



Investment Benchmark Guideline

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1. Introduction

1.1. Scope

The Investment Benchmark Guideline (the “Guideline”) applies to all IMCO Strategies. Individual investment mandates within a multi manager strategy may utilize different benchmarks than the overall strategy. This guideline only applies to the overall strategy. Individual component managers and their respective component benchmarks will not be covered.

1.2. Purpose

The Guideline provides guidance to IMCO’s teams regarding:

- Selecting and amending individual mandate benchmarks (e.g., each IMCO Strategy).
- Selecting and amending client total portfolio benchmarks (i.e., the composite of the underlying investment strategies).
- Treatment of factors such as fees, foreign currency hedging, etc. for benchmarking purposes.
- Treatment of illiquid asset classes for benchmarking purposes (e.g., private assets, which are funded gradually over time).

This Guideline is not meant to override IMCO Investment Governing Policies, including the IMCO Investment Benchmark Policy (the “Policy”). In the event of any conflict between this Guideline and the IMCO Investment Governing Policies, the terms of those Policies shall prevail.

Any capitalized terms that are not defined herein, will take their defined meaning from the Policy, unless otherwise noted.

1.3. Other Related Documents and Guidance

In addition to the Policy and this Guideline, the following documents are also relevant to investment benchmarks of IMCO Strategies and the total client portfolio including:

IMCO Investment Policy Statements (“IPS”), IMCO Investment Governing Policies, or client agreement(s) governing client investments	<ul style="list-style-type: none">• Strategy IPS Identifies investment strategy benchmarks• FX IPS identifies FX Strategic Hedge Ratios• Client Account IPS• Client’s Strategic Asset Allocation (“SAA”), as defined in the IMCO Asset Allocation Policy
Investment Risk Limits Guideline	<ul style="list-style-type: none">• Risk limits that the IMCO Investment Risk department monitors including, for example, limits on non-benchmark securities• Return objectives and risk tolerances will be set against the selected benchmarks for each IMCO Strategy
External Manager Guideline	<ul style="list-style-type: none">• Consideration of an external manager’s benchmark as part of the selection process of the external manager
Investment Risk Policy	<ul style="list-style-type: none">• IMCO measures, analyzes and attributes IMCO Strategy performance and risk against the selected benchmarks as stated within the IMCO Investment Risk Policy.

As such, this Guideline should be read in conjunction with the above documents.

2. Responsibilities

The Investment Team is responsible for:

- In conjunction with Investment Risk (“IR”), making recommendations to IMCO’s Management Investment Committee (“MIC”) for benchmark selection and any potential changes to benchmarks for IMCO Strategies.

Investment Risk (“IR”) is responsible for:

- In conjunction with the Investment Team, making recommendations to IMCO’s MIC for benchmark selection and any potential changes to benchmarks for IMCO Strategies.
- Obtaining independent validation of the appropriateness of the benchmark, return objectives and risk tolerances.
- Risk measurement and reporting using set benchmarks.

Cash, Data, and Performance Measurement (“CDPM”) is responsible for:

- Managing data subscriptions to the required benchmark data and and/or, identifying a reasonable alternative.
- Ensuring that benchmark data (e.g., constituents) are stored within IMCO’s data warehouse, reporting and analytical platforms.
- Ensuring that benchmark data usage is consistent with licensing terms and conditions.
- Performance measurement, attribution and reporting relative to benchmarks.

Asset Mix, Research and Economics (Portfolio Construction) is responsible for:

- Deriving the inputs feeding into the SAA. This includes long-term capital market assumptions for each strategy: total expected returns in CAD, volatility and correlations.
- Working with each client to set the SAA.
- Revisiting the SAA if an IMCO Strategy benchmark is materially changed (e.g., a change to the benchmark which leads to a material change in the original expected return, volatility and/or correlation assumptions), if market conditions change, or if client circumstances change.

Total Portfolio Management (“TPM”) and the Portfolio Construction are jointly responsible for:

- For any clients undergoing an asset mix change, recommending to the MIC the transition timeline for implementation of the public asset portion of that change (Transition Timeline). In most cases, public asset mix transitions are expected to be completed in 12 months; however, this timeline may be lengthened or shortened depending on the size of the transition, other asset mix changes, and other factors.
- On an annual basis, reviewing asset class weight and methodology used to develop the Adjusted SAA and the Transitional SAA, as defined in the IMCO Asset Allocation Policy, and recommending any resulting changes to MIC for approval.
- Developing each client’s Adjusted SAA and Transitional SAA.
- Communicating each client’s Adjusted SAA and Transitional SAA to the MIC.

