

2022–2023

# Corporate Annual Report





## VISION

Partnering with clients to secure financial futures in a changing world.

## VALUES

### Clients First

We put clients at the forefront of all decisions and ahead of individual interests — understanding that when our clients are successful, we're successful.

### Performance Focused

We collaboratively deliver on our clients' goals, drive and support high performance, and rise to the occasion — we never settle.

### World Class

We benchmark ourselves against the best — we constantly seek to improve.

### Accountability

We are responsible for our actions and decisions — we own our outcomes.

### Transparency

We share relevant and timely information — it builds common understanding and leads to better results.

### Integrity

We do what we say we will and mean what we say — we act ethically, support diversity, and consistently live BCI's values.

British Columbia Investment Management Corporation (BCI) is amongst the largest institutional investors in Canada with C\$233.0 billion in gross assets under management, as of March 31, 2023. Based in Victoria, British Columbia, with offices in Vancouver, New York City, and London, U.K., BCI manages a portfolio of diversified public and private market investments on behalf of our 32 British Columbia public sector clients.

With a global outlook, BCI integrates ESG factors into investment decisions and activities that convert savings into productive capital to meet clients' risk and return requirements over time. Founded in 1999, BCI is a statutory corporation created by the *Public Sector Pension Plans Act*. For more information, visit our website [BCI.ca](https://www.bci.ca) or [LinkedIn](#).



# Contents

02	Highlights	35	Centralized Currency Management
03	At a Glance	36	Environment, Social & Governance
05	Letter from our Chair	38	2022 Task Force on Climate-related Financial Disclosures (TCFD)
07	Letter from our CEO/CIO	40	Our Three-Year Business Plan
10	Investment Management Services & Governance	42	<b>People &amp; Culture</b>
11	Clients	43	People & Culture
12	<b>Management's Discussion &amp; Analysis</b>	44	Executive & Senior Management Team
13	Markets Overview	45	Equity, Diversity & Inclusion
14	Investment Returns	46	EDI Council Report
15	Combined Pension Plan Returns: Public Markets	47	People & Culture Highlights
16	Combined Pension Plan Returns: Private Markets	48	Stakeholder Engagement
17	Fixed Income	49	Community Engagement
20	Public Equities	50	<b>Corporate Governance</b>
22	Infrastructure & Renewable Resources	51	Our Board of Directors
24	Private Equity	52	Corporate Governance
26	Real Estate Equity	62	<b>Compensation Discussion &amp; Analysis</b>
28	Real Estate Debt	69	<b>Costs</b>
30	Investment Discipline		
31	Investment Funds		
32	Risk Management		

Because of **BCI**

## 72 Appendix

### 73 Clients

### 74 Pooled Fund Benchmarks

### 76 BCI's Approach to the TCFD Recommendations

### 89 External Managers & Partners

### 90 With Thanks

## 91 Corporate Financial Statements



This document is prepared in accordance with Section 20(2)(e)(v) of the *Public Sector Pension Plans Act* for the Honourable Minister of Finance and the BCI Board of Directors. The purpose of this report is to communicate the investment performance, strategy, operational activities, and governance of BCI for the fiscal year ended March 31, 2023. Unless otherwise stated, all figures are as at March 31, 2023, and in Canadian dollars. The report includes Management's Discussion & Analysis, Compensation Discussion & Analysis, and Corporate Financial Statements. The Pooled Fund Financial Statements for December 31, 2022, are available [here](#). Our ESG Annual Report is available on [BCI.ca/esg](https://www.bci.ca/esg)



# Highlights

## 2022-2023

### GENERATED

**3.5%** annual return<sup>1</sup> on behalf of British Columbia's public sector pension plans<sup>2</sup>

### ADDED VALUE

**\$19.5 billion** over a 20-year period to British Columbia's public sector pension plans<sup>2</sup> (annualized return of 8.4% against a combined benchmark of 7.5%)

### REACHED

**\$233.0 billion** in gross assets under management<sup>3</sup>

### REACHED

**\$960 million** in the internal, active global emerging markets equity strategy

### REACHED

**\$4.2 billion** in cumulative historical participation in sustainable bonds

### COMMITTED

More than **\$4.0 billion** in new infrastructure & renewable resource opportunities for our clients

### COMMITTED

**\$9.8 billion** in total client capital for private equity investments, \$3.7 billion allocated to direct investments

### NAMED ONE OF

**BC's Top Employers,** one of Canada's Top 100 Employers, and one of Canada's Top Family-Friendly Employers for the fourth consecutive year

<sup>1</sup> Includes the impact of the centralized currency management program. See **page 35** for more details.

<sup>2</sup> The Combined Pension Plans reflect the investments of BCI's six largest pension clients, namely: BC Hydro Pension Plan; College Pension Plan; Municipal Pension Plan; Public Service Pension Plan; Teachers' Pension Plan; and WorkSafeBC Pension Plan.

<sup>3</sup> Gross assets under management are shown net of leverage issued by QuadReal Property Group and include clients' investment liabilities achieved through government bond repurchase agreements managed by BCI's funding program.





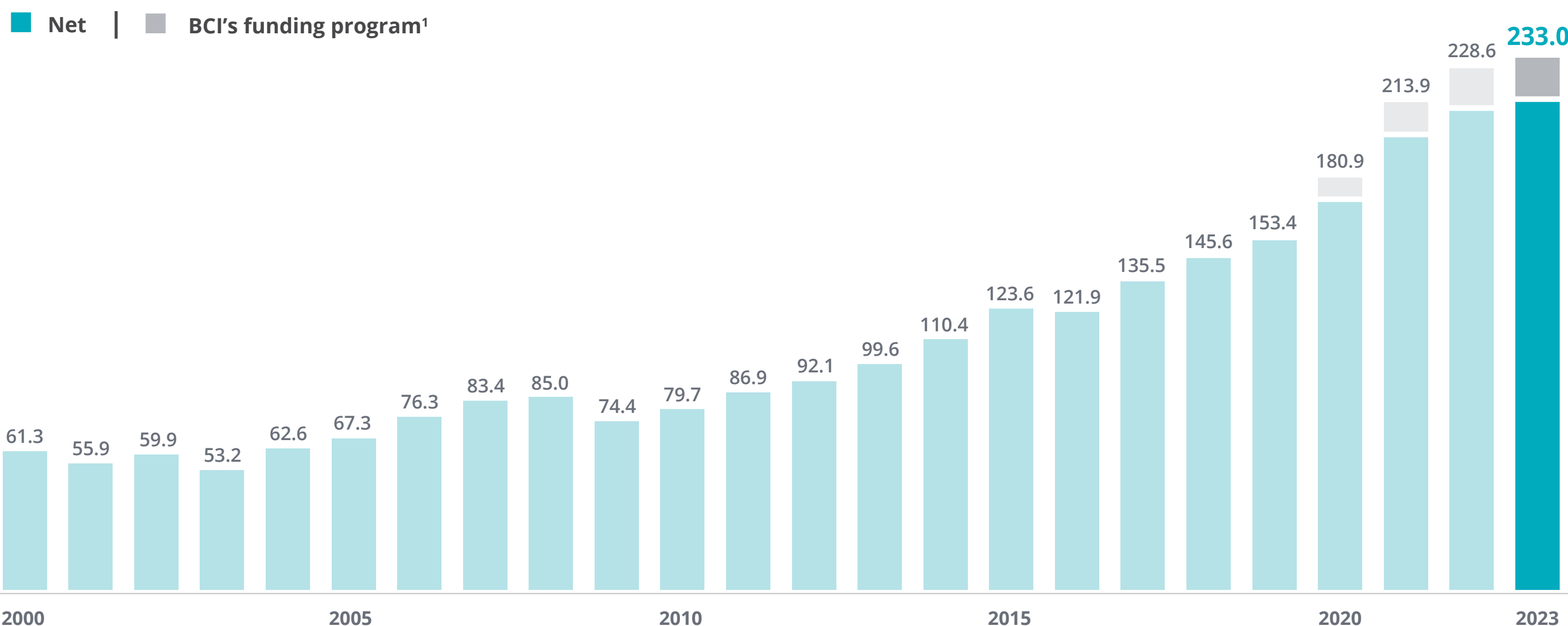
# At a Glance

For the fiscal year ended March 31, 2023, BCI delivered an annual combined pension plan return of 3.5 per cent, net of all fees, against a combined benchmark of 0.3 per cent. Gross assets under management increased to \$233.0 billion.

BCI delivered a strong year of relative performance despite prolonged market volatility, inflationary pressures, and record high interest rates not seen in decades. Fiscal 2023 is the second consecutive year where a new high-water mark for outperformance was established with 3.2 per cent excess return above the benchmark, representing \$4.6 billion in value add. In fiscal 2022, 2.8 per cent in outperformance above the benchmark resulted in a value add of \$4.4 billion.

