



IMCO
Investment Management
Corporation of Ontario

2021 ESG REPORT

Adapting to a changing world



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MESSAGE FROM THE CHAIR



I am delighted to see the publication of IMCO's first ESG Report. This report is the culmination of discussion and analysis across the entire IMCO organization and reflects the importance we attach to environmental, social and governance (ESG) topics in our business and investment strategy.

Delivering long-term value for our clients is what guides everything we do at IMCO. We understand the role that ESG plays in meeting that objective because these issues affect investment risks and returns.

As this report illustrates, our ESG strategy – which is built on the four pillars of Integration, Stewardship, Sustainable Investing and Screening – identifies climate change, diversity, equity and inclusion (DEI), and governance as our top priorities for integration across all of our investment decisions.

This report also includes our first response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), showing how we integrate climate-related risks and opportunities into our investment process. Over time, we will continue to align our approach with the TCFD recommendations and will update our disclosures accordingly.

As a relatively new organization and with a strong foundation now in place, we believe IMCO is well positioned to become an industry leader in ESG integration. We see governance as a way to manage and address

material ESG risks and opportunities. As a growing institutional investor with over \$79 billion in assets under management, we can engage companies, external investment managers, investment partners, peers and regulators to drive meaningful change on ESG issues.

I am proud of the progress we have made in embedding ESG across the organization, from the Board to the investment teams, as we generate investment returns and sustain pension and benefit security for our clients over the long term.

We are excited to share our inaugural ESG report and look to the future with confidence as we continue to do the right thing for our clients, our employees and for the world.

Brian Gibson
Chair, Board of Directors

MESSAGE FROM THE CEO



equity and inclusion (DEI), and corporate governance – illustrate both the challenge and opportunity before us.

We have long understood that companies with good governance practices and diverse teams make better decisions that lead to superior performance.

Meanwhile, the global transition to a low-carbon economy is already

in 2021 in formalizing our approach and defining guidelines for all asset classes and managers. Through the Paris Aligned Investment Initiative, we committed to net-zero emissions in our investments by 2050 or sooner and developed a climate strategy to help us get there. We also joined peer investors in initiatives such as Climate Engagement Canada and various investor statements in favour of climate action.

We see an ESG proposition as our competitive edge as a leading employer and investor.

At IMCO, we view ESG as a strategic business imperative and, as a philosophy, it underpins every investment decision we make. Our goal is to help build a stronger, more resilient, and sustainable global economy.

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

By identifying and managing material ESG risks and opportunities in our investment strategies, we are positioning our investment portfolios for the future. IMCO's ESG priority areas – climate change, diversity,

proving to be a significant investment phenomenon that poses enormous risks and opportunities for investors that have obligations spanning generations.

Every day we are seeking new and innovative ways to participate in the low-carbon future. For example, our recent investment in Pulse Clean Energy, a grid-scale battery infrastructure platform, demonstrates how we are unlocking opportunities from the energy transition. We are looking to leverage our scale, expertise, and partnerships to capture ESG opportunities that will deliver sustainable and profitable growth.

IMCO is at an important point in our ESG journey. While ESG considerations have been part of our investment decisions from day one, IMCO made considerable progress

We believe our long-term success, as an employer and an investor, is connected to how well we champion ESG topics in our organization and investments. We have elevated DEI in our own operations and at companies in which we invest by publishing IMCO's Inclusion and Diversity Statement, creating our DEI council, endorsing the Canadian Investor Statement on Diversity and Inclusion, and appointing diverse candidates to our investee boards. I am proud of this progress in a relatively short timeframe.

While these are important steps, it is only the beginning. I look forward to IMCO building on this progress and am excited by the opportunities as we embark on the next phase of our journey.

Bert Clark
President & CEO



ABOUT IMCO

ABOUT IMCO

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

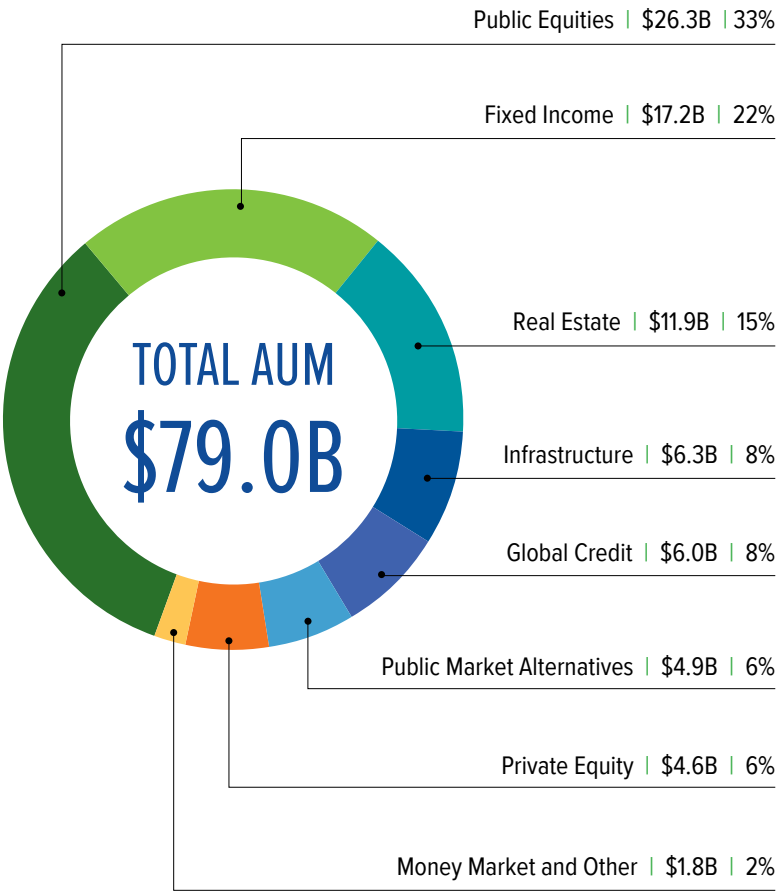
Operating at arm’s length from the Government of Ontario, our independent, not-for-profit, cost recovery structure ensures our investment strategies are based solely on the needs of our clients.

As one of Canada’s largest institutional investors, we invest around the world and can execute large transactions efficiently. Our scale gives clients access to a well-diversified global portfolio, including sought-after private and alternative asset classes, such as private equity and global credit.

