

IMCO's new office location, 16 York St. in Toronto

2020 ANNUAL REPORT

Investment Management Corporation of Ontario

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ABOUT IMCO



DELIVERING INVESTMENT SOLUTIONS FOR ONTARIO'S PUBLIC SECTOR

UNIQUE PURPOSE

IMCO was designed to drive better investment outcomes for Ontario's broader public sector. Asset pooling reduces investment management costs and enables public-sector funds to access a wider range of investment strategies, at lower cost than they could achieve independently.

At IMCO, we understand the challenges many small public funds face: complex investment strategies; a growing focus on environmental, social and governance (ESG) factors; limited budgets and resources; a complicated regulatory environment; and heightened risk management expectations.

STRENGTHS

Our clients have access to sophisticated strategies and services, and reap the cost benefits of our scale. Our key strengths include:

- Strategic portfolio construction and management services
- Access to a global universe of investment opportunities
- Comprehensive risk management and reporting

We work diligently to understand the characteristics of each client's liabilities and financial objectives. We then advise on strategic asset allocations that meet each organization's unique requirements.

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.

Accessing complete, accurate and timely information on portfolio holdings and performance is critical to managing risk. IMCO delivers comprehensive risk monitoring, management and reporting capabilities.

All of this is provided on a cost-recovery basis. We prudently manage our investment and operating costs because we want to preserve the cost advantage that our scale offers.

INDEPENDENCE

We are an independent organization operating at arm's length from government.

IMCO is led by an experienced management team and guided by a highly experienced and professional board of directors. Our structure ensures that our decisions are based solely on meeting our clients' investment management and oversight needs.

CONTEXT FOR OUR ONE-YEAR RETURN

As a multi-client asset manager, IMCO oversees investment portfolios on behalf of four public sector clients. Formal investment management agreements govern how we manage these portfolios, with each client setting their strategic asset allocation targets to reflect funding and liquidity needs as well as return objectives and risk tolerances.

In 2020, the weighted average net return of all client portfolios was **5.4 per cent**. The range of one-year returns, across all IMCO's client portfolios, was **0.2 per cent** to **7.1 per cent**.

which reflects broad differences in their respective asset allocation strategies. For example, in 2020 one client portfolio was in transition, and was therefore invested in short-term government securities only, whereas other client portfolios were invested in a diversified mix of government securities as well as public and private equities, global credit strategies, infrastructure and real estate.

(For additional details on how we deliver value to clients, please see Serving Ontario's Public Sector, Page 14.)



VISION

As the investment partner of choice for Ontario's public-sector funds, we will be among the world's leading public-sector asset managers.

MISSION

We will provide our clients with best-in-class portfolio advice, investment products and reporting.

VALUES

INTEGRITY

We hold ourselves to the highest professional standards.

PUBLIC PURPOSE

We put our clients first and we are proud of our public purpose.

RESPECT

We treat each other, our partners and our clients with respect.

INNOVATION AND CONTINUOUS IMPROVEMENT

We strive to adopt practices that reflect global leadership and thinking.

COLLABORATION

We work as a single and unified team to achieve our common objectives.

INCLUSION AND DIVERSITY STATEMENT

IMCO believes that inclusion and diversity is not only fundamental to the company's future growth and progress, but also an integral part of our corporate values and underpins our business activities.

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

Our inclusion and diversity mission is to be an organization where:

- the workforce reflects the requisite skills available in the relevant employment market;
- every employee understands and actively participates in inclusionary behaviours and values diversity;
- teams are respectful, non-judgmental and celebrate diversity of thought and include all voices in conversation;
- our environment encourages employees to be their unique and authentic self; and
- all employees can reach their full potential.



2020 HIGHLIGHTS

Assets under management (AUM) were
\$73.3 BILLION
as of Dec. 31, 2020

Began to transform entire IMCO portfolio using **NEW** investment strategies

One-year weighted average net return of all client portfolios was **5.4%**, meeting the benchmark

Launched first pooled **INVESTMENT PRODUCT** (IMCO Canadian Public Equities Pool)

APPROVED environmental, social and governance (ESG) strategy

Voted client proxies at **4,177** public company meetings in **58** markets

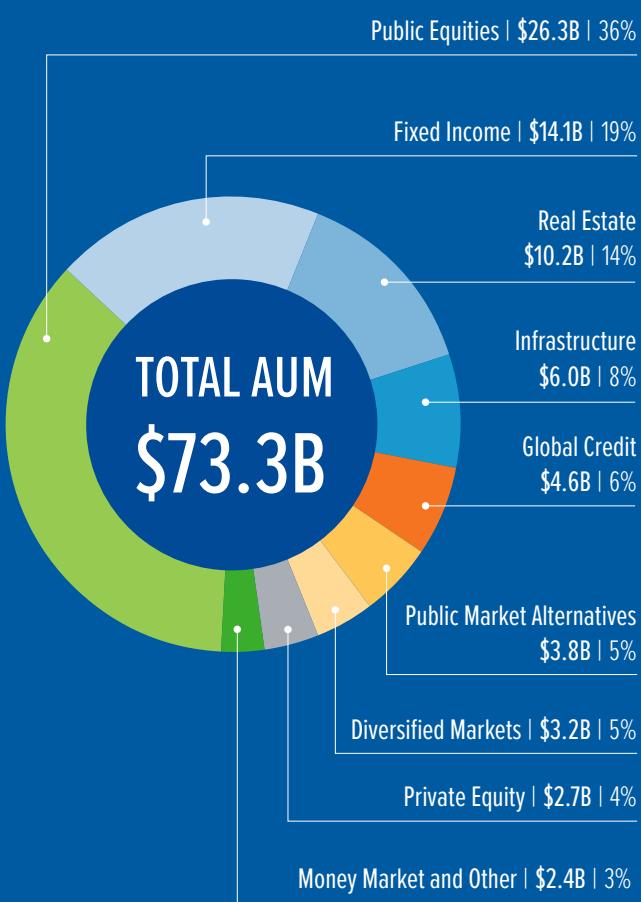
**SAVED
\$10 MILLION**
in investment management fees, exceeding cost savings target by **25%**

(after adjusting for asset mix and AUM changes)

Welcomed two new clients: the **PROVINCIAL JUDGES' PENSION BOARD** and **WISE TRUST**
(Workplace Insurance and Safety Employee Trust)

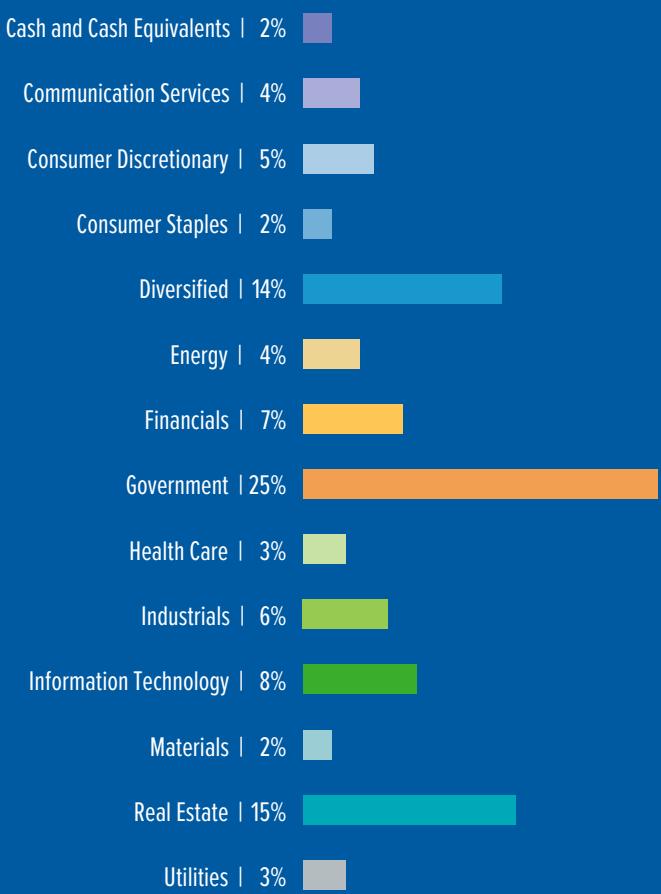
ASSETS UNDER MANAGEMENT BY ASSET CLASS

as of Dec. 31, 2020



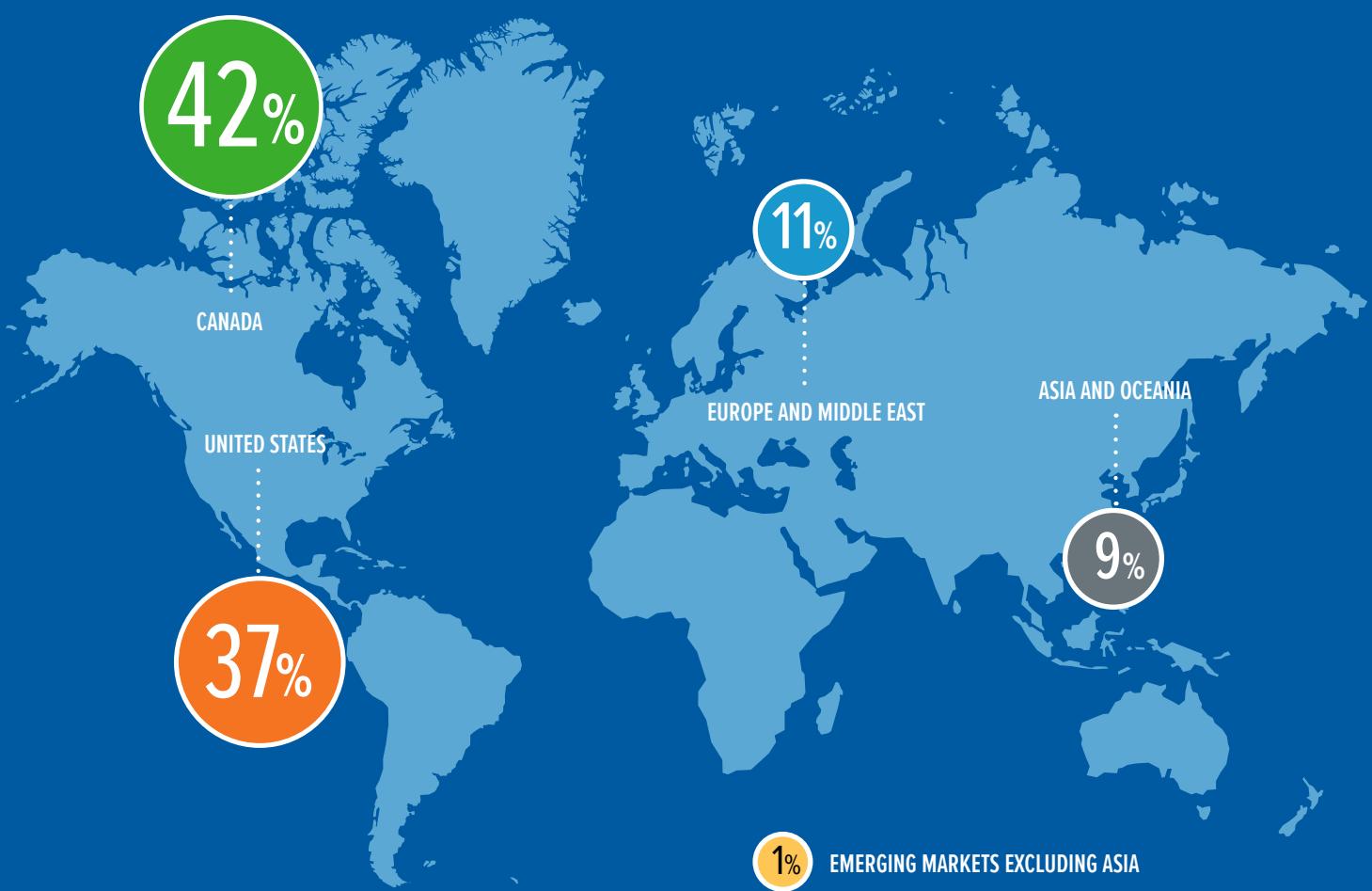
PORTFOLIO BREAKDOWN BY SECTOR

as of Dec. 31, 2020



REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

as of Dec. 31, 2020





REPORT FROM THE CHAIR

I would like to acknowledge the entire IMCO team and my fellow board members for their dedicated response to a particularly challenging year. The events of 2020 will not fade from memory soon. The investment team ably steered our clients' portfolios unharmed through the March market volatility and the rest of the year, and everyone at IMCO continued to focus on creating long-term value for our clients.

The Board worked with management in 2019 and early 2020 to ensure that strong liquidity and risk management practices were in place. These efforts were well timed. We were prepared to navigate the financial market difficulties in the spring, when COVID-19 panic roiled global markets. Equally important, IMCO continued its full operation after health protection measures cleared the office.

I was impressed with how employees and management transitioned to the remote working environment and maintained a “can-do” attitude. IMCO’s business continuity program functioned exactly as it was designed to. We could not have predicted the nature or extent of the pandemic, yet we were well prepared for a crisis.

Board members were routinely briefed on liquidity and risk throughout the spring. We met more frequently than normal, by video, to assess ever-changing circumstances. During this time, the Board welcomed a new director, Eric Wetlaufer, who is a seasoned investment management executive. We also said farewell to Hugh Mackenzie, who had served on the IMCO Board since inception. I would like to thank Hugh for his valuable contributions and good advice.

BUILDING A TRACK RECORD

The organization achieved several “firsts” in 2020. It was the first year that client assets were managed according to investment strategies developed by IMCO. So, for the first time, this annual report includes a consolidated one-year investment return and total portfolio benchmark. We firmly believe that long-term results matter more than short-term performance, and we have started to build our track record. The investment results were equal to our benchmark, a solid and satisfactory result given the extensive portfolio restructuring that occurred during the year.

IMCO launched its first investment pool in 2020, the IMCO Canadian Public Equities Pool, with approximately \$3.5 billion in assets. This was an important step in advancing our mandate to provide public sector institutions with world-class, cost-effective investment management services. Pools for

other asset classes will follow in 2021. (At time of writing this annual report, IMCO had launched the IMCO Global Public Equities Pool and the IMCO Emerging Markets Public Equities Pool. This means IMCO has pooled approximately \$26.8 billion of the aggregate AUM in its public market pools.)

The pandemic, along with widespread demands for equality and social justice, highlighted the growing need for investors to focus on environmental, social and governance (ESG) matters. IMCO’s staff did important foundational work on ESG and sustainability in 2020. This included consulting with the Board and other stakeholders about priority areas, establishing a clear governance structure and developing an ESG strategy. The Board approved this strategy as part of IMCO’s updated Responsible Investing policy.

I would like to thank IMCO’s management and employees for their dedication and skill in steering investments and managing risks for clients, despite the daily distractions of a global pandemic. This was truly a job well done in difficult circumstances. It is to your credit that IMCO achieved its goals for the year and is positioned to create value for our clients in 2021.

Brian Gibson

Chair, IMCO Board of Directors



REPORT FROM THE CEO

I am very pleased with the progress we made and the resilience of the IMCO team in 2020. Our investment results, which we are reporting for the first time, were strong in most areas, and the total fund return was in line with our benchmark. We delivered the services our clients need most: portfolio construction advice, opportunities to invest in diverse assets, and strong liquidity and risk management. We also exceeded our cost-savings target and advanced multi-year programs that will improve client service.

GROWING OUR ASSETS

IMCO's consolidated net investment return was 5.4 per cent in 2020 and assets under management stood at \$73.3 billion. Assets were augmented with the addition of \$420 million in assets from the Provincial Judges' Pension Plan, which became a new client in the spring.

Our portfolio performance was equal to our benchmark return of 5.4 per cent, and we are proud of this result in a volatile and unpredictable year. We achieved double-digit returns in public equities, global credit and private equity. At the other end of the spectrum, our retail real estate assets were heavily affected by lockdowns and the abrupt shift to shopping from home.

We were able to navigate the COVID-19 pandemic because we had previously put in place robust measures to manage liquidity. Managing total portfolio liquidity to avoid being a “forced seller” and to be able to take advantage of buying opportunities is one of the keys to long-term investment success. Our clients had sufficient liquidity throughout 2020 to meet their needs, and our investment leaders were able to put money to work during the market disruptions. We expect those new allocations will deliver positive results over the long run. It is sustainable performance that matters to our clients, and our investment teams take a long-term view.

We monitor key trends that will influence markets over time. One is the rise in importance of environmental, social and governance (ESG) considerations in investment decisions. ESG issues such as climate change and diversity are important to IMCO, our clients and other stakeholders. Our teams integrate ESG considerations in our due diligence process to manage risk, and in the ongoing search for investments.

RESILIENCE

In the face of a global pandemic, IMCO did not waver or alter course. We made significant progress on all our multi-year programs, which are designed to elevate our processes, systems and teams in order to better serve our clients.

For example, several years of work culminated in the milestone launch of IMCO’s first structured pool of assets, the IMCO Canadian Public Equities Pool, in November, with assets of \$3.5 billion. Before being able to launch, we had to build out our investment and risk management teams, develop new investment strategies which launched on Jan. 1, 2020, and do detailed operational work on the architecture, governance and legal frameworks needed to pool assets.

We updated clients throughout the year on market developments, advised them on asset mix and emphasized the importance of well-diversified portfolios. We also enhanced our interactions with clients’ management teams and their board investment committees.

EMPLOYEE WELLBEING

Employee wellbeing is an ongoing focus for us. We took steps to support our employees in trying times. We offered a virtual care package, webinars on navigating stress and change, COVID-19 information sessions and wellness sessions.

We take pride in offering an inclusive work environment. We updated our Inclusion and Diversity Statement in 2020, reviewed human resource policies and program guides with a lens on inclusion and diversity, and conducted unconscious bias training for senior executives and other staff.

DELIVERING VALUE

IMCO’s scale means we offer clients access to a comprehensive suite of investments at an efficient cost. We leverage our scale in negotiations with external managers, when co-investing alongside partners, and by internalizing some strategies and using lower-cost passive or factor-based approaches in certain market segments. Our investment teams developed important new relationships with high-performing managers in 2020.

Our private market strategies, such as infrastructure and private equity, offer IMCO clients the ability to invest in private assets and debt, managed by leading global fund managers, at discounts to the rates these managers would charge smaller institutions.

We did well in managing our costs in 2020, exceeding by 25 per cent our target to achieve \$10 million in cost savings.

When IMCO started out, our portfolio was heavily dominated by fund-of-funds and numerous externally managed funds. We refocused our roster of external managers, trimming the roster from 200 to 124.

