternatives, global, emerging markets, and Canadian public equities, as well as infrastructure. Following completion of funding of the Private Equity pool, IMCO's pooled assets under management will be $46.2 billion.

IMCO POOLS (assets under management)

As of Dec. 31, 2023

POOLED ASSETS ONLY	(C$BILLIONS)
Canadian Public Equity Pool	$1.3
Global Public Equity Pool	$13.1
Emerging Markets Public Equity Pool	$2.9
Public Market Alternatives Pool	$4.6
Infrastructure Pool	$9.5
Global Credit Pool	$7.0
Private Equity Pool[1]	$7.8
Total	$46.2

1 Our Private Equity pool was launched in 2023 and will be funded in multiple tranches in early 2024.

ASSURANCE OVER INTERNAL CONTROLS – SOC 2 CERTIFICATION

IMCO is committed to ensuring the security and availability of the systems used to generate financial statements and reporting. To provide clients with information and assurance regarding our security measures, we successfully completed the initial System and Organization Controls (SOC 2) pre-assessment report in 2023. SOC 2 is a security framework that provides independent assurance of IMCO's internal controls and systems and builds on our previously achieved SOC 1 certification.

This pre-assessment report has allowed us to identify a few areas for improvement and implement necessary measures to further enhance our security and availability controls. We are now actively working towards obtaining full SOC 2 Type II certification, which is a requirement for the Implementation and Support Agreement (ISA) with IMCO founding clients. By the end of 2024, we will complete and distribute the inaugural report, which will contain detailed information about the strength of our security measures and the steps we have taken to ensure the protection of client data. This report will serve as a testament to our dedication to maintaining the highest standards of security and availability in the processing of client data.

TECHNOLOGY AND DATA

2023 was a pivotal year with the need to evaluate the accelerating growth in technology and data to ensure IMCO and its employees are prepared for an ever-changing landscape.

Targeted training and skills development

To enrich IMCO's technology training program, more specific role-based security training was implemented to further enhance our approach and to ensure that users with access to more sensitive data have the knowledge needed to protect against potential threats.

Additionally, we have increased the frequency of education to employees with monthly campaigns, while focusing on growing employee awareness of phishing. This is all part of bolstering our resiliency and defense in the event of cyber incidents.

Implement data loss prevention solutions

In 2023, IMCO focused on data loss prevention technology. We also initiated the process of maturing our approach to identifying and classifying sensitive information. Additionally, we began updating our policies and controls to support the prevention of data loss in an ever-evolving landscape.

Compliance assessment

As we create new policies and implement new procedures based on industry best practices, ongoing assessment is required to ensure that our operational processes are consistent and aligned. Teams responsible for managing internal processes were engaged throughout 2023 to understand how they currently operate, how they align with best practices, and support in following documented and approved requirements.

CYBER SECURITY

IMCO delivered on its commitment to manage cyber risk and strengthen its security posture in 2023. Keeping employees equipped with the right skills in an ever-changing cyber landscape is a key priority for IMCO. Therefore, comprehensive training for employees was provided to drive high levels of preparation and awareness in the event of sophisticated cyber attacks.

Two cyber security tabletop exercises were conducted in 2023 with IMCO leaders. These focused on validating our incident response plan and ensuring we have a clear approach for managing cyber incidents.

IMCO also continued to invest in proactive cyber security measures, including best in class vulnerability management, which bolsters our defense and protects our organization's information and systems. We also enriched our cybersecurity team and hired a Chief Information Security Officer.

GENERATIVE ARTIFICIAL INTELLIGENCE (AI)

At IMCO, our team is evaluating both how Artificial Intelligence may impact our investments and how it can be used to enhance our operations. In an increasingly dynamic financial landscape, harnessing the power of AI has become a pivotal topic that can drive decision-making, optimize portfolio performance, and support our clients.

In 2023, we published our initial view and assessment on how we are evaluating this new frontier. Generative AI: An Investor's View is available for download on www.imcoinvest.com.

Investment implications

It is difficult to determine which companies are likely to become market leaders. The history of Internet search engines, energy market technologies, and mobile phones contains examples of companies that looked to be the big, long-term beneficiaries of technological advancements but ended up disappointing investors.