IMCO PORTFOLIO IN BRIEF

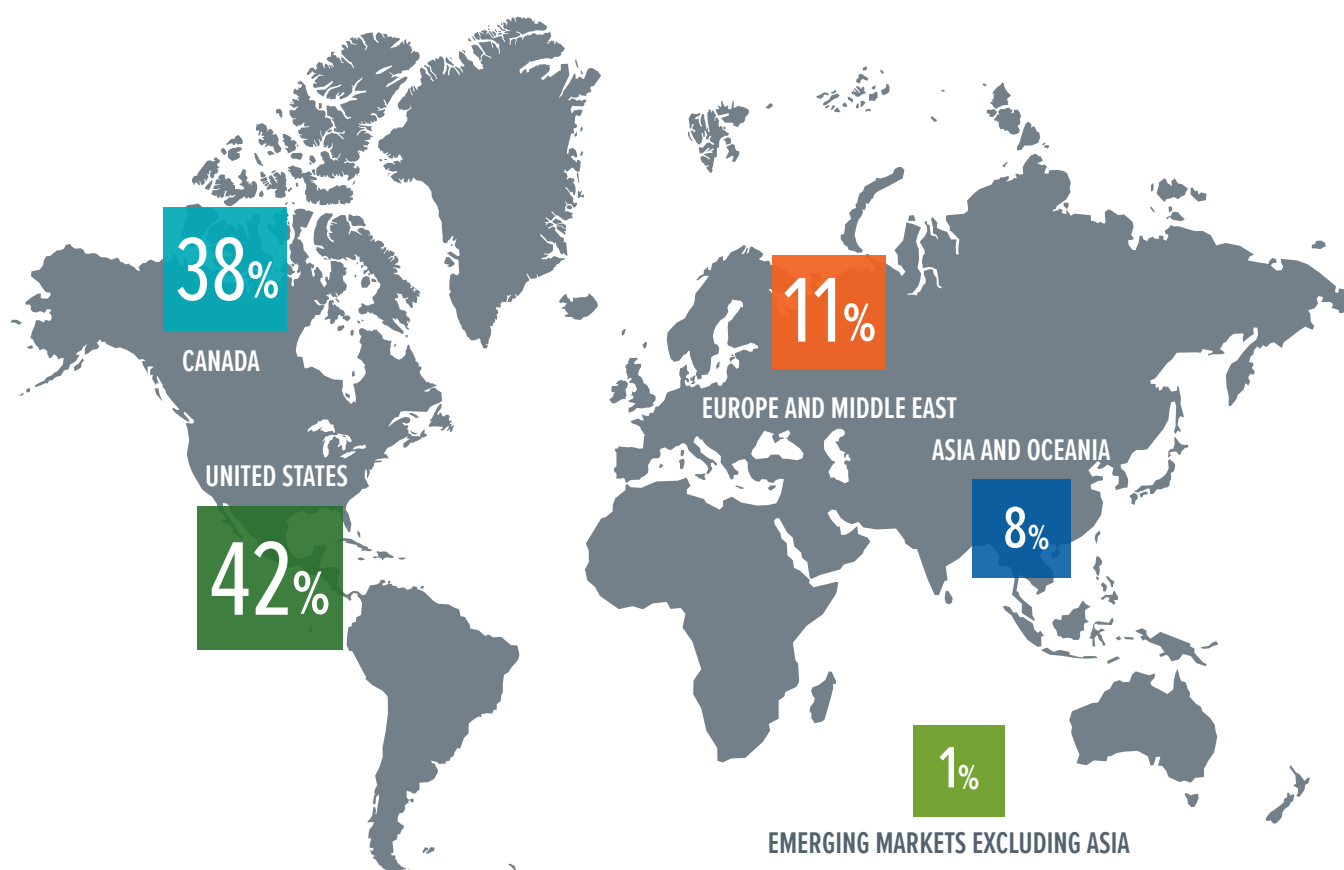
ASSETS UNDER MANAGEMENT BY ASSET CLASS

As of Dec. 31, 2021



REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

as of Dec. 31, 2021



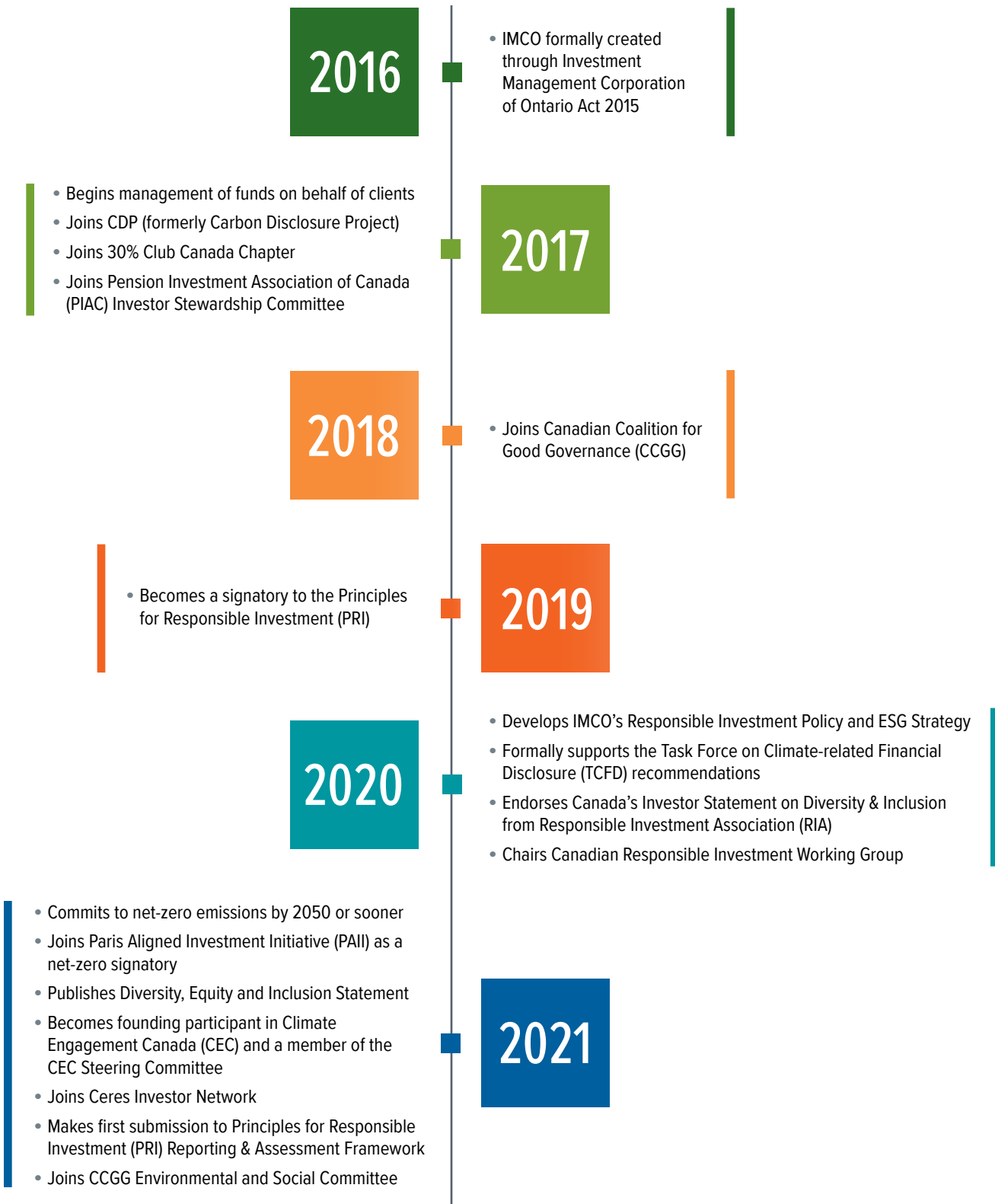
Our mandate is to achieve long-term results so clients can meet their financial obligations. We provide broader public-sector institutions with exceptional portfolio construction and management services, improved access to global investment opportunities and superior risk monitoring and reporting capabilities.

Formal investment management agreements govern how we manage these portfolios, with each client making their strategic asset allocation (SAA) decisions and setting targets to reflect funding and liquidity needs, as well as return objectives and risk tolerances. We provide advice and assistance as clients develop their SAAs.

Unless otherwise stated, all performance data in this report reflects the period January 1 to December 31, 2021. All currency is in Canadian dollars.

In this report "IMCO", "we" and "us" refer to the Investment Management Corporation of Ontario (IMCO).

IMCO ESG MILESTONES





A FOCUSED APPROACH TO ESG

INTEGRATING ESG INTO OUR INVESTMENT STRATEGY

As the global investment landscape continues to reflect the importance of ESG, IMCO is fully integrating ESG considerations into our investment decisions, ownership activities and selection of external managers. This allows us to better manage risk, capitalize on emerging sustainable investing opportunities and generate sustainable long-term returns for our clients.

IMCO recognizes that there is a broad set of ESG issues that can be material and are increasingly important to businesses. Some examples of ESG issues considered by IMCO are:



ENVIRONMENT

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



SOCIAL

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



GOVERNANCE

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

Focusing on
ESG is central to
our investment
decision making.

ESG considerations and activities are integrated into our overall investment process. To guide our approach, we have implemented a **Responsible Investing Policy** and ESG Strategy that applies to every asset class, in both our direct and indirect investments. Applying an ESG lens across our investment and ownership activities allows us to better assess and manage material ESG risks and opportunities, such as climate change. As we continue to learn more about how ESG considerations may impact our investments, we are committed to evolving our approach accordingly.

ESG BELIEFS

The following five beliefs underpin our Responsible Investing Policy:



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



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



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



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



THE FOUR PILLARS OF IMCO'S ESG STRATEGY – Integration, Stewardship, Sustainable Investing and Screening – are designed to improve risk-adjusted investment outcomes for our clients.



RESPONSIBLE INVESTMENT GOVERNANCE

IMCO's responsible investment governance framework sets out the structure and defines responsibility for implementing our ESG strategy. Accountability and oversight for ESG is integrated into existing governance and management structures, ensuring a firm-wide approach. In addition, firm-wide ESG objectives are considered, among other factors, in determining senior executive compensation. Roles and responsibilities in the management of ESG risks and opportunities are described on the next page.



IMCO'S RESPONSIBLE INVESTMENT GOVERNANCE FRAMEWORK

BOARD INVESTMENT COMMITTEE (BIC)

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

Senior Executive Team (SET)

Provides strategic oversight of responsible investing initiatives, ESG objectives and strategy, as well as related commitments and implications. Responsible for integration of ESG across corporate functions, including risk, operations, human resources, and corporate services.

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

Review and approve major investment decisions, with ESG analysis completed in investment due diligence and included with each investment memo. Chief Investment Officer and Chief Risk Officer co-chair MIC. Representatives from Investment and Risk teams co-chair IDCs.

INVESTMENT TEAMS

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

Responsible Investment Team

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

ESG Champions

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

In 2021, IMCO's Board reviewed our climate strategy. During the year, IMCO's Board, senior executive team, and investment teams took part in educational sessions on ESG topics, including climate change. Subsequently, several internal resources were developed to further formalize and embed our ESG approach, including our ESG Integration Guideline and ESG External Manager Guideline.



SPOTLIGHT ON CLIMATE CHANGE

IMCO COMMITS TO NET-ZERO¹

The release of the Sixth Assessment Report from the Intergovernmental Panel on Climate Change² highlighted the importance of limiting global temperature rise to the Paris Agreement target of 1.5°C to avoid the worst impacts of climate change. At the 26th United Nations Climate Change Conference of the Parties (COP26), held in 2021 in Glasgow, countries including Canada made significant commitments in areas such as reducing emissions from coal, oil and gas, and methane. COP26 also saw the formation of the Glasgow Financial Alliance for Net Zero (GFANZ), underscoring the role that the financial sector will play in transitioning the economy to a lower-carbon future.

¹ IMCO has committed to achieving a net-zero emissions portfolio by 2050 or earlier.

² <https://www.ipcc.ch/assessment-report/ar6/>

Managing climate change and supporting the global transition to a net-zero emissions economy are among IMCO's ESG priority areas. As investors, we need to manage both the physical and transition risks associated with climate change and seek opportunities to drive returns in our portfolios.

IMCO has committed to achieving a net-zero emissions portfolio by 2050 or earlier, and will set our interim emission reduction targets later in 2022. We support initiatives that encourage other entities (including portfolio companies) to do the same. We also support better data collection and disclosure around carbon footprints. In the interim, we are making investments to capitalize on the ongoing energy transition.