By focusing on the critical aspects of investing – ensuring appropriate diversification, providing consistent access to liquidity, creating strong partnerships, and integrating ESG considerations (all at reasonable cost) – we continued to deliver value to our clients throughout 2020.

Bert Clark

President & CEO

SERVING ONTARIO'S PUBLIC SECTOR

Our clients are public-sector entities delivering a wide range of benefits to people and businesses across Ontario.

We provide services to:

- Ontario Pension Board, administrator of the Public Service Pension Plan
- Workplace Safety and Insurance Board, Insurance and Loss of Retirement Income funds
- WISE Trust – Workplace Insurance and Safety Employee Trust
- Provincial Judges' Pension Board

CLIENT UNIVERSE

There are approximately 90 funds in Ontario's broader public sector that are eligible for IMCO membership. These funds represent nearly \$100 billion in assets under management. They are often smaller funds facing growing investment and operational risk as markets, investment strategies and regulatory requirements have become more complex. IMCO offers potential new clients the benefits of scale, and can provide investment management and services to the following entities:

- Crown agencies;
- Corporations, with or without share capital, that are not Crown agencies but are owned, operated, or controlled by the Crown;
- Boards, commissions, authorities, or unincorporated bodies of the Crown;
- Universities in Ontario, including affiliated and federated colleges, that receive operating grants from the government of Ontario;
- Municipalities as defined in section 1 of the Municipal Act, 2001; and
- Any other bodies as may be prescribed.

CREATING CLIENT VALUE

IMCO offers a combination of investment experience, agile decision-making and execution, and sophisticated strategies at a lower cost than most public-sector funds could achieve on their own.

We collaborated closely with our clients throughout 2020 to ensure they had timely and relevant portfolio and risk information. The pandemic environment and market and economic challenges in 2020 amplified our clients' need for sound investment management and risk oversight, and clear and proactive communication and reporting.

By listening to our clients through this period, our Client Service team identified and made a variety of service improvements.

We developed a client engagement protocol that establishes guidelines and processes to manage communications and engagement practices with clients. It was rolled out to all

IMCO employees in December 2020. Our clients seek clear and timely interactions, and the client engagement protocol establishes clear accountability, while providing IMCO with perspective on client needs and interests. Having a formal protocol ensures that we and our clients share common views around engagement and communication on key developments; responsibilities are clearly delineated; and inquiries are dealt with in an efficient and effective manner.

IMCO also established a framework for key performance indicators (KPIs) in 2020 and discussed initial core metrics with clients. Clear KPIs will allow our clients to understand how we are performing on important elements of strategy. We expect the metrics to evolve over time as IMCO matures. The broad categories of our KPI framework cover:

- Investment Performance and Risk
- Asset Mix and Portfolio Construction
- Cost Efficiency
- Talent and Corporate Culture
- Client Experience

In addition, we began to implement a new client reporting suite in 2020. By streamlining processes and eliminating certain historic documentation, we arrived at a core set of relevant, concise reports that will be provided to all clients. Consistency in disclosure is important for IMCO as a multi-client asset manager. Reporting on key portfolio matters and strategic developments enables clients to focus on their fiduciary role. As more assets are moved into pooled structures, we anticipate that client reporting will be further streamlined.

Our reporting summarizes relevant portfolio data, so clients can understand the drivers of their portfolio's performance. We also provide timely market and economic updates, quarterly performance recaps, summary of portfolio positioning and IMCO's forward-looking views, among other analysis and commentary tailored to our clients' respective objectives and risk/return targets. We interpret client-specific performance as well as economic and investment strategy research.

In 2020, we also increased accountability to our clients by establishing a consistent core team that will interact with client management teams and investment committees.

PORTFOLIO CONSTRUCTION

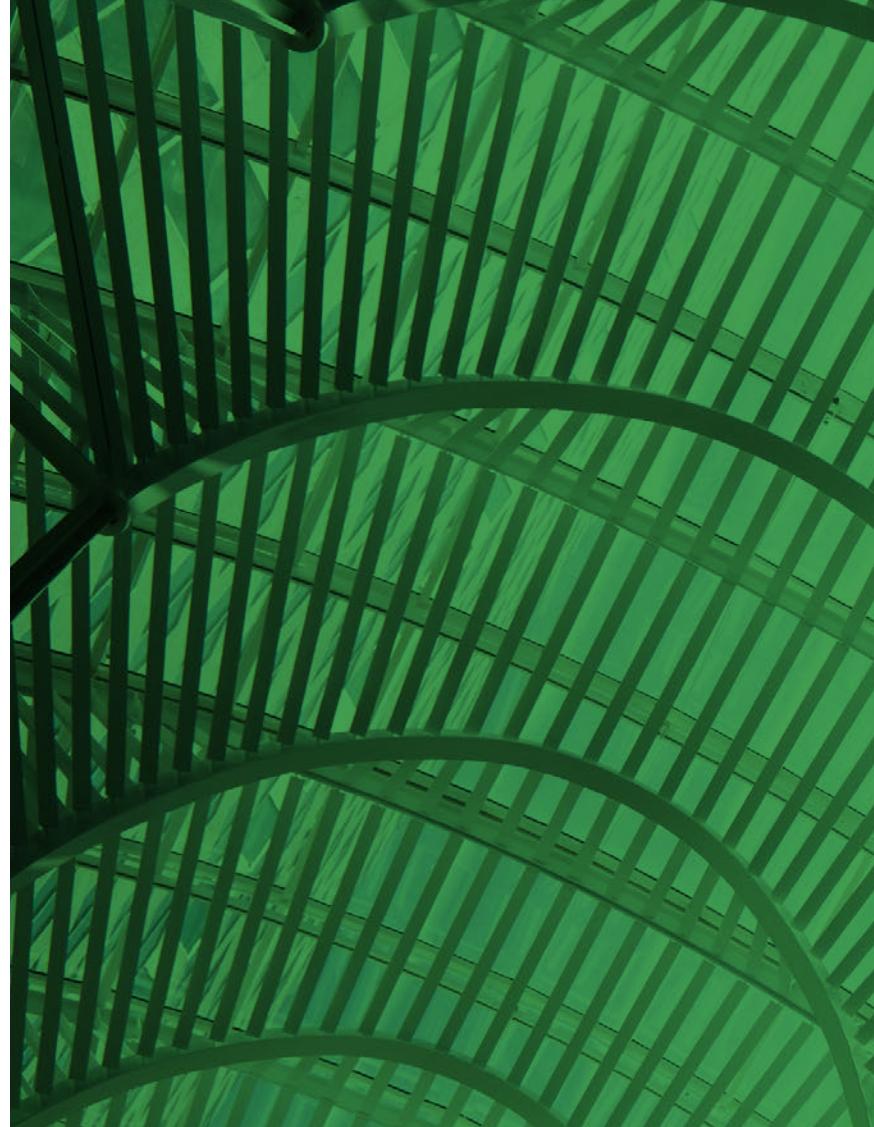
IMCO ensured clients had sufficient information and liquidity throughout 2020, especially during volatile market periods brought on by the pandemic. We collaborated with clients and their boards to understand the unique characteristics of their future liabilities and financial objectives, and encouraged well-diversified portfolios that can withstand future challenges.

Our asset mix approach is grounded in a strong belief in diversification, both in terms of allocations to asset classes and return-enhancing strategies. We consider asset classes and risk factors when we advise on, construct and manage durable and balanced portfolios that can navigate potential long-term trends and market fluctuations.

In 2020, we partnered with clients to consider the pandemic environment, possible repercussions, and risks and opportunities in various asset classes. We considered investment options in light of the low-interest rate environment that is expected to persist, and advised clients on potential changes to their strategic asset allocation targets.

We help clients understand the risk and return implications of current and alternative asset mixes. We also conduct risk analyses within the portfolio construction process and monitor client portfolios daily. This ensures that a client's portfolio remains consistent with the desired asset allocation and risk tolerance.

IMCO has broad research capabilities, including experienced people, systems and tools that support asset liability management studies, portfolio construction, investment and risk management and the implementation of new investment strategies. Our investment and financial experts on various teams prepare long-term capital market and economic assumptions, refine portfolio construction methodologies and develop valuation scenarios. They research securities, strategies, and external fund managers to help enhance risk-adjusted, value-added returns for clients.





MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis (MD&A) is a narrative that is developed through the eyes of our management team on how IMCO performed during the past year. This discussion complements the financial statements. The MD&A is reviewed and approved by the IMCO Board.

In early 2020 we conducted a strategic review of the organization that engaged IMCO's staff, clients, and Board. The goal of the review was to update IMCO's value proposition and strategy to become a best-in-class multi-

client investment manager and evaluate key challenges that could affect our ability to deliver on our mandate.

To be the asset manager of choice for public funds in Ontario, IMCO must provide clients with strong portfolio management, improved access to investments and outstanding risk management capabilities at an efficient cost. To do these things well, we need to transform our operations and IT architecture, and attract, develop and retain talent. The foundation for success is in place. Many initiatives are underway, and we made progress on all our corporate objectives in 2020, despite the challenges presented by COVID-19.



2020 ACCOMPLISHMENTS

POOLING

Asset pooling, with its associated opportunity for reduction in costs, and access to a broader range of investment strategies, was a major reason for the creation of IMCO. Through pooling efficiencies, clients' investment returns are expected to help sustain pension and benefit security over the long term.

IMCO reached a significant milestone in November 2020 when we launched the IMCO Canadian Public Equities Pool, including transfer of \$3.5 billion in assets. It is a concrete example of the progress made on our mandate. Aside from cost benefits to our client portfolios, the introduction of pools will deliver accounting and financial reporting benefits, as well as operational efficiencies.

Teams from all areas and levels of the organization were involved. For example, our investment and risk management

teams evolved to manage and oversee client portfolios in an integrated and efficient manner. We developed and launched our integrated IMCO investment strategies on January 1, 2020. We trimmed our roster of external investment managers to those best suited to the pooled framework. We also completed detailed operational work on the architecture, governance and legal frameworks underpinning public markets pools.

Subsequent to year-end, we established the IMCO Global Public Equities Pool and the IMCO Emerging Markets Public Equities Pool. This means IMCO has pooled approximately \$26.8 billion of the aggregate AUM in its public market pools. We will build on the experience and knowledge gained as we establish additional pooled products for private assets.

PEOPLE

We continued to attract high-calibre expertise to our IMCO teams, develop our internal talent and build our culture. As of Dec. 31, 2020, the organization had 207 full-time employees.

At the executive level, we hired an experienced Chief Operations Officer, Tony Algar, to oversee key functions including IT, investment operations, and project management. We also announced the promotion of Ben de Prisco to the role of Chief Risk Officer, where he oversees investment risk and enterprise risk management.

We filled a variety of senior investment and support roles, to facilitate more direct investing and co-investing activities in private asset classes and fundamental equities.

We enhanced our approach to inclusion and diversity by:

- Updating IMCO's Inclusion and Diversity Statement.
- Joining Women in Capital Markets and renewing our membership with the Canadian Centre for Diversity & Inclusion (CCDI).
- Conducting a policy review with CCDI of 20 human resource policies and program guides, with a lens on inclusion and diversity. Key findings included overall strong inclusive policies and some opportunities to improve.
- Conducting unconscious bias training.
- Establishing a sponsorship agreement with the Canadian Association of Urban Financial Professionals (a member-based resource organization, designed to develop and advance Black professionals).

Due to the pandemic, employee health and wellness was a major focus in 2020. IMCO offered a virtual care package for all employees, webinars on navigating stress and change, COVID-19 information sessions, and wellness sessions on a variety of topics through our employee and family assistance provider. Our second group of leaders completed a mental health certification program to develop leadership skills and raise awareness of legal, ethical and business issues related to mental health.

We also offered ample opportunities for learning and development, including performance management clinics, virtual communications and management training sessions, and on-demand learning.

We were pleased with the results of our 2020 employee engagement survey, which showed an average score of 80.3 per cent. This was an increase of more than 8 percentage points from the 2019 engagement survey.

PARTNERSHIPS

A key part of our value proposition is to provide clients with improved access to investments, at lower cost than they could achieve on their own. In recent years, we decided to eliminate fund-of-funds, which are relatively costly, and to winnow our list of external managers to those with exceptional skills and those who can become, or remain, strategic partners.

In mid-2019, we had 200 fund managers (including underlying funds). At the end of 2020, we had 124 managers and by mid-2021 we plan to have approximately 80-85 managers.

We expect that new strategic relationships and long-standing partnerships will deliver fresh investment ideas, research, and good co-investment opportunities.

PROJECT MANAGEMENT

IMCO has critical organization-wide projects underway. Robust project management and change management capabilities are fundamental to our near-term success. We created an Enterprise Project Management Office in 2020 and worked with the IMCO Board and clients to ensure we prioritize the right projects for the next two years. In addition, we:

- Developed IMCO's playbook, which includes processes, tools, and templates for effective project execution;
- Strengthened IMCO's governance, which supports a consistent and systematic approach in the evaluation and delivery of projects;
- Launched IMCO's new data warehouse and performance measurement system, providing a central data repository of IMCO investment data and historical performance; and
- Developed the roadmap for long-term operational and investment system solutions and started the process to select a new risk and total portfolio management system.

2021 OBJECTIVES



For 2021, our corporate objectives and projects continue to support the three strategic pillars noted previously: strong client portfolio management, improved access to investments, and outstanding risk management and reporting capabilities.

POOLING: In early 2021, we established the IMCO Global Public Equities Pool and the IMCO Emerging Markets Public Equities Pool. We expect the IMCO Global Credit Pool will be ready later in 2021, which will be followed by pools for private equity, infrastructure, real estate and public market alternatives. It could take several years to complete all private market pools, due to commercial, tax, regulatory and other considerations.

INVESTMENT CAPABILITIES: We have identified a core set of strategic partners for private equity, global credit, real estate and infrastructure. In 2021, we will continue to build up our investment, finance, risk and legal teams to be able to co-invest alongside these partners. This will result in lower costs and a more targeted approach to the pursuit of net value add in these asset classes.

Providing clients with better access to liquidity and total portfolio leverage in the future is also an important focus for the year.

We will launch IMCO's fundamental public equities program in 2021. This program will focus on identifying and pursuing internally researched, high-conviction opportunities, leveraging IMCO's advantages in time horizon and size. Over time, we believe we can manage a concentrated portfolio of positions in public companies that will generate outperformance over the long term. We will start with a handful of direct investments to build foundational capabilities and a track record.

OUTSTANDING RISK MANAGEMENT: We will continue to enhance our enterprise and investment risk management and reporting capabilities. This includes selecting a vendor and implementing a new risk and total portfolio management system, as well as tools to better measure and monitor risks. We will begin to implement a robust Responsible Investing program that considers ESG factors across assets.

COST MANAGEMENT

2020 COST HIGHLIGHTS

Saved \$10 million in investment management fees, exceeding cost savings target by 25% (after adjusting for asset mix and AUM changes).

Total costs were \$384.3 million, or 55.3 cents per \$100 of AUM, compared to \$371.6 million, or 55 cents per \$100 of AUM, in 2019.

Total costs were below “reference fees” (a measure developed with our clients to monitor actual costs over time). Since inception (2016), costs have trended close to or below reference fees, indicating that improvements have been cost-neutral.

Invested in people and systems that will reduce costs, mitigate risk and deliver returns in the long term.

Costs were approximately 10% lower than what clients would have incurred to manage similar portfolios.

IMCO operates on a cost-recovery basis. Our board of directors and teams throughout the organization understand that costs matter to our clients. That's why we are highly attuned to expenses, as we prudently manage all investment and operating costs.

Creating a leading investment management organization requires investing in our foundational capabilities. These include investment skills, expertise in critical corporate functions, advanced systems, and robust risk management and reporting tools. We expect such capabilities, combined with our scale, to enable better access to the asset classes our clients seek, such as private market assets.

As a result, we expect operating costs to increase in absolute dollars in the near term, consistent with the growth in the investment portfolio and the internalization of investment management. Over time, we expect increases in costs (measured in terms of cents per \$100 of assets under management) to be offset by a larger scale achieved from attracting and integrating new clients.

In addition to operating costs, IMCO incurs investment management fees to compensate external fund managers. For public markets, our focus in recent years has been to rationalize the roster of external managers by eliminating fund-of-funds and retaining managers with exceptional skills to complement IMCO's internal capabilities. Other actions include use of lower-cost strategies and leveraging our scale to negotiate fee reductions.

An ongoing shift in the asset mix toward private asset classes means that, in the short term, our investment management fees for those asset classes will increase. However, external management fees should decrease over time as we enter strategic partnerships, increase co-investments, and access a greater proportion of investments directly.

As we pursue cost reduction initiatives, transparent reporting of costs is necessary. Therefore, we are enhancing our processes and cost disclosures, especially those related to private market asset classes.

We assess our cost-effectiveness through participation in external benchmarking studies. Results from the 2019 benchmarking study completed by CEM Benchmarking, an independent provider of objective analysis for large pools of capital, indicate that IMCO's staffing level for investment departments is aligned with the benchmark. In addition, IMCO's total costs are within the range of our peer comparator benchmark developed by CEM.

COST GOVERNANCE FRAMEWORK

IMCO has robust governance over operating and investment management costs. Our governance framework includes a rigorous business planning and budgeting process. This is supported by well-defined policies for procurement, cost allocation and expense management. These policies ensure appropriate controls with tiered approval authorities. Our business plan includes a yearly cost savings target based on our strategy. Actual and forecasted expenses are closely monitored against the budget. Targeted cost analytics and key metrics are reported regularly to senior management, the Finance and Audit Committee of the Board and clients.

Our cost allocation policy and guidelines provide for a fair, equitable and consistent allocation of costs while promoting transparency in allocating costs to IMCO products, segregated assets and clients. IMCO's Cost Allocation Committee ensures that cost allocation is consistent with the policy.

THE COST OF INVESTING

Our costs depend on the types of assets under management, changes to asset mix, and our investment strategies. We also incur costs to maintain business operations. The table describes the types of IMCO expenses and why we incur them.

TYPES OF COSTS	DESCRIPTION	PURPOSE
External Management Fees	Payments to external fund managers, which are based on commitments and assets invested.	External managers are used, rather than in-house teams, when they can provide more effective and efficient ways to access diverse investments or strategies.
Custodial Fees and All Other Investment Management Expenses	Costs incurred for investment-related legal, due diligence and custody-related activities.	Pursuing complex, large investment opportunities requires prudent due diligence, including complying with international regulatory and tax requirements.
Operating Expenses	Expenses incurred to maintain business operations and implement strategic projects, including human resources, technology and other operating costs.	Perform investment, portfolio and risk management services, create superior investment and client service capabilities and provide oversight over assets under management.