## TOTAL ASSETS UNDER MANAGEMENT (\$ BILLION)

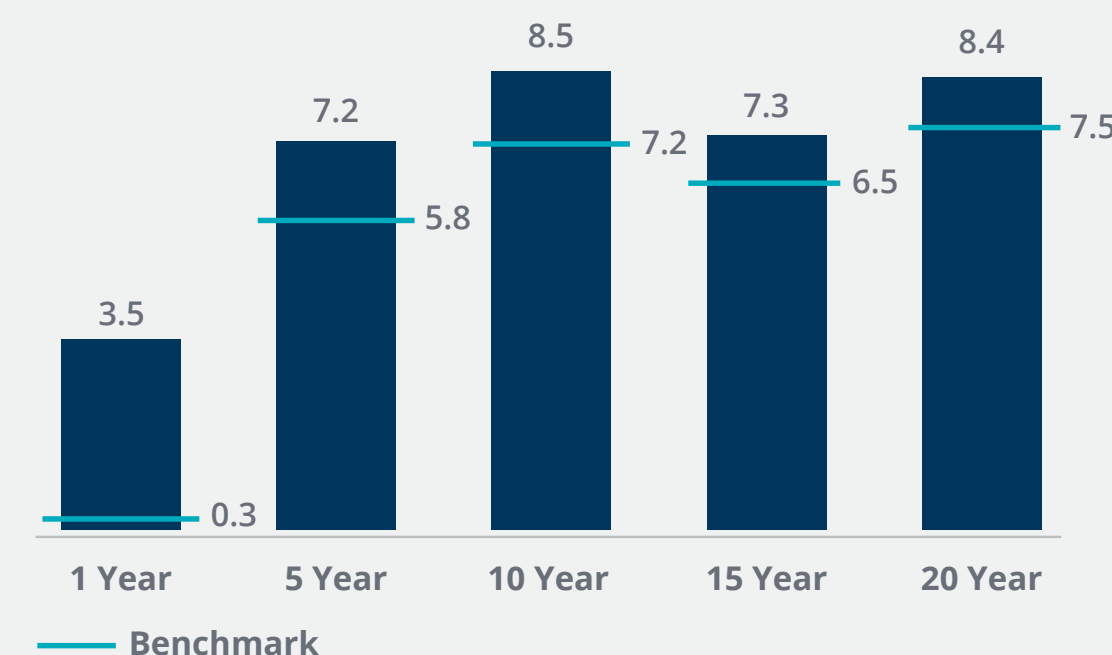
For the year ended March 31



<sup>1</sup> Includes clients' investment liabilities achieved through government bond repurchase agreements.

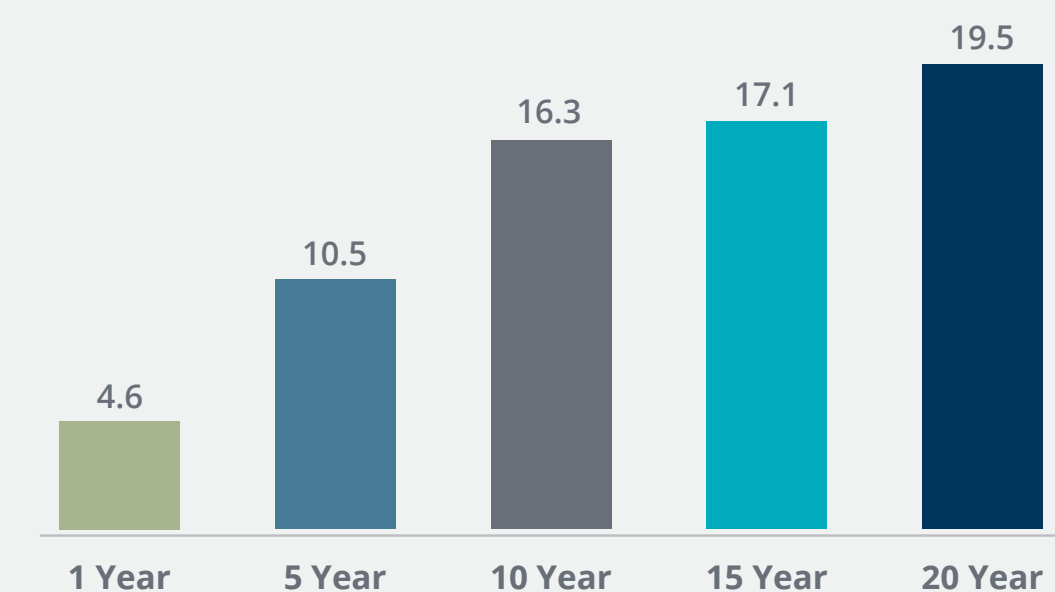
## BCI'S ANNUALIZED PENSION RETURNS<sup>2, 3</sup> (%)

For the periods ended March 31, 2023



## CUMULATIVE VALUE ADDED<sup>2</sup> BY BCI (\$ BILLION)

For the periods ended March 31, 2023



Value-add is the additional return in dollars BCI generated for clients in excess of client benchmarks through active investments and excluding the impact of centralized currency management program, after all costs and fees.

<sup>2</sup> The Combined Pension Plan Clients reflect the investments of BCI's six largest pension clients, namely: BC Hydro Pension Plan; College Pension Plan; Municipal Pension Plan; Public Service Pension Plan; Teachers' Pension Plan; and WorkSafeBC Pension Plan.

<sup>3</sup> Includes the impact of centralized currency management program, where set. See [page 35](#) for more details.



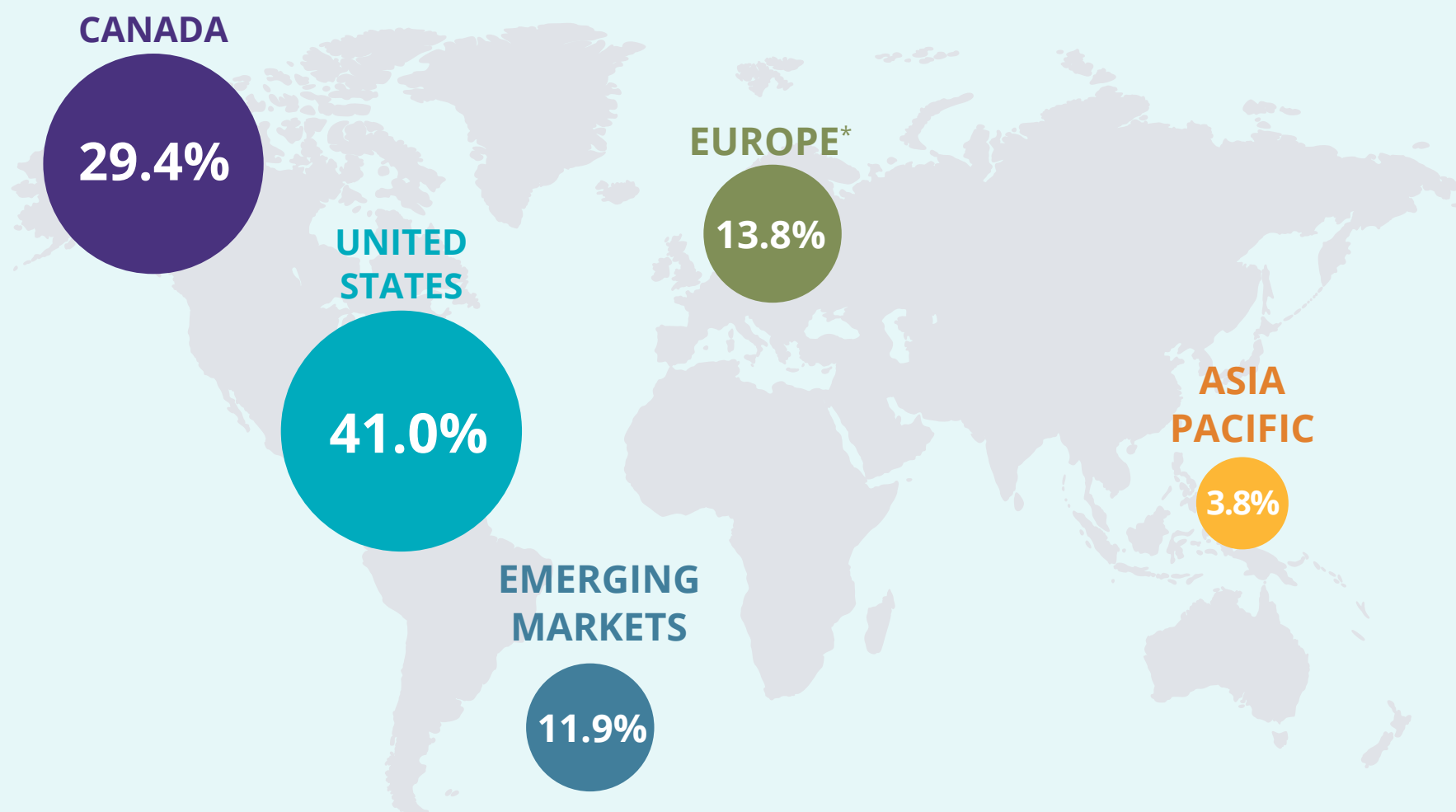
**As an active, global, in-house asset manager, BCI partners with clients to secure financial futures in a changing world.**

During the pandemic and subsequent aftermath, our teams, systems, and portfolios were well-positioned to continue delivering results. We have built a platform for growth, and broadened our risk management processes and models to allow us to deploy capital, and further diversify our investments. Our team of more than 700 professionals operating across offices in Victoria, Vancouver, New York City, and London, U.K. continue to support our increasingly complex business needs.