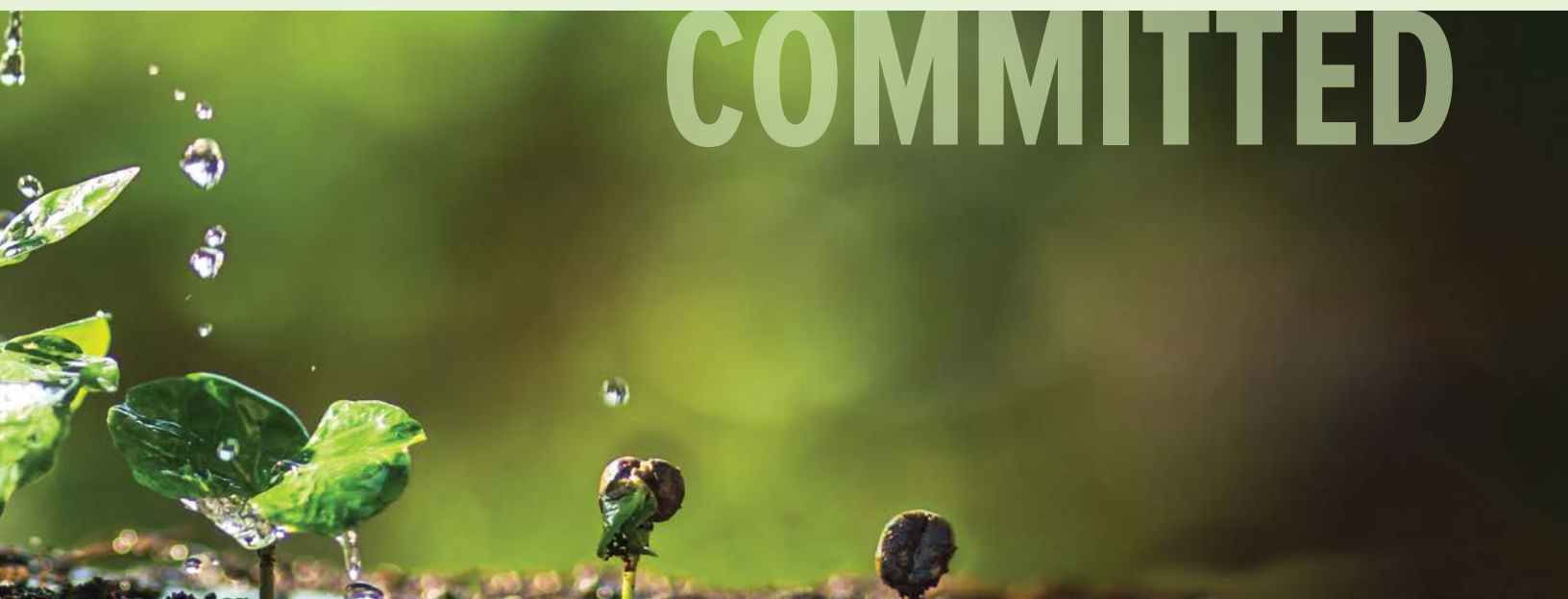
The appendix of this report includes IMCO's first disclosure following the recommendations of the TCFD.



HOW WE ARE RESPONDING

IMCO’s climate strategy focuses on the following four areas:

<p>1</p>	<p>2</p>	<p>3</p>	<p>4</p>
<p>CAPITAL DEPLOYMENT</p>	<p>ASSET OWNERSHIP</p>	<p>PORTFOLIO MANAGEMENT</p>	<p>CLIMATE GUARDRAILS</p>
<p>We pursue climate-positive and transition investment opportunities. We will also emphasize lower-emission investments and support assets in preparing for the net-zero transition.</p>	<p>We drive climate action in our portfolios by engaging with portfolio companies and external managers on key issues related to climate. We also collaborate with like-minded investors and policymakers to drive collective climate action.</p>	<p>We focus on further integrating climate-related risks and opportunities into our investment decision-making processes, and continuously monitor climate risk across our portfolio.</p>	<p>We mitigate climate risk in our portfolio through climate guardrails, which will limit our exposure to investments that are incompatible with a net-zero future.</p>



OUR CLIMATE ACTION AND COMMITMENTS

In 2021, IMCO made several commitments that reflect our strategic priorities and climate ambition. In joining the Paris Aligned Investment Initiative (PAII) on Climate Action, we committed to achieve net-zero aligned emissions in our investments by 2050 or sooner. We also became a founding and Steering Committee member of Climate Engagement Canada, a supporter of the TCFD, and joined Climate Action 100+ and the Partnership for Carbon Accounting Financials (PCAF). To better integrate climate risk into our investment monitoring, we have added climate risk metrics to our ESG dashboard used for monitoring public equity investments. These actions demonstrate our commitment to driving positive climate change for our clients and communities.

JOINING THE CONVERSATION

Beyond our own investment activities, IMCO actively participates in industry collaboration around sustainable investing and the transition to a low-carbon economy. In 2021, Hyewon Kong, IMCO's Vice President, Head of Responsible Investing, participated in Transition Finance Week, an event hosted by the Responsible Investment Association (RIA), to engage on transitioning Canada's economy to net-zero. Hyewon shared what IMCO is doing to scale up capital and to make progress against its net-zero commitment.



We would like to know what specific actions our managers and investees are taking or plan to take to be aligned with net-zero. This is why our due diligence procedures include questions on climate risks and opportunities, Paris alignment, carbon foot-printing, targets and metrics, and reporting. This is a multi-year journey, but our commitment to achieve net-zero by 2050 or sooner means that we need to understand how each of our investments will align with our objectives.

– Hyewon Kong, Vice President, Head of Responsible Investing

PORTFOLIO CARBON FOOTPRINT³

We measure our portfolio carbon footprint in line with the PCAF standard⁴, which provides detailed methodological guidance to financial institutions. 2019 is our baseline year and will be used to set our interim emissions reduction targets in 2022 in line with our net-zero commitment.

³ Refer to the Metrics & Targets section in the Appendix of this report for additional detail, including our methodology

⁴ <https://carbonaccountingfinancials.com/standard>

PORTFOLIO EMISSIONS	2019	2020	2021
Total financed emissions (tCO ₂ e) ⁵	3,223,480	2,324,864	2,351,913
AUM in scope for financed emissions (\$ million)	46,942	49,694	55,150
Financed emissions intensity (tCO ₂ e / \$ million invested)	75	54	47

⁵ Metric tonnes (t) of carbon dioxide (CO₂) equivalent (e)

CASE STUDY

ADVANCING OUR CLIMATE STRATEGY IN INFRASTRUCTURE

As IMCO works to implement its portfolio-wide climate strategy, our infrastructure investment team did a deep dive to determine how the strategy can be integrated into the infrastructure portfolio.

Under the capital deployment pillar, the team explored how it will identify priority sectors and funds, and what tools and resources will be required to assess climate-related opportunities. Under the asset ownership pillar, the team reviewed the processes that could be developed to drive change at our portfolio companies.

The team considered both the technological levers and engagement levers it can use to support and encourage decarbonization in its investments. Finally, the team reviewed how it will identify relevant climate-related metrics for infrastructure investments, based on their sector, and measure progress over time.

Beyond the specific insights this exercise yielded for infrastructure, it also served as a roadmap for how we can implement our climate strategy across other asset classes.



OUR ESG STRATEGY IN ACTION

MESSAGE FROM THE CIO



The COVID-19 pandemic, the uneven economic recovery and the war in Ukraine have accelerated some emerging trends, reversed others, and left us in a very volatile world. This complex investment environment underscores the importance of building resilient portfolios.

ESG makes good business sense. We believe that companies that strategically manage their material ESG issues will outperform their peers.

Amid this uncertainty, we believe that ESG simply makes good business sense and contributes to resilience. We believe that companies that strategically manage material ESG risks and even turn them into opportunities will outperform their peers. As a result, we have incorporated these views into every investment thesis across our portfolios.

As long-term investors, we know that ESG is very important to our clients. We are committed to meaningful action and progress — especially on significant global issues that affect the entire economy. For example, climate change and decarbonization, identified in this report as one of our top priorities, is among the most pressing issues of our generation.

To address climate risks in our investments, we are focused on setting interim targets for emission reductions and plans for

each investment team to achieve those targets. We are also setting sustainable investing goals to capitalize on opportunities that benefit both our clients and society.

When it comes to responsible investing and ESG integration, I am confident that IMCO will become an industry leader and deliver sustainable returns for our clients.

ESG integration
requires scale and
internal expertise.
IMCO has both.

Rossitsa Stoyanova
Chief Investment Officer

OUR ESG PILLARS

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

With input from our stakeholders, IMCO selected climate change, DEI and corporate governance as ESG priority areas. We are addressing these priority areas in our investment process and corporate operations.



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



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

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

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

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

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



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



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

We exclude investments in:

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

ESG INTEGRATION

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



We consider ESG issues at each stage of the investment process across all IMCO asset classes. To do so, we take a principled and consistent approach that is based on industry best practice and aligned with IMCO's Responsible Investment Policy, our ESG priorities, and the Principles for Responsible Investment (PRI).

In 2021, we developed our ESG Integration Guideline, which outlines our approach to ESG for each asset class, providing clear steps and accountabilities. This guideline will be reviewed and improved as practices in ESG integration evolve.

DIRECT INVESTMENTS

For every direct investment, we conduct ESG due diligence using a range of tools and resources, including the Sustainable Accounting Standards Board (SASB) standards, ESG data from MSCI, ISS and Bloomberg, and United Nations Sustainable Development Goals (SDGs¹). We determine what ESG issues are financially material to each investment and their impact on the company's financial or operating performance.

The results of our ESG analysis are reviewed by the Management Investment Committee (MIC) or Investment Department Committee

(IDC) alongside other financial considerations. This ensures that each investment decision takes account of material ESG considerations.

After we make an investment, we continue to manage ESG risks and seek out value-creation opportunities through a range of strategies relevant to each asset class and investment strategy. For example, we have developed management plans at the asset level that prioritize ESG opportunities identified during due diligence, or that incorporate IMCO's ESG strategic priorities. We also seek to monitor ESG metrics in our investments to assess performance over time.

100% of direct and co-investment opportunities undergo SASB materiality assessment to identify key issues.