2020 COST PERFORMANCE

While 2020 was a uniquely disruptive year due to the global pandemic, IMCO remained focused on delivering on all key strategies in a cost-effective manner and in accordance with its stated plans.

In 2020, IMCO made necessary investments in people and systems that, in the long term, will save money for clients, mitigate risk, and deliver returns. IMCO's total costs in 2020 were \$384.3 million, or 55.3 cents per \$100 of assets under management, an increase of 0.3 cents compared to last year.

Investment management costs were \$267.5 million, or 38.5 cents per \$100 of assets under management, a reduction of 3.8 cents compared to last year.

The reduction was primarily related to cost savings achieved through: a reduction of external management fees, mainly as a result of eliminating the costly fund-of-funds structures in the Public Market Alternatives asset class; implementing more cost-effective strategies; and renegotiating portfolio management contracts. The reduction in external management fees was partially offset by costs incurred to pursue new private asset investments.

Operating expenses were \$116.7 million, or 16.8 cents per \$100 of assets under management. The year-over-year increase of \$30.7 million in total operating expenses is largely due to the addition of personnel and associated support costs. This reflects the growth of teams and systems that are designed to support our investment strategies, set up investment pools and improve operational capabilities.

IMCO'S COSTS

AVERAGE AUM (in billions)	2020 Average AUM \$69.5 billion		2019 Average AUM \$67.6 billion			
	2020 TOTAL COSTS		2019 TOTAL COSTS ⁴		CHANGE	
Cost Items	\$ thousands	basis points ³	\$ thousands	basis points ³	\$ thousands	basis points
Investment Management Expenses:						
External Management Fees ^{1,5}	246,108	35.4	272,028	40.3	(25,920)	(4.9)
Custodial Fees	6,813	1.0	9,717	1.4	(2,904)	(0.4)
Other Investment Management Costs ²	14,623	2.1	3,864	0.6	10,759	1.5
Total Investment Management Costs	267,543	38.5	285,609	42.3	(18,066)	(3.8)
Operating Expenses:						
Salaries and Employee Benefits	69,686	10.0	52,354	7.7	17,332	2.3
Professional Fees	17,579	2.5	10,958	1.6	6,621	0.9
IT and Data Costs	15,150	2.2	10,987	1.6	4,163	0.6
Pension	5,084	0.7	4,372	0.6	712	0.1
Other Supporting Costs	9,211	1.3	7,335	1.1	1,876	0.2
Total Operating Expenses	116,710	16.8	86,006	12.7	30,704	4.1
Total Costs	384,253	55.3	371,615	55.0	12,638	0.3

¹ External Management Fees include all fees that are charged by external investment managers for managing both public and private assets, including estimated fees charged by second layer managers in fund-of-funds structures. External Management Fees exclude Performance Fees. Performance Fees are a form of profit-sharing that may be paid to encourage performance above a predefined level and to align interests with IMCO.

² Other Investment Management Costs include professional, legal and pursuit costs directly related to investment activities.

³ Costs in basis points are calculated based on average assets under management gross of pre-existing financing arrangements.

⁴ Prior year expenses have been reclassified to conform with current year disclosures.

⁵ External Management Fees include expenses incurred during the period from external investment managers that invoice their fees separately, as well as external investment managers that deduct fees directly at source. IMCO's financial statement note disclosures only include the cash payments during the period for invoiced amounts that were made by IMCO as an agent on behalf of its clients.

TOTAL COSTS

Our total costs for clients in 2020 were below our "reference fees", which are a measure of fees developed with our clients when IMCO was created to monitor IMCO's actual costs over time. Reference fees are based on the 2016 costs of IMCO's clients and keep pace with the annual growth and change in mix of IMCO's assets under management. Since inception, our costs have trended close to, or have been lower than reference fees, notwithstanding the significant investments we have made to build the capabilities of a leading asset manager.



INVESTMENT APPROACH AND PERFORMANCE



IMCO combines a robust approach to portfolio management with a fundamental approach to investing at the asset class level. In practice, this means we:

- Employ a variety of asset classes, and the full range of IMCO investment strategies, to develop an optimal risk-return portfolio.
- Manage liquidity, aiming to achieve balance between maintaining sufficient liquidity to seize opportunities as they emerge, while not having too much idle capital.
- Target select value-added strategies within each asset class.
- Are cost-conscious, using cost/benefit analysis to inform decisions and execute strategies.
- Use internal research and knowledge shared by our strategic partners to identify and adopt best practice strategies and navigate key investment trends.

CONTEXT FOR INVESTMENT RESULTS

IMCO developed investment strategies and benchmarks for each asset class employed and formalized investment policy statements in 2019. In January 2020, we began managing client assets according to these asset class strategies, benchmarks and policies. This annual report marks the first time IMCO has disclosed investment results.

Our reported return is net of all costs. The consolidated IMCO one-year return is a weighted average return, based on daily calculations, of our various asset class strategies. The total benchmark return is the weighted average return of the client benchmarks, daily weighted based on clients' proportionate investment in each IMCO strategy.

Our one-year returns by asset class represent the results of each IMCO investment strategy. All rates of return use the time-weighted rate of return methodology.

2020 NET INVESTMENTS AND RATES OF RETURN BY ASSET CLASS

As of Dec. 31, 2020

ASSET CLASS	NET INVESTMENTS (\$ billions)	1-YEAR ACTUAL	1-YEAR BENCHMARK
Public Equities	\$26.3	10.7%	12.2%
Fixed Income	\$14.1	8.7%	8.5%
Real Estate	\$7.7	-12.1%	-7.4%
Global Infrastructure	\$6.0	1.6%	-10.1%
Global Credit	\$4.6	11.1%	6.1%
Public Market Alternatives	\$3.8	2.2%	1.8%
Diversified Markets	\$3.2	2.7%	2.7%
Private Equity	\$2.7	34.2%	9.3%
Money Market and Other ¹	\$2.1		
Total	\$70.5	5.4%	5.4%

¹ Money Market also includes assets related to Active Asset Allocation and Dynamic Foreign Exchange and are included in the total return.

IMCO BENCHMARKS AND VALUE ADD

The IMCO investment policy statement (IPS) for each asset class contains one market-based or custom benchmark. A benchmark is a standard against which performance can be measured. Typically, a relevant market index or a combination of market indexes is used. This allows investment managers to compare the results of active management to the results that could have been achieved passively by investing in an index. A benchmark shows how much value an active

manager has provided, and what strategies or assets affected relative performance.

Net value add (NVA) is the difference between investment returns of an asset class, net of all direct and indirect costs, and its respective IPS benchmark. When NVA is positive, the strategy is said to have outperformed its benchmark. When NVA is negative, the strategy underperformed its benchmark.

TRANSFORMING OUR PORTFOLIO

In 2019, we began the process of overhauling every asset class that IMCO manages. This involved close collaboration among internal teams, as well as our clients, to develop new investment strategies and policies for each asset class. The objective was to transform IMCO's inherited model of separately managed portfolios into a singular strategic approach. The policy statements set forth investment objectives, strategies, permitted investments and benchmarks for various public and private market assets. This was done to offer clients a broad range of investment options to suit their financial requirements and risk appetites. It set the stage for pooling assets, and for pursuing more targeted returns in a cost-effective way.

We also began the process of reducing fund-of-funds in 2019, in favour of lower-cost options. Our external manager roster will have a smaller number of strategic partners selected for specific strengths. We also started to build our internal risk and investment capabilities to invest directly in more asset classes, particularly in private markets.

2020 PROGRESS

As of Jan. 1, 2020, IMCO began to manage client assets according to the IMCO-developed investment strategies and policy statements. This required a complex transition of portfolios, involving the disposition of some assets and purchase of others, and the termination of some external manager relationships. Significant changes in various portfolios are expected over the next two years. It will take time to transition all portfolios to the point where they adhere to our IMCO-developed investment strategies because:

- we continue to manage illiquid assets that are not intended to remain part of our investment portfolios in the future;
- agreements with some external managers cover multi-year periods; and
- some assets cannot be cost effectively transitioned without a pool structure in place.





IMCO made excellent progress in advancing the targeted changes in 2020. We accomplished much of the planned transitions, even as we managed through material changes in the investment environment due to COVID-19.

TRANSITION CONSIDERATIONS

The strategic transitions in 2020 had a greater impact on some asset classes than others.

For example, Public Market Alternatives (PMA) consist of strategies designed to deliver risk-adjusted returns that are higher than traditional asset classes and have low correlation to equity markets. The objective is to enhance overall returns while diversifying risk. In recent years IMCO identified a need to offer clients lower-cost diversification strategies. To accomplish this, we opted to focus on investments with select managers, instead of fund-of-funds.

We have made progress implementing the PMA strategy. However, some mandates will take time to unwind due to agreements in place. The market volatility associated with COVID-19 also affected the PMA portfolio in 2020 before we were able to fully transition to our new strategies.

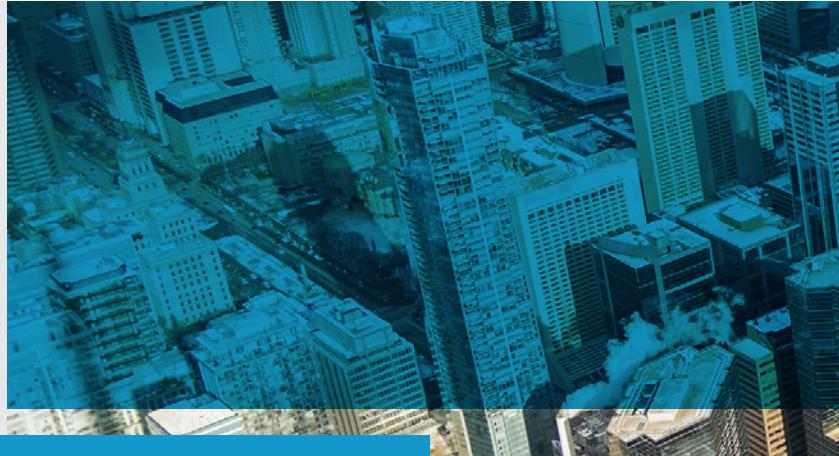
Real estate is another asset class where our targeted strategy will be fully implemented over time. As we completed the development work behind this strategy (in 2019), IMCO identified a need to better diversify the real estate portfolio by geography and type of property to minimize risk and improve returns. The IMCO real estate strategy includes a plan to divest select Canadian and retail real estate assets, while continuing to invest in assets outside of Canada and in under-represented segments such as multi-residential and logistics facilities.

Redeveloping and divesting Canadian and retail properties involves a significant amount of work. IMCO disposed of 12 properties with a total value of approximately \$648 million in 2020, despite the market uncertainty caused by COVID-19. The remaining sales will take time, as implementing our disposition plan was always going to be dependent on market conditions.

MARKETS OVERVIEW

The year 2020 began much like its predecessor, with investors weighing how to allocate their capital. Factors at play included historically low interest rates, the election in the United States, the Brexit drama in the United Kingdom and the worsening trade relationship between the world's two largest economies. Major stock indexes were marching steadily upward, continuing their 2019 trajectory.

With the spread of the COVID-19 virus, everything changed quickly.



WIDESPREAD DISRUPTIONS

By the end of March, developed equities shed more than 20 per cent (in local terms), while Canadian equities fell 21 per cent. The CBOE Volatility Index (VIX), a measure of the fear and projected volatility in the market, stood at 53, indicating an exceptionally high level of investor uncertainty. As most countries moved quickly to shut down portions of their economies, a global recession seemed inevitable. Central banks and governments reacted by loosening monetary policy and implementing aggressive emergency fiscal measures, in hopes of preventing catastrophic near-term losses to business balance sheets and household incomes.

In the second quarter, a profound disconnect emerged between financial markets and economic reality. Markets snapped back rapidly, making up the ground lost in the first quarter and in some cases, adding double-digit gains on top. But for many businesses, with their revenues cut significantly, the spring and early summer meant mass layoffs, asset sales, liquidity challenges and, in some cases, declarations of bankruptcy. Many national borders remained closed to contain the virus, and companies and countries were dealing with supply chain vulnerabilities.



THE SECOND WAVE

By autumn, a second wave of COVID-19 infections swept Europe, the U.S. and eventually Canada. The run-up to the U.S. election, combined with ongoing global trade tensions, roiled markets and once again pushed developed and Canadian equities into negative territory on a year-to-date basis. Late in the year, with news that one or more vaccines would be widely available by early 2021, and with resolution of the U.S. election, stock markets swung upwards again.

Beyond equity markets, there were gyrations across several important asset classes.

In currency markets, the U.S. dollar was boosted by safe-haven demand in the spring only to unwind this strength and weaken markedly from its peak across most currencies. The Canadian dollar for its part sank nearly 13 per cent between January and March but clawed its way back through the year to end 2020 with a gain of 2.0 per cent versus the U.S. dollar.

On the government bond front, Canadian government yields fell dramatically (in line with other major bond markets) as monetary policy was employed forcefully to support the global economy. After starting 2020 at 1.60 per cent, the 10-year Government of Canada bond yield closed the year at 0.68 per cent, near all-time lows.

OUTLOOK

Individuals and organizations were forced by the pandemic to pivot and rapidly respond to shifting circumstances, often on a daily basis. Vaccines are being administered at the time of writing this report, and hopeful governments and businesses are eager to focus on a sustainable recovery.

We expect that long-term investment returns will be lower in the next decade than in the past decade. Across all asset classes, the high returns earned in the last decade will be more and more difficult to generate – this is a major challenge for IMCO as well as our clients. It's why we strive to build diversified portfolios, and employ strategies intended to generate returns in different environments.

ASSET CLASS RESULTS

PUBLIC EQUITIES

Our investment objective is to provide long-term growth through capital appreciation and dividend income by investing in publicly traded entities in Canada, global developed markets and emerging markets.

Our stock exposures are diversified across geographies, market capitalization, business sectors and investment styles.

We use external managers to execute high-conviction actively managed strategies that we cannot easily replicate ourselves. We use lower-cost strategies such as investing in passive index mandates and actively managed factor-based strategies to provide broad market exposure in a cost-efficient manner.

We are also building internal fundamental and factor investing capabilities.

Public Equities Performance

As of Dec. 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$26.3	10.7%	12.2%	-1.5%
BENCHMARKS:			
Canadian Public Equities: S&P/TSX Composite Total Return Index			
Global Public Equities: MSCI World Net Total Return Index			
Emerging Markets Public Equities: MSCI EM Net Total Return Index			

Drivers

The key priority in 2020 was transitioning clients' public equities portfolios from legacy programs to new IMCO-developed strategies. These new strategies seek to deliver outperformance by combining high-concentration external manager mandates that emphasize security selection with low-cost, diversifying index and factor mandates.

The transition of the Canadian and global public equities portfolios was completed by year-end 2020, despite a challenging environment due to COVID-19 and stock market volatility in March. The transition of the emerging markets portfolio will be finished in 2021 as planned.

A historic overweight in the portfolio to value stocks, which significantly underperformed growth stocks (including large-cap technology names, many of which benefited from the dramatic shift to “work-from-home” and “shop-from-home”) for much of the year, was a key factor in the portfolio’s underperformance against the blended benchmark. An initial underweight to high-performing individual stocks such as Shopify Inc. also contributed to the portfolio’s underperformance, particularly in Canada. This was offset in part by outperformance in our emerging markets portfolio. One-time manager transition costs in 2020, due to the planned repositioning of the portfolios described above, additionally impacted our performance.

Overall, our active efforts to optimize the portfolio’s geographic and industry exposures added value.

Select 2020 Activities

We funded IMCO’s first pooled product, the IMCO Canadian Public Equities Pool, in November 2020. (Subsequent to year-end, we launched the IMCO Global Public Equities Pool and the IMCO Emerging Markets Public Equities Pool.)

IMCO successfully repositioned our global and Canadian portfolios, deploying capital through a focused set of external mandates managed by a select group of strategic external partners. We selected these partners based on, among other things, track record, fit with our portfolio, and their willingness to collaboratively share investment ideas.

In 2020, we hired key resources to lead both our global fundamental equities strategy and to run factor strategies within public equities. Fundamental investing will focus on

identifying and pursuing internally researched, high-conviction opportunities, leveraging IMCO’s advantages in time horizon and size. Factor investing will further develop broad factor-based strategies, targeting well-recognized size, quality, value, and momentum attributes, among others, designed to provide incremental value-add via a diversified portfolio.

Outlook

We will continue to build IMCO’s expertise and our internal fundamental security selection capability, prioritizing high-quality small- and mid-cap firms in North America and Europe.

We will also continue to enhance our factor investing and external manager programs as we seek to position the overall public equities portfolio for outperformance.

Public Equities Distribution by Region

as of Dec. 31, 2020

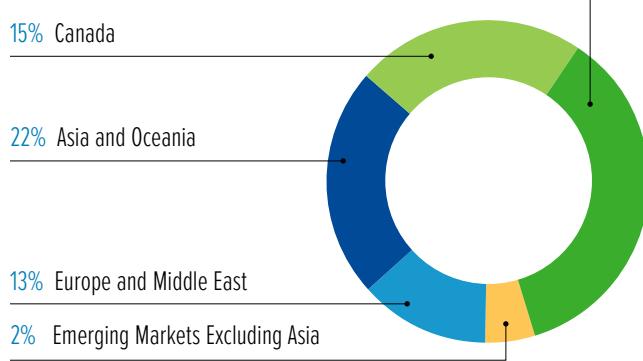
48% United States

15% Canada

22% Asia and Oceania

13% Europe and Middle East

2% Emerging Markets Excluding Asia



FIXED INCOME

We provide clients with a broad range of fixed income investment options, from money market securities and nominal bonds issued by Canadian federal, provincial, and municipal governments through to inflation-linked bonds. The objective of these assets is to preserve capital and provide liquidity.

Our strategies provide exposure to highly liquid fixed income securities. In the Canadian government bond universe, we offer short-, medium- and long-term bonds as well as inflation-linked bonds. Depending on relative yields and other considerations, we may include exposure to G7 sovereign bonds.

This breadth of options gives IMCO and our clients the flexibility to navigate different market environments and allows clients to achieve the interest rate and inflation-rate sensitivity that is appropriate for their liability profile.

All fixed income assets are now managed internally, which enables customization of fixed income exposure across the yield curve, and efficient liquidity management.