With BCI's world-class team and leading technology and data, we are well-positioned to respond to dynamic market conditions and continue to deliver the returns our clients expect.

**GLOBAL DISTRIBUTION OF NET ASSETS UNDER MANAGEMENT**

As at March 31, 2023



For the fiscal year 2023, values do not sum to 100 per cent due to global allocation including countries not listed in the MSCI Developed and Emerging Markets indices.

\* Europe includes the United Kingdom.

<sup>1</sup> Includes a combination of both public and private assets.

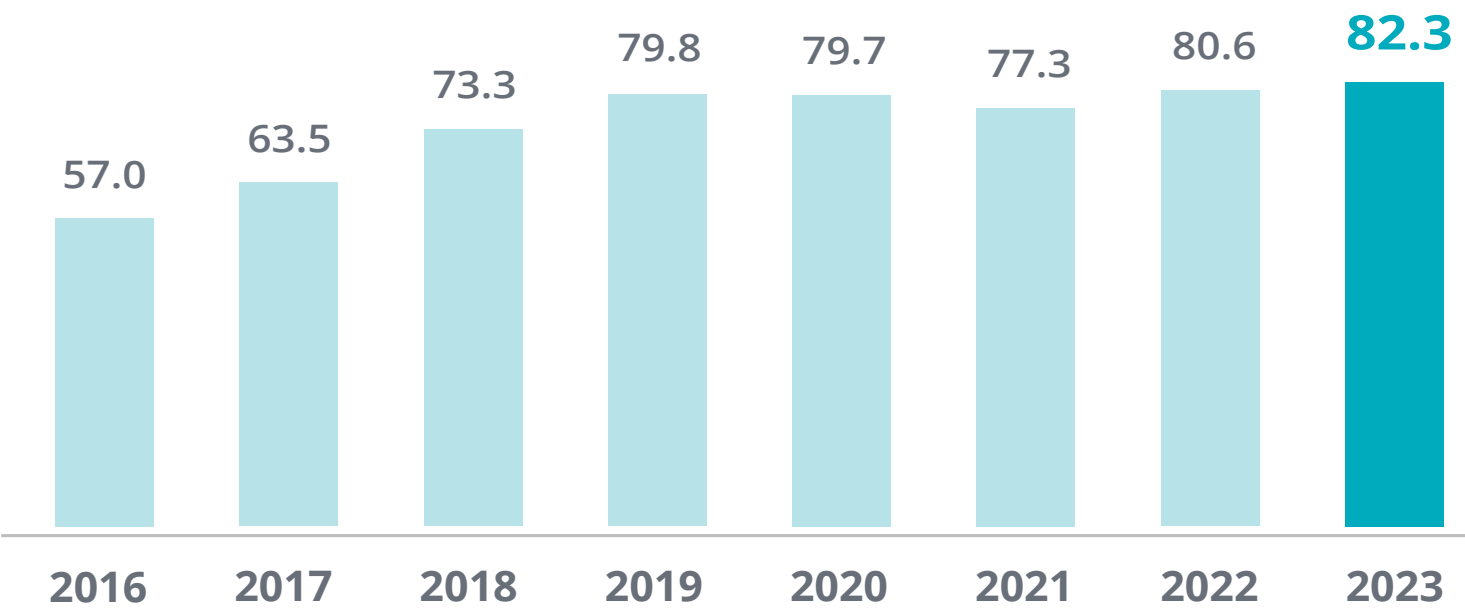
<sup>2</sup> Other strategies include cash and centralized currency management program.

<sup>3</sup> Real estate equity and real estate debt are managed by QuadReal Property Group (QuadReal). Gross assets under management are shown net of leverage issued by QuadReal.

<sup>4</sup> Includes clients' investment liabilities achieved through government bond repurchase agreements managed by BCI's funding program.

**ASSETS MANAGED IN-HOUSE (%)**

For the periods ended March 31



**TOTAL ASSETS UNDER MANAGEMENT**

For the year ended March 31, 2023

	(\$ BILLION)	%
<b>PUBLIC MARKETS</b>		
Fixed Income	63.6	29.6
Public Equities	60.9	28.3
Private Debt <sup>1</sup>	13.5	6.3
Other Strategies <sup>2</sup>	0.4	0.2
<b>PRIVATE MARKETS</b>		
Real Estate Equity <sup>3</sup>	36.1	16.8
Private Equity	28.3	13.1
Infrastructure & Renewable Resources	22.3	10.4
Real Estate Debt <sup>3</sup>	7.9	3.7
<b>TOTAL GROSS AUM</b>	233.0	108.4
BCI's funding program <sup>4</sup>	(18.0)	(8.4)
<b>TOTAL NET AUM</b>	215.0	100.0

# Letter from our Chair

PETER MILBURN

Since 2020, the world has lived through a period of dramatic social, political, and financial change and uncertainty, the likes of which have not been experienced in more than three quarters of a century.

As BCI navigated through this turbulent environment, the Board kept coming back to two underlying themes that shaped our discussions and lit our path, building a strong strategic foundation to maximize our opportunities, and ensuring we had the flexibility to adapt to an ever-changing landscape.

As we reconvened in-person boardroom meetings at the start of this fiscal year, the importance of agility became increasingly evident. By drawing on lessons learned from the exceptional circumstances of the COVID-19 pandemic and BCI's history, as well as the collective experience of the Board and best practices, we reviewed and refined certain governance documents. This ensures that the corporation remains well-equipped to navigate challenging geopolitical and market conditions effectively.

We conducted scheduled triennial reviews of essential governance documents: evaluating and updating BCI's Benchmark Governance Policy, ESG Governance Policy, Chief Executive Officer and Chief Investment Officer (CEO/CIO) succession planning process, and all compensation policies. Throughout these endeavours, our primary focus was to strengthen our organization's ability to act strategically and effectively, while heightening our agility, recognizing that significant developments can occur in short periods of time. We aimed to develop policies and plans that can scale effectively as the corporation grows, even during times of uncertainty. Strong governance serves as the solid foundation for our current and future success.

With strong governance in mind, the Board carefully examined the Benchmark Governance Policy, in addition to conducting the annual benchmark review. Given the ever-evolving market conditions and the significance of investment benchmarks in evaluating the effectiveness of our investment strategies, it is essential to regularly evaluate and evolve our benchmarks to align with the mandate, strategy, and risk taken.



“It is our belief that the work done this year has strengthened our preparedness for dealing with further global complexities.”



ESG governance was on the agenda for many meetings, and this year we worked with management to establish frameworks and key performance indicators for monitoring, measuring, mitigating, and managing this dynamic aspect of our business. Recognizing the importance of ESG factors and evolving expectations, we worked with management to revise our ESG Governance Policy. This ensures that BCI is well-prepared to effectively manage present and future ESG-related challenges. Additionally, we focused on governance and reporting structures to enable operational oversight of ESG activities. A set of ESG-related key performance indicators was established with Board input to consistently monitor BCI's progress and performance in integrating ESG into our investment strategy. Directors also received ongoing education on ESG-related trends that could significantly impact the corporation and its clients.

The Board conducted its triennial review of the CEO/CIO succession planning process, and also its annual review of the CEO/CIO succession plan. Ensuring leadership continuity is a standing priority, and we took this opportunity to update BCI's process in accordance with current industry best practices. Specifically, we focused on enhancing stakeholder engagement during future successions.