We have several external public equity managers with long, successful track records specializing in disruptive technologies with a number currently focused on AI.

We are investing in sectors that provide infrastructure to support the adoption and use of AI, including digital infrastructure, to capitalize on the requirements that the adoption of AI will require.

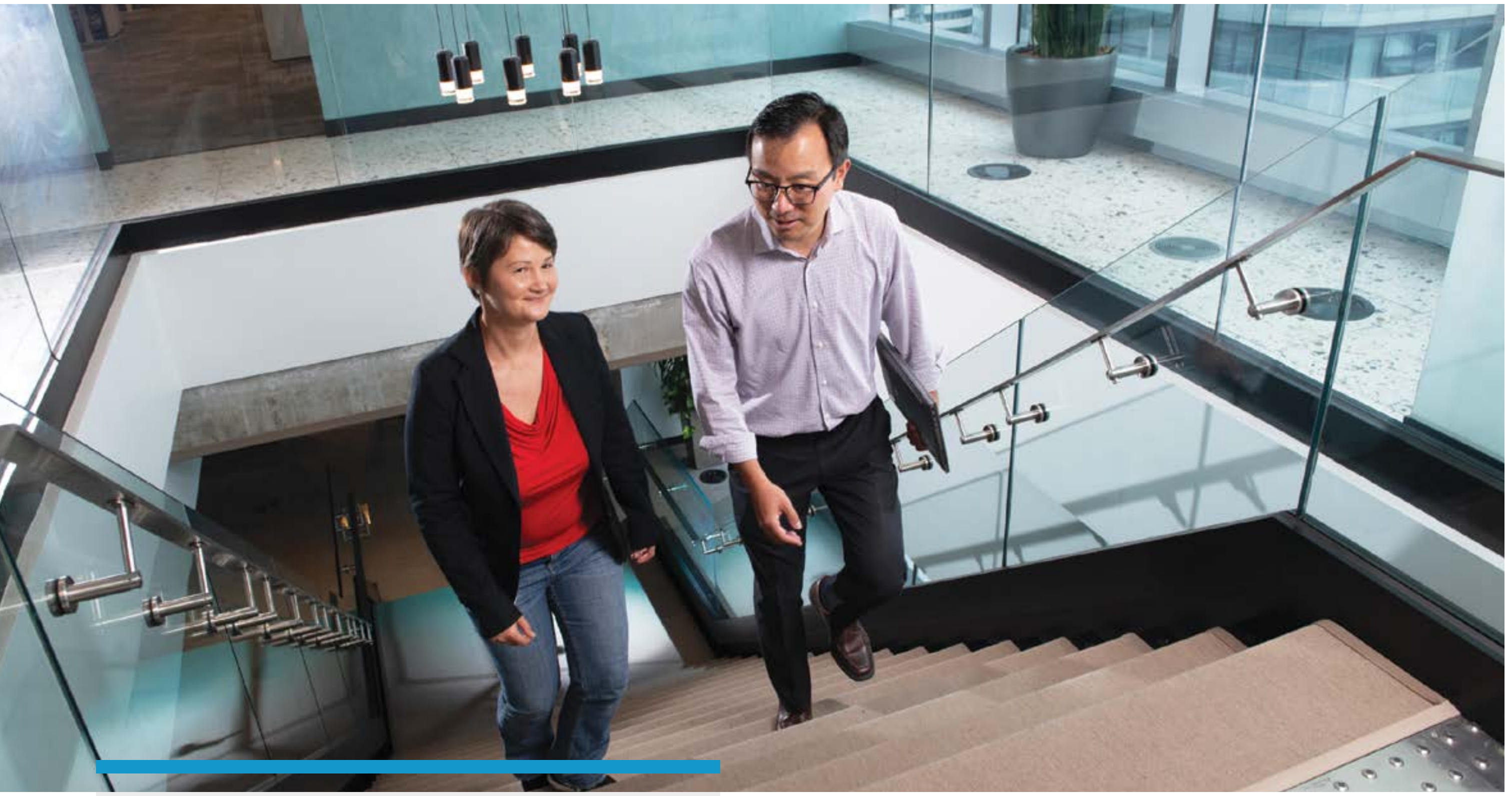
Operational Implications

We have begun to evaluate how Generative AI may be applicable for IMCO. We do not expect that the use of generative AI will replace functions for the near future. Rather, we are looking at this technology to enhance our day-to-day by streamlining administrative and repeatable tasks, which will allow us to focus on more value-add functions.