Fixed Income Performance

As of Dec. 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$14.1	8.7%	8.5%	0.2%
BENCHMARKS:			
Government Short Term Fixed Income: FTSE Canada ST Gov. Bond Index			
Government Mid Term Fixed Income: FTSE Canada MT Gov. Bond Index			
Government Long Term Fixed Income: FTSE Canada LT Gov. Bond Index			
Inflation-linked Bonds: 50% ICE Bank of America Merrill Lynch Canada Inflation-Linked Government Index; 50% ICE Bank of America Merrill Lynch S Inflation-Linked Treasury Index			

Drivers

In 2020 our portfolio of fixed income assets reacted positively to the market volatility caused by the COVID-19 pandemic. In the “risk-off” environment in March – when anxious investors sold riskier assets such as equities and corporate credit in favour of the security offered by government bonds - fixed income asset prices rose, and yields fell.

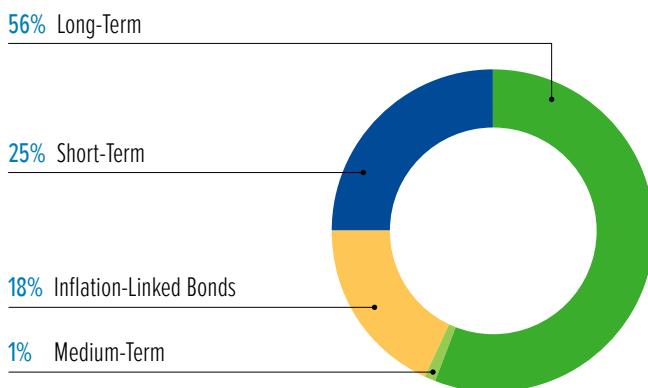
The portfolio also provided liquidity, as intended, so that none of our clients were forced to sell other assets to meet obligations.

Outlook

We continue to believe investors face a challenging path ahead. Global macro trends (ranging from aging demographics and high debt to declining productivity and political paradigm shifts) could restrain real economic growth and inflation, pressuring already-low bond yields. A huge increase in money supply growth, coupled with enormous increases in government spending and deficits, could result in important and as-yet-undetermined shifts in dynamics across inflation, growth, interest rates and currencies. However, diversification will remain critically important, so high-quality bonds, while expensive in 2020, should continue to provide both diversification and liquidity benefits.

Fixed Income Breakdown by Portfolio Mandate

as of Dec. 31, 2020



REAL ESTATE

We invest in a diversified portfolio of real estate investments with the objective of generating long-term, inflation-sensitive total returns. These returns include recurring annual cash flows and capital appreciation over time.

IMCO's real estate portfolio includes direct investments, co-investments alongside key partners and indirect investments in real estate funds, real estate investment trusts (REITs), partnerships and other entities. Directly held properties in the portfolio include Toronto-Dominion Centre in Toronto and CF Pacific Centre in Vancouver. Our strategic partners include Cadillac Fairview, RXR Realty, KingSett Capital and Tishman Speyer.

We seek investments in two broad types of properties:

- core properties, where a high percentage of the total return is expected to come from income rather than capital appreciation; and
- value-add properties and development properties, which require additional capital for improvements or new construction.

We aim to diversify our portfolio by property type, geographic location, investment structure, investment size and life cycle. Our strategy calls for increasing our allocation to international real estate, with an emphasis on multi-residential and industrial properties in major U.S. cities and European financial centres, while decreasing our allocation to Canadian and retail properties.

Real Estate Performance

As of December 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$7.7	-12.1%	-7.4%	-4.7%
BENCHMARK:			
Real Estate Custom Benchmark			

Drivers

The COVID-19 pandemic hurt income and valuations for some IMCO real estate assets, while benefiting others. Bricks-and-mortar retail real estate had already been suffering before the arrival of COVID-19, but the decline accelerated with pandemic lockdowns and quarantines. Government-mandated shutdowns of retail businesses, rising bankruptcies and commercial rent deferrals severely impacted returns from retail real estate.

The pandemic negatively affected retail property valuations across Canada (with the industry impact ranging from 15 per cent in urban centres to 50 per cent at small regional shopping centres). While IMCO was able to divest some retail properties in 2020, as planned, we paused the planned disposition of additional assets due to the uncertainty generated by COVID-19.

Even with the rise of remote working, the office property sector was less severely affected by the pandemic than retail, as most tenants continued to pay office rents. Office vacancy rates rose in Toronto and Vancouver, albeit from very low levels.

Multi-residential real estate saw mixed results in 2020, as building type and location influenced rental income. Within IMCO's investments, most apartment building tenants continued to pay rent or sought deferrals.

Industrial real estate stood out in 2020, performing well due to the rise of online shopping and greater demand from companies to stockpile inventory for rapid delivery to consumers.

Select 2020 Transactions

Alongside our strategic partners, IMCO continued to execute our diversification strategy. Some highlights:

In multi-residential, IMCO committed \$60 million to the **KingSett Affordable Housing LP Fund**, managed by KingSett Capital Inc. The fund will build and own high-quality apartment assets in Toronto and Vancouver at a time of severe affordable housing shortages. This will support a much-needed new supply of purpose-built rental properties in both cities, while also earning returns for our clients.

In commercial, IMCO committed US\$325 million to **Breakthrough Life Science Property Fund**, which plans to assemble a portfolio

of Class A life science properties in leading U.S. technology centres. The fund is created by Breakthrough Properties, a life science real estate investment company. The company is a joint venture between a global real estate company, Tishman Speyer, and Bellco Capital, a biotechnology investor with deep life science expertise. IMCO has been part of a joint venture with New York-based Tishman Speyer since 2019. Adding exposure to the R&D sector fits our diversification strategy and was based on strong demographic trends and record-breaking funding and activity in life sciences. Most existing life science properties are owned by long-term holders, which makes the fund a good investment opportunity for IMCO clients.

In industrial, IMCO entered a joint venture with **WPT Industrial Real Estate Investment Trust**, committing \$150 million to increase exposure to industrial properties in strategic U.S. logistics markets. With consumers relying on e-commerce more than ever, and expecting robust inventories and rapid delivery times, this joint venture aligns well with our strategy to diversify the portfolio. WPT Industrial REIT has a strong track record in the logistics space, and it will manage the properties acquired by the joint venture.

IMCO also committed US\$150 million to **Dermody Properties Industrial Fund III LP**, managed by Dermody, a U.S. operator and developer of industrial properties with decades of experience executing a successful value-add strategy. Dermody develops new industrial/logistics properties and acquires under-used existing properties in U.S. urban markets. The fund intends to hold a substantial portfolio of industrial properties with long-term appreciable cash flow.

Outlook

Real estate is a long-term asset class. Our plan is to continue to diversify IMCO's real estate portfolio by reducing exposure to Canadian and retail real estate, while investing in European and U.S. multi-residential and logistics assets directly and in co-investments. Over time, the portfolio will be better diversified in terms of geography and type, and value-added development projects are expected to partially offset the continued weakness we expect in retail real estate.

Strategic partnerships remain important sources of unique investment opportunities and offer our clients access to high-quality properties at an efficient cost.

Real Estate Distribution by Property Type

as of Dec. 31, 2020

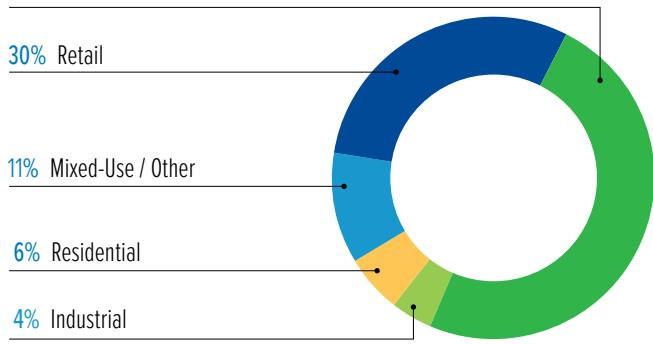
49% Office

30% Retail

11% Mixed-Use / Other

6% Residential

4% Industrial



GLOBAL INFRASTRUCTURE

The objective of our global infrastructure strategy is to generate long-term, inflation-sensitive total returns for clients, composed of stable income yield and some capital appreciation over time. We do this by investing in a diversified portfolio of high-quality infrastructure assets across sectors, regions and countries. We invest primarily in partnership with like-minded investors and subsequently actively manage the investments. Our fund partners give access to global deal flow and operational expertise.

To build a global portfolio that delivers strong risk-adjusted returns, meets our governance and ESG objectives, and is cost-effective, we plan to increase our direct investments over time. We have eliminated fund-of-funds, and are emphasizing fewer, stronger relationships with key fund partners, who represent an important source of deal flow and knowledge.

To expand our direct investments, we have been growing the infrastructure team's capacity with a focus on attracting and retaining diverse professionals.

Infrastructure Performance

As of Dec. 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$6.0	1.6%	-10.1%	11.7%
BENCHMARK:			
Dow Jones Brookfield Global Infrastructure Index			

Drivers

The infrastructure portfolio historically benefited from a high GDP-linked and energy weighting that outperformed in periods of strong economic growth. In 2020, however, investments that were already benefiting from major global trends before the pandemic – primarily those in digital infrastructure and renewable energy – continued to outperform, while GDP-linked and energy infrastructure assets were hurt by pandemic lockdowns that curtailed travel and reduced economic activity.

The portfolio's heavy investments in energy and transport infrastructure led to low portfolio returns on an absolute basis. However, a combination of strong performance from telecommunications, utilities and clean energy investments, well-timed exits and structural protections in energy exposures resulted in strong performance relative to the benchmark.

Select 2020 Transactions

IMCO completed the timely sale of its interest in **Viesgo**, a Spanish electricity provider, to funds managed by Macquarie Infrastructure and Real Assets. The investment was made in 2015 and generated a strong return for clients after the successful implementation of several strategic initiatives.

IMCO increased its investment in **euNetworks**, a European provider of bandwidth infrastructure services that owns and operates 17 fibre-based metropolitan networks. We invested an additional €250 million to support growth of the company's European platform. The investment was a bilateral transaction and negotiated based on the company's pre-COVID-19 business plan. We also improved our governance position in a variety of ways, including board representation. IMCO first invested in euNetworks in 2018. In recent years, the company has added new metro networks, extended many of its existing city networks and extended its long-haul network.

In addition to these transactions, we established relationships with strategic fund partners that we believe will bring cost-effective long-term benefits to IMCO and our clients, both through fund investments and direct investment opportunities. Our fund program has been repositioned to focus on partners that pursue global multi-sector strategies and offer us partnership opportunities at investment sizes that make sense for IMCO. IMCO made its first private emerging market investment in committing to a global emerging market fund.

Outlook

We will continue to reposition and diversify the infrastructure portfolio for long-term success. We are reviewing assets and partners that can capitalize on major global trends such as digitization, de-carbonization, urbanization, globalization, and food and health security.

IMCO is targeting to grow the infrastructure program to \$10 billion by 2024 by adding world-class assets and working alongside our strategic investment partners.

Infrastructure Distribution by Geography

as of Dec. 31, 2020

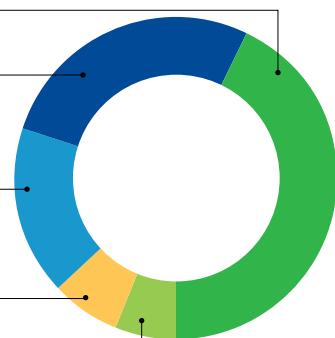
43% Europe and Middle East

27% United States

17% Canada

7% Asia and Oceania

6% Emerging Markets Excluding Asia



PUBLIC MARKET ALTERNATIVES

The Public Markets Alternatives (PMA) portfolio is designed to pursue risk-adjusted returns by investing in alternative risk premiums and active mandates that offer low correlation with publicly traded equities and traditional asset classes, throughout the business cycle.

With IMCO's long-term investment horizon and emphasis on diversification of strategies, we invest in different mandates depending on market conditions, which constantly evolve. Potential external active mandates include global macro and currency, equity market neutral, event-driven, relative value, volatility arbitrage, insurance-linked securities, and other strategies that we expect to enhance risk-adjusted returns.

We have been shifting away from external fund-of-funds in favour of direct hedge fund investments and we continue to transition the portfolio. Our external managers are selected based on a proven and sustainable edge (that is, specific abilities, technology or another advantage).

IMCO uses a managed account platform (MAP) that provides transparency and greater control over our portfolio. Managed accounts give investors additional tools designed to increase the performance and value of hedge fund investments. Investors can also access hedge fund managers at improved terms. Our MAP provider is a global firm that offers many quality investment strategies and opportunities, as well as research support. In 2020, IMCO added nine managers, including five to the MAP.

Public Market Alternatives Performance

As of Dec. 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$3.8	2.2%	1.8%	0.4%
BENCHMARKS:			
FTSE Canada 91 Day T-Bill Index			
Bloomberg Barclays US Treasury 7-10 Year Hedged			

Drivers

In 2019, IMCO designed a new strategy that de-emphasized the use of external fund-of-funds in favour of direct fund investments with external managers, and aimed to limit concentration risk.

We are implementing the PMA strategy, which in 2020 involved transitioning away from some older fund-of-funds strategies. However, the market volatility associated with COVID-19 took hold before we were able to fully transition the portfolio, which affected some of our positions and negatively impacted overall returns.

The rebalancing of the PMA portfolio did progress well in 2020, and the new strategies that IMCO added in 2019 and 2020 performed well through the public market fluctuations.

Outlook

Market developments in 2020 reinforced our view that the IMCO-developed PMA strategy is sound and the transition of the portfolio away from pre-IMCO strategies and positions should accelerate. We plan to continue reducing fund-of-funds over time, while building a diverse portfolio of direct fund investments with low correlations to public equities. This is expected to deliver various benefits to clients: lower costs, and access to strategies that diversify risk and can generate value-add returns.

DIVERSIFIED MARKETS

Diversified Markets is a program and strategy that IMCO is phasing out and will be completely redeemed by the end of 2021. The objective has been to deliver broad asset class returns in a cost-effective manner by investing across a wide range of liquid asset classes such as global equities, nominal and inflation-linked bonds, credit and commodities. The strategy is risk-balanced across various economic environments so that it does not rely on the performance of a single asset class. The strategy has been implemented through leading, research-focused managers.

Diversified Markets Performance

As of Dec. 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$3.2	2.7%	2.7%	0%
BENCHMARK:			
Self-Benchmarked (Portfolio Return = Benchmark Return)			

GLOBAL CREDIT

IMCO's global credit strategy seeks to gain exposure to a wide range of credit strategies and build a well-diversified global portfolio of credit investments. This asset class is expected to provide higher risk-adjusted returns than traditional fixed income, and to contribute diversification benefits to our clients' total portfolios.

We define credit broadly. At IMCO, investments can include corporate bonds and loans (both public and private), convertible debentures, real estate debt and mortgages, infrastructure debt, off-balance sheet financing, emerging markets debt, private middle-market debt, high yield bonds and leveraged loans.

Our clients and partners benefit from close internal coordination among IMCO's public equities, global credit and private equity teams. This allows for cross-pollination of investment themes and ideas, robust analysis of investment opportunities, and the ability to customize capital solutions for companies in our target areas.

We make credit investments through a combination of segregated accounts, funds, co-investments and direct investments, with an increasing emphasis on co-investments and direct investments as a means to decrease costs. While our credit program grows, we are initially relying on experienced strategic partners – fund managers who have deep expertise, are transparent, opportunistic, and value-oriented.

Global Credit Performance

As of Dec. 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$4.6	11.1%	6.1%	5.0%
BENCHMARKS:			
40% ICE Bank of America Merrill Lynch Global Corporate Index			
60% ICE Bank of America Merrill Lynch Global High Yield Index			

Drivers

Conditions in the global credit markets were starkly differentiated by the periods before and after the COVID-19 pandemic began. Prior to March 2020, it was a benign environment for credit securities with low economic growth, low inflation and low interest rates in developed countries. When COVID-19 became a health and economic emergency, market participants stormed out of risky investments and credit prices dropped as credit spreads widened, causing yields to rise.

IMCO took advantage of this brief dislocation in credit markets to make commitments to new specialty funds. When we developed the credit strategy in 2019, we envisioned periods such as this and were able to execute as planned.

Public credit markets quickly corrected over the spring and summer, as policy makers responded to the pandemic by providing monetary stimulus (low policy rates and bond purchase programs) as well as income support programs.

The primary driver of our outperformance in 2020 was risk positioning. The year started out with credit being fully valued based on historical levels. IMCO's portfolio was underweight credit risk and long duration, which benefited performance as risk sold off and interest rates declined. As credit markets began to recover, the team reduced portfolio duration to benchmark levels and added credit risk through new investments.

Select 2020 transactions

IMCO committed US\$200 million to the **Sagard Credit Partners II Fund**, which focuses on customized debt financing solutions to companies in Canada and the United States. The first closing of the fund was in December 2020 with total commitments of US\$650 million. Sagard Credit Partners II will provide access to an attractive part of the private direct debt market: The North American middle market. This market is characterized by lower competition from banks and other global credit platforms, allowing Sagard to develop bespoke capital solutions that capture complexity and illiquidity premiums in addition to downside protections. Partnering with Sagard will provide the Global Credit strategy with idiosyncratic credit returns and a potential source of deal origination as the team internalizes some credit investing activities.

We made a co-investment alongside Brookfield Asset Management Inc. in **Superior Plus**, a publicly traded North American propane supplier. This marked the first co-investment for IMCO's global credit team. It is an example of IMCO's cross-functional teamwork and our ability to be nimble. By participating in the purchase of newly created perpetual Series 1 Preferred Shares, IMCO on behalf of clients will receive monthly cash dividends, and the option to participate in a future conversion to Superior Plus common shares.

We made a US\$350 million commitment to **Oaktree Opportunities Fund XI** during the summer. This represented our initial allocation to distressed debt in recognition of the coming distressed debt cycle initiated by the pandemic's impact on the economy and companies. Over a credit cycle, an allocation to distressed debt is expected to provide attractive returns and portfolio diversification. The Oaktree team favours large, fundamentally sound companies that are overleveraged, and it often assumes a leadership role in the financial restructuring process.

Outlook

In the next few years, we expect a longer phase for capital solutions and distressed credit. With our cross-functional expertise, IMCO will be able to help companies needing credit solutions – such as capital to shore up balance sheets or remain liquid, or additional liquidity to take advantage of M&A activity in their industries.

Our global credit portfolio is expected to grow to \$8 billion or more by 2025.

PRIVATE EQUITY

Our objective is to generate long-term capital appreciation and outperform public equities returns by investing in a portfolio of primarily private companies. IMCO invests indirectly through externally managed private equity funds, as well as directly, and through co-investments.

We favour relationships with strategic partners that have a proven track record, unique sector expertise, and a clear approach to creating value through operational or other improvements. We strive to make multiple direct investments alongside our strategic partners.