¹ Sustainable Development Goals are a collection of 17 goals identified by the United Nations General Assembly in 2015 that are designed to map out a sustainable future. <https://sdgs.un.org/goals>

ENVIRONMENTAL BUILDING CERTIFICATIONS IN REAL ESTATE

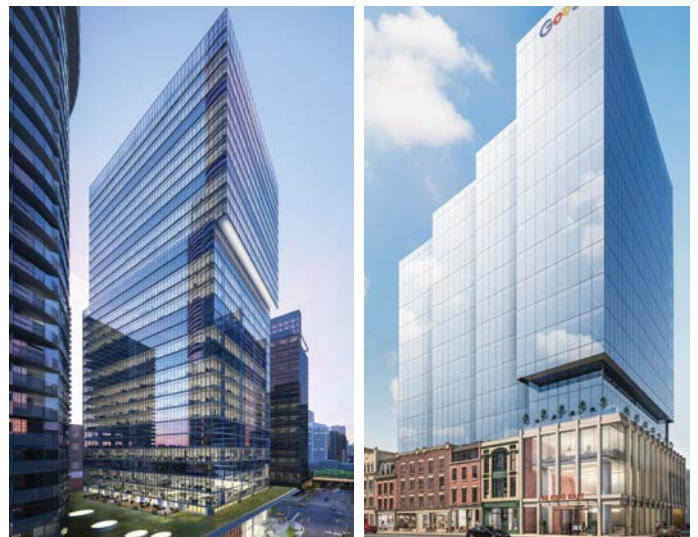
Environmental building certifications provide a credible and consistent framework to assess the environmental management and performance of buildings in our portfolio. They are also a component of a building’s financial value proposition. We are working to increase the number of buildings achieving third-party environmental certification in our direct and indirect portfolio.

80.5%² of our Canadian direct real estate portfolio is LEED or BOMA BEST certified, based on Gross Asset Value

94.2% of our retail portfolio is certified either BOMA BEST Gold or BOMA BEST Platinum, based on Gross Asset Value



160 Front Street, a fully leased 1.3 million square foot office tower, is under construction and designed to achieve LEED Platinum and WELL certifications



16 York Street, a new 33-storey office tower in Toronto, achieved LEED Platinum status

65 King St. East, Google’s new Toronto office headquarters, is designed to achieve LEED Gold or Platinum and WELL certifications

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

PARTNERSHIP



INDIRECT INVESTMENTS



Partnership

We believe in partnering with like-minded external managers who share IMCO's commitment to ESG. In 2021, we developed an ESG External Manager Guideline that outlines our approach for integrating ESG considerations in the selection, approval and monitoring of external managers. This ensures that our interactions with external managers are consistent with our Responsible Investing Policy.



Due Diligence

We conduct ESG due diligence on new managers for every asset class. All managers complete an ESG due diligence questionnaire, which collects information on the manager's ESG-related policies, processes and performance. Once a manager is approved, we make sure that our contractual agreements (e.g., investment management agreements, side-letters) include language around our expectations related to ESG.



Monitoring

In 2021, we introduced an ESG dashboard for our public equity investments. The dashboard allows us to assess and monitor ESG performance of our public equity portfolios against their respective benchmarks. Key metrics include ESG ratings of fund holdings, carbon intensity, diversity, ESG controversies and SDG alignment. We review the dashboard results regularly and discuss ESG performance and progress during our quarterly manager calls to improve their practices and address any concerns we have about their portfolios.

SPOTLIGHT

EXTERNAL MANAGER ESG DUE DILIGENCE QUESTIONNAIRE

Our ESG due diligence questionnaire covers seven categories that enable consistent and comprehensive evaluations of managers' ESG commitments and practices.

**Governance**

- ESG policy, standards, commitments, remuneration

**Resources**

- ESG responsibilities (oversight and implementation) and resources

**Investment process**

- ESG integration in pre-investment, post-investment and portfolio management

**Climate change**

- Net-zero commitment, portfolio alignment with low-carbon transition and net-zero
- Climate risk and opportunities assessment
- Carbon footprinting of scope 1, 2 and if appropriate, scope 3 emissions³
- Targets and metrics
- TCFD implementation and reporting

**Diversity, Equity and Inclusion**

- Policy/initiatives, performance, targets and metrics

**Sustainable Development Goal (SDG) / Sustainable Outcomes**

- Measurement of positive and negative impacts (e.g., contribution to SDGs) and target sustainability outcomes

**Reporting/stakeholder management**

- Reporting frequency, format, and standards

³ Scope 1 emissions are direct emissions that occur from sources controlled by a company (e.g., company facilities); scope 2 emissions are indirect emissions associated with the company's purchase of electricity, steam, heating and cooling. Scope 3 emissions include all other indirect emissions, such as emissions associated with the use of sold products.

EXTERNAL MANAGER SPOTLIGHT

PARTNERS WITH HIGH SUSTAINABILITY STANDARDS

1



TISHMAN SPEYER

Tishman Speyer is one of IMCO's strategic real estate partners and shares IMCO's commitment to responsible investment. More than 70% of Tishman Speyer's operational portfolio is sustainability certified and all new projects are built to a minimum of LEED Silver certification standards. In addition, Tishman Speyer has committed to achieve net-zero emissions by 2050 or sooner across its entire global portfolio.

Some of IMCO's investments with Tishman Speyer include:

- Mission Rock, an 11-building mixed use campus in San Francisco with the goal of becoming a sustainable low-carbon neighbourhood. This includes using sustainable building materials, targeting energy use from 100% renewable sources and targeting 50% lower greenhouse gas (GHG) emissions compared to a typical San Francisco development.
- Edgemere Commons, an affordable housing development on Long Island. It will include 2,000 new residential units with allocations for affordable units at a variety of income thresholds. The project will also bring economic and social benefits, including creating up to 650 permanent local jobs, grocery store, fitness centre and 77,000 sq. ft of community space.

2



Ninety One

Ninety One was selected by IMCO's Global Credit team to manage a new customized emerging market debt mandate. In addition to being a leading global investment manager, Ninety One is committed to supporting a just transition for emerging market economies. Ninety One takes the view that a portfolio that aims to make a difference to the global transition should allocate capital in a way that helps emerging markets on the path to net-zero.

Ninety One has developed proprietary measurement tools to help support its teams in their investment analysis. The tools include a bespoke ESG framework and scorecard that cover key ESG elements from ESG policies to mapping all 17 SDGs. This approach considers important ESG developments from an emerging market context that an external ESG data provider may overlook. Ninety One also developed the Net-Zero Sovereign Index, which ranks 115 countries on key ESG elements to support sovereign bond investors' engagement with governments to encourage positive change.

3 ARDIAN

In 2021, IMCO made an investment commitment to Ardian, a global leader in ESG. In addition to being a female-founded and led firm, Ardian was one of the first signatories to the PRI (in 2009). The firm achieved best-in-class scores (A+) on all PRI modules in 2020. In 2008, Ardian pioneered a profit-sharing initiative where a portion of capital gains are redistributed to portfolio company employees at exit, wherever possible. More than 28,000 employees from 37 portfolio companies have benefited from this initiative, receiving distributions representing one month to six months of salary per employee. Ardian continues to advance the ESG agenda by:

- Targeting 25% female representation on its Investment Committee and 40% representation on its investment teams by 2030
- Developing a unique sustainability measurement methodology that seeks to measure social and environmental impacts across a company's entire value chain
- Co-founding Initiative Climat International (formerly known as IC20), a collaborative platform for private equity firms to share resources and tools for reducing carbon emissions and climate-related financial risks in their investments

When it comes to ESG and the importance of responsible investing, Ardian and IMCO are in complete alignment. We both have an unswerving commitment to generate sustainable long-term results that benefit our stakeholders and society at large. It is this sense of shared mission and vision that is at the heart of our partnership and one that will ensure its continued success and growth.

– Dominique Senequier, Founder and President of Ardian

STEWARDSHIP

We are good stewards of our clients' assets. We actively monitor, influence and engage with external managers and companies on ESG considerations.

Whether through direct engagement with portfolio companies and external managers, proxy voting or collaborative engagement with our peers, we aim to use our influence to promote strong ESG practices, particularly in our ESG priority areas, because we believe that companies with strong governance practices and more climate-friendly and inclusive strategies are better positioned to succeed.

The world around us is rapidly changing – companies increasingly face a variety of pressures such as preparing for emerging ESG regulations, adapting to changing consumer demands, reducing inequalities in our society, and understanding and assessing the physical and transition risks associated with climate change. Through our stewardship activities, we are committed to helping our portfolio companies build more resilient strategies that manage and mitigate material ESG risks and capture ESG opportunities.

DIRECT ENGAGEMENT

Over the life of our direct investments, we actively engage with boards and management teams to understand and manage ESG issues relevant to each company. Our stewardship activities are focused on the most material ESG risks and opportunities. Where we hold board seats, governance rights or substantial influence at a particular investment, we typically address ESG considerations at the board level. In other cases, we may seek other levers of influence such as engaging the board, management, or other investors.

Where possible, we advocate for portfolio companies to:

- Complete and improve carbon footprinting
- Implement business plans in line with the Paris Agreement
- Improve the diversity of boards and management teams
- Strengthen portfolio company boards by bringing in directors with relevant skill sets

CASE STUDY



BRINGING DIVERSE PERSPECTIVES TO OUR PORTFOLIO COMPANY BOARDS

In 2021, IMCO made a direct equity investment alongside Kohlberg & Company in OB Hospitalist Group (OBHG). OBHG is the largest dedicated obstetric hospitalist group in the United States, providing 24/7 onsite obstetric coverage for hospitals through OB/GYN clinicians. As part of the investment, IMCO and Kohlberg identified greater board diversity as a priority. As a result, IMCO appointed a highly qualified senior female executive to the board of OBHG. She brings decades of healthcare industry experience and a diverse perspective that will support and improve decision-making at OBHG.

