

Private Equity Strategy¹

Investment Policy Statement

Effective Date: November 1, 2023

1. Scope and Purpose

This Investment Policy Statement (“IPS”) governs the investments associated with the Private Equity Strategy (the “Strategy”) created and managed by the Investment Management Corporation of Ontario (“IMCO”) for and on behalf of public sector and other eligible clients in Ontario that have entered into an investment management agreement (“IMA”) with IMCO. These investments may be managed on a segregated and/or pooled basis and this IPS may apply to multiple portfolios designated to be managed under this Strategy.

This IPS sets forth, among other things, the investment objectives, investment strategies, permitted investments and restrictions to be carried out by IMCO in respect of the Strategy. This IPS should be read in conjunction with the IMCO Investment Governing Policies and the IMCO Investment Beliefs (as amended from time to time).

2. Background

IMCO is responsible for managing the Strategy against guidelines and parameters approved in accordance with the applicable IMCO Investment Governing Policies and in accordance with this IPS. These guidelines and parameters are designed to, among other things, manage portfolio risk and set out the target returns for the Strategy over rolling five-year periods. IMCO monitors the Strategy against these guidelines and other factors, including, for example, investment manager agreements. In carrying out these monitoring responsibilities, IMCO is also responsible to ensure that the Strategy is managed in line with the investment risk/return objectives and preferred characteristics set out herein.

3. Strategy Objectives

Investment Objective

The Strategy’s objective is to generate long-term capital appreciation and outperform public equities by investing in a portfolio of primarily private operating companies, directly or indirectly, where strong value creation potential exists through strategic, operational, and financial improvements. Private equity is a higher risk asset class involving long-term investments in generally illiquid assets. The Strategy will generally not realize capital returns until the underlying private company assets are sold or liquidity is otherwise achieved (i.e., through a recapitalization, sale or a public offering).

Benchmark

The benchmark for the Strategy is the MSCI World Small Cap Net Total Return Index in Canadian dollars unhedged (the “Benchmark”)².

¹ This Investment Policy Statement will be used for the Private Equity Fund(s), when created, with appropriate modifications.

² The Benchmark may be subject to change by IMCO from time to time in accordance with the IMCO Benchmarking Policy.

Return Objective

The following investment return objective will be measured over rolling 5-year annualized periods:

- Net Value-Added Target: Gross Total Return – Benchmark Return – All Expenses³ = +150 bps

Additional Objective

The Strategy does not specifically target a risk level as risk is expected to change as opportunities arise and the portfolio evolves. It is expected that ex-ante total risk should remain approximately 25%.

These return and risk objectives above assume a mature program.

4. Investment Approach

The Strategy will be managed with the following approach:

- i. focus primarily on a select group of strategic investment partners
- ii. leverage relative size, speed, and ability to execute and long-term relationships with strategic partners to gain access to deal flow
- iii. employ a high conviction approach to investing that may increase concentration to sectors, geographies or strategies during periods of market dislocation, or allocate less/no capital when market conditions are unattractive
- iv. focus primarily on companies that have strong management teams, high free cash flow conversion, and an excellent value creation thesis that feature appropriate governance, as determined by IMCO
- v. focus primarily on growing sectors including, but not limited to, industrials, technology/media/telecommunications, healthcare, financial institutions, business services and consumer, diversified by some exposure to lower growth, cash generating sectors
- vi. invest in funds (typically a 10 to 12-year duration) primarily in North America and Europe, with some limited exposure to the rest of the world, to provide better access to direct and co-investments
- vii. target co-investment opportunities that ideally feature: (a) a three to seven (3 to 7) year investment horizon; (b) a significant ownership stake in a company where value can be added through operational improvements; (c) appropriate governance rights; and/or (d) lower fees or costs for IMCO

5. Permitted Investments

The Strategy will provide exposure to an actively managed concentrated portfolio of private equity investments comprised primarily of private equity funds (including secondary investments or subsets thereof), co-investments, and direct investments in private companies, with a focus on developed North American and European markets. The Strategy may invest in the following permitted investments:

³ The Net Value-Added Target expectation is net of all expenses assigned to that product as defined in the Cost Allocation Policy and Guideline.