Our current operating model relies on partners who specialize in support such as desktop and data services as well as human resources' information and services. Some of these companies already incorporate AI into their service offering and we are collaborating with these partners to understand how we can best access new or maturing AI functionality.

IT AND DATA TEAM RECOGNIZED

IDC Canada and CIO Online named IMCO as a CIO Awards Canada 2023 Award Winner for implementing a fully automated Microsoft Power Platform solution across our Legal Entity Management and Tax functions. IMCO and our clients benefit by creating applications that automate to drive efficiency. IMCO uses these tools for cross-functional implementations, including a single-source "system of record". The solutions have achieved SOC 1 certification compliance.



MANAGING COSTS EFFECTIVELY

OUR FOCUS

In 2023, we continued to deliver on our commitment to effectively manage costs. We were not immune to the significant worldwide inflationary pressures to our operations. Therefore we took steps to make strategic and surgical changes to our spending, while being mindful of any disruption to progress made on our Five-year Strategic Plan. We maintained tight cost controls, reduced discretionary expenses, and were disciplined in our hiring efforts, all to ensure we remained on budget.

IMCO's costs are driven by our clients' strategic asset mix decisions, our corporate objectives, and our investment strategies. Over time our clients' portfolios have continued to shift to more private assets, such as private equity, infrastructure, and real estate where the external management fees are significant.

Our investment strategy includes engaging with a range of strategic partners in our private asset portfolio to complement our internal investment strategies. As a fundamental part of our five-year strategy, we continue to build our internal teams to increase the proportion of private assets managed internally, which help mitigate the cost of external investment partnerships and deliver significant cost savings to clients.

In 2023, we continued to invest in strategic projects that enhance our investment and operational capabilities, create efficiencies, and enable us to bring new clients on board. We believe that continuous investment is essential to remain a best-in-class investment manager. We deliver value-added services to our clients for less than what it cost before joining 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. Cost consciousness has been embedded in our culture since we opened our doors. This continued in 2023 with several reinforcing actions to further raise the importance of cost consciousness such as increased enterprise communication and enhanced reporting of cost savings that were generated by various teams across the organization throughout the year.

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 enterprise strategy and objectives to drive value for our clients.

We also assess our cost-effectiveness through external benchmarking studies. Results from the 2022 benchmarking study completed by CEM Benchmarking, an independent research firm, indicate that both IMCO's costs and staffing level are aligned with our peer benchmark. We continue to enhance the use of 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 the strategies used to meet client objectives. We also incur costs to maintain business operations. The table below describes the types of IMCO expenses and why we incur them.

TYPES OF COSTS	DESCRIPTION	PURPOSE
External Management Fees	Payments to external fund managers, which are based on commitments and assets invested.	External managers are used 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, structuring, 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.	Provide investment, portfolio, and risk management services, to create superior investment and client service capabilities, and provide oversight over our portfolios.

2023 COST PERFORMANCE

IMCO's total costs in 2023 were $607.4 million, or 80.6 cents per $100 of AUM, an increase of 10.2 cents compared to the previous year (70.4 cents).

Investment management costs were $389.3 million, or 51.7 cents per $100 of AUM, an increase of 5.0 cents compared to 2022 (46.7 cents). Costs have increased as we continue to implement our clients' target asset mix, which represents a shift toward more cost intensive private asset classes.

Operating expenses were $218.1 million, or 28.9 cents per $100 of AUM as compared to $173.4 million, or 23.7 cents per $100 in 2022. The increase is primarily due to higher people costs driven by growth in headcount by 12 per cent and the fully annualized cost impact related to staff growth of 28 per cent in the prior year. In 2023, the growth in our headcount was more modest as our foundational build further matured and we implemented steps for more measured pacing of projects and targeted fulfilment of critical roles.