INDIRECT ENGAGEMENT

In addition to directly engaging with our portfolio companies, IMCO engages with external managers through regular reviews. These reviews help us understand how external managers are managing investee company ESG issues, supporting ESG integration and best practices and identifying emerging ESG trends. This can also lead to sharing of best practices, allowing IMCO to learn from our external managers.

Some examples of engagement with our external managers in 2021 include:

- We worked with our external manager Neuberger Berman to reduce the carbon intensity of IMCO's factor investing portfolio, which resulted in a 30% reduction in carbon intensity relative to the benchmark.
- Through our external manager Galibier, we held discussions with Parkland Corp., a Canadian convenience store operator, to encourage greater transparency on the company's sustainability activities. Subsequently, Parkland Corp. established a board-level ESG committee and published its inaugural sustainability report.
- Our external manager, Baillie Gifford, met with Kering, a French apparel and luxury goods group, after repeatedly voting against management's remuneration proposals because of concerns about Kering's long-term incentive plan (LTIP). Following Baillie Gifford's engagement, Kering took steps to restructure its LTIP and incorporate ESG metrics and targets into its LTIP, including gender diversity and biodiversity.

CASE STUDY



BUILDING STRONG SUSTAINABILITY STRATEGIES

Since 2018, IMCO has been an investor in euNetworks Group Limited, a European bandwidth infrastructure company. The company owns and operates fibre networks in 17 cities as well as a long-haul network spanning 15 countries. Since making our investment, IMCO has engaged with other shareholders and the board to elevate the ESG agenda at the company. This includes integrating regular reporting and robust discussion on ESG topics at board meetings, supporting management's work on carbon footprinting, and deepening the company's commitment to diversifying its talent base, including at the senior management level. Notably in 2021, Paula Cogan joined euNetworks as President and Katherine Alexakis joined as Chief Financial Officer. Illustrating the company's commitment to improvements, it issued a sustainability-linked loan in 2021 with terms linked to the achievement of specific environmental and diversity targets.

PROXY VOTING

Proxy voting is an important tool to promote the adoption of sound governance practices and express our views on a variety of ESG topics at the public companies in which we invest. It is also an opportunity for shareholders to hold directors accountable for the company's performance. We believe that proxy voting can encourage portfolio companies to address ESG issues and we consider these issues in our proxy voting process.

In 2021, we published IMCO's [Proxy Voting Guideline](#) which outlines our fundamental corporate governance principles, including on environmental and social issues, and provides guidance to how we will vote our shares. We make our voting decisions independently and through a third-party service provider based on our Proxy Voting Guideline. We are transparent about our proxy voting activity and make our proxy voting record, including the rationale, available on our [website](#). Our Proxy Voting Guideline will be reviewed and updated to reflect any changes in our expectations or principles.

In 2021, we made significant changes to our Proxy Voting Guideline to outline our principles related to our key priority areas:



Climate Change

We expect companies to commit to a net-zero GHG emissions target by 2050 or sooner, set science-based emission-reduction targets, and disclose climate information in line with TCFD.



Diversity, Equity and Inclusion

We expect a minimum of 30% female representation on company boards, which aligns with the objectives of the 30% Club. We also believe that boards should consider all forms of diversity in their director recruitment process.



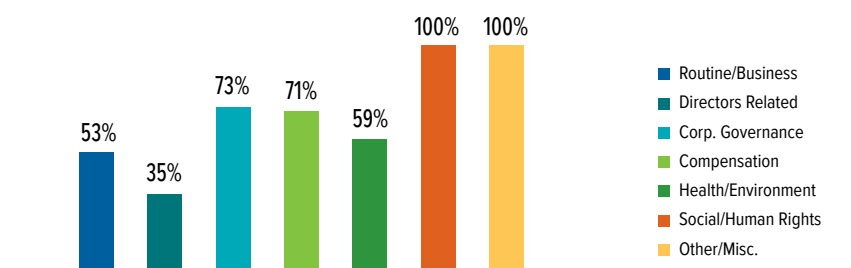
Corporate Governance

We expect sound corporate governance practices at the companies in which we invest. This includes support for independent board members and annual advisory votes on executive compensation (say on pay).

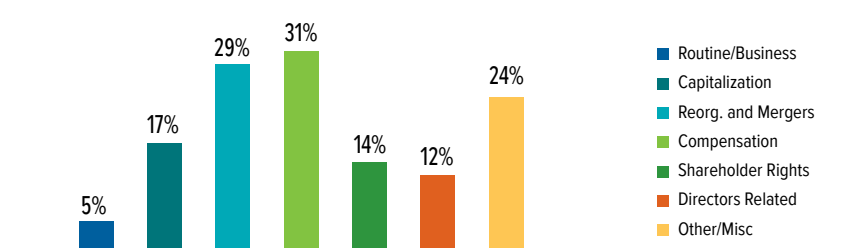


We voted on a total of 40,199 ballot items in 2021, including 5,776 votes against management (14.4%).

Votes against management on shareholder proposals



Votes against or withheld on management proposals



SAY ON PAY RESOLUTIONS

The Covid-19 pandemic increased the number of votes against say on pay resolutions, due to discretionary adjustments to short-term and long-term incentives by companies. We expect our portfolio companies to be transparent about executive compensation and provide sufficient rationale for any COVID-19-related pay adjustments.

IMCO increased the number of votes against say on pay resolutions from 315 in 2020 to 393 in 2021, representing a 25% increase in votes against all such resolutions.

CASE STUDY



HOLDING COMPANIES ACCOUNTABLE FOR PERFORMANCE THROUGH PROXY VOTING

COVID-19-related pay adjustments led to an increase in the overall number of votes against say on pay resolutions. In the case of RioCan Real Estate Investment Trust, multiple one-time awards granted to the trust’s CEO in the last few years resulted in a significant misalignment between pay and performance (relative to RioCan’s peers) over a three-year period. As such, we voted against the trust’s say on pay resolution at the 2021 annual meeting. The message from shareholders was clear, with 76% of votes cast against the resolution. In October 2021, RioCan announced significant changes to its executive compensation program, including an end to special awards to named executive officers.



CASE STUDY

CP

CLIMATE RESOLUTIONS

IMCO voted on 69 shareholder proposals and management resolutions on climate in 2021, relating to topics such as management's strategy and approach to climate change and the disclosure of the financial and physical risks of climate change on the company's operations.

- IMCO did not support any of the management-sponsored climate resolutions as they did not meet our criteria noted below
- IMCO supported 85% of shareholder proposals on climate

Criteria we look for in management-sponsored climate proposals

- Net-zero target
- Short-term and medium-term emission reduction targets
- Science-based targets
- Commitment to disclose information in line with TCFD
- Commitment to report progress to shareholders

SUPPORTING CLIMATE ACTION THROUGH PROXY VOTING

IMCO supported a CP Rail shareholder proposal requesting a non-binding advisory vote on climate change, as it aligned to our proxy voting guideline considerations for climate change. The proposal requested that CP Rail disclose its climate action plan, GHG emissions consistent with TCFD, and its strategy to reduce emissions in the future, including any emissions progress made year over year. The proposal also asked CP Rail to hold an annual advisory Say-on-Climate vote, beginning in 2022. CP Rail's board endorsed the shareholder proposal. This marked the first time a Canadian board supported an activist shareholder proposal on climate, setting a potentially important precedent for other public companies. The proposal ultimately garnered 85% support. (The advisory climate vote received 87% support at CP Rail's 2022 annual meeting.)



INDUSTRY COLLABORATION

In addition to working with portfolio companies and external managers, we recognize the importance of collaborating with leading investor organizations to engage companies, regulators and governments on ESG issues to promote more sustainable practices and financial markets. Investor collaboration helps us leverage our collective power to drive change beyond what we are able to influence alone.

We routinely collaborate in industry initiatives pursuing better corporate disclosure because it helps us assess potential risk and reward on behalf of our clients. IMCO is also committed to best practices in responsible investment and climate disclosure, in line with the PRI, SASB, and TCFD.

SUSTAINABLE INVESTING

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



Powerful environmental and social trends are changing the global investment landscape. These trends are creating a large-scale reorganization of capital that is giving rise to a range of sustainable investment opportunities. These include companies that are directly addressing environmental or social challenges, as well as financial products and funds that target environmental and social outcomes in addition to strong financial returns.

There is an increasing acknowledgement of the role investors can play in addressing some of the world's most pressing problems, such as creating a more equitable and just society and a more resilient and sustainable economy. For example, responsible investors are paying more attention to the UN SDGs in their investment process. We believe that capturing sustainable opportunities will deliver long-term growth to our clients while also contributing to positive environmental and social outcomes.

However, the enormous potential of these opportunities also creates new challenges. Investors eager to finance the transition to a low-carbon economy have created a premium

for sustainable power assets, such as wind and solar technologies. Concerns over the materials and processes used to develop sustainable assets have forced investors to think holistically, looking up and down the value chain to assess an investment's true sustainability and to find opportunities within the value chain.

We embrace this complexity. IMCO has the scale and expertise our clients need to capture these unique opportunities. As part of our regular investment due diligence, we assess all direct deals and co-investments for alignment with the SDGs. This analysis is included in our investment committee memos to inform our investment decision. In line with our climate strategy, we focus on investments that will contribute to the energy transition (such as electric vehicle infrastructure and large-scale batteries) which are ultimately expected to drive greater risk-adjusted returns for our clients.

We are in the process of setting targets for sustainable investments and investments in climate solutions and will report on progress against those targets in future reports.

INVESTMENTS FOCUSED ON THE ENERGY TRANSITION

In 2021, IMCO made significant investments in climate solutions that will earn returns for our clients and contribute to the transition to a low-carbon economy.