This year, consistent with best practices, we conducted the triennial review of BCI's compensation structure to ensure we are competitive in the market, allowing us to attract and retain top talent. Based on the review findings, the Board approved revisions to BCI's Compensation Philosophy, Annual Incentive Plan (AIP) and Long-Term Incentive Plan (LTIP) policy. These changes further align employee interests with those of our clients and bring BCI's LTIP in line with industry standards. Throughout the year, the Board and Human Resources and Governance Committee (HRGC) also prioritized talent-focused initiatives to maintain BCI's standing as an employer of choice.

With a mind toward risk, both investment and enterprise management, we reviewed scenarios and modeling provided by management to assess potential impacts of various market conditions on returns, liquidity, funded status, and contribution impacts. The Board also received an update on BCI's technology strategy and its alignment with the corporate ambition of leveraging digital technology. Our digital transformation and modernization initiatives are progressing as planned, and notable advancements have been made in our cyber security program.

Our work is dynamic, mirroring the markets we operate in, and the Board's commitment to understanding and adapting BCI's governance structure to keep pace with change is truly commendable. I express my gratitude to my fellow Board members for their unwavering dedication to BCI's governance throughout this year. Together with Paul Finch and Gayle Gorrill, I am honoured to have been reappointed to the Board for another term by the Minister of Finance, the Honourable Katrine Conroy. Leading such an exemplary group of Directors fills me with immense pride. I would also like to extend my appreciation to BCI's leadership team and staff, whose dedication to our clients continues to impress us. Our purpose is rooted in delivering value for our clients, and we are grateful for their ongoing trust in BCI.

**Peter Milburn**

Chair of the BCI Board of Directors



# Letter from our CEO/CIO

**GORDON J. FYFE**

**Remarkable talent and the capacity to adapt to change proved key in a turbulent year.**

BCI's latest fiscal year unfolded in an environment of heightened volatility and uncertainty, largely resulting from Russia's February 2022 invasion of Ukraine. The outbreak of war in Eastern Europe gave rise to a confluence of risks that included runaway inflation, escalating interest rates, a banking crisis, and — for the first time in decades — significantly heightened geopolitical unrest. It is a testament to the exceptional calibre and commitment of our team, and their ability to adapt to abruptly changing circumstances, that we were able to skillfully navigate through the turbulence.

The market turmoil was, in fact, expected. I had been cautioning clients for the past year that more challenging times lay ahead, and we had taken steps to brace ourselves against the forecast headwinds. In terms of preparedness, BCI's portfolio of diversified public and private market investments, most of which are actively managed in-house, allow a flexibility and responsiveness to changing market conditions that helped us deliver strong performance. While seeking out opportunities to leverage BCI's competitive advantages, namely our ample liquidity and long-term investment horizon, to capture quality investments at fair

prices, we intensified our focus on providing downside protection for clients' assets through stringent risk management.

## Performance Highlights

Although BCI is not immune to the prevailing market volatility — no investor is — our proactive approach to risk management was reflected in a resilient investment performance for the fiscal year, 3.5 per cent, compared to the benchmark result of 0.3 per cent. This 3.2 per cent outperformance added \$4.6 billion in value for our pension plan clients and is the second year in a row we delivered our strongest-ever one-year relative return, an achievement I am delighted to recognize. However, given that our clients have a long-term view of things, it is important to not focus solely on short-term results. Accordingly, I should note that over the five-, 10-, 15- and 20-year return periods we also exceeded the benchmark returns, and delivered the actuarial required rate of returns our pension and insurance clients need to meet their future obligations.

With the chaos in public markets, our diversification into private assets again played an important role in driving BCI's outperformance against key benchmarks. Private equity had an exceptionally active year, committing a record



“BCI's portfolio of diversified public and private market investments, most of which are actively managed in-house, allow a flexibility and responsiveness to changing market conditions that helped us deliver strong performance.





\$9.8 billion through both direct investments and funds. Among noteworthy transactions, we acquired a significant minority stake in Authority Brands, a residential services platform with 15 brands that provide industry-leading residential and care-giving services from 1,900-plus locations throughout the United States and the world. BCI led this minority investment, investing alongside funds advised by an existing investment partner. We also made our largest direct, private equity commitment to date with Maxar Technologies, a global space technology and intelligence company whose customers include SiriusXM and NASA. This is an exciting opportunity which also involved an investment by our private debt team.

BCI's infrastructure & renewable resources program co-invested in two ground-breaking businesses capable of accelerating the global green-energy transition: as part of a consortium, we acquired Reden Solar, which builds and operates solar power plants across Europe and Latin America; we also acquired a stake in Eku Energy, a global battery storage platform that is playing an important role in decarbonizing electricity grids.

Transactions such as these demonstrate the strong global network of investment partners BCI has built in recent years — stalwarts who stood by us during the pandemic and continue to steer some very good deals our way.

BCI's gross assets under management reached \$233.0 billion, as at March 31, 2023. BCI's funding program, which provides clients with access to policy leverage, has grown to nearly (\$18 billion) in size, and played a significant role in our performance this fiscal year.

Access to leverage enables clients to increase the potential return by broadening their investment footprint, diversifying their exposure and increasing access to liquidity.

### Clients First

BCI's 'Clients First' value is the driving force behind all our investment and operational decision-making, and clients evidently appreciate how we do our utmost to help them build financially secure futures for their beneficiaries, challenging times notwithstanding.

We conduct client satisfaction surveys every two years, and our team received a first-quartile performance ranking in the latest assessment, compared to other home-grown and global asset managers serving the Canadian market. I am exceedingly pleased and proud of the level of confidence and high regard in which clients hold BCI — even during tough times such as the protracted COVID-19 pandemic, when clients and relationship managers had to adapt quickly to new ways of engagement. The positive results are a testament to living our values.

As the COVID-19 pandemic receded and in-person events resumed, we staged our first hybrid Investor Day in January 2023. It was a pleasure to address approximately 100 trustees and client representatives in person and online, and to reconnect with many people I had not seen since the outset of the pandemic. The event facilitated important discussions between clients and investment teams as a new calendar year began.

### Performance Focused

Our proactive approach to risk management was reflected in a resilient investment performance for the fiscal year.

### World Class

BCI has built a world-class team of more than 700 employees.

### Integrity

BCI is strongly committed to equity, diversity and inclusion (EDI), and has been a leading advocate for an increased role for women in investment management.



### Advancing ESG

We advanced several significant measures on the environmental, social and governance (ESG) front this year. BCI's ESG Governance Policy was revised by the Board of Directors working with management, and we released an updated version of our Climate Action Plan. As well, we further refined our Proxy Voting Guidelines to incorporate increased expectations of public companies with respect to ESG matters, including diversity and climate, and appointed our first global head of ESG.

### People & Culture

Crucially, we demonstrated BCI's capacity to adapt to change with regard to talent and the work environment: after a near two-year absence from office-based work, I was delighted to welcome people back to the office while maintaining elements of flexibility through the adoption of a hybrid model, whereby most employees now operate on a three-days in office and two-days working from home schedule. Kudos to all the teams involved in facilitating this transition.

In keeping with our strategy to further extend BCI's geographic reach and unlock new opportunities for diversification, fiscal 2023 saw the opening of an office in London, U.K., and the establishment of a foothold in Asia, along with a significant scaling up of the New York office.

We constantly seek top-tier talent and, despite being headquartered away from the major global investment hubs, BCI has built a world-class team of more than 700 employees. Still, given today's exceedingly competitive environment with respect to human capital, we are

focusing on talent risk management and retention. Working with our Board of Directors, we revised BCI's Compensation Philosophy, including incentive elements, to bring them in line with current industry best practices. Other talent-related initiatives included the implementation of career pathing for team members and advancing succession planning in the senior ranks of the organization.

BCI is strongly committed to equity, diversity and inclusion (EDI), and has been a leading advocate for an increased role for women in investment management. Over the course of the past year, we demonstrated our resolve to "walk the talk" in that regard, promoting and recruiting several accomplished women to senior investment positions. I want to congratulate Jennifer Coulson, who spent the past decade at BCI assembling a world-class ESG team in public markets, on her new role as Senior Managing Director & Global Head, ESG. As well, I would like to formally welcome several outstanding newcomers to BCI, including: Lea Dubourg-Hrachovec, who will lead our London office as Managing Director; Rhonda Ramparas, Senior Managing Director and our first private equity hire in New York City; and first employee in India, Mumbai-based Helly Ajmera, who as Director & Head of India Investments will help grow our infrastructure & renewable resources footprint in Asia.

### The Road Ahead

At this writing in early June, Canadian markets were digesting the Bank of Canada's surprise announcement of a quarter-point increase in its benchmark interest rate to 4.75 per cent — the highest level since 2001 — and it was unclear whether or not other central bankers will attempt to stay the

course on interest rates in order to rein in stubbornly high inflation. Given the stress in the global banking system, this could lead to a credit crunch and other forms of financial contagion. What remains clear is that we will continue seeing a more difficult landscape for investors. Nevertheless, BCI is capable of again rising to the challenge, and our clients can rely on us to be forthcoming with respect to whatever twists and turns the path forward takes.