2023 COSTS

AVERAGE AUM ($ BILLIONS)	2023 Average AUM $75.4 billion		2022 Average AUM $73.3 billion	
	2023 TOTAL COSTS		2022 TOTAL COSTS	
Cost Items	$ thousands	basis points[1]	$ thousands	basis points[1]
Investment Management Expenses				
External management fees[2, 3]	359,363	47.7	321,367	43.8
Custodial fees and all other investment management costs[4]	29,942	4.0	21,105	2.9
Total Investment Management Expenses	**389,305**	**51.7**	**342,472**	**46.7**
Operating Expenses				
Compensation and benefits	160,671	21.3	119,983	16.4
Other operating costs	57,440	7.6	53,449	7.3
Total Operating Expenses	**218,111**	**28.9**	**173,432**	**23.7**
Total Costs	**607,416**	**80.6**	**515,904**	**70.4**

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 based on performance above a predefined level and to ensure alignment of interests with IMCO.

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

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

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 the 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 Chief 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 two Investment Department Committees: one covering Private Markets and Credit and one for Active Equities and Public Markets Alternatives.

Each committee is co-chaired by senior members of the Investments and Investment Risk teams. Senior investment team members and representatives from Legal, Investment Risk, and Sustainable 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 eleven 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.

At the end of 2023, the Board consisted of nine directors with the chair and two other directors appointed by the Minister.

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) 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. Other members include Brian Gibson, Rajendra Kothari, Colleen McMorrow, Daniel Nowlan, Lisa Raitt, Vincenza Sera, and Eric Wetlaufer.

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.

As at the end of 2023, Colleen McMorrow is Chair of the Finance & Audit Committee. Other members include Rajendra Kothari, Eric Wetlaufer, Daniel Nowlan, and Brian Gibson (invited attendee).

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.

As at the end of 2023, Vincenza Sera is Chair of the Nominating & Governance Committee. Other members include Geoffrey Belsher, Eric Tripp, Lisa Raitt, and Brian Gibson (invited attendee).

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.

As at the end of 2023, Eric Wetlaufer is Chair of the HR & Compensation Committee. Other members include Rajendra Kothari, Eric Tripp, Geoffrey Belsher, Colleen McMorrow, and Brian Gibson (invited attendee).

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	Rajendra Kothari	Colleen McMorrow	Daniel Nowlan	Lisa Raitt	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 and in 2023, the Board included three women.

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. All programs developed, and current programs in review for 2024, 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.

2023 ACTIVITIES

The Board meets on a regular basis, and not less than once each quarter. There was a total of four Board meetings in 2023.

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

Investment transactions and continuation of the next five-year strategic plan matters occupied most of the board's attention in 2023.

IMCO DIRECTORS

Brian Gibson, CFA, ICD.D

Chair

Mr. Gibson has 45 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 has extensive board experience at both public and private companies. Currently, he is a director of Samuel, Sons & Company Ltd., and he is an advisory board member of Kruger Inc. and Atria Development Ltd. He is the past chair of the Corporate Disclosure Policy Committee of the CFA Institute.

IMCO Board and Committee Appointments		2023 Attendance
Current term to March 31, 2025		
Director, IMCO Board of Directors		4 of 4 meetings
Finance & Audit Committee		4 of 4 meetings
Nominating & Governance Committee		5 of 5 meetings
Human Resources & Compensation Committee		4 of 4 meetings
Member, Board Investment Committee		7 of 7 meetings
2023 REMUNERATION		
Annual Retainer	**Meeting Fee**	**Committee Chair Fee**
$185,000 plus expenses	–	–

Geoffrey Belsher

Mr. Belsher has over 40 years of experience as a senior business executive, private investor, investment banker, and corporate lawyer. In 2023, he was appointed Chairman and Country CEO of Barclays in Canada. Prior to that he has served in senior executive positions with major financial institutions in both Canada and the U.S.

IMCO Board and Committee Appointments		2023 Attendance
Current term to March 31, 2025		
Director, IMCO Board of Directors		4 of 4 meetings
Member, Nominating & Governance Committee		5 of 5 meetings
Member, Human Resources & Compensation Committee		4 of 4 meetings
Member, Board Investment Committee		6 of 7 meetings
2023 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, and MD Growth Investments Limited.