Private Equity Investments

- i. Private equity funds (e.g., primary, secondary investments)
- ii. Co-investments/direct investments/joint ventures
- iii. Investments across the capital structure (including, for example, equity, preferred equity, mezzanine, private debt, payment-in-kind loans, convertible and/or equity-linked securities)
- iv. Public securities (equity, equity equivalents and/or debt) as a precursor to a take-private transaction, public securities that replicate the performance of the benchmark, PIPEs (private investments in public equities) or as a result of a liquidity or capital formation transaction (such as a public listing or exchange of shares)

Cash and Cash Equivalents

- i. Securities permitted to be held by the IMCO Money Market Strategy

Derivatives

The Strategy may invest in derivatives that are not traded internally by IMCO.

Target Allocations and Other Investment Selection Criteria

In creating a diversified portfolio of private equity investments, IMCO will seek to invest the Strategy's assets within the following target allocations ranges:

Risk Strategy:

Buyout/Growth Equity	80% to 100%
Other ⁴	0% to 20%

Geographical Focus:

North America	30% to 70%
Developed Europe	25% to 70%
Rest of Developed World	0% to 20%
Emerging Market.....	0% to 5%

Investment Vehicle:

Funds	30% to 60%
Direct/Joint Ventures/Co-Investments	40% to 70%

6. Restrictions

Investments by the Strategy will be made in accordance with applicable laws, including applicable tax and pension benefit laws, as well as in compliance with the IMCO Investment Policies. Additionally, the following specific investment restrictions will apply to the Strategy:

- Single Company Restriction: No more than 10% of the Strategy assets at time of acquisition plus any known commitments may be invested in any one single company and its affiliates
- No more than 25% of the Strategy assets at time of acquisition plus any known commitments may be invested in or with any single asset manager or partner and/or its affiliates when said manager or partner and/or affiliates is a "lead manager"* of the acquired asset or commitment

* The term "lead manager" is defined in Appendix B of the Concentration Guideline

⁴ Other includes, for example, relationship investing, special situations and venture capital.

- No Frontier market exposure other than incidental non-direct investments. Frontier markets are the countries that are part of the MSCI Frontier Markets Index
- Incidental non-direct investment exposure to countries not classified in the MSCI Developed, Emerging or Frontier market indices requires Management Investment Committee approval
- Single Sector Restriction: No more than 40% of the Strategy assets at time of acquisition plus any known commitments may be invested in any one single sector
- Ex-Ante Total Risk Maximum: 35%
- Not more than \$1 billion CAD of net invested capital⁵ in the Strategy will be made in 'Small Co-Investments', where each Small Co-investment is no more than \$50 million CAD per investee, and no more than 20% aggregate ownership by IMCO or its clients in such investee (i.e. IMCO or its clients' co-investment ownership interest aggregated with IMCO or its clients' indirect ownership interest as an investor in the corresponding commingled fund) that are approved through the small co-investment checklist process

7. Balance Sheet Leverage

Balance Sheet Leverage, as defined in IMCO's Leverage Policy, will be permitted at the Strategy level. Balance Sheet Leverage is permitted in the individual assets/companies that are held by the Strategy.

8. Currency Hedging

Developed⁶ market foreign currency exposures are targeted to be unhedged. Emerging market currencies will be unhedged.

9. Securities Lending

No securities lending will occur in the Strategy.

10. Compliance with IMCO Investment Policies

The Strategy will be compliant with all applicable IMCO Investment Policies.

⁵ Net invested capital in CAD is defined as original invested capital (measured at cost) minus the return of original amount of invested capital (measured at cost) from divestitures/exits (all such amounts converted to CAD on the respective original investment approval date).

⁶ Developed market foreign currency means the currency of a member country of the MSCI World Index.