IMCO’s MIC is responsible for:

- Reviewing and challenging the investment benchmark recommendations from the Investment Team and IR as appropriate.
- Making recommendations to the IMCO Board for both initial IMCO Strategy benchmarks and any potential changes to such benchmarks.
- Approving the inception date for a new IMCO IPS (as it applies to all clients or a single client).
- Reviewing and accepting the Client’s SAA.
- Reviewing and approving the methodology used to develop the Adjusted SAA and Transitional SAA.
- Reviewing and approving the transition timelines.
- Reviewing and accepting the Adjusted SAA and Transitional SAA for each client.

The IMCO Board is responsible for:

- Reviewing and approving IMCO Strategy benchmarks.

3. General

3.1. Global Investment Performance Standards (“GIPS”) Compliance

GIPS are a set of voluntary global standards to ensure fair representation and full disclosure of performance reporting. IMCO is aware of the guidelines provided by GIPS and will consider the standards in the application of these Guidelines¹.

As such, decisions surrounding the selection, calculation or modification of benchmarks should consider guidance issued by GIPS and the CFA Institute. Such guidance may include, for example:

- Use of benchmarks by investment strategies.
- Types of benchmarks and investment categories or characteristics that may be appropriate for each strategy.
- Selecting an appropriate benchmark and properties of a good benchmark.

3.2. Fees & Expenses (“Costs”)

Costs must be appropriately considered when assessing performance against a benchmark. Market benchmarks are usually presented without costs, unless a custom net-of-cost benchmark is provided by an index provider.

Any custom net-of-cost benchmark should have full disclosure of the fees and expenses being deducted. In the case that the benchmark is adjusted for leverage, the cost of that leverage should be included.

As such, net-of-cost² performance at the IMCO Strategy level will be measured against the selected benchmark for that strategy.

3.3. Foreign Currency

For the purposes of determining benchmark performance relative to the strategy, strategy benchmarks denominated in foreign currencies are to be hedged back to Canadian dollars in accordance with the strategic foreign currency hedge ratio(s) of the underlying IMCO Strategy.

Dynamic FX activities departing from the strategic hedge ratios should be assigned to the Dynamic FX Strategy and will use the strategic foreign currency hedge ratio(s) as the benchmark.

3.4. Leverage

Benchmarks will need to reflect leverage in the following manner:

- a. Systematic leverage (i.e., leverage that is set and maintained indefinitely) will require the benchmark to be adjusted for the leverage. Benchmark returns will need to reflect the cost of leverage. Clients and/or IPS documentation will specify target leverage and ranges. The benchmark should reflect the target leverage.
- b. Active leverage (i.e., temporary leverage taken for active management purposes) will not require a benchmark adjustment and therefore, can be a source of net value add (“NVA”). Cost of leverage will not be reflected in the benchmark.
- c. Leverage as a result of liquidity-based transactions (i.e., short-term borrowings for cash management purposes) will not require a benchmark adjustment.
- d. In all cases, incorporated leverage at the asset mix level or within an IMCO Strategy must not violate any of the return and risk objectives relative to its benchmark.

3.5. External Providers

IMCO may utilize external provider(s) to provide return data for identified benchmarks.

¹ Note that achieving formal GIPS compliance is an involved process requiring independent third-party verification regarding composite construction and performance calculations. IMCO will consider the guidelines without the formality of independent third-party verification.

² Where cost is defined in the Cost Allocation Policy & Guideline.

3.6. Initiating Strategy and Benchmark

New strategies may need to be launched (either for individual clients or across multiple clients) from time to time. In these instances, applying the benchmark to calculate NVA as well as applying limits may need to be delayed allowing the program time to build to a suitable level where tracking performance and limits is sensible³. Initiating a strategy and benchmark should follow 3 general principles:

1. The inception date must be specified in advance (i.e., there should be no opportunity to look back over a performance window and retroactively apply the benchmark).
2. The inception date must be approved at MIC.
3. The inception date must apply to all elements of the IPS (i.e., performance calculations, application of benchmark, calculation of NVA relative to that benchmark and application of IPS limits/restrictions). A substantial amount of IPS limits/restrictions should apply at the inception date but there may be remaining exceptions granted while the program continues to advance. The remaining exceptions and their timeline will be approved at the MIC and where applicable, with the Board and/or clients.