IMCO Board and Committee Appointments		2023 Attendance
Current term to June 20, 2024		
Director, IMCO Board of Directors		4 of 4 meetings
Member, Finance & Audit Committee		4 of 4 meetings
Member, Human Resources & Compensation Committee		4 of 4 meetings
Member, Board Investment Committee		7 of 7 meetings
2023 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		2023 Attendance
Current term to July 1, 2025		
Director, IMCO Board of Directors		4 of 4 meetings
Chair, Finance & Audit Committee		4 of 4 meetings
Member, Human Resources & Compensation Committee		3 of 4 meetings
Member, Board Investment Committee		7 of 7 meetings
2023 REMUNERATION		
Annual Retainer	**Meeting Fee**	**Committee Chair Fee**
$50,000 plus expenses	$1,500	$15,000

Daniel Nowlan

Mr. Nowlan has more than 25 years of experience in the financial industry. Since 2017, has been Vice Chair of Equity Capital Markets at National Bank of Canada. Previously, he spent 17 years at CIBC in various senior roles, including Co-Head of Equity Capital Markets and Vice Chairman, Global Investment Banking.

Mr. Nowlan was Chief of Staff to the federal Minister of Finance and led the 2015 Federal Budget process. He has also served as a Special Assistant to the Canadian Minister of Industry, Science and Technology, the Minister International Trade and the Minister of Human Resources and Labour.

IMCO Board and Committee Appointments		2023 Attendance
Current term to January 23, 2026		
Director, IMCO Board of Directors		3 of 4 meetings
Member, Finance & Audit Committee		4 of 4 meetings
Member, Board Investment Committee		6 of 7 meetings
2023 REMUNERATION		
Annual Retainer	**Meeting Fee**	**Committee Chair Fee**
$50,000 plus expenses	$1,500	–

Hon. Lisa Raitt, P.C.

Ms. Raitt is Managing Director and Vice Chair, Global Investment Banking at CIBC Capital Markets. Previously, she was the president and CEO of the Toronto Port Authority.

Ms. Raitt was elected to the House of Commons in 2008, where she served as Minister of Natural Resources, Minister of Labour, and Minister of Transport. In 2015, Ms. Raitt was appointed Finance Critic for the Official Opposition and in 2017 she was appointed Deputy Leader of the Official Opposition and Deputy Leader of the Conservative Party of Canada. In 2020, Ms. Raitt was named a Woodrow Wilson Center Global Fellow of the Canada Institute.

IMCO Board and Committee Appointments	2023 Attendance
Current term to January 23, 2026	
Director, IMCO Board of Directors	4 of 4 meetings
Member, Nominating & Governance Committee	4 of 5 meetings
Member, Board Investment Committee	5 of 7 meetings

2023 REMUNERATION		
Annual Retainer	**Meeting Fee**	**Committee Chair Fee**
$50,000 plus expenses	$1,500	–

Vincenza Sera, ICD.D

Chair, Nominating & Governance Committee

Ms. Sera is an experienced corporate director. She served on the Ontario Pension Board's board of directors for 12 years, including nine years as chair of the board and chair of its investments committee. Currently, she is chair of the board of Dream Industrial REIT and a member of the boards of Equitable Bank and Dream Unlimited Corp., where she also chairs the Governance, Environmental, and Nominating Committee.

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	2023 Attendance
Current term to July 1, 2025	
Director, IMCO Board of Directors	4 of 4 meetings
Chair, Nominating & Governance Committee	5 of 5 meetings
Member, Board Investment Committee	6 of 7 meetings

2023 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 both corporate and not-for-profit boards. He serves on the board of Connor Clark and Lunn Financial Group and is chair of the Michael Garron Hospital Foundation board.

IMCO Board and Committee Appointments		2023 Attendance
Current term to July 1, 2025		
Director, IMCO Board of Directors		4 of 4 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
2023 REMUNERATION		
Annual Retainer	**Meeting Fee**	**Committee Chair Fee**
$50,000 plus expenses	$1,500	$15,000

Eric M. Wetlaufer, CFA, ICD.D

Chair, Human Resources & Compensation Committee

Mr. Wetlaufer has over 35 years of experience as an institutional investor. He is Managing Partner at TwinRiver Capital, a firm with the dual mission of advancing positive environmental and societal impact globally as well as delivering financial returns. Previously, he was responsible for leading the Public Market Investments department at CPP Investments.