I take pride in what we have accomplished in trying circumstances, and wish to express my appreciation to BCI's Board of Directors, fellow members of the Executive Management Team and all the remarkable people throughout the corporation who share the credit for our success. Finally, thanks to our clients for the trust you place in BCI. We strive each day to maintain it.



Gordon J. Fyfe  
Chief Executive Officer /  
Chief Investment Officer



# Investment Management Services & Governance

BCI is a global asset manager that provides comprehensive investment management services to British Columbia public sector clients. Our role goes beyond that of a typical fund manager, effectively functioning as our clients’ internal investment staff.

Considering today’s volatile environment and anticipated market headwinds, listening to clients and being responsive to their needs remains critically important. BCI continues to identify new or increasing risk exposures across all investments, asset classes, and portfolios. We remain fully aware of the prevailing economic environment, continue to protect client assets through robust liquidity and risk management, and are prepared for potential financial contagion.

Our investment management services include strategic investment consulting, investment management of public markets and private asset programs, risk management, investment management administration, integrated ESG strategies, and investment education. Through QuadReal Property Group, an independently operated company owned by BCI, we provide global real estate equity and real estate debt strategies for clients, including investment advisory, asset management, and property management services.

Our investment returns play a significant role in helping our institutional clients build financially secure futures for their beneficiaries. To meet or exceed client targets, BCI seeks investment opportunities around the world and across a range of asset classes that convert savings into productive capital.

As an investment and asset manager, BCI operates under a dual accountability model, as set out in the *Public Sector Pension Plans Act*. We are accountable to our clients and to the BCI Board, and our Chief Investment Officer (CIO) is accountable to each client for their investment returns and the management of their funds.

With input from BCI, clients establish their Statement of Investment Policies & Procedures (SIPP), which determines the diversification of the portfolio and the eligible investments. Based on the SIPP, BCI constructs portfolios aligned with our clients’ investment objectives, risk tolerance, liability profiles, liquidity needs, taxable status, and investment horizons.

## INVESTMENT STRATEGY & SERVICE OFFERINGS

BCI goes **beyond that of a typical fund manager**, effectively functioning as our clients' internal investment staff to provide full service, customized services.



## BCI’S GOVERNANCE FRAMEWORK

For our pension clients, BCI serves as each plan’s investment agent. We work collaboratively with BC Pension Corporation (the plans’ administrative agent<sup>1</sup>) and a variety of other stakeholders and service providers.

More on **BCI’s Investment Management Services & Governance here.**

<sup>1</sup> BC Pension Corporation is the administrative agent for some of BCI's pensions plan clients and not all 11.





# Clients

**Our clients are unique and have different investment needs — from managing pension funds, to growing capital reserves for insurance funds, to generating income for special purpose funds.**

BCI’s 32 clients include public sector pension plans, insurance funds, and other government entities within the province of British Columbia. Our clients are not mandated to use BCI, and have voluntarily chosen us as their investment manager to construct and manage diversified portfolios. Our objective is to create value — aiming to meet or exceed clients’ return targets without taking on unnecessary risk. Most importantly, we work in our clients’ best financial interests at all times.

During fiscal 2023, BCI disbursed \$14.1 billion to clients. These distributions were used to pay retiree pensions, fulfill insurance claims, and support various government programs across areas like sport, arts and culture, and skills development within British Columbia.

## CLIENT TYPES

### PENSION FUNDS

We have 11 pension and post-retirement group plan clients that account for 78 per cent (or \$167.8 billion) of net assets under management. These clients establish their funds’ investment policies, performance targets, and long-term strategic asset allocations, based on their unique needs, circumstances, objectives, and risk tolerances.

As our pension clients are fully funded, ranging from 103 per cent to 133 per cent, they are projected to meet their long-term obligations. As the ratio of active to retired members has generally declined since 2000, most of our pension plan clients pay out more cash to beneficiaries than what they receive in contributions each year.

### INSURANCE FUNDS

We have three insurance fund clients that account for 19.8 per cent (or \$42.4 billion) of net assets under management. BCI’s ability to deliver required investment returns helps these clients provide stability in the insurance premiums charged to employers and auto owners/drivers.

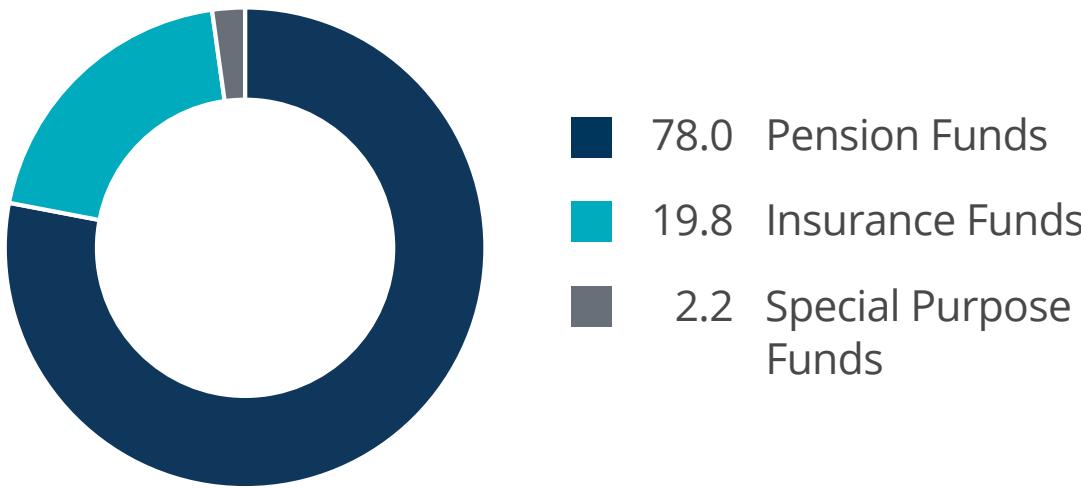
### SPECIAL PURPOSE FUNDS

We have 18 special purpose fund clients that account for 2.2 per cent (or \$4.8 billion) of net assets under management. These clients include public trusts, endowments, and government bodies that have funds and investments requiring professional management services to generate returns that will help meet their program objectives.

See **page 73** for a listing of clients.

## CLIENT PROFILE (%)

As at March 31, 2023<sup>1</sup>




<sup>1</sup> Percentage based on net assets.

## SIX LARGEST PENSION PLANS BY AUM

- 1 Municipal Pension Plan
- 2 Public Service Pension Plan
- 3 Teachers’ Pension Plan
- 4 College Pension Plan
- 5 BC Hydro Pension Plan
- 6 WorkSafeBC Pension Plan



A photograph of a modern office interior. On the left, a vertical wall is covered in green moss. In the center, several white ergonomic office chairs are arranged around a table. The background shows a glass-walled meeting room with a person visible inside. The right side of the image is overlaid with a teal shape containing the title text.

# Management's Discussion & Analysis



# Markets Overview

Fiscal Year April 1, 2022 – March 31, 2023

## MACROECONOMIC

Inflation was the paramount economic story through much of the world during fiscal 2023. Initially spurred by hampered supply chains that could not keep up with rising consumer demand as the world re-opened from COVID-19 lockdowns, the Russian invasion of Ukraine exacerbated inflation challenges, particularly through rising energy and commodity prices.

In the U.S. and Canada, headline inflation reached its peak in June 2022 along with oil prices, while European inflation continued to increase past the first fiscal quarter, peaking in October 2022. Global bond yields rose significantly in response to higher inflation expectations and the associated foreshadowing from central bank officials on significantly tighter monetary policy. These factors contributed to a decrease in global growth projections due to expectations of reduced economic activity resulting from the delayed implications of tighter monetary policy, high inflation, and a potential energy shortage in Europe.