CASE STUDY



SUPPORTING THE ENERGY TRANSITION THROUGH INNOVATIVE BATTERY STORAGE

In 2021, IMCO closed the 100% acquisition of Pulse Clean Energy (formerly Green Frog Power Limited). Pulse Clean Energy is leading innovation in energy storage and optimization by transforming its business model from diesel power generation to building out battery storage. Battery storage capacity plays a critical role in providing stable, reliable and clean electricity to the grid, supporting the UK's transition to a net-zero economy. The UK government aims to reach net-zero by 2050. The investment demonstrates both the unique opportunities available to investors and the complexities involved in identifying and capitalizing on those opportunities.

CASE STUDY

Brookfield

PARTNERING WITH CLIMATE CHANGE PIONEERS

In 2021, IMCO was one of the anchor investors in the Brookfield Global Transition Fund co-led by Mark Carney, Brookfield Vice Chair, former governor of the Bank of Canada and Bank of England, and UN Special Envoy for Climate Action and Finance. The fund targets investment opportunities that reduce energy consumption and greenhouse gas emissions and increase low-carbon energy capacity and sustainable solutions. The fund aims to produce both strong risk-adjusted returns and positive environmental outcomes. The investment supports IMCO's wider infrastructure strategy, providing increased exposure to clean energy assets and supporting IMCO's net-zero commitment.

Enabling the transition will require global reach, large-scale capital, and deep operating expertise in renewable energy and decarbonization. As a leader across these capabilities, we look forward to engaging with our partners to drive meaningful and measurable change.

– Mark Carney, Brookfield Vice Chair and Head of Transition Investing



INVESTMENTS FOCUSED ON POSITIVE SOCIAL OUTCOMES

A key issue in Canada and around the world is housing affordability. The COVID-19 pandemic has only made this problem worse. Since 2020, IMCO has been working with one of our strategic real estate partners to deliver affordable housing solutions that will have a positive impact on people and communities.

CASE STUDY



SUPPORTING INNOVATION IN SUSTAINABLE BUILDING MATERIALS

WPT Capital Advisors, an IMCO real estate partner, is piloting the use of a concrete alternative in an industrial development project in our portfolio. PrimX is a jointless composite floor that incorporates steel fibres and proprietary expansive material to require significantly less concrete. PrimX estimates it will avoid 3.3 million pounds of carbon emissions, which is equivalent to taking 324 passenger vehicles off the road for a year. With successful implementation, WPT will adopt the product as an alternative to traditional concrete in future US industrial development projects.

CASE STUDY



INVESTING IN AFFORDABLE HOUSING SOLUTIONS

IMCO committed \$60 million to the KingSett Affordable Housing LP Fund in 2020 to invest in Toronto and Vancouver-based apartment assets and address the severe housing shortages in those markets. In 2021, the fund began to deploy its capital by investing in Valhalla Village, a project in Etobicoke that is targeting 425 affordable units out of a total of 950 units. The fund was also recently awarded the development of 705 Warden Avenue, which will include 275 affordable rental units and is part of the City of Toronto's Housing Now initiative, which aims to supply the city with additional market rate and affordable housing. In making the fund commitment, our investment team explicitly considered KingSett's strong ESG performance, including factors such as tenant satisfaction, climate resilience and energy reduction. We believe that investments like this can generate strong returns for our clients while also addressing critical social issues.

SCREENING

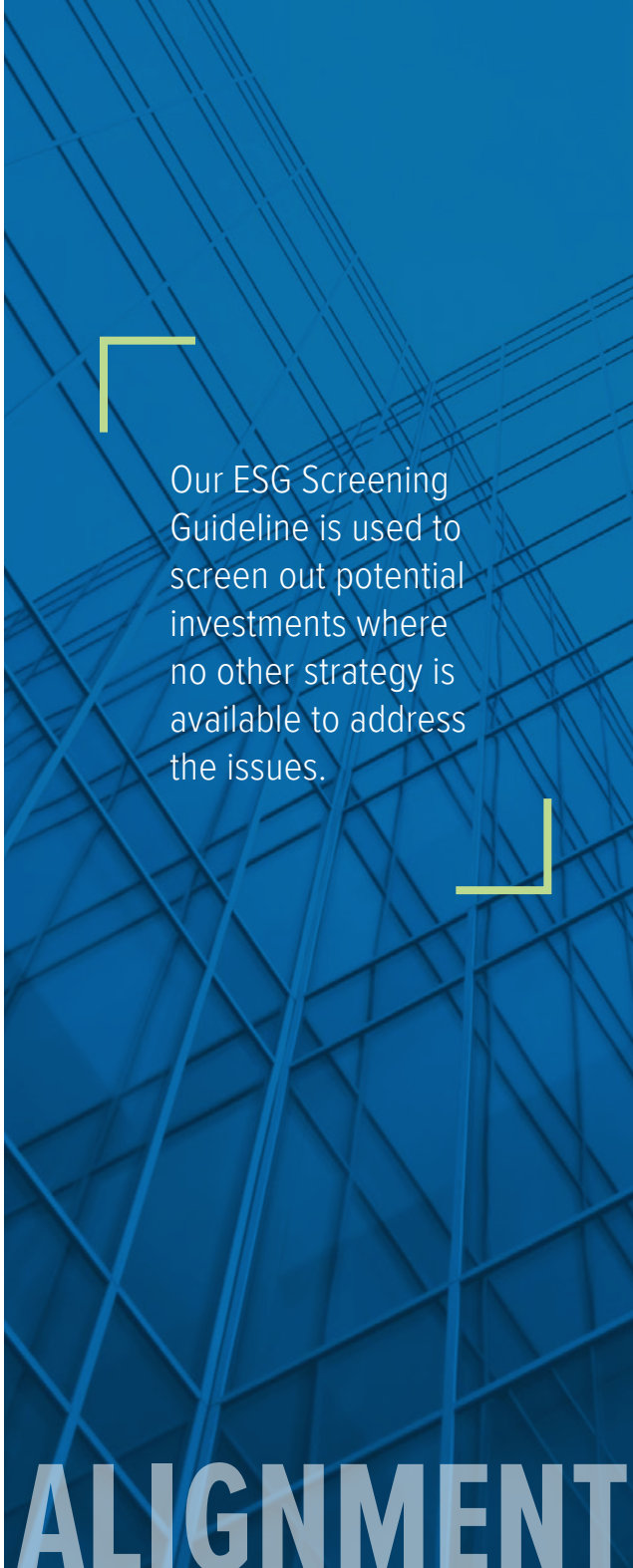
We use IMCO's ESG Screening Guideline to align our investment decisions with our core values and risk tolerances.

We believe that engagement can lead to positive changes in management's behaviour, and therefore has better long-term outcomes for the company, IMCO's clients and society. However, we also recognize that certain products, production methods and business activities harm humans as well as our environment.

We developed IMCO's ESG Screening Guideline in 2021 to address investments that are ineligible to be included in our portfolio. We use this guideline to exclude investments in companies that are inconsistent with our ESG beliefs, harm humans, or harm the environment without a viable plan for remediation. Our ESG Screening Guideline is applicable to all investments where we control the investment decision.

We exclude investments in:

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



Our ESG Screening Guideline is used to screen out potential investments where no other strategy is available to address the issues.

ALIGNMENT

MEMBERSHIPS

As a steward of client capital and a responsible organization, IMCO is fully committed to playing its part in the transition to a net-zero-emissions economy. It is IMCO's long-term strategy to be fully aligned with the goals and targets set out in the Paris Agreement and to play an active role in the transition to a low-carbon economy.

As part of this commitment, IMCO joined several organizations dedicated to this goal:



Paris Aligned Investment Initiative (PAII): IMCO joined global asset owners to reiterate our full support for the Paris Agreement, which aims to limit the global average temperature rise to no more than 1.5-degrees Celsius to avoid the worst impacts of climate change. By joining the PAII, IMCO became part of the UN Race to Zero and the Glasgow Financial Alliance for Net Zero (GFANZ), which is bringing financial sectors such as banking, insurance and asset management together to accelerate the transition to net-zero. GFANZ is co-chaired by UN special climate envoys Mark Carney and Mike Bloomberg.



Signatory to Canadian Investor Statement on Climate Change: IMCO joined 35 institutional investors, managing more than \$5.2 trillion in assets, in signing the Canadian Investor Statement on Climate Change in October 2021.



Founding member of Climate Engagement Canada: IMCO joined a coalition of investor associations to drive dialogue between the financial community and Canadian corporations to promote a just transition to a net-zero economy. IMCO joined CEC as a founding member in 2021 and is a member of the CEC Steering Committee.



Global Investor Statement to Governments on the Climate Crisis: IMCO signed this statement in June 2021, along with 457 investors representing over USD \$41 trillion in assets. The global statement encouraged all countries to significantly strengthen national emissions reduction targets and to ensure a planned transition to net-zero emissions by 2050 or sooner. Countries that set ambitious targets in line with achieving net-zero emissions, and implement consistent national climate policies in the short-to-medium term, will become increasingly attractive investment destinations, the statement noted.



Ceres: As a member of Ceres investor network, we work with other institutional investors to identify and share best practices in sustainable investing. In 2021, IMCO participated in Ceres' Paris Aligned Investment Working Group. As part of the working group, we shared our experience developing a net-zero climate action plan and participated in education sessions focused on topics such as setting and achieving interim targets.



Climate Action 100+: As a member of Climate Action 100+, IMCO is part of an initiative of more than 600 investors that engage with the world's largest carbon emitters, encouraging them to take action to reduce their emissions.



Partnership for Carbon Accounting Financials (PCAF): IMCO joined PCAF, a global group of financial institutions, to develop industry standards for GHG accounting for investment and lending portfolios.

IMCO measures our investment emissions in line with the PCAF standard.