Prior to that, he held executive roles in the investment management industry, including Group Chief Investment Officer, International at Fidelity Investments, Chief Investment Officer, Growth Equities at Putnam Investments, and Managing Director at Cadence Capital Management.

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

IMCO Board and Committee Appointments		2023 Attendance
Current term to June 1, 2026		
Director, IMCO Board of Directors		4 of 4 meetings
Member, Finance & Audit Committee		4 of 4 meetings
Chair, Human Resources & Compensation Committee		4 of 4 meetings
Member, Board Investment Committee		6 of 7 meetings
2023 REMUNERATION		
Annual Retainer	**Meeting Fee**	**Committee Chair Fee**
$50,000 plus expenses	$1,500	$15,000

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.

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 external advisor who provides advice on executive compensation, the compensation framework, and any recommendations on compensation made by management.

COMPENSATION PHILOSOPHY

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

- Be competitive to attract, retain and engage qualified talent to effectively execute on our mandate.
- Reinforce and reflect our values, ensuring employees act ethically, professionally, and with integrity.
- Reward employees for achieving both annual objectives and long-term performance, which promotes sustained long-term success.
- Align with client and stakeholder interests.
- 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.
- 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 conducted 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. The overall Performance Score is 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 2023 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	2023	$ 575,000	$ 1,542,150	$ 1,542,150	$ 99,966	$ 3,759,266
Rossitsa Stoyanova, Chief Investment Officer	2023	525,000	1,251,600	1,251,600	122,037	3,150,237
Ben De Prisco, Chief Risk Officer	2023	375,000	558,750	558,750	55,331	1,547,831
Allen Garson, General Counsel & Corporate Secretary	2023	375,000	426,094	426,094	56,244	1,283,432
Raneet Aggarwal, Chief Financial Officer	2023	375,000	405,000	405,000	110,690	1,295,690

SECTION 5

FINANCIAL STATEMENTS

December 31, 2023

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, 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023, 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
February 29, 2024

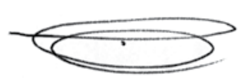
STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

		2023		2022
Assets				
Cash	**$**	**59,237**	$	47,274
Accounts receivable *(note 5)*		**51,028**		42,930
Prepaid expenses		**4,747**		2,853
Right-of-use asset, net *(note 8)*		**28,706**		33,121
Capital assets, net *(note 7)*		**12,964**		14,993
Total assets	**$**	**156,682**	$	141,171
Liabilities and members' surplus				
Accounts payable and accrued liabilities *(note 4)*	**$**	**110,924**	$	89,011
Lease liabilities *(note 8)*		**32,794**		37,167
Deferred recovery of costs *(note 7)*		**12,964**		14,993
Total liabilities		**156,682**		141,171
Commitments *(note 9)*				
Members' surplus		**—**		—
Total liabilities and members' surplus	**$**	**156,682**	$	141,171

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)

	2023	2022
Revenue		
Recovery of costs	**$ 307,063**	$ 252,678
Interest income	**2,515**	1,060
	309,578	253,738
Expenses		
Compensation and benefits	**160,671**	119,983
External investment management and product costs	**88,952**	79,245
Information technology and data costs	**25,856**	19,056
Professional services	**16,493**	21,726
General, administrative, and other	**11,162**	7,302
Depreciation *(notes 7 and 8)*	**6,444**	6,426
	309,578	253,738
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)

		2023		2022
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)

	2023	2022
Operating activities		
Net operating surplus for the year	**$ —**	$ —
Adjustments for non-cash items:		
Depreciation on capital assets *(note 7)*	**2,029**	1,986
Depreciation on right-of-use asset *(note 8)*	**4,415**	4,440
Net changes in operating assets and liabilities:		
Prepaid expenses	**(1,894)**	(2,280)
Accounts receivable	**(8,098)**	(5,462)
Accounts payable and accrued liabilities	**21,913**	5,149
Deferred recovery of costs	**(2,029)**	(904)
Cash provided by operating activities	**16,336**	2,929
Investing activities		
Purchase of capital assets *(note 7)*	**—**	(1,192)
Cash used in investing activities	**—**	(1,192)
Financing activities		
Lease incentive allowance received *(note 8)*	**—**	1,483
Rent paid on lease liabilities – principal portion *(note 8)*	**(4,373)**	(4,423)
Cash used in financing activities	**(4,373)**	(2,940)
Net increase (decrease) in cash during the year	**11,963**	(1,203)
Cash, beginning of year	**47,274**	48,477
Cash, end of year	**$ 59,237**	$ 47,274