Our actively managed portfolio is focused on companies in North America and Europe with strong management teams, and is diversified across growth sectors such as industrials, services, consumer, technology/media/telecommunications, healthcare, and financial services.

In addition to establishing strategic relationships with external fund managers, we are expanding our private equity direct and co-investing activities. We take a fundamental approach to underwriting, have a long-term horizon, and focus on the middle-market buyout segment. Our flexibility and speed in deploying private equity capital sets us apart from our competition. We made significant progress in expanding our internal capabilities to make direct investments and co-investments by doubling the private equity team in 2020. We plan to continue to add resources to the team as we internalize investing activities.

Our clients and partners benefit from close internal coordination among IMCO's public equities, global credit, and private equity teams. This allows for cross-pollination of investment themes and ideas, robust analysis of investment opportunities, and the ability to customize capital solutions for companies in our target areas.

Private Equity Performance

As of Dec. 31, 2020

Net Investments (\$B)	Net Return	Benchmark	Net Value Add
\$2.7	34.2%	9.3%	25.0%
BENCHMARK:			
MSCI World Small Cap Net Total Return Index			

Drivers

IMCO's private equity portfolio produced strong results in 2020. The outperformance compared to benchmark is a result of our efforts to engage with strategic fund partners and companies to preserve value through the COVID-19 pandemic, and to create value by repositioning the portfolio through new fund commitments and direct investments. In addition, performance was driven by a successful initial public offering completed in 2020.

Our goal is to continue building capabilities for more direct investing, which is a cost-effective way for our clients to access the private equity asset class. As of Dec. 31, 2020, the proportion of our net asset value attributable to direct/co-investments was 50 per cent of the total private equity portfolio, while funds accounted for the remainder. In the long term, we seek to maximize the proportion of direct/co-investments in our private equity portfolio.

Private equity markets in North America and Europe, our key areas of focus, saw a substantial decline in merger and acquisition and fundraising activity during the coronavirus first wave in March, with activity rebounding later in the year.

Select 2020 Transactions

IMCO closed three private equity fund commitments in 2020, totaling \$1 billion, to mid-market buyout funds that are managed by firms with solid track records: **Kohlberg Investors IX**, managed by Kohlberg & Company; **Nordic Capital X**, managed by Nordic Capital; and **North Haven Capital Partners VII**, managed by Morgan Stanley Capital Partners.

- Kohlberg, based in Mount Kisco, New York, aims to make control investments in North American middle-market companies in the business services, consumer, industrial manufacturing, healthcare, and financial services sectors.
- Nordic, headquartered in Stockholm, Sweden, aims to make control investments in Northern European middle-market companies in the healthcare, financial services, and technology & payments sectors.
- North Haven focuses on control investments in North American middle-market companies in the business services, consumer, industrials, healthcare, and education sectors.

IMCO also partnered with TorQuest Partners in the acquisition of **VersaCold Logistics Services**, one of Canada's leading cold storage warehousing and food logistics companies. We view this as a strong co-investment opportunity in a business with a market-leading position, recurring revenue base, and multiple prospects for growth.

In addition, we completed a US\$50 million co-investment alongside Kohlberg & Company in the acquisition of **PCI Pharmaceutical Services**, a leading global provider of drug development & manufacturing, clinical trial services, and commercial packaging technology. This company is a market leader with significant forward revenue visibility and well-defined growth plans.

Outlook

We continue to augment our internal capabilities and seek opportunities to selectively grow the private equity portfolio through direct investments, co-investments and fund partners. Our private equity portfolio is expected to increase to \$6 billion or more by 2025.

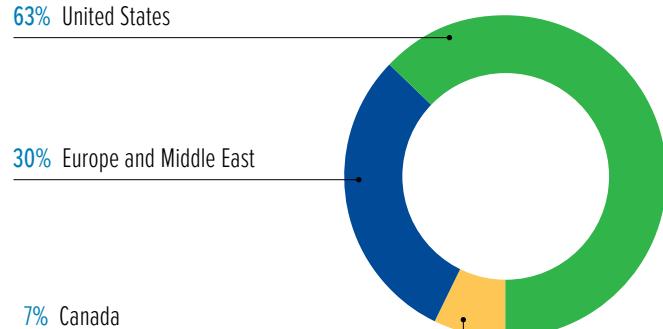
Private Equity Distribution by Region

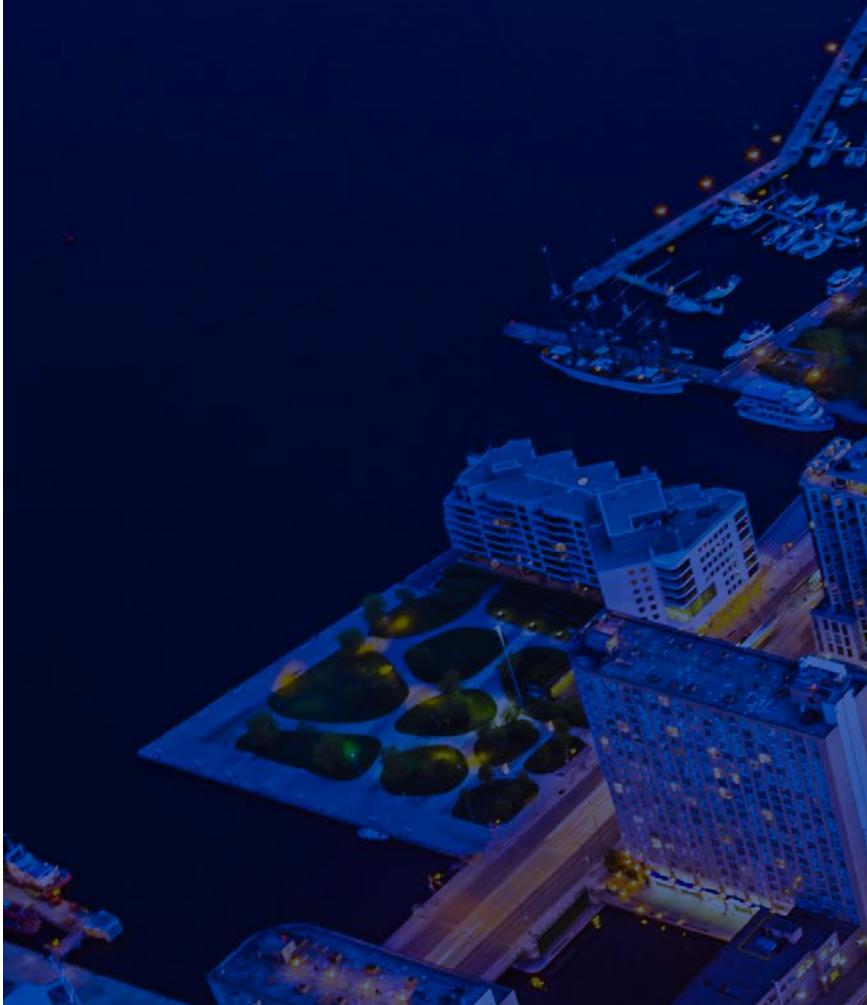
as of Dec. 31, 2020

63% United States

30% Europe and Middle East

7% Canada





RESPONSIBLE INVESTING



IMCO incorporates ESG considerations into the investment process. ESG issues can impact both investment returns and risk. We are committed to incorporating ESG in a meaningful way to create real value for clients, both by managing ESG risks and searching for relevant investment opportunities to generate sustainable long-term returns.

IMCO made considerable progress in 2020 towards advancing a robust ESG framework for all asset classes, developing IMCO's ESG strategy and creating a plan for near-term actions. We recognize there is growing evidence of the link between ESG issues and financial performance, and this makes the management and evaluation of ESG matters a part of our fiduciary duty.

In our research with key stakeholders, they ranked **climate change, inclusion and diversity**, and **corporate governance** as the most important matters to address in the development of IMCO's ESG strategy. As a result, we have incorporated these three priority areas into our ESG beliefs (see sidebar), our Responsible Investing Policy and our ESG strategy.

IMCO'S ESG BELIEFS

Defining IMCO's ESG beliefs in 2020 built a strong foundation for our future ESG initiatives. Our beliefs are as follows:

1. ESG issues impact investment returns and risk, and therefore should be integrated within our investment process at the asset class level.
2. 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 outcomes.
3. Governance matters and will continue to be central to our investment decision-making and the assessment of companies in which we invest.
4. Inclusion and diversity contribute to long-term sustainable performance and we will integrate inclusion and diversity into our investment process and take steps to encourage better practices.
5. 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 INVESTING GOVERNANCE FRAMEWORK

IMCO's senior executive team has strategic oversight of responsible investing policies, ESG goals and strategy, related commitments, and implications.

IMCO's board of directors provides ESG guidance and oversight, including approval of responsible investing policies, and board members receive regular ESG updates.

Our investment teams implement IMCO's ESG strategy and initiatives relevant to their asset classes. They are supported by a Responsible Investing Working Group, composed of members from our Investment and Risk teams; and by our Responsible Investing team, a dedicated internal resource that champions and facilitates implementation of IMCO's ESG strategy.

ESG STRATEGY

We made considerable progress in 2020 towards advancing a robust ESG framework for all asset classes, developing IMCO's ESG strategy and creating a plan for future actions. Our development work was informed by surveys, interviews, and workshops with our key stakeholders; Peer benchmarking analysis; and input from IMCO's Responsible Investing team and external expert advice.

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

We integrate ESG risks and opportunities in our investment process.

ESG issues are integrated in the investment process across all IMCO asset classes and investment product offerings. The degree of relevance or materiality varies across asset classes, as does the current state of integration. ESG practices and performance are embedded in evaluation, selection and ongoing monitoring of external investment managers.

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

We believe that stewardship helps us better manage risk and contribute to long-term investment performance. Proxy voting is an important component of stewardship and we take ESG considerations into account in our proxy voting activities. We monitor and engage on material ESG issues with entities in which we invest, by using internal expertise and collaborating with peers.

We invest in sustainable, long-term ESG opportunities.

We research and consider sustainable investing opportunities that benefit from powerful trends and have a positive impact on society. We recognize the potential opportunities available in a transition to a low-carbon economy and support the UN Sustainable Development Goals.

We are developing a **robust screening** framework.

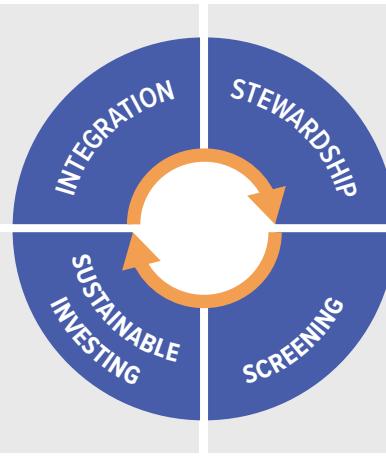
We recognize the importance of considering ESG-related risks in the investment management process, including the requirement to screen companies for misalignment with IMCO's and our clients' core missions, values, and risk and return criteria. We are implementing a robust screening framework that strives for research-based, repeatable, and defensible results.

Integrate ESG Risks and Opportunities in Investment Process

- Portfolio ESG Analytics
- Climate Analysis
- Inclusion and Diversity

Invest in Long-Term ESG Opportunities

- Research ESG Investment Opportunities
- UN Sustainable Development Goals Mapping



Actively Engage with External Managers and Companies on ESG

- Stewardship Framework: Proxy Voting, Engagement
- Collaboration on Climate, Diversity and Governance

Develop a Robust Screening Framework

- Alignment with IMCO and Clients' Mission & Values
- Controversy Monitoring System

2020 ESG HIGHLIGHTS



INTEGRATION

- An updated ESG assessment, which includes climate change and inclusion and diversity, has been incorporated in the investment due diligence process for every asset class.
- Professionals in each asset class attended ESG workshops.
- We embarked on a climate analysis of the IMCO portfolio, which includes climate scenarios and stress testing, and carbon footprint evaluation to manage climate-related risks and opportunities in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

STEWARDSHIP

- We voted client shares at 4,177 public company meetings in 58 markets in 2020, equal to 99.8 per cent of company holdings.
- Our largest markets for proxy votes were the United States, China, Japan, Canada and Brazil.
- In total, IMCO voted on 43,633 items (99.8 per cent), including 4,094 votes against management (9.4 per cent).
- We supported 381 shareholder proposals on ESG issues. These related to corporate governance issues (board

composition/effectiveness), climate risk assessment and disclosure; and social issues (diversity and human rights risk assessment).

- We are a signatory to the Responsible Investment Association (RIA) Canadian Investor Statement on Diversity & Inclusion. This statement acknowledges the existence of systemic racism and its impacts on Black and Indigenous communities and people of colour, as well as inequities and discrimination with respect to other factors (including gender, sexual orientation, age, disability, religion, culture and socio-economic status). The statement encourages Canadian public companies to lead in global efforts to address systemic inequities by advancing diversity and inclusion efforts and enhancing transparency and accountability. It also challenges signatories to advance diversity and inclusion of underrepresented individuals within our own organizations.
- We led the Canadian Responsible Investment Working Group, an ESG collaboration platform for institutional investors in Canada.
- We joined Pension Investment Association of Canada (PIAC) Investor Stewardship Committee.
- With other investors, we made a submission to the Ontario Capital Markets Modernization Taskforce on best practices of ESG disclosure.



SUSTAINABLE INVESTING

- In infrastructure, IMCO monitors the ESG performance of our investments and assets managed by our fund partners and works closely with boards of our portfolio companies to ensure a focus on ESG as part of board agendas, management compensation, and succession planning. For example, we recommended that ESG be part of the executive compensation considerations at a portfolio company and encouraged greater diversity in senior management across our portfolio of funds and direct investments.
- In real estate, IMCO committed \$60 million to the KingSett Affordable Housing LP Fund, managed by KingSett Capital Inc. The fund will build and own high-quality apartment assets in Toronto and Vancouver at a time of severe affordable housing shortages. This investment is aligned with UN Sustainable Development Goal #11, Sustainable Cities and Communities.

SCREENING

- We conducted an analysis to review ESG sensitive and controversial issues.

ADVOCACY AND COLLABORATION

IMCO is a member of numerous investor groups and initiatives that are seeking to influence and improve ESG practices at companies and within the industry. We engage collaboratively with other institutional investors or through organizations when appropriate, including promoting standards and best practices and providing input to regulators.

- **Canadian Investor Statement on Diversity & Inclusion – signatory in 2020**
- **Responsible Investing Association**
- **Co-Founder/Chair of Canadian Responsible Investment Working Group**
- **30% Club Canada**
- **Canadian Coalition for Good Governance**
- **UN-backed Principles for Responsible Investment (PRI)**
- **CDP (formerly Carbon Disclosure Project)**
- **Pension Investment Association of Canada (PIAC) - Board of Directors, Investor Stewardship Committee, Finance & Audit Committee, Risk Management Committee**



RISK MANAGEMENT





IMCO recognizes the need for superior capabilities in the governance, identification, assessment, prioritization, management, reporting and monitoring of risk, both at the enterprise level and in clients' investment portfolios.

IMCO closely monitors enterprise risks that may affect the achievement of our strategic objectives and regularly engages with leaders to assess and adjust risk mitigation activities and controls.

Our risk management objectives are as follows:

- **RISK MEASUREMENT AND MONITORING:** Ensuring risks are measured, monitored and understood across all IMCO strategies as well as client and enterprise levels. Promoting useful risk insights through appropriate measurement.
- **INDEPENDENT PERSPECTIVE:** Ensuring appropriate risk governance and limits are in place. Providing independent risk-related perspective to IMCO's investment and operational decisions.
- **TRUSTED ADVISOR:** Supporting better risk-aware decision making and creating valuable insights to enhance our investment process.

As detailed later in this section, IMCO made good progress on all fronts in 2020, while managing through the COVID-19 pandemic and ensuing market volatility. In a very challenging investment environment, we built a process to enhance our market risk measurement capabilities as well as those in other areas such as liquidity risk and counterparty credit risk. We developed processes, governance, people and teams to provide an "independent perspective" on all investment and portfolio issues. We also began to build the right teams and tools to promote better risk-aware decision making.

RISK MANAGEMENT FRAMEWORK

Our risk management framework has six pillars. Each comprises various processes, methodologies, tools and enablers that help us to adopt practical and effective risk management practices.

1. Risk Governance

IMCO has governing rules, committees, structures and processes to effectively manage risk. These include board and management committees where risks are formally reviewed and discussed; our Risk Management and Internal Audit functions; and policies, protocols and guidelines.

2. Risk Strategy and Risk Appetite

IMCO's approach to managing material risks is shaped by the priorities of the organization, and risk appetite will dictate how much risk IMCO is willing to accept in the pursuit of these priorities. Risk appetite statements provide clarity on the type and level of risk IMCO is willing to accept, and then risk tolerances, limits and monitoring indicators are used to manage activities within the risk appetite parameters.

3. Identification and Assessment

We apply several methodologies, tools and processes to identify and assess inherent and emerging risks in various categories: investment risk, operational risk, strategic risk and reputational risk.

- **Investment Risk:** A variety of risk factors influence the value of investment assets, including market and non-market specific risks. Since our clients have long-term liabilities, it is also important to understand and be vigilant about the risks associated with a mismatch between assets and liabilities.

- **Operational Risk:** These risks may arise because of inadequate or failed internal processes, people and systems or from external events. They encompass human resources, compliance, data management, fiduciary, execution, delivery and process management, bringing new clients on board, cybersecurity, and information technology.

- **Strategic Risk:** These risks may arise because of ineffective development and implementation of corporate strategies, substandard business decisions, inadequate resource allocation or changes in the external business environment.

- **Reputational Risk:** Developing and maintaining a strong reputation is a key ingredient in achieving our business objectives, including results for clients. Any one event can influence reputation and have a detrimental impact on our organizational profile and perception.

4. Monitoring

Perspectives across all levels in IMCO are integrated to obtain a holistic understanding and prioritization of risks, to determine risk responses, and to monitor and report on risk management activities.

5. Risk Systems and Risk Data

IMCO ensures that it has appropriate and integrated applications, systems, tools and technology in place, and that the appropriate amount and type of risk data is captured to help drive risk-informed decision making. Generally, two distinct processes and related technology applications are used: First, governance and oversight of enterprise-level risks and controls; and second, risk modelling and measurement.

6. People and Culture

We work to embed risk management across the organization, with a focus on learning, awareness, and continuous improvement. IMCO's various risk management teams seek to build strong collaborative relationships and provide a supportive yet independent challenge function to decision making.

INVESTMENT RISK MANAGEMENT

We aim to provide insight in optimizing return on risk, prevent undue concentrations of risk, and deliver quality and meaningful risk analysis and discussions to inform decision making and ensure compliance with client mandates.