CDP formerly known as Carbon Disclosure Project:

IMCO is a member of CDP, a global non-profit that drives companies and governments to disclose and manage a variety of environmental impacts. In 2021, IMCO supported the CDP 2021 Science-Based Target Engagement Campaign, which focused on engaging high-impact companies to set science-based targets, and the CDP non-disclosure campaign.



Canadian Coalition for Good Governance (CCGG):

Through our CCGG membership, we promote good governance practices at Canadian public companies and an improved regulatory environment to better align the interests of boards and management with those of their shareholders. We support CCGG's public policy submissions, guidance and research, as well as its direct engagement with Canadian public companies. CCGG also addresses topics such as executive compensation, board composition, board oversight and director-shareholder engagement.



Pension Investment Association Canada (PIAC): As a member of the Investor Stewardship Committee, IMCO is an active member in PIAC and contributes to thought leadership and knowledge sharing on a regular basis.



Responsible Investment Association (RIA): As an RIA member, we collaborate with other investors to advance best practices in ESG integration. IMCO is a signatory to RIA's Canadian Investor Statement on Climate Change. Hyewon Kong, VP and Head of Responsible Investing at IMCO, chairs the Canadian Responsible Investment Working Group.



30% Club Canada: Through the 30% Club Canada, we encourage greater representation of women on corporate boards of directors and in senior management ranks and support the goal of achieving 30% of women on Canadian boards by 2022. As of 2021, according to the Canadian chapter, women represented 31% of directors on boards of TSX Composite Index-listed companies but just 20.5% of C-suite roles at the same companies.



Private Equity Industry ESG Data Convergence Project: IMCO joined over 100 general partners and limited partners from across the globe working to streamline the industry's historically fragmented approach to collecting and reporting ESG data. Data from members will be aggregated into an anonymized benchmark covering greenhouse gas emissions, renewable energy, board diversity, work-related injuries, net new hires, and employee engagement, with the intent of enabling greater transparency and more comparable portfolio reporting.



ESG AT IMCO

ESG AT IMCO

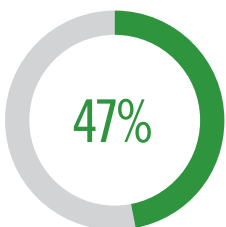
We lead through example and aspire to build an inclusive and diverse workforce that has a positive impact on the environment.

DIVERSITY, EQUITY AND INCLUSION AT IMCO

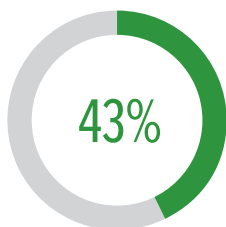
IMCO believes that diversity, equity and inclusion (DEI) are not only fundamental to the company's future growth and progress, they are also an integral part of our corporate values and underpin our business activities.

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

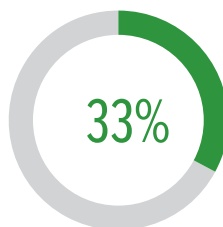
We believe that success happens where new ideas can flourish – in an environment that is rich in diversity, and in a place where people from various backgrounds can work productively together.



47% of our employees are females



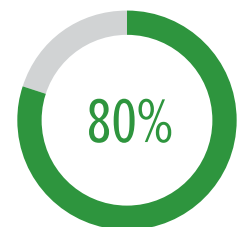
43% of our senior executive team are female



33% of IMCO's Board of Directors are women



More than 30% of IMCO employees participated in voluntary DEI training



80% of our employees have voluntarily disclosed information on one or more DEI categories

Our DEI mission at IMCO 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 bringing their authentic self to work and can reach their full potential

Through 2021, we worked diligently on embedding these values in our workplace culture, our policies, training initiatives, talent strategy, recruitment, and other areas of the organization.

To ensure the voice of our employees is represented in our work, IMCO established a DEI

Council. It is both a resource and advocate: the council functions as a recommending body and will review the DEI priorities and act as a liaison to departments as we pursue greater diversity equity and inclusion.

DEI topics are now embedded in IMCO's employee orientation and onboarding process for new hires, to ensure we create a shared lexicon and understanding of DEI.

We believe that building relationships with groups that are often under-represented in business, and specifically nurturing talent within Black, Indigenous and other communities of colour, is not only the right thing to do, it also deepens the financial services talent pool in Canada and increases the overall competitiveness of the Canadian economy.

– Gayle Fisher, Chief Corporate Officer

2021 Highlights

Canadian Association of Urban Professionals:

The Canadian Association of Urban Professionals (CAUFP) provides a link between corporations and the Black community, through innovative programs that facilitate economic growth and educational opportunities. IMCO sponsored and participated in CAUFP's Thought Leadership Speaker Event and presented at the CAUFP Youth Summit.

Indspire: IMCO partnered with Indspire, an Indigenous national charity investing

in the education of First Nations, Inuit and Métis people, to create a new bursary program for Indigenous post-secondary students. IMCO supports the 'Bright Futures Program' through bursaries totaling \$30,000, which will be distributed to post-secondary students in finance-related programs such as economics, accounting, finance, mathematics, commerce and business administration.

DEI student Internship: IMCO offered seven internships with a focus on diverse ethnic representation. In 2022, IMCO is offering 15 internships

and expanding beyond the lens of gender and race. Equal employment opportunity is a focus as we look to leverage public platforms and DEI partner job boards instead of focusing on educational institutions.

Women in Capital Markets: WCM, the largest network of female professionals in Canadian finance, aims to accelerate equality in the industry. In 2021, IMCO extended 23 WCM memberships to female employees and 15 to male allies to leverage WCM resources and mentoring opportunities.

Employee Engagement

We conduct an annual employee survey to better understand sentiment across a variety of topics, including DEI. In 2021, the survey showed an engagement rate in the top quartile and provided the Senior Executive Team and Human Resources (HR) with meaningful insights regarding employee satisfaction in categories such as goals and alignment, diversity and inclusion, mission and purpose, open communication, and reward and recognition.

Following the survey, the HR team conducts employee focus groups to further understand employee sentiment for low scoring factors and associated factors. IMCO’s employee engagement committee will assist HR in building an action plan to address engagement gaps.

FEATURE

SUPPORTING EMPLOYEES THROUGH THE COVID-19 PANDEMIC

IMCO’s primary responsibility as an employer is the safety of our employees, clients, and community. Throughout the COVID-19 pandemic, we have demonstrated our commitment to employee well-being by providing and prioritizing access to mental and physical health supports. For example, IMCO has:

- Increased coverage for mental health
- Partnered with MEDCAN to provide virtual medical care and access to COVID-19 advice
- Launched a national initiative on mental health in partnership with Canadian peer plans
- Offered monthly webinars on digital body language, navigating stress, resilience and positive intent, mental health and suicide awareness
- Held COVID-19 information sessions with medical experts
- Provided flexible, fully remote and hybrid work arrangements
- Created a virtual wellness centre where employees can access tools and resources for mental, emotional and physical wellness

Our Environmental Impact

We strive to minimize IMCO’s environmental impact through our operations and encourage environmental awareness and sensitivity among key stakeholders and employees.

In 2021, we moved into the new IMCO office at 16 York St. in Toronto, which was developed in collaboration with our strategic real estate partner, Cadillac Fairview. The building has been designed to meet the highest LEED standard, platinum, as well as the international WELL certification for health and safety. The building’s features include a deep lake water cooling system to cool the building while limiting electricity use. The energy-efficient office will reduce our GHG emissions and help minimize our waste output.

We estimate our operational emissions using the Greenhouse Gas Protocol. Our operational GHG emissions consist of scope 1 (direct emissions that occur from sources owned or controlled by IMCO), scope 2 emissions (indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling), and scope 3 emissions (related to corporate travel).

Operational emissions have decreased due to COVID-19, with travel restrictions resulting in nominal scope 3 emissions in 2021.

	2019	2020	2021
Scope 1 and 2 emissions (tCO ₂ e)	431	396	263
Scope 3 emissions (tCO ₂ e)	284	172	10
Total GHG emissions (tCO ₂ e)	715	568	273



FUTURE PRIORITIES

LOOKING AHEAD

We will continue to enhance our ESG practices, reviewing, evolving, and improving them over time. Several key activities are scheduled to be completed by the end of 2022. Our key priorities for advancing our climate and ESG strategy include the following:

CLIMATE CHANGE

- Set interim GHG emissions-reduction targets for our investment portfolio
- Set targets for investments in climate solutions
- Embed climate risk tools in our investment process, including conducting scenario analysis
- Participate in collective industry engagements to drive climate action

ESG INTEGRATION

- Improve internal ESG reporting across all asset classes to better manage and monitor ESG performance of portfolios
- Enhance the internal governance of ESG integration
- Explore sustainable indices for performance reporting and benchmarking



STEWARDSHIP

- Develop stewardship guideline to complement our proxy voting guideline and establish expectations for engagement with companies, external managers and within our industry
- Participate in collective industry engagements to prioritize ESG and improve sustainability performance

SUSTAINABLE INVESTING

- Set targets on sustainable investment (including investments in climate solutions)
- Continue to research and invest in sustainable opportunities

SCREENING

- Ensure adherence to screening guideline

CORPORATE ESG

- Build out IMCO's corporate sustainability program as part of a comprehensive strategy that aligns with IMCO's ESG strategy and commitments
- Measure and manage our operational emissions and broader environmental footprint
- Develop new DEI initiatives and targets to support a more diverse and inclusive workforce at IMCO

ESG REPORTING

- Publish an investor climate action plan¹
- Continue to enhance ESG reporting and engagement with our clients

¹ An investor climate action plan (ICAP) is a disclosure framework that allows investors to comprehensively report on their actions to align with net-zero by 2050 or sooner. Publishing an ICAP is required of IMCO, as a PAII signatory.