4. Individual Strategies

4.1. General

Benchmarks are to be assessed by IMCO for appropriateness from a risk and return perspective. Considerations when selecting a benchmark may include, but are not limited to:

- Complexity
- Instability
- Popularity
- Industry practice
- Representativeness of the strategy's opportunity set
- Currency / currency hedging
- Geographical exposure
- Breadth or concentration of the index
- Style
- Sector
- Treatment of withholding tax return (net vs. gross)
- Appropriate "liquidity profile"
- Operational considerations, including:
- Feasibility of reporting on the proposed benchmark
 - Identification of a data provider for benchmarks returns
 - Cost of procuring benchmark data

Investments, CDPM and IR will work together to ensure that reporting on the selected mandates and their respective benchmarks is feasible. Suggestions for benchmarks, risk/return parameters and potential changes to those items are put forward by the various teams. IR is then responsible for independent validation of the appropriateness of the benchmark, return objectives and risk parameters. Validation findings are discussed and, where misalignments are found, either the benchmark/parameters are adjusted or further reasoning is provided as to why the proposed benchmark/parameters remain reasonable.

Prior to the approval of new benchmarks or amendments to existing benchmarks, the Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO") must sign off from a data and reporting perspective to ensure that:

- IMCO is currently subscribed (or can subscribe) to the required benchmark data and if not, a reasonable alternative will be identified and utilized.

³ While there is no single rule that can be applied in all cases, some items to consider in assessing suitability include AUM level, number of funds/investments, and/or tracking error relative to the benchmark

- Strategy benchmark data (e.g., constituents or a reasonable alternative) are stored within IMCO's data warehouse, reporting and analytical platforms.
- Investment reporting packages are updated with the new strategy benchmark data.
- Selection or modification of a benchmark includes a MIC report summarizing the considerations and research supporting the recommendation.

5. Total Client Portfolio

5.1. General

The SAA, Adjusted SAA, Transitional SAA, and Benchmark SAA. Each of them represents a set of target allocation of assets among various IPS strategies.

5.2. Composite Benchmark

Unless otherwise agreed upon between IMCO and the client, each client's total portfolio benchmark will be the weighted average of the underlying investment strategy component benchmarks weighted by the Benchmark SAA weightings of those strategies, regardless of whether the strategy is managed on a pool or segregated basis.

The client benchmark portfolio used for performance measurement will be rebalanced at least monthly to the Benchmark SAA, which may be adjusted periodically for intramonth transactions in illiquid strategies.

5.3. Illiquid Assets

The unique aspects of illiquid assets such as infrastructure and private equity require additional considerations with respect to benchmarking. The nature of valuing illiquid investments means that strategy performance may only be available on a delayed (or lagged) basis. The process for addressing such a delay in performance reporting should be specified in advance of the reporting period. Potential methods for addressing a delay may include, for example, reporting prior quarter benchmark performance (i.e., reporting benchmark on a one- quarter lag). Alternate methods may be used, as deemed appropriate, provided the process is defined in advance.

6. Guideline Governance

Guideline Review and Approval

The IMCO Document Owner of this Guideline for purposes of ensuring that it gets issued, reviewed, and updated on a regular basis will be the CRO (or such other individual that may be designated from time to time by the CEO) or his/her designate. The Drafter and Document Monitor of this Guideline will be the Senior Director, Business Management, who will monitor compliance with this Guideline on an ongoing basis to determine whether the objectives of this governing document are being met.

The Document Owner is also responsible for ensuring relevant IMCO senior executive team members (the "Applicable SET") have been given a reasonable opportunity to review and comment on this Guideline prior to it being reviewed and approved by the IMCO Management Investment Committee, (the "Approver").

This Guideline should be reviewed by the Document Owner and approved by the Approver at least once every three years.

Initial reviews should, at a minimum, be performed by the Document Owner and approved by the Approver approximately one year from the effective date of this Guideline. Subsequent reviews should, at a minimum, be performed at least once every three years by the Document Owner following which the document would be approved by the Approver.

Non-Material and Material Revisions

For greater certainty, any non-material revisions to this Guideline (either resulting from the Document Owner's reviews or otherwise) can be approved by the Document Owner at any time following a review of the changes by the Chief General Counsel ("CGC") or his or her designate and notice to the IMCO MIC. Such non-material revisions may include edits to:

- a. cure any ambiguity, clerical or typographical errors;

- b. clarify, correct or supplement any provisions which might be defective; or
- c. satisfy any legal or regulatory requirement applicable to IMCO.

Exceptions

Any request for a non-material exception to this Guideline must be approved by any two members of the IMCO MIC. Any request for a material exception to this Guideline must be approved by the IMCO Management Investment Committee.

Failure to Comply (if applicable)

Compliance with the Guideline is mandatory. A violation of the Guideline will be subject to disciplinary action up to and including termination of employment for cause or legal action.