We assess investment risk from several perspectives, including liquidity risk, counterparty credit risk, concentration risk, and stress scenario risk.

As IMCO's portfolio grows in size and scope, we are developing insights about investment risks and opportunities using an array of risk management methods, such as scenario analysis, sensitivities, stress tests and other views of risk, to help construct resilient portfolios for clients.

Our risk function acts independently to optimize risk-adjusted investment performance.

ROLES AND RESPONSIBILITIES

IMCO's investment risk management group has two distinct roles: one is to support the investment team by providing an independent risk review of each asset class and monitor compliance, and the other is to provide investment risk research and thought leadership across the organization.

1. **Investment Risk Support:** This function has the unique role of acting as a liaison between the IMCO internal investment teams and the investment risk research function. Risk Support facilitates transaction reviews from a risk perspective, performs limit monitoring and helps with asset class modeling, working very closely with the investment teams while still maintaining independence as a risk function.
2. **Investment Risk Research:** This team conducts research in the areas of robust risk methods, systems, data and quality; portfolio risk measurement methodology; and policies, frameworks, governing principles and procedures in areas such as benchmarks, performance, investment risk monitoring and measurement, attribution, and risk budgeting. It also provides portfolio construction risk support and model validation, as well as client reporting on investment risks.

We continued to develop our risk support and research capabilities in 2020 to support the growing complexity of our investment strategies and risk exposures.

To better measure market risk, we focused on improving overall investment transparency (by establishing, for example, greater transparency of fund holdings in the global credit and public market alternatives strategies). We also built a market risk measurement framework for two of our actively managed programs, and enhanced measures of liquidity, credit default and counterparty credit risks.

An effective Risk function requires robust operations and reporting capabilities. A big task in 2020 was supporting the launch of IMCO strategies, policies and guidelines through the automation of limit checks. This robust and reconciled risk process was essential for maintaining appropriate risk visibility throughout the COVID-19 crisis. We also took steps forward in overall risk reporting, by automating numerous internal reports.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) aims to provide an aggregated and integrated view of all the risks that IMCO is exposed to, allowing management and the Board to ensure that the total level of risk IMCO is exposed to is managed appropriately.

The ERM team seeks practical and effective ways to help the organization identify, understand, assess, prioritize, manage, govern, monitor and report risks that may impede the achievement of IMCO's strategy and business objectives.

To formulate an aggregate perspective of IMCO's risk profile, our ERM team engages all areas and levels of the organization through a 'top-down' (i.e., Board, executive team) and 'bottom-up' (i.e., departmental) approach. We offer input and guidance. We help to foster a risk-aware culture through risk training and role modelling, participating in formal risk discussions and processes, and helping to develop risk-related policies, procedures, and reporting.

Some 2020 accomplishments are described below.

- 1. Strategic, Operational and Reputational Risk:** We implemented a third-party risk process in 2020 to add more rigour around due diligence and to offer deeper insights into IMCO's third-party engagements, embedded risk methodologies and processes within the new project management framework. We began development of

a program to capture operational risk events to help drive operational and continuous improvement. We also enhanced ERM reporting to the IMCO Board and senior management.

- 2. Business Continuity:** Business continuity management (BCM) seeks to ensure operational resilience in the event of unplanned events. IMCO had a sound BCM framework and capabilities in place before the COVID-19 pandemic. We conducted a scenario exercise with the internal incident management team (composed of select IMCO executives and senior managers) before widespread shutdown measures were introduced in March 2020.

With the health and safety of our employees and clients top of mind, IMCO instituted a "work from home" directive, and our BCM team facilitated weekly meetings with the incident management team. In the remote-working environment, we expedited business impact analysis to review the resilience of key processes, systems, people, and interdependencies.

- 3. Corporate Insurance:** Our corporate insurance program seeks to protect IMCO from events that may lead to potential losses. An independent party reviews insurance coverage annually to ensure it is appropriate.

MANAGING CYBER RISK

IMCO uses industry best practices, and we collaborate with peers and subject matter experts, for insights to provide peace of mind to our clients through the growth of our security program. We have adopted a universal cyber security framework that is supported by leading security standards and we continue to invest in technology to stay current with industry trends. In 2020, IMCO partnered with a leading cyber security provider to help monitor and protect our systems on a 24/7/365 basis, using automated tools to process cyber events and prevent and respond to security incidents in a timely manner.



CORPORATE GOVERNANCE



A strong governance structure is critical in ensuring that investment decisions are prudent and in the best interests of our clients. Sound governance helps us effectively invest, manage risk, and maintain overall confidence among clients and other key stakeholders.

Our investment and operational activities are led by an experienced executive team and overseen by a highly qualified, professional board of directors.



BOARD OF DIRECTORS

When IMCO was formed, independence was a fundamental principle to which all parties agreed. This included an arm's-length relationship with government.

MANDATE

Our professional and independent board of directors (the Board) is committed to high governance standards in the oversight of IMCO's investment and operational activities.

The Board is responsible for the stewardship of IMCO and is required to manage or supervise the activities and affairs of IMCO in accordance with the IMCO Act, as well as the IMCO By-Law. Board members are generally subject to and oversee a number of policies.

BOARD COMPOSITION

The Board has expertise in investment management, risk management, finance, corporate governance, accounting, law, human resources and other professional areas. No IMCO officer or employee sits on the Board.

The Board must consist of at least seven and not more than 11 directors. The Ontario Minister of Finance appoints the chair and can appoint up to two other directors. The remaining board members are elected pursuant to section 13 of the IMCO Act, which provides that a nominating committee of the Board will propose candidates who may be elected to the Board by the Members, pursuant to a process set out in the IMCO by-laws. The Board currently consists of nine directors, with the chair and two other directors appointed by the Minister. Three of the nine directors are women.

OVERSIGHT AND COMMITTEES

The Board has generally delegated to management the responsibility for IMCO's day-to-day operations, with appropriate oversight from the Board and/or Board committees. To assist the Board in fulfilling its mandate, it delegates certain matters to three committees, as described below.

The **Finance & Audit Committee** is responsible for: (a) overseeing IMCO's financial statements and financial disclosures, internal controls and controls over IT and management information systems; (b) monitoring the principal risks of IMCO's business related to finance and audit matters and overseeing the implementation of appropriate systems to manage these risks, including overseeing the appointment of an external auditor and an internal auditor; (c) overseeing IMCO's compliance with applicable laws and regulations and its compliance with all significant policies and procedures

approved by the Board in relation to finance and audit matters, including with respect to IMCO's investment pools; (d) reviewing IMCO's annual budget, including the budget for capital expenditures and staffing, and IMCO's annual business plan, with IMCO management; and (e) reviewing and discussing with management and the internal and external auditors IMCO's policies and procedures with respect to risk management, including in relation to IMCO's major financial risk exposures.

Colleen McMorrow is Chair of the committee. Other members include Eric Wetlaufer, Robert Bertram, Rajendra Kothari and Brian Gibson (*ex-officio*).

The **Nominating & Governance Committee** is responsible for: (a) the Board nomination process and succession planning, reviewing the Board skills/needs matrix, the Board and director assessment process, reviewing committee membership, overseeing director orientation and continuing board education; (b) overseeing the effectiveness of IMCO's corporate governance framework; (c) monitoring the principal risks of IMCO's business related to corporate governance matters and overseeing the implementation of appropriate systems to manage these risks; and (d) overseeing IMCO's compliance with applicable laws and regulations and its compliance with all significant policies and procedures approved by the Board in relation to governance matters.

Vincenza Sera is Chair of the committee. Other members include Robert Bertram, Eric Tripp, Geoffrey Belsher and Brian Gibson (*ex-officio*).

The **Human Resources & Compensation Committee** is responsible for: (a) overseeing IMCO's human resources and compensation matters, including annually reviewing the talent management strategy, organizational structure and the corporate goals and objectives of the CEO and other executive officers; (b) monitoring the principal risks of IMCO's business related to human resources and compensation matters, overseeing the implementation of appropriate systems to manage these risks, and discussing IMCO's key HR risk exposures with management; and (c) overseeing IMCO's compliance with applicable laws and regulations and its compliance with all significant board-approved policies and procedures related to human resources and compensation matters.

Jacqueline Moss is Chair of the committee. Other members include Eric Wetlaufer, Eric Tripp, Geoffrey Belsher, Rajendra Kothari, and Brian Gibson (*ex-officio*).

REQUIREMENTS AND CORE COMPETENCIES

IMCO board members are expected to meet certain requirements and possess a set of personal attributes that enable them to effectively fulfill their duties. The expectation is that the majority will have investment management experience and expertise as part of their core skills.

Directors are required to:

- comply with the IMCO Act, its regulations and by-laws;
- exercise the care, diligence and skill in the investment of client assets that a person of ordinary prudence would exercise in dealing with the property of another person; and
- use in the investment of client assets all relevant knowledge and skill that they possess or, by reason of their profession, business or calling, ought to possess.

In addition, each individual director and the Board as a whole must demonstrate the following attributes and competencies:

- a high standard of personal values and ethics, including integrity, accountability, commitment and courage;
- excellent business and professional judgment;
- the ability to think strategically and problem solve;
- demonstrated mature and cooperative leadership;
- a strong understanding of fiduciary duty;
- support for defined benefit plans;
- strong communication skills, including the ability to listen and speak his/her mind independently and respectfully;
- willingness and ability to commit the required time to the role and actively participate in meetings;
- commitment to ongoing training and education for board skills and duties; and
- financial and investment competency/literacy.

As a whole, the Board is also required to demonstrate the following core and ancillary skills. The following matrix details which director(s) satisfy each item.

BOARD SKILLS MATRIX

Experience and Expertise	Brian Gibson (Chair)	Geoffrey Belsher	Robert Bertram	Rajendra Kothari	Colleen McMorrow	Jacqueline Moss	Vincenza Sera	Eric Tripp	Eric Wetlaufer
CORE SKILLS									
Investment Management									
Public Markets, including derivatives	●	●	●	●				●	●
Private Markets	●	●	●	●	●		●		●
Asset Allocation	●		●				●	●	●
Investment Strategy	●		●					●	●
Pension/Insurance Liability Management	●		●			●			●
Risk Management (including experience in investment and enterprise risk management)	●	●	●	●	●	●	●	●	●
Finance/Accounting/Audit (including experience in the development of, and/or oversight over, internal controls)	●	●	●	●	●		●	●	●
Public Sector Experience/ Government Relations			●						●
Senior Leadership with a significant pension plan, insurance company, financial services institution or investment organization	●	●	●			●	●	●	●
Human Resources/Compensation	●	●	●		●	●		●	●
Information Technology					●				●
Corporate Governance	●	●	●	●	●	●	●	●	●
Legal/Regulatory		●				●			●
ANCILLARY SKILLS									
Senior Business/Organizational Management Experience	●	●	●	●	●	●	●	●	●
Strategic Planning	●	●	●	●	●	●	●	●	●
Client Relations/Service Delivery		●		●	●			●	●

GENDER DIVERSITY

IMCO believes that embracing diversity and inclusion enhances corporate governance. IMCO's current Board has three women, or 33 per cent, and 25 per cent of our executive team is composed of women.

We are a member of the 30% Club Canada, a group of business leaders committed to better gender balance through voluntary action. The organization's goal is for 30 per cent of board seats and C-suite roles at Canadian companies to be held by women by 2022. IMCO is also a member of Women in Capital Markets, the largest network of female professionals in Canadian finance, which aims to accelerate equality in Canadian finance.

BOARD EVALUATION

The Board has established an annual process for evaluating its performance through the Nominating and Governance Committee. This process includes evaluating the performance of the chair, board committees, and the contributions of individual directors. Assessments are conducted through surveys, and director interviews done by the chair of the Board and the chair of the Nominating and Governance Committee. A final report is provided to the Board by the chair of the Nominating and Governance Committee.

2020 ACTIVITIES

COVID-19 forced IMCO to adhere to public health recommendations and shift the entire organization to remote working. The Board responded in kind, and adapted rapidly to virtual meetings, rather than in-person meetings, to fulfill their role of active stewards of IMCO's clients' funds. While the Board meets on a regular basis, and not less than once each quarter, the number and frequency of meetings increased to address business issues both related to and unrelated to COVID-19.

There were 11 Board meetings in 2020. In addition, there were six Finance and Audit Committee meetings, five Human Resources and Compensation Committee meetings, and five Nominating and Governance Committee meetings.

BOARD OF DIRECTORS



Brian Gibson, CFA, ICD.D

Chair

Mr. Gibson has 40 years of investment experience, including as Senior Vice President at the Ontario Teachers' Pension Plan and Alberta Investment Management Corporation. During his career, he has built or restructured large investment operations and has managed large investment portfolios, including those of insurance companies, a chartered bank, pension and mutual funds, and endowments.

Mr. Gibson is a director of Precision Drilling Corporation and of Samuel, Sons & Company Ltd. He is an advisory board member of Kruger Inc. He is also the chair of the Corporate Disclosure Policy Committee of the CFA Institute.

IMCO Board and Committee Appointments	2020 Attendance	
<i>Current term to June 20, 2022</i>		
Director, IMCO Board of Directors	11 of 11 meetings	
Member (<i>ex-officio</i>), Finance & Audit Committee	6 of 6 meetings	
Member (<i>ex-officio</i>), Nominating & Governance Committee	5 of 5 meetings	
Member (<i>ex-officio</i>), Human Resources & Compensation Committee	5 of 5 meetings	
2020 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$150,000 plus expenses	–	–



Geoffrey Belsher

Mr. Belsher has over 30 years of experience as a senior business executive, investment banker and corporate lawyer. He served as the Group Co-Head of Wholesale Banking at CIBC until late 2015. Since retiring from CIBC in late 2015, Mr. Belsher has focused on providing strategic advice to public and private clients. Prior to joining CIBC, Mr. Belsher had more than 12 years of investment banking experience with major Canadian and global investment banks and was a partner at a national law firm.

In 2018, he joined the board of AGT Food and Ingredients Inc.

IMCO Board and Committee Appointments

2020 Attendance

Current term to June 20, 2022

Director, IMCO Board of Directors	11 of 11 meetings	
Member, Nominating & Governance Committee	5 of 5 meetings	
Member, Human Resources & Compensation Committee	5 of 5 meetings	
2020 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	—



Robert Bertram, O.C., CFA, ICD.D, F.ICD

Mr. Bertram is the retired Executive Vice President, Investments of the Ontario Teachers' Pension Plan. He led Ontario Teachers' investment program and had oversight of the pension fund's growth to \$108 billion from \$19 billion when it was established in 1990. Mr. Bertram is also a Fellow of the Institute of Corporate Directors and an Officer of the Order of Canada. He is a member of the independent review committee for Strathbridge Capital funds, a director of the Strathbridge closed end funds and a member of the Alaris Royalty Corp. board of directors. He is also a director of several not-for-profit boards and societies.

IMCO Board and Committee Appointments

2020 Attendance

Current term to June 25, 2022

Director, IMCO Board of Directors	10 of 11 meetings	
Member, Finance & Audit Committee	6 of 6 meetings	
Member, Nominating & Governance Committee	5 of 5 meetings	
2020 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	—



Rajendra Kothari, FCPA, FCA

Mr. Kothari is a chartered professional accountant and was formerly Vice Chair of PricewaterhouseCoopers LLP in Canada. He was also Managing Partner for the Greater Toronto area and National Practice Leader for the Asset & Wealth Management industry in Canada. His experience spans the areas of business assurance and advisory services, transaction support services, valuation and related services to clients in a variety of businesses. Mr. Kothari is currently the chair of the board of directors at the Toronto General & Western Hospital Foundation and also serves on the independent review committee of Brompton Funds, as well as on the boards of The Aga Khan Museum, University Health Network and Ontario Arts Foundation.

IMCO Board and Committee Appointments	2020 Attendance
<i>Current term to June 20, 2021</i>	
Director, IMCO Board of Directors	11 of 11 meetings
Member, Finance & Audit Committee	6 of 6 meetings
Member, Human Resources & Compensation Committee	4 of 4* meetings
2020 REMUNERATION	
Annual Retainer	Meeting Fee
\$50,000 plus expenses	\$1,500
	Committee Chair Fee
	—

*Asterisk denotes number of meetings after date of director appointment to committee.



Colleen McMorrow, FCPA, FCA, ICD.D

Chair, Finance & Audit Committee

Ms. McMorrow is a Certified Public Accountant, Chartered Accountant and former Assurance Partner at Ernst & Young. She was a senior client serving partner in EY's Assurance practice until her retirement in 2016 and held a number of senior leadership roles over her 38-year career at EY. Ms. McMorrow serves on the boards of public and private corporations and not-for-profit organizations including Exco Technologies Limited, Ether Capital Corporation, West Fraser Timber Co. Ltd., and Plan International Canada. In 2015, she was recognized by WGN as one of Canada's Most Powerful Women Top 100 as a Trailblazer and Trendsetter.

IMCO Board and Committee Appointments	2020 Attendance
<i>Current term to June 25, 2022</i>	
Director, IMCO Board of Directors	11 of 11 meetings
Chair, Finance & Audit Committee	6 of 6 meetings
2020 REMUNERATION	
Annual Retainer	Meeting Fee
\$50,000 plus expenses	\$1,500
	Committee Chair Fee
	\$10,000



Jacqueline Moss, ICD.D

Chair, Compensation and Human Resources Committee

Ms. Moss is a senior executive with over 25 years of business experience leading legal, human resources, and strategy and corporate development functions. She has been a partner at a major Canadian law firm, and an executive vice president of CIBC.

Ms. Moss is an experienced director with expertise in a wide range of corporate areas including human resources, legal, strategy and corporate governance. She is a member of the board for Minto Apartment REIT, where she is the chair of that board's compensation, governance and nominations committee, and is a director for Ontario Health. She has been recognized multiple times by WXXN as one of Canada's Most Powerful Women Top 100.



Vincenza Sera, ICD.D

Chair, Nominating & Governance Committee

Ms. Sera is an experienced corporate director who served on the board of the Ontario Pension Board (OPB) for 12 years, nine as chair of the board and chair of OPB's Investments Committee (2007 to 2016). She is chair of the board of Dream Industrial REIT and a member of the boards of Equitable Bank and Dream Unlimited Corp.

A former investment banker with more than 25 years' expertise in debt and equity markets, corporate finance, mergers and acquisitions and corporate governance, Ms. Sera's career has included senior positions with National Bank Financial, First Marathon Securities and CIBC.