APPENDIX A

CLIMATE-RELATED DISCLOSURES

As a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, IMCO is committed to being transparent about our climate journey. We align our disclosure with the TCFD recommendations and encourage our external managers and portfolio companies to produce TCFD-aligned reporting as we believe in the value of consistent, decision-useful information about climate-related risks and opportunities.

This is our first disclosure in line with the TCFD recommendations, and is structured around the topics of governance, strategy, risk management, and metrics & targets. As we continue to integrate consideration of climate risks and opportunities in our investment lifecycle, we will enhance this disclosure over time.

GOVERNANCE

We recognize that strong organizational oversight of climate-related risks and opportunities is a cornerstone of an effective climate strategy. These risks and opportunities are overseen by the IMCO Board under our broader ESG governance framework.

In 2021, IMCO's Board of Directors reviewed our climate strategy. The Board will receive regular updates on progress against our climate targets and milestones.

The Management Investment Committee (MIC) and the Investment Department Committee (IDC) are responsible for reviewing key ESG risks, including climate considerations, on every due diligence. They are also responsible for ensuring investment alignment with IMCO's goal of reaching net-zero by 2050 or sooner.

To ensure all IMCO team members have the skills and information necessary to implement our climate objectives, we provide training throughout the organization on climate topics. In 2021, our board, research committee and portfolio teams took part in education sessions on climate change. The Senior Executive Team (SET) received training on ESG reporting and the TCFD recommendations.

STRATEGY

We recognize that climate change poses a range of physical risks and transition risks across the sectors in which we invest. Physical risks can be chronic, long-term shifts, such as rising sea levels, or acute events like fires, drought, flooding and hurricanes. There may also be transition risks, such as those arising from policy, legal, technological and market changes driven by the shift to a low-carbon economy.

Climate change also presents a range of opportunities. These arise, for example, from low-carbon products, energy efficiency, adaptation measures and cleaner energy sources.

Our objectives and approach for identifying and managing climate-related risks and opportunities in our portfolio is set out in our climate strategy. The four pillars of our climate strategy are:

1. Capital Deployment

We pursue climate positive and transition investment opportunities. We will emphasize lower-emissions investments and support assets/portfolio companies in preparing for the low-carbon transition.

2. Asset Ownership

We drive climate action in our portfolio by engaging with portfolio companies and external managers on key issues related to climate. We also collaborate with like-minded investors to drive collective climate action.

3. Portfolio Management

We focus on further integrating climate-related risks and opportunities into our investment decision-making processes, and monitoring climate risk within and across our portfolio.

4. Climate Guardrails

We mitigate climate risk in our portfolio through climate guardrails, which limit our exposure to investments that are incompatible with a net-zero future.

An important input into IMCO's climate strategy is scenario analysis. We conducted initial scenario analysis for a portion of our portfolio in 2020. The goal was to analyze the potential impact of climate-related physical and transitional risks in the medium and long term (2030 and 2050 respectively), under three different warming scenarios. This analysis provided an initial understanding of the potential climate impacts on our investments over the long term.

Our modelling indicated that our portfolio could be expected to deliver a modest positive return under the 2°C scenario, and a modest negative return under the other warming scenarios. Overall, this result points to a diversified portfolio that is well-placed to benefit from climate opportunities and mitigate losses in higher warming scenarios.

While our findings are encouraging, the methodologies for conducting scenario analysis are still emerging and data limitations may affect both the direction and magnitude of the results. Since our initial analysis, the United Nations Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report, providing a narrower band of likely warming scenarios. In line with this, IMCO conducts scenario analysis on a quarterly basis on its public portfolio, assessing both physical climate impacts and transition-related impacts under 1.5°, 2° and 3°C scenarios.

Scenario analysis helps us better understand the resilience of our portfolios. As part of our broader climate strategy, we plan to enhance our scenario capabilities by refining our assumptions and broadening scope to private assets.

RISK MANAGEMENT

We review climate considerations as part of our standard due diligence procedures. An ESG materiality risk and opportunity analysis, which includes climate, is conducted for all potential investments. This may include an analysis of the physical climate risks (such as exposure to extreme storms and wildfires) and an assessment of the level of resilience and opportunities for mitigation.

In our indirect investments, we include a climate change section in our external manager questionnaire for all asset classes. Topics include:

- How climate risks and opportunities are measured and managed in the investment process
- How the fund is aligned with the transition to a low-carbon economy
- Whether or not the firm measures scope 1, scope 2, and scope 3 emissions and carbon intensity of its portfolios
- Targets and metrics used to manage climate-related risks and opportunities, and performance against targets
- Whether the firm reports according to TCFD recommendations

We also identify and manage climate impacts as part of our asset management activities. In 2021, we identified several sectors that are exposed to higher climate risk based on emissions intensity. For these high-emitting sectors we did preliminary

work to determine our approach. This included engaging with management teams on target-setting and decarbonization.

Going forward, we will identify additional climate risk data to be used in climate risk assessments and further embed climate risk assessment into our investment lifecycle.

METRICS AND TARGETS

IMCO measures the carbon emissions and carbon intensity of our assets under management. This provides an additional quantitative lens to monitor and manage climate change risks and opportunities in our investments.

Our carbon footprinting enables us to set our emission reduction targets and is a starting point to inform our climate actions. For example, it allows us to develop an investment approach for high-emitting sectors and assets, including our priority engagement targets.

IMCO's operational emissions – from our office buildings and corporate travel – are detailed on page 44.

Climate metrics

PORTFOLIO EMISSIONS	2019 ¹	2020	2021
Total financed emissions (tCO ₂ e) ²	3,223,480	2,324,864	2,351,913
AUM in scope for financed emissions calculation (\$ million)	46,942	49,694	55,150
Financed emissions intensity ³ (tCO ₂ e / \$ million invested)	75	54	47

1 2019 is our emission baseline year.

2 Total scope 1 and scope 2 emissions generated from the assets in our portfolio, proportionate to equity and debt holdings in our portfolio.

3 Total scope 1 and scope 2 emissions for the portfolio normalized by million dollars of investment.

IMCO's portfolio emissions intensity decreased to 47 tCO₂e / \$ million invested in 2021, down from 75 tCO₂e / \$ million invested in 2019. Drivers of the decrease include COVID-19 impacts, changes in sector exposures, actual changes in company carbon emissions, and year-over-year fluctuations in corporate revenue used for emission estimates.

In 2022, we intend to set interim emissions reductions targets in support of our long-term goal of achieving net-zero emissions in our portfolio by 2050 or sooner. We will measure and report our progress towards achieving our targets. We will also expand our climate metrics and targets to include investments in climate solutions.

METHODOLOGY

Financed emissions refer to the GHG emissions generated from the assets in our portfolio, proportionate to our debt and equity holdings. Financed emissions are sometimes referred to as a portfolio carbon footprint.

We support the need for standardized and transparent carbon emissions accounting and reporting. We calculated our financed emissions in accordance with the PCAF¹ guidance and the Greenhouse Gas Protocol². We include financed scope 1 and scope 2 emissions in our financed emissions calculation. Scope 1 emissions are direct emissions that occur from sources controlled by a company (e.g., company facilities) and scope 2 emissions are indirect emissions associated with the company's purchase of electricity, steam, heating and cooling. Scope 3 emissions include all other indirect emissions, such as emissions associated with the use of sold products. Financed scope 3 emissions are not included in our portfolio carbon footprint due to limited data availability, comparability and reliability.

IMCO has partnered with Persefoni³ to measure, monitor, and manage emissions. Actual emissions data is sourced directly from public company disclosures or third-party service providers. Where actual emissions data is not available, we estimate emissions based on sector and regional emission factors. Given the limited availability of actual emissions data, in particular for private assets, a proportion of our financed emissions are estimated. We will strive to increase the share of actual emissions in our calculation of financed emissions over time.

Scope

We calculate the portfolio emissions of the following asset classes covered under PCAF guidance: public equity, private equity, global credit, real estate and infrastructure. Combined, these portfolios represent 70% of IMCO's assets under management as of December 31, 2021. Most of the remainder comes from government bonds and public market alternatives which PCAF methodology does not currently cover.

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

¹ <https://carbonaccountingfinancials.com/>

² <https://ghgprotocol.org/>

³ Persefoni is a carbon accounting platform that enables companies and financial institutions to meet stakeholder and regulatory climate disclosure requirements and requests.

Limitations

Measuring portfolio emissions is still an emerging field, and there are several limitations in our measurement approach that should be kept in mind when interpreting results:

- PCAF currently does not cover government bonds, which are a large proportion of IMCO's portfolio.
- PCAF attributes emissions across total equity and debt of the underlying asset. Changes in capital structure can impact financed emissions, even if total asset emissions remain consistent.
- Estimates can have varying degrees of accuracy, and are driven by the underlying emission factor used. In addition, very few companies report scope 3 emissions, and estimates vary widely.
- Portfolios, in particular public market portfolios, may evolve significantly over a year.

Data quality

Where actual emissions data is unavailable, we use a data hierarchy to determine an alternative estimation method in accordance with the PCAF guidance. PCAF assigns a data quality score from 1 to 5, where 1 is for verified reported emissions, 2 is for unverified reported emissions and 3-5 is for physical activity-based emissions or economic activity-based emissions of varying accuracy.

SCORE	EMISSIONS TYPE	% OF EMISSIONS BY AUM ¹
1	Reported emissions, verified by a third party	45% ²
2	Reported emissions, unverified by a third party	
3	Estimated emissions based on physical activity	0% ³
4	Estimated emissions based on economic activity	46%
5	Estimated emissions based on economic activity with only sector information	8%

¹ As of December 31, 2021; does not sum to 100% due to rounding

² IMCO data for reported emissions do not distinguish between verified and unverified emissions

³ IMCO does not have access to the required physical-activity data at this time

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