Central banks remained vigilant of inflationary pressures in the subsequent quarters and continued to remove monetary policy support to prevent long-term inflation expectations from settling above target. In North America, headline inflation declined, but core inflation (excluding food and energy) persisted due to factors such as housing and rental

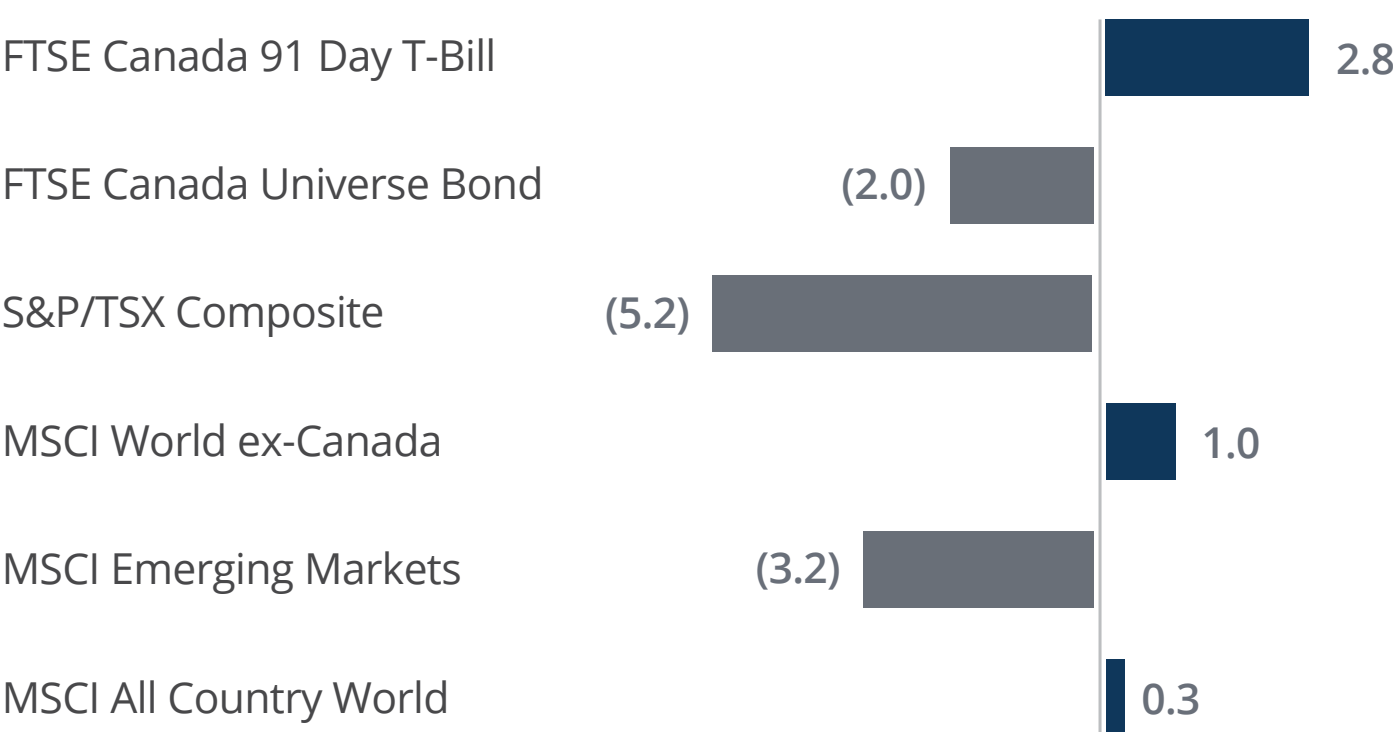
costs, services inflation, and strong wage growth, which together contributed to more persistent inflationary pressures. Fixed income markets began pricing in higher peak policy interest rates, realizing that central banks would need to take aggressive measures to curb inflation even at the expense of growth.

Central banks faced a difficult dilemma as they attempted to balance their credibility in tackling inflation with the potential of exacerbating vulnerabilities within the economy by implementing additional interest rate hikes.

Towards the end of fiscal 2023, some U.S. regional banks came under immense pressure, spurred by fleeing depositors and asset-liability mismatches which came to light as interest rates rose. U.S. authorities, including its central bank, acted swiftly to calm markets by making depositors whole, stating their intent to ensure that the banking challenges did not become systemic. While the banking sector challenges are better contained now, additional challenges as policy rates level off and recession risks mount could cause additional pockets of stress in the global economy. The strength of the U.S. dollar helped to buoy global equity returns (MSCI World ex-Canada) once translated back into Canadian dollar terms, which ended the fiscal year slightly positive.

## INDEX RETURNS<sup>1</sup> (%)

April 1, 2022 – March 31, 2023



<sup>1</sup> Index returns are total return, including dividend re-investment and net withholding taxes, where applicable.



# Investment Returns

BCI delivered robust performance amid market volatility, outperforming the benchmark by 3.2 per cent and adding \$4.6 billion in value add for combined pension plan clients<sup>1</sup>.

In the fiscal year ending March 31, 2023, the combined pension plan portfolio<sup>1</sup> (representing BCI's six largest pension plan clients) had an annual return of 3.5 per cent, net of all fees, representing \$4.6 billion of value-added activity. All asset classes contributed positively to the return, with significant gains provided by private equities and infrastructure & renewable resources.

On a relative basis, all of BCI's asset classes exceeded their one-year benchmarks.

Our clients have long-term obligations, and multi-year results are the best measure of BCI's performance. Over the 10-year period, BCI generated an annualized return of 8.5 per cent against a benchmark of 7.2 per cent. This outperformance represents \$16.3 billion of cumulative value-added activity.

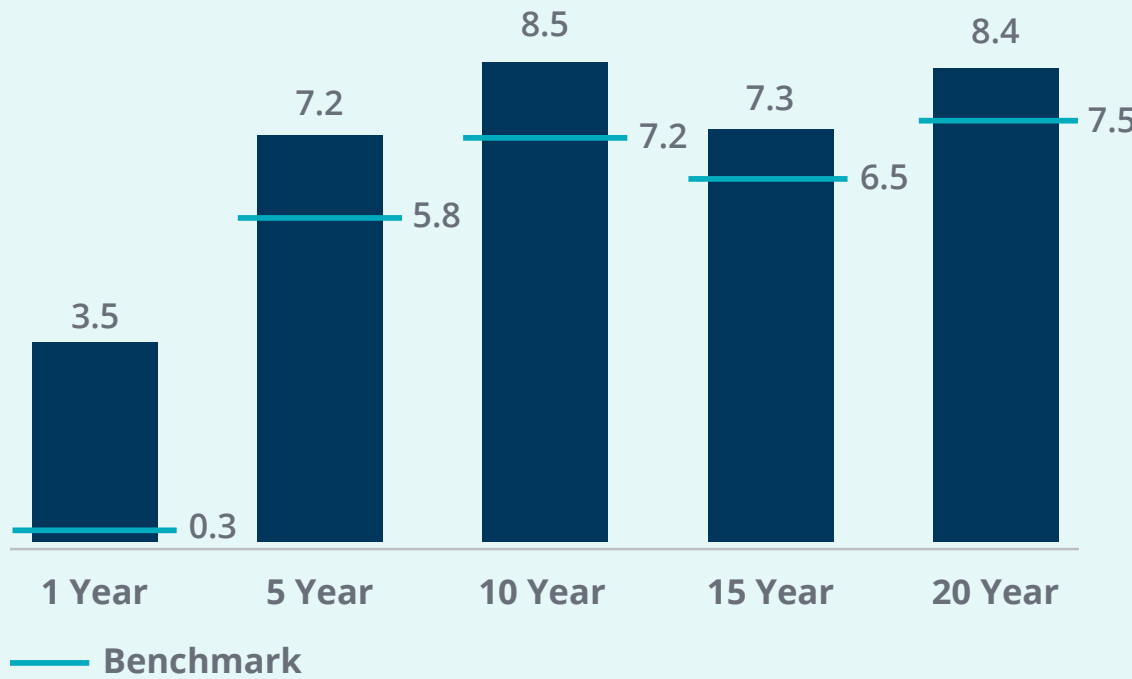
Over the 20-year period, BCI generated an annualized return of 8.4 per cent against a benchmark of 7.5 per cent. BCI outperformed the benchmark by 0.9 per cent, representing \$19.5 billion of cumulative added value for our clients.

BCI's longer-term returns exceed the required actuarial rates of return for all major pension plan clients. As a result, our pension clients' most recent funding ratios vary from 103 per cent to 133 per cent.

Our fiscal year end is March 31 and assets under management are reported for the same period. BCI's public markets assets are valued as at March 31 and returns for the programs reflect the same period. Due to lags in valuation updates, private market assets are fully valued only at December 31 and internal rates of return for the programs reflect the calendar year.