IMCO Board and Committee Appointments		2020 Attendance
<i>Current term to June 25, 2022</i>		
Director, IMCO Board of Directors		11 of 11 meetings
Chair, Human Resources & Compensation Committee		5 of 5 meetings
2020 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	\$10,000

IMCO Board and Committee Appointments		2020 Attendance
<i>Current term to June 25, 2022</i>		
Director, IMCO Board of Directors		11 of 11 meetings
Chair, Nominating & Governance Committee		5 of 5 meetings
2020 REMUNERATION		
Annual Retainer	Meeting Fee	Committee Chair Fee
\$50,000 plus expenses	\$1,500	\$10,000



Eric Tripp

Mr. Tripp is a capital markets and financial services executive with experience building and leading global investment and corporate banking, trading products and treasury operations businesses. From 2008 to 2014, he was the President of BMO Capital Markets. He served as a member of BMO Financial Group's Management Committee with responsibility for the bank's dealings with corporate, institutional and government clients. Mr. Tripp is an experienced director with a diverse governance profile, highlighted by current and past memberships on both corporate and not-for-profit boards. He serves on the boards of Connor, Clark and Lunn Financial Group and the Capital Markets Authority Implementation Organization and is chair of the Michael Garron Hospital Foundation board.

IMCO Board and Committee Appointments	2020 Attendance
<i>Current term to June 25, 2022</i>	
Director, IMCO Board of Directors	11 of 11 meetings
Member, Nominating & Governance Committee	5 of 5 meetings
Member, Human Resources & Compensation Committee	5 of 5 meetings
2020 REMUNERATION	
Annual Retainer	Meeting Fee
\$50,000 plus expenses	\$1,500
Committee Chair Fee	
	—



Eric M. Wetlaufer, ICD. D

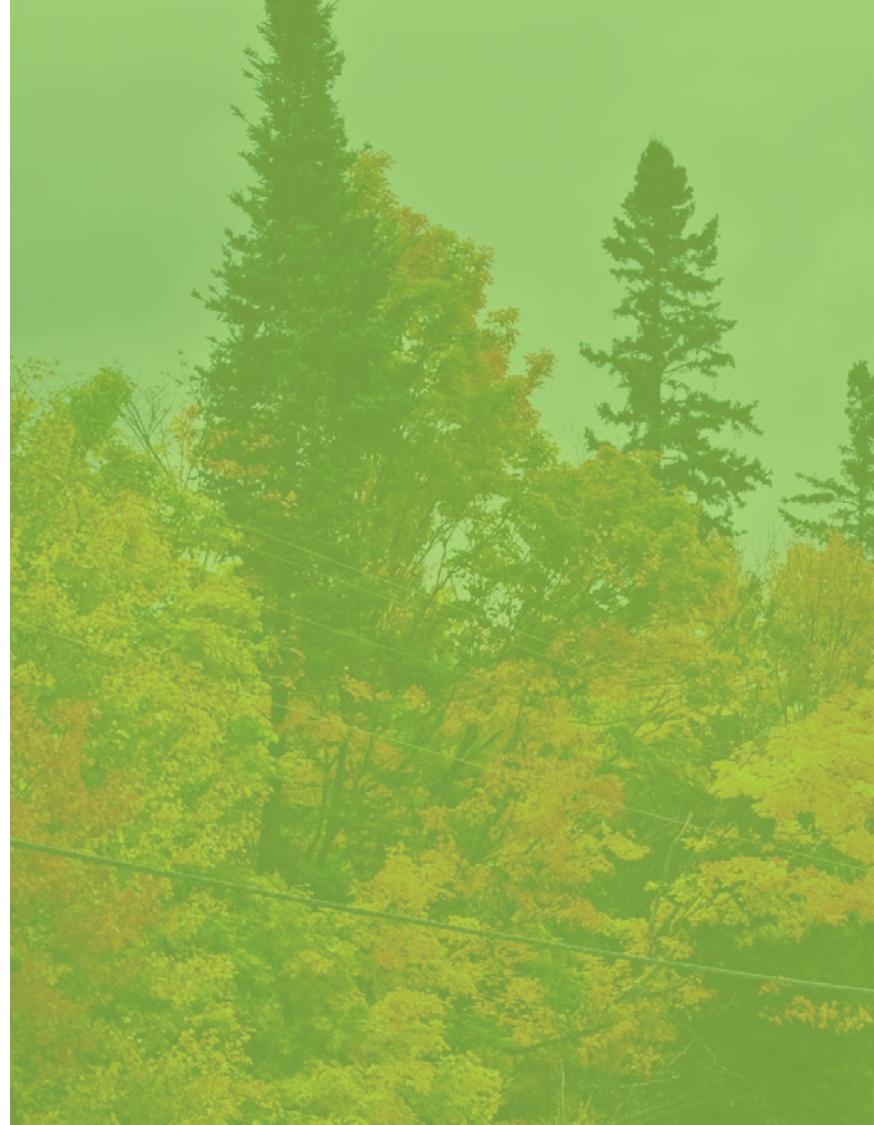
Mr. Wetlaufer has over 35 years of experience as an institutional investor. Most recently, he was responsible for leading the CPP Investment Board's Public Market Investments department, investing over \$200 billion globally in publicly traded assets and related derivatives. Prior to that, he held executive roles in the investment management industry, including Group Chief Investment Officer, International at Fidelity Investments, Chief Investment Officer at Putnam Investments and Managing Director at Cadence Capital Management.

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

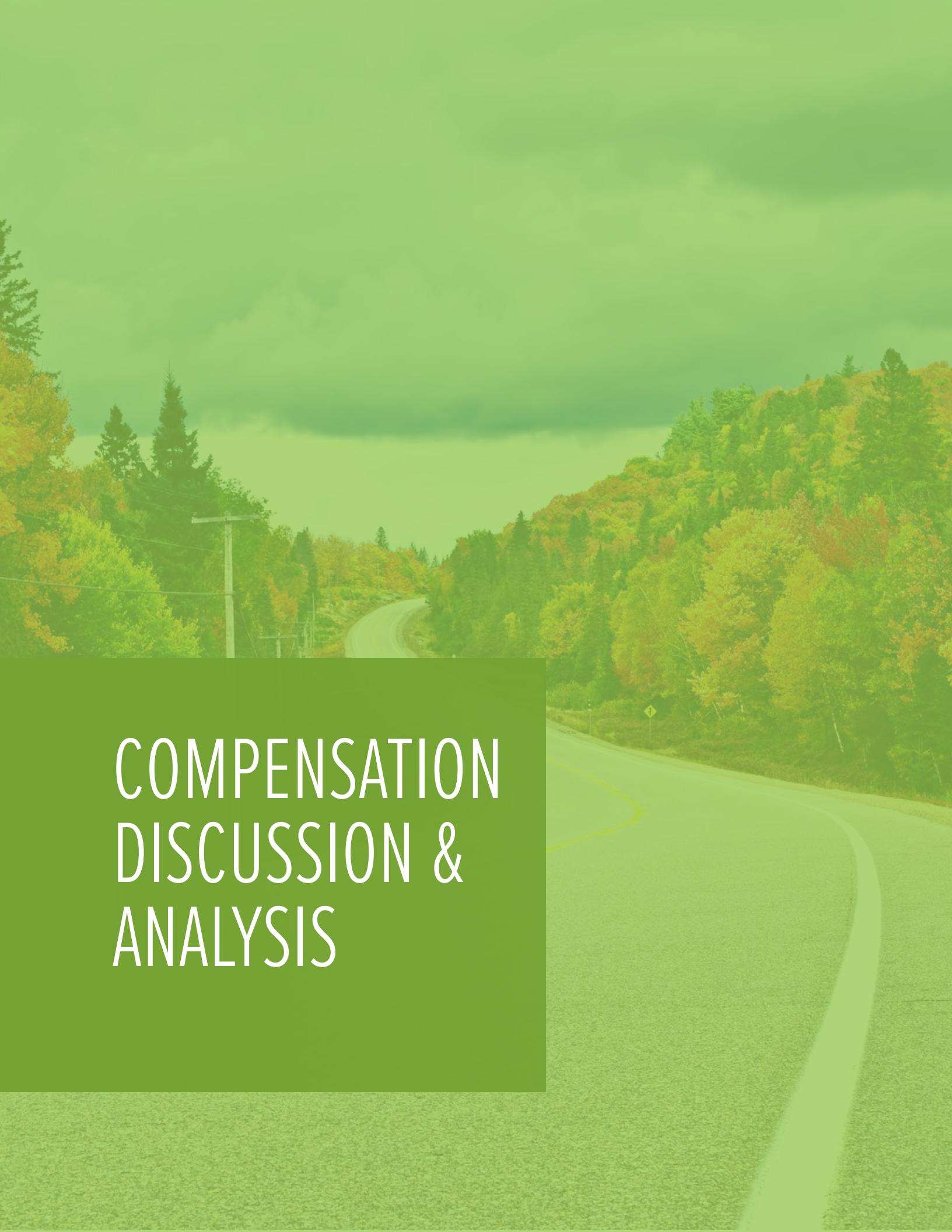
IMCO Board and Committee Appointments	2020 Attendance
<i>Appointed June 1, 2020 to June 1, 2023</i>	
Director, IMCO Board of Directors	7 of 7* meetings
Member, Finance & Audit Committee	5 of 5* meetings
Member, Human Resources & Compensation Committee	4 of 4* meetings
2020 REMUNERATION	
Annual Retainer	Meeting Fee
\$50,000 plus expenses	\$1,500
	Committee Chair Fee —

*Asterisk denotes number of meetings after date of director appointment.





COMPENSATION DISCUSSION & ANALYSIS



At IMCO we are committed to our people and strive to create a culture that attracts, retains and inspires a world class workforce. We believe that all employees have an important contribution to make, both individually and as a team. We are committed to providing an environment where all employees are encouraged to reach their highest potential.



IMCO offers total rewards (salary, incentive pay, benefits and a defined benefit pension plan) that are competitive with the market and intended to support the strategic objectives and public mandate of the organization.

The Human Resources & Compensation Committee (HRCC) of the Board is responsible for annually reviewing IMCO's overall compensation philosophy, including its compensation, pension and other benefit plans and programs, and makes recommendations on these matters to the Board. The HRCC is supported by an independent external advisor, Hugessen Consulting. The advisor provides independent advice on executive compensation, the compensation framework and any recommendations on compensation made by management.

COMPENSATION PHILOSOPHY

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

- Be competitive to attract, retain and engage qualified talent to effectively execute on our mandate;
- Reinforce and reflect our values, ensuring employees act ethically, professionally, and with integrity;
- Reward for achieving both annual objectives and long-term performance, which promotes sustained long-term success;
- Align with client and stakeholder interests; and
- Link back to our public purpose.

IMCO's incentive plan is designed to:

- Be aligned with the public purpose (based on limited tolerance for downside risk, stability of returns, cost sensitivity, and long-term time horizon);
- Be competitive, while recognizing the distinct differences of IMCO compared to peers;
- Be flexible and simple to understand;
- Enable differentiation by individual contribution and performance;
- Reward not only what is done, but how it is accomplished; and
- Allow for the application of informed judgement where needed.

COMPENSATION PROGRAM

IMCO's flexible and simple compensation program consists of two elements: Salary, and Total Incentive Pay. An individual's salary is based on job level, skills and experience and is intended to compensate for the fulfillment of core job responsibilities. Formal salary reviews are carried out in line with our performance management process and are informed by a market review of relevant comparable organizations.

At the beginning of the year, employees receive a Total Incentive Target, which is expressed as a percentage of salary. Total Incentives are designed to be consistent with investment management market practice, and reward participants for both past and future results tied to the experience of our clients. The Total Incentive Amount is based on a Performance Score that takes into consideration both IMCO corporate and individual performance against predetermined criteria. The Total Incentive Amount may pay out in either an Annual Cash Award, or an Annual Cash Award plus a Deferred Cash Award, depending on eligible employee level.

The Annual Cash Award is paid out in cash after the end of the fiscal year. For select employees at mid- and senior levels, a portion of the Total Incentive Award is deferred over a period of three years (Deferred Cash Award). Employees receive one third of the award in the first, second and third years of the grant date. During the deferral period, the value of the award will fluctuate with the value of IMCO's total fund performance. This structure is intended to promote longer-term alignment with the organization and support retention.

PERFORMANCE FRAMEWORK

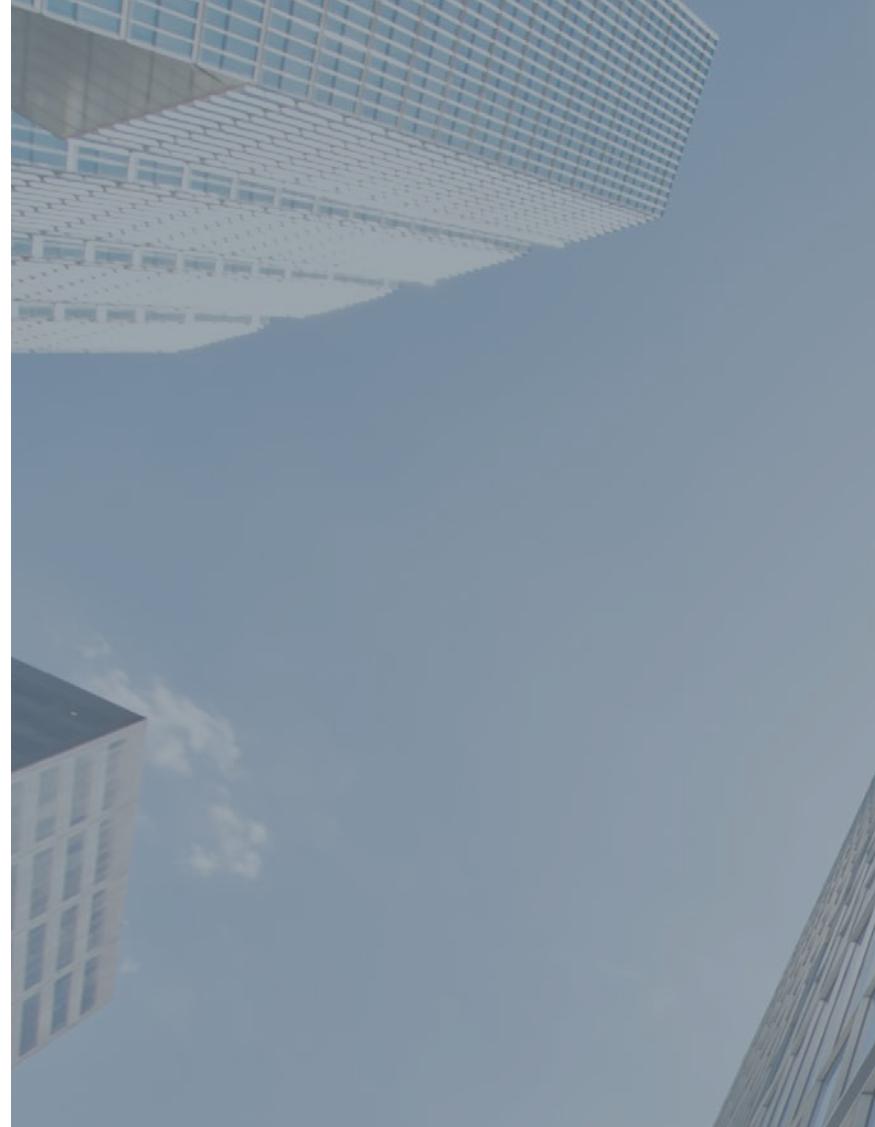
IMCO has designed and implemented a performance framework that differentiates individual performance related to specific performance objectives, as well as consistent behaviours and values. It also recognizes overall corporate performance, both in terms of investment performance and corporate objectives. IMCO management determines the personal factor for staff below the executive level and the HR & Compensation Committee (HRCC) and Board determine the corporate factor as well as the personal factor for the senior executive team and other key staff employees. The two factors are then multiplied to come up with the overall performance score for each person.

EXECUTIVE COMPENSATION

The HRCC reviewed the 2020 objectives, performance evaluation and total compensation for the President & CEO and recommended them to the Board for approval. The HRCC also reviewed compensation and performance evaluation for the senior executive team and all other key staff employees, including the named executives listed below.

Name and Position	Year	Base Salary	Annual Cash Incentive	Deferred Cash Incentive	Pension Contribution	All Other Compensation	Total Compensation
Bert Clark, President & CEO	2020	525,000	1,137,482	1,137,482	53,305	24,423	2,877,692
Jean Michel, Chief Investment Officer	2020	500,000	1,050,027	1,050,027	50,680	79,441	2,730,175
Tony Algar, Chief Operating Officer*	2020	94,744	–	–	9,358	16,868	120,970
Kathy Jenkins, Chief Financial Officer	2020	362,500	250,198	250,198	36,243	41,358	940,497
Allen Garson, General Counsel & Corporate Secretary	2020	375,000	310,590	310,590	37,555	25,037	1,058,772

* Start date was September 28, 2020.



FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Investment Management Corporation of Ontario

Opinion

We have audited the financial statements of **Investment Management Corporation of Ontario** ("IMCO" or the "Corporation"), which comprise the statement of financial position as at December 31, 2020, and the statement of operations, statement of changes in members' surplus, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion & Analysis and the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 25, 2021

STATEMENT OF FINANCIAL POSITION

As at December 31

	2020 \$	2019 \$
Assets		
Cash	46,820,678	23,728,647
Accounts receivable (<i>note 5</i>)	18,268,063	20,664,368
Prepaid expenses	554,871	783,793
Right-of-use asset, net (<i>note 8</i>)	42,220,568	—
Capital assets, net (<i>note 7</i>)	15,773,780	764,864
Total assets	123,637,960	45,941,672
Liabilities and members' surplus		
Accounts payable and accrued liabilities (<i>note 4</i>)	65,373,882	45,665,087
Lease liabilities (<i>note 8</i>)	42,811,600	—
Deferred recovery of costs (<i>note 7</i>)	15,452,478	276,585
Total liabilities	123,637,960	45,941,672
Commitments (<i>note 9</i>)		
Members' surplus	—	—
Total liabilities and members' surplus	123,637,960	45,941,672

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

Approved on behalf of the Board:

(signed)

Brian Gibson

Chair, Board of Directors

(signed)

Colleen McMorrow

Chair, Finance and Audit Committee

STATEMENT OF OPERATIONS

For the years ended

	2020 \$	2019 \$
Revenue		
Recovery of costs	132,428,751	89,870,545
Interest income	410,312	645,804
	132,839,063	90,516,349
Expenses		
Compensation and benefits	69,685,783	52,353,781
Information technology and data costs	15,150,031	10,987,302
Legal and professional fees	17,579,333	10,958,451
Investment management and product costs	15,719,244	3,864,145
Pension	5,084,415	4,372,310
Rent	2,537,542	2,507,778
General, administrative, and other	4,289,906	4,902,590
Amortization (<i>note 7, 8</i>)	2,389,112	569,992
Interest (<i>note 8</i>)	403,697	—
	132,839,063	90,516,349
Net operating surplus	—	—

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

STATEMENT OF CHANGES IN MEMBERS' SURPLUS

For the years ended

	2020 \$	2019 \$
Balance, beginning of year	—	—
Net operating surplus for the year	—	—
Balance, end of year	—	—

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

STATEMENT OF CASH FLOWS

For the years ended

	2020 \$	2019 \$
Operating activities		
Net operating surplus for the year	—	—
Add (deduct) items not affecting cash:		
Amortization on capital assets (note 7)	166,977	569,992
Amortization on right-of-use asset (note 8)	2,222,135	—
Net change in non-cash working capital balances related to operations:		
Change in prepaid expenses	228,922	(72,023)
Change in accounts receivable	2,396,305	(5,263,543)
Change in accounts payable and accrued liabilities	19,708,795	14,847,477
Change in deferred recovery of costs	15,175,893	276,585
Cash provided by operating activities	39,899,027	10,358,488
Investing activities		
Purchase of capital assets (note 7)	(15,175,893)	(276,585)
Cash used in investing activities	(15,175,893)	(276,585)
Financing activities		
Rent paid on lease liabilities – principal portion (note 8)	(1,631,103)	—
Cash used in financing activities	(1,631,103)	—
Net increase in cash during the year	23,092,031	10,081,903
Cash, at beginning of year	23,728,647	13,646,744
Cash, at end of year	48,820,678	23,728,647

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

1. Nature of operations

Investment Management Corporation of Ontario (“IMCO” or “the Corporation”) (in French, Société ontarienne de gestion des placements) was incorporated as a not-for-profit corporation on July 1, 2016 by proclamation of the *Investment Management Corporation of Ontario Act, 2015*. IMCO was established as a non-share corporation to enable Ontario’s Broader Public Sector (“BPS”) organizations to lessen costs and increase returns by pooling their assets. Pooling of assets is expected to lower administrative and investment costs, which will help improve return on investments. IMCO is headquartered in Toronto, Ontario, Canada.

Participation of BPS organizations to receive IMCO’s services is voluntary and these organizations retain responsibility for determining how their assets are invested via provision of individualized Strategic Asset Allocations (i.e., asset mix) and other specifications as outlined in their respective Investment Management Agreements. IMCO commenced commercial operations in July 2017 and currently provides investment management and advisory services to its clients on a full cost recovery basis, without profit.

The founding members and initial clients of IMCO are the Ontario Pension Board (“OPB”) and the Workplace Safety and Insurance Board (“WSIB”). OPB is the administrator of the Public Service Pension Plan (“PSPP” or the “Plan”), a major defined benefit pension plan sponsored by the Government of Ontario. PSPP membership comprises of employees of the provincial government and its agencies, boards, and commissions. WSIB is an independent agency, consisting of Insurance Fund, Employees’ Pension Plan (“EPP”) and Loss of Retirement Income Fund, that administers compensation and no-fault insurance for Ontario workplaces. Effective July 1, 2020, the WSIB EPP was converted to a jointly sponsored pension plan (“JSPP”) and became a separate IMCO client at that time. The founding and all subsequent IMCO clients (jointly “Clients”) will be governed by a cost recovery methodology, which ensures the continuous operations of the Corporation.

These financial statements have been prepared based on accounting principles applicable to a going concern, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. IMCO allocates to and recovers all its operational costs from its Clients based on the agreed cost allocation principles.

2. Basis of presentation

a) Statement of compliance

These financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements were authorized for issuance by the Board of Directors on February 25, 2021.

b) Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the financial statements

and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are made based on information available as of the date of issuance of the financial statements.

Judgments are made in the assessment and application of accounting policies and financial reporting standards. Key areas of estimation include assumptions used in the evaluation of lease arrangements and the determination of employee benefit obligations including incentive compensation accruals. Refer to the relevant accounting policies in note 3 for details on our use of estimates and judgments. Actual results may differ from these amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by management of the Corporation in the preparation of these financial statements. The significant accounting policies have been applied consistently to all periods presented in these financial statements.

a) Consolidation

Subsidiaries are consolidated in the Corporation's financial statements from the date that control is obtained until the date that control ceases.

The Corporation consolidates entities when all three of the following characteristics are present:

- When the Corporation exerts power over the relevant activities of the entity. Power exists if the Corporation has decision making authority over those activities that significantly influence the entity's returns;
- Where the Corporation has exposure or rights to variability of returns of the entity. Exposure exists if the Corporation's returns vary as a result of the performance of the entity; and
- Where there exists a linkage between power and returns as described above. A linkage exists when the Corporation can use its power over the activities of the entity to generate returns for itself.

Generally, the Corporation utilizes investment vehicles to facilitate the management of investment assets. This includes establishing various structured entities which may comprise pooled investment entities and other subsidiaries, through its role as investment manager. While IMCO has power over the relevant activities of the structured entities it manages; in all cases, the Corporation has no exposure or rights to variability of returns in these structured entities. Accordingly, these investment entities do not meet the criteria for control and are not consolidated.

b) Financial instruments

Recognition and initial measurement

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities that are classified as fair value through profit or loss ("FVTPL") financial instruments are recognized initially at fair value with subsequent changes in fair value recognized in the statement of operations. Transaction costs on FVTPL financial instruments are charged to operating expense as incurred. In the case of an accounts receivable without a significant financing component, its initial fair value is established at its transaction price plus any transactions costs that are directly attributable to the acquisition or issuance of the receivable.

Classification and subsequent measurement

IMCO classifies its financial assets and financial liabilities, in accordance with IFRS 9 *Financial Instruments*. Financial instruments included in the Corporation's accounts have the following classifications:

All cash and accounts receivable are classified at amortized cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to collect the contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All payables, accrued liabilities and deferred recovery of costs are classified at amortized cost.

c) Deferred recovery of costs

The Corporation recovers its operating costs from its Clients. If an amount has been collected from the Clients in advance of the actual expense being incurred by the Corporation, the amounts are initially reported as deferred recovery of costs in the statement of financial position, and subsequently recognized in the statement of operations when the expense is incurred by the Corporation.

Amounts that are collected from the Clients to fund the acquisition of the Corporation's capital assets, including leasehold improvements, are initially reported as deferred recovery of costs in the statement of financial position, and subsequently amortized to the statement of operations as the related capital assets are amortized.

d) Prepaid expenses

Prepaid expenses primarily consist of prepaid insurance, travel and security deposits.

e) Capital assets

Capital assets are recorded at cost less accumulated amortization. Cost includes expenditures directly attributable to the acquisition of the capital asset.

Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	Term of lease

f) Right-of-use asset and Leased liabilities

The Corporation adopted IFRS 16 *Leases* ("IFRS 16"), on January 1, 2019 using a modified retrospective approach. As IMCO did not have any material long-term operating leases prior to the adoption of IFRS 16, no retrospective cumulative impact was recognized in the opening members' surplus as at January 1, 2019.

Under IFRS 16, IMCO capitalizes the right-of-use of all assets held under operating leases and a corresponding lease liability. The lease liability is initially measured at the present value of lease payments that are unpaid at the lease commencement date, discounted at IMCO's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. The right-of-use asset is initially measured as the initial lease liability, initial direct costs incurred, estimated cost of removal, and is reduced for lease payments made on or prior to the lease commencement date and lease inducements received. The right-of-use asset is depreciated over the lease term or the useful life, whichever is shorter.

The lease liability is remeasured when there is a change in future lease payments arising from a change in the incremental borrowing rate or if IMCO changes its assessment of whether it will exercise a purchase, extension, or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset and recognized in the statement of operations.

IMCO has elected not to recognize lease assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets, including computer equipment. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Generally, the lease term corresponds to the duration of the contracts signed except in cases where IMCO is reasonably certain that it will exercise contractual extension options. The exercise of extension options will result in a change in estimate of lease assets and lease liabilities. The assessment regarding exercise of extension options involves management judgment and estimate based on information at the time the assessments are made. Extension options are included in the lease term when IMCO has an economic incentive to exercise the option. Taken into consideration is the evidence available at the time of the assessment, including potential favourable terms upon extension, potential termination penalties, the relative costs associated with potential relocation or termination of the lease and the extent of leasehold improvements undertaken.

g) Employee benefits

i) Defined benefit plan

The employees of the Corporation participate in the Plan, which is a multi-employer contributory defined benefit pension plan in accordance with the *Public Service Pension Act*, 1990. OPB administers the Plan, including payment of pension benefits to employees. The Province of Ontario is the sole sponsor (the “Sponsor”) of the Plan. This Plan is accounted for as a defined contribution plan because insufficient information is provided to the Corporation or otherwise available for the Corporation to apply defined benefit plan accounting to this pension plan.

The Plan Sponsor is responsible for ensuring that the pension plan is financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Corporation. The Corporation is not exposed to any liability to the Plan for other entities’ obligations under the terms and conditions of the Plan.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the Corporation from the Plan. Payments made to the Plan are recognized as an expense when employees have rendered the service entitling them to the contributions. Information on the level of participation of the Corporation in the Plan compared with other participating entities is not available. The Corporation’s contributions are disclosed in the statement of operations under pension expense. The expected contributions for the Plan for fiscal 2021 are not available.

ii) Supplementary income retirement plan

The Corporation provides supplemental pension benefits to certain eligible legacy WSIB employees who transferred to IMCO in 2017. The benefits are payable to the employees at the termination of employment, retirement, or death. The supplemental pension benefits are provided to increase the WSIB pension benefits to those provided under IMCO’s defined benefit plan for the entire duration of employees’ employment at WSIB. WSIB will reimburse the Corporation for the costs incurred under this supplementary income retirement plan. The benefits obligation is calculated based on certain demographic and economic assumptions which represent IMCO’s best estimate of future experience. This obligation is accrued as a liability with an equal amount recognized for the receivable from WSIB.

iii) Incentive cash award plan

The Corporation provides eligible employees with a cash award (Short-Term Incentive or “STI”). Certain employees are also eligible for a deferred cash award (Long-Term Incentive or “LTI”). The STI award is accrued on an annual basis and paid out in the subsequent year. LTI is accounted for as ‘compensation and benefits’ and is accrued on a graded vesting basis for eligible employees in the year of performance and over the following three-year period. Each LTI award vests and is paid out in three equal installments over the subsequent three-year period.

d) Functional currency

All figures presented in the financial statements and note disclosures to the financial statements are reflected in Canadian dollars, which is the functional currency of the Corporation.

e) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rates prevailing at the dates of the transactions. The monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect at year-end.

f) Income taxes

IMCO is a not-for-profit corporation without share capital and, accordingly, no provision for income taxes has been recorded in these financial statements.

4. Accounts payable and accrued liabilities

	2020 \$	2019 \$
Trade payables and other accruals	29,139,297	17,520,639
Compensation and benefits accruals	36,234,585	28,144,448
	65,373,882	45,665,087

Compensation and benefits accruals are comprised primarily of accruals in respect of the annual and deferred incentive cash award plans as described in note 3(g)(iii), and other employee-related payments and benefits. In 2020, total expense related to the STI was \$18,640,773 (2019 – \$12,936,486) and for LTI was \$8,727,655 (2019 – \$4,667,753), respectively, which are reported under compensation and benefits in the statement of operations.

5. Related party transactions

As at December 31, 2020, included in cash and accounts payable and accrued liabilities is \$11,582,196 (2019 – \$7,564,122) relating to agency fees collected from clients, but not yet billed by external vendors.

As at December 31, 2020, of the total accounts receivable balance, the majority relates to cost recoveries due from Clients for operating expenses, investment management and product costs incurred by IMCO in the amount of \$17,734,548 (2019 – \$18,990,017), plus HST. The remainder relates to miscellaneous receivables for various charges paid on behalf of Clients and other minor balances.

As an agent, IMCO administers external management fees, custodian fees, and other investment related fees pertaining to the assets managed on behalf of its Clients. The contracts relating to these fees are with the Clients, and therefore not liabilities of the Corporation. These fees are collected from the Clients, and subsequently paid to external vendors upon receipt of billings.

	2020 \$	2019 \$
Agency fees collected from members	196,632,435	217,688,609
Agency fees paid or payable on behalf of members		
Investment management fees	184,514,542	194,335,460
Custodial and other investment related fees	12,117,893	23,353,149
	196,632,435	217,688,609

OPB administers the PSPP, in which all IMCO employees participate. In relation to this service, IMCO remits to OPB the employee contributions and employer match portion.

The Corporation maintains prior banked vacation liabilities for certain legacy OPB and WSIB employees upon their transfer to IMCO in 2017. The assumed obligation is reported as a liability with an offset to a fixed receivable from OPB and WSIB. The value of the liability may change due to changes in the base compensation of the associated employees. The liability is paid out when the employee leaves IMCO. As the liability is settled with employees over time, a recovery is made from the Clients, thereby reducing the receivable balance. As at December 31, 2020, the legacy banked vacation liability was \$549,709 (2019 – \$656,057).

Remuneration of key management personnel and directors is as follows:

	2020 \$	2019 \$
Key management personnel and directors	13,606,070	14,479,767
	13,606,070	14,479,767

Notes 7 and 8 describes additional related party transactions.

6. Letter of credit

The Corporation holds various letter of credit facilities from its lead Canadian chartered bank which are used for specific purposes including as a guarantee on its contributions to the PSPP and for certain investment entities that IMCO manages on behalf of its Clients. A fee of 0.475% per annum is charged for all letters of credit on the face amount payable monthly and each revolving letter of credit may be renewed or extended on their next expiry or anniversary date. Total aggregate letters of credit facilities available as at December 31, 2020 was \$4,077,202 (2019 – \$3,122,820).

As at December 31, 2020 and December 31, 2019, there were no amounts drawn on any letters of credit.

7. Capital assets

Capital assets are comprised of the following:

	Computer equipment \$	Furniture and fixtures \$	Leasehold improvements \$	Total \$
Cost				
Balance, December 31, 2018	—	491,793	1,357,909	1,849,702
Additions	—	—	276,585	276,585
Balance, December 31, 2019	—	491,793	1,634,494	2,126,287
Additions	930,483	1,947,005	12,298,405	15,175,893
Balance, December 31, 2020	930,483	2,438,798	13,932,899	17,302,180
Accumulated amortization				
Balance, December 31, 2018	—	72,113	719,318	791,431
Amortization expense	—	49,179	520,813	569,992
Balance, December 31, 2019	—	121,292	1,240,131	1,361,423
Amortization expense	—	49,179	117,798	166,977
Balance, December 31, 2020	—	170,471	1,357,929	1,528,400
Net book value				
As at December 31, 2019	—	370,501	394,363	764,864
As at December 31, 2020	930,483	2,268,327	12,574,970	15,773,780

The additions to Leasehold improvements all relate to the 16 York St., Toronto ("16 York") new office premises and are not being amortized as they are construction in progress. IMCO's new office premises are expected to be fully available for use and occupied in early 2021 at which time amortization on 16 York capital assets will commence. Note 9 includes additional details on the 16 York lease.

As at December 31, 2020, all capital expenditures funded by OPB and WSIB in respect of capital assets at 16 York are reported as deferred recovery of costs in the amount of \$15,452,478 (2019 – \$276,585) in the statement of financial position.

8. Right-of-use asset and lease liabilities

In 2019, IMCO entered into an arrangement to lease office space in the new 16 York building. The lease commenced in August 2020 with a lease term of 10 years and contains an extension option. Management is uncertain at this time whether the extension option will be exercised.

A right-of-use asset and lease liability has been recognized upon commencement of the 16 York lease as set out below:

	Right-of-Use Asset \$	Lease Liabilities \$
As at January 1, 2020	—	—
Additions	44,442,703	44,442,703
Amortization expense	2,222,135	—
Interest expense	—	403,697
Lease payments	—	(2,034,800)
As at December 31, 2020	42,220,568	42,811,600

9. Lease commitments

The 16 York lease commenced in August 2020 and is considered a related party transaction, as OPB has ownership interest in this property. The lease agreement, however, was negotiated on an arm's length basis. At December 31, 2020, total future lease commitments for 16 York are \$56,916,803 (2019 – \$58,734,720).

Commitments remaining on 121 King St. West extended to January 2021 amount to \$96,837.

The minimum annual cash payments related to commitments under operating leases for office premises are as follows:

	2020 \$	2019 \$
Within one year	5,940,950	5,275,676
After one year but not more than five years	23,452,344	23,129,232
More than five years	27,620,346	33,196,193
	57,013,640	61,601,101

10. Financial instruments and risk management

The various risks that the Corporation is exposed to and the Corporation's policies and processes to measure and manage them are set out below:

a) Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default of a counterparty on their obligation to the Corporation and arises principally from the Corporation's accounts receivable and cash on deposit with banks.

The accounts receivables are all due to be recovered from the Clients. The Corporation is not exposed to significant credit risk as the Corporation acts as fund manager for Clients and recovers the outstanding amounts in accordance with Agreements with them.

The cash on deposit with banks is held with Canadian Schedule I banks that have high credit-ratings. The Corporation considers the cash on deposit to have a low credit risk as the cash is highly liquid and available on demand, and the banking counterparties have high credit ratings.

No impairment allowance has been recognized on the Corporation's financial assets, and the Corporation does not hold any collateral as security. The maximum exposure of the Corporation to credit risk is the carrying amount of these financial assets.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Corporation. The Corporation does not have significant exposure to interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet a demand for cash or fund its obligations as they come due. The Corporation is entirely dependent upon support from its Clients to meet its obligations as they become due. The Corporation's management is responsible for ensuring adequate funds exist to support its various business functions. The Corporation manages its liquidity risk by forecasting cash flows and anticipated operating activities. Senior management is also actively involved in the review and approval of planned expenditures.

11. Comparative information

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There was no impact to the financial position or operating surplus as a result of these reclassifications.

12. COVID-19 impact

IMCO continues to monitor the impact of the COVID-19 pandemic and is managing its operating expenses and delivery on its key corporate priorities accordingly. The Corporation has a comprehensive business continuity plan and has taken specific measures to mitigate any business risks while ensuring continuity of its business operations and protection of its employees during these exceptional circumstances. The Corporation has operated effectively through remote access and experienced no material impact to its business operations. At this time, IMCO continues to refine its Return-to-Workplace plan for 2021 which will be measured ensuring above all else, the safety of its employees, clients, and surrounding communities.

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