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023
(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. 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. WSIB is an independent agency that administers compensation and no-fault insurance for Ontario workplaces. 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 published by the International Accounting Standards Board. The financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

(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. Material accounting policy information

The following are material 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 2024 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

	2023	2022
Trade payables and other accruals	$ 40,178	$ 38,698
Compensation and benefits accruals	70,746	50,313
	$ 110,924	**$ 89,011**

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 2023, total expense related to the STI was $46,913 (2022 – $32,805) and for the LTI was $18,002 (2022 – $13,061), respectively, which are reported under compensation and benefits in the statement of operations.

5. Related party transactions

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.

As at December 31, 2023, of the total accounts receivable balance, the majority relates to cost recoveries due from Clients for operating expenses, external investment management and product costs incurred by IMCO in the amount of $49,838 (2022 – $42,685), plus HST. The remainder relates to miscellaneous receivables for various charges paid on behalf of Clients.

As at December 31, 2023, included in cash and accounts payable and accrued liabilities is $5,363 (2022 – $7,265) relating to agency fees collected from clients, but not yet billed by external vendors.

During the year ended December 31, 2023, investment-related fees administered by IMCO on behalf of its Clients were as follows:

	2023	2022
Agency fees collected from members	$ 84,111	$ 126,168
Agency fees paid or payable on behalf of members		
Investment management fees	80,966	120,534
Custodial and other investment-related fees	3,145	5,634
	$ 84,111	**$ 126,168**

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, 2023, the legacy banked vacation liability was $329 (2022 – $329).

Remuneration of key management personnel and directors is as follows:

	2023	2022
Key management personnel and directors	$ 13,350	$ 12,206
	$ 13,350	**$ 12,206**

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, 2023 are $12,345 (2022 – $11,845).

As at December 31, 2023 and December 31, 2022, 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, 2022	$ 930	3,013	$ 13,933	$ 17,876
Additions	—	—	—	—
Balance, December 31, 2023	**$ 930**	**$ 3,013**	**$ 13,933**	**$ 17,876**
Accumulated depreciation				
Balance, December 31, 2022	$ 259	$ 402	$ 2,222	$ 2,883
Depreciation expense	184	301	1,544	2,029
Balance, December 31, 2023	**$ 443**	**$ 703**	**$ 3,766**	**$ 4,912**
Net book value				
As at December 31, 2022	$ 671	$ 2,611	$ 11,711	$ 14,993
As at December 31, 2023	**$ 487**	**$ 2,310**	**$ 10,167**	**$ 12,964**

The computer equipment, furniture and fixtures, and leasehold improvements all relate to the 16 York St., Toronto ("16 York") office premises. Notes 8 and 9 include additional details on the 16 York lease.

As at December 31, 2023, 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 $12,964 (2022 – $14,993) 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 liabilities during the year is set out below:

	2023		2022	
	Right-of-use asset	Lease liabilities	Right-of-use asset	Lease liabilities
Balance, beginning of year	$ 33,121	$ 37,167	$ 37,777	$ 40,323
Depreciation expense	(4,415)	—	(4,440)	—
Interest expense	—	638	—	717
Lease payments	—	(5,011)	—	(5,140)
Lease incentive allowance received	—	—	—	1,483
Other	—	—	(216)	(216)
Balance, end of year	**$ 28,706**	**$ 32,794**	**$ 33,121**	**$ 37,167**

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, 2023, the minimum annual cash payments related to non-cancellable lease commitments for the 16 York office premises are as follows:

	2023	2022
Within one year	$ 5,823	$ 5,633
After one year but not more than five years	24,032	23,816
More than five years	9,555	15,568
	$ 39,410	**$ 45,017**

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.

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