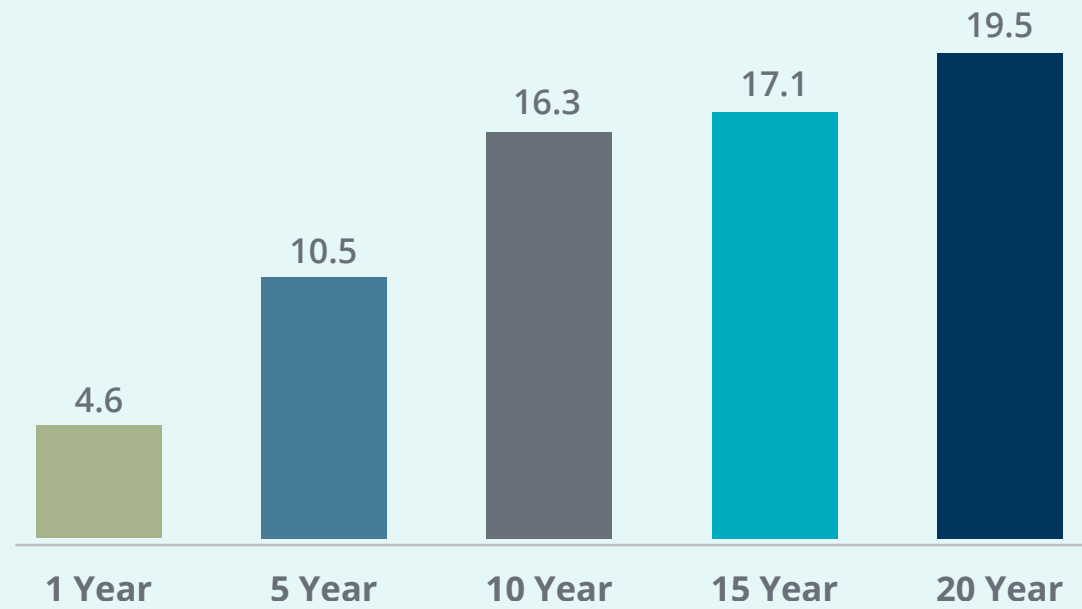
## BCI'S ANNUALIZED PENSION RETURNS<sup>1,2</sup> (%)

For the periods ended March 31, 2023



## CUMULATIVE VALUE ADDED BY BCI<sup>1</sup> (\$ BILLION)

For the periods ended March 31, 2023



Value-add is the additional return in dollars BCI generated for clients in excess of client benchmarks through active investments and excluding the impact of centralized currency management program, after all costs and fees.

<sup>1</sup> The Combined Pension Plan Clients reflect the investments of BCI's six largest pension plan clients, namely: BC Hydro Pension Plan; College Pension Plan; Municipal Pension Plan; Public Service Pension Plan; Teachers' Pension Plan; and WorkSafeBC Pension Plan.

<sup>2</sup> Includes the impact of centralized currency management program, where set.





ASSETS UNDER MANAGEMENT

A comparison of the combined pension plan clients<sup>1</sup> AUM vs BCI's total AUM for the year ended March 31, 2023

	COMBINED PENSION (\$ BILLION)	BCI TOTAL (\$ BILLION)
PUBLIC MARKETS		
Fixed Income	44.9	63.6
Public Equities	46.5	60.9
Private Debt	11.4	13.5
Other Strategies <sup>2</sup>	0.7	0.4
PRIVATE MARKETS		
Real Estate Equity <sup>3</sup>	29.2	36.1
Private Equity	25.4	28.3
Infrastructure & Renewable Resources	18.6	22.3
Real Estate Debt <sup>3</sup>	6.0	7.9
TOTAL GROSS AUM	182.7	233.0
BCI's funding program <sup>4</sup>	(15.9)	(18.0)
TOTAL NET AUM	166.8	215.0

<sup>1</sup> The Combined Pension Plan Clients reflect the investments of BCI's six largest pension clients, namely: BC Hydro Pension Plan; College Pension Plan; Municipal Pension Plan; Public Service Pension Plan; Teachers' Pension Plan; and WorkSafeBC Pension Plan.

<sup>2</sup> Other strategies include cash and centralized currency management program.

<sup>3</sup> Real estate equity and real estate debt are managed by QuadReal Property Group (QuadReal). Gross assets under management are shown net of leverage issued by QuadReal.

<sup>4</sup> Includes clients' investment liabilities achieved through government bond repurchase agreements managed by BCI's funding program.

# Combined Pension Plan Returns: Public Markets<sup>1</sup>

	ANNUALIZED RETURNS (%)				
	1 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR
PUBLIC MARKETS					
Fixed Income					
Short-Term	5.8	1.5	1.4	1.8	2.4
Benchmark	5.9	1.6	1.2	1.2	1.8
Nominal Bonds	(2.1)	1.4	2.4	3.6	4.4
Benchmark	(2.9)	1.0	1.9	3.2	4.1
Private Debt <sup>2</sup>	4.6	-	-	-	-
Benchmark	2.1	-	-	-	-
Other Strategies <sup>3</sup>	3.0	-	-	-	-
Public Equities					
Canadian Public Equity	(3.1)	8.9	8.2	6.2	9.2
Benchmark	(5.2)	8.8	7.8	5.7	8.9
Global Public Equity	2.3	9.2	12.3	8.8	9.3
Benchmark	0.9	9.1	12.2	9.1	9.1
Emerging Markets Public Equity	0.3	1.4	5.6	5.4	-
Benchmark	(3.2)	0.1	5.0	3.6	-

Except as otherwise indicated, returns are time-weighted rates of return (TWRR) as at March 31, 2023. All returns are net of all costs and fees.

Investments are reported by program within the asset classes as set out in the clients' Statement of Investment Policies & Procedures (SIPP). Benchmarks represent a weighted combination of multiple indices as specified in the clients' SIPP. The indices may vary over time.

<sup>1</sup> The Combined Pension Plan Clients reflect the investments of BCI's six largest pension clients, namely: BC Hydro Pension Plan; College Pension Plan; Municipal Pension Plan; Public Service Pension Plan; Teachers' Pension Plan; and WorkSafeBC Pension Plan.

<sup>2</sup> Includes a combination of both public and private assets.

<sup>3</sup> Other strategies include leverage liabilities.





# Combined Pension Plan Returns: Private Markets<sup>1</sup>

ANNUALIZED RETURNS (%)					
	1 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR
PRIVATE MARKETS					
Infrastructure & Renewable Resources <sup>2</sup>	9.2	9.2	9.7	10.2	-
Benchmark	6.4	6.8	7.2	7.5	-
Historical Infrastructure <sup>3</sup>	-	9.8	10.4	10.5	-
Benchmark	-	7.2	7.6	7.7	-
Historical Renewable Resources <sup>4</sup>	-	7.6	-	-	-
Benchmark	-	7.0	-	-	-
Private Equity <sup>2</sup>	4.7	18.3	18.8	14.5	13.4
Benchmark	(10.4)	8.9	13.4	11.9	11.4
Real Estate Equity <sup>2,5</sup>	7.2	-	-	-	-
Benchmark	6.9	-	-	-	-
Historical Domestic Real Estate <sup>6</sup>	-	6.4	7.8	9.5	-
Benchmark	-	5.6	5.7	5.8	-
Historical Global Real Estate <sup>7</sup>	-	11.5	7.1	7.9	-
Benchmark	-	5.7	5.6	5.7	-
Real Estate Debt <sup>5</sup>	4.6	4.5	4.4	5.0	5.4
Benchmark	3.3	3.0	2.7	3.4	3.9

Except as otherwise indicated, returns are time-weighted rates of return (TWRR) as at March 31, 2023. All returns are net of all costs and fees. Investments are reported by program within the asset classes as set out in the clients' Statement of Investment Policies & Procedures (SIPP). Benchmarks represent a weighted combination of multiple indices as specified in the clients' SIPP. The indices may vary over time.

<sup>1</sup> The Combined Pension Plan Clients reflect the investments of BCI's six largest pension clients, namely: BC Hydro Pension Plan; College Pension Plan; Municipal Pension Plan; Public Service Pension Plan; Teachers' Pension Plan; and WorkSafeBC Pension Plan.

<sup>2</sup> An internal rate of return methodology is used to calculate returns for infrastructure & renewable resources, private equity, and real estate equity. The assets and benchmarks are as at December 31, 2022. Benchmarks are presented on a TWRR basis.

<sup>3</sup> On January 1, 2020, the infrastructure and renewable resources programs were consolidated into the infrastructure & renewable resources program. Historical returns for the infrastructure program are as at December 31, 2019 and are presented on an IRR basis. Benchmarks are presented on a TWRR basis.

<sup>4</sup> On January 1, 2020, the infrastructure and renewable resources programs were consolidated into the infrastructure & renewable resources program. Historical returns for the renewable resources program are as at December 31, 2019 and are presented on an IRR basis. Benchmarks are presented on a TWRR basis.

<sup>5</sup> Real estate equity and real estate debt are managed by QuadReal Property Group.

<sup>6</sup> On April 1, 2019, the domestic and global real estate programs were consolidated into the real estate equity program. Historical returns for the domestic real estate program are as at March 31, 2019 and are presented on a TWRR basis.

<sup>7</sup> On April 1, 2019, the domestic and global real estate programs were consolidated into the real estate equity program. Historical returns for the global real estate program are as at December 31, 2018. Assets are presented on an IRR basis. Benchmarks are presented on a TWRR basis.



# Fixed Income

Fostering long-term value by allocating \$77.1 billion in global bond and private credit investments.

## OUR APPROACH

The program invests in a diverse range of products, including government and corporate bonds, as well as private debt investments. Our strategies include duration, yield curve, and credit spread positioning with a focus on sector and security selection. The private debt program provides exposure to opportunities in Canada, the United States, and Europe through our partnerships with private debt managers. BCI's funding program – which raises and manages borrowed capital, also called leverage, to buy investments for participating clients – is also part of the fixed income program.

Bond issuers within our pools are assessed and reviewed continuously for credit and default risk. We use internally and externally produced credit ratings to assess credit risk, and we integrate ESG factors into our investment analysis and decision-making processes.

We are developing capacity for unsecured debt issuance to strengthen BCI's funding program as it continues to deliver leverage exposure for clients using leverage in their strategic asset mix. Unsecured funding will remove asset mix constraints related to government bond exposure and strengthen the funding program through diversification. Client participation in the funding program has been stable throughout the year.

Moreover, BCI has significantly expanded access to fixed income credit products and capabilities in recent years, notably through the Corporate Bond Fund and the Principal Credit Fund. Due to a shift in the profile of fixed income products that deliver clients the returns they require, clients have reallocated away from the Universe Bond Fund into our newer products. We expect the fund to be closed by the end of fiscal 2024.

Sustainable bonds are also an important component of our fixed income program. In 2021 we announced BCI's strategies in fixed income will lead to an estimated cumulative participation of \$5 billion in sustainable bonds by 2025. BCI invested in 22 issuances valued at over \$1.1 billion in fiscal 2023, increasing total historical participation to \$4.2 billion. About 48 per cent of these investments this fiscal year were in corporate bonds and the remainder was in sovereign, supranational, and agency credits.







### PERFORMANCE ANALYSIS

In their efforts to dampen inflation, global central banks continued to tighten monetary policy leading to a challenging fixed income environment. Global bond markets in the last fiscal year were overwhelmed by rising government bond yields and wider credit spreads, leading to one the worst bond market performances in many decades. The silver lining is that rising bond yields over the last two years have led to a refreshed fixed income environment where bonds now offer attractive yields, and can compete favourably with other asset classes.

**29.6%**  
of net assets under  
management

Over a one-year  
period outperformed  
the benchmark by  
**1.0%**

### CORPORATE BOND FUND

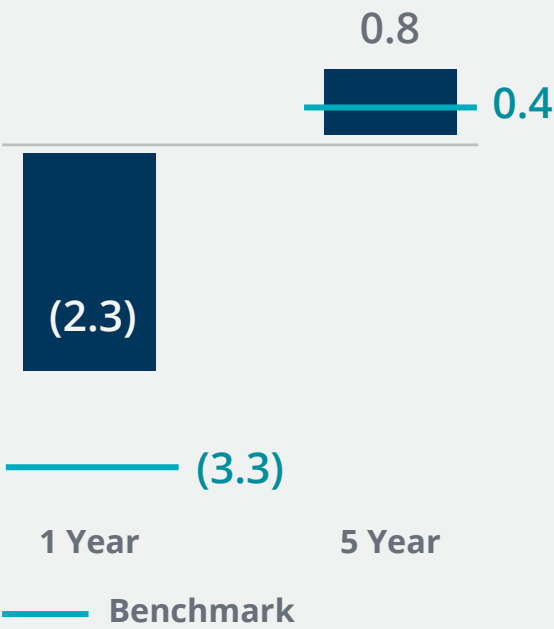
The Corporate Bond Fund primarily holds investment grade and high-yield corporate bonds issued in the United States and Canada. The fund aims to deliver strong absolute and relative returns over the long term through disciplined credit selection.

Over the last five years, the fund has delivered an annualized return of 3.4 per cent vs a benchmark return of 1.7 per cent, for an annualized added value of 1.7 per cent. On a one-year period, the fund outperformed with a return of (2.1) per cent, against a benchmark return of (4.7) per cent, which led to an added value of 2.6 per cent. Outperformance was due to defensive positioning, which included a quality bias in its credit holdings, and an allocation to cash and U.S. Treasuries.

The fund experienced modest outflows as clients accelerated their capital deployment to the Principal Credit Fund. The fund remains focused on attractive long-term opportunities while maintaining discipline with credit selection.

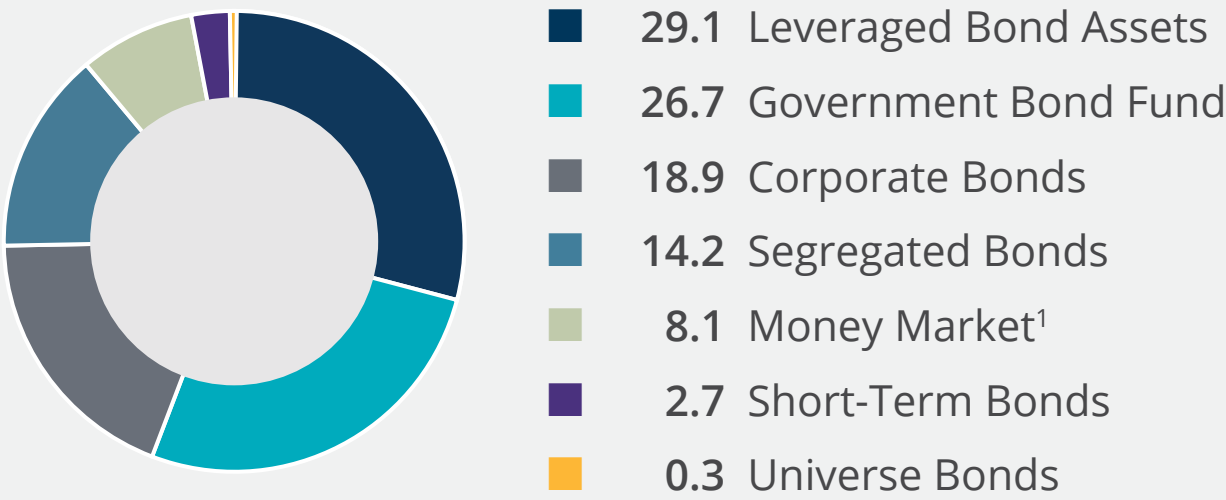
### FIXED INCOME PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended March 31, 2023



### FIXED INCOME PORTFOLIO ASSETS (%)

As at March 31, 2023



<sup>1</sup> The values presented above do not reflect certain pooled funds held within other asset classes. As at March 31, 2023 this amounted to approximately \$0.7 billion in money market funds and \$26.5 billion in floating rate funds .





## PRIVATE DEBT

Performance in the Principal Credit Fund was positive in contrast to the negative performance of most fixed income assets. Credit performance remained strong with no defaults in the portfolio. Primarily comprised of floating rate loans, the fund benefitted from the steady increase in base rates throughout the year. Spread widening was positive for the fund, and lead to an overall higher portfolio yield. New loans added to the portfolio were selected for their superior credit quality and return profile. On a one-year period, the fund generated positive returns of 4.6 per cent, and outperformed the benchmark by 2.5 per cent.

The fund continued its focus on adding senior secured loans to private equity sponsors with premium spreads. The competing syndicated loan market scaled back in activity, which allowed BCI and its strategic partners in the direct lending market to find very attractive opportunities to deploy, with all-in rates of over 10 per cent.

**6.3%**  
of net assets under  
management

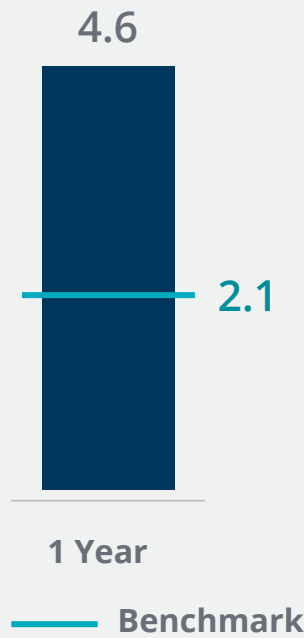
Over a one-year  
period outperformed  
the benchmark by  
**2.5%**

## FIXED INCOME HIGHLIGHTS

- > Substantially wound down the Universe Bond Fund (UBF), having started the fiscal year with assets under management of \$8.6 billion and finishing the year at \$154 million. The UBF was created in April 2006 and was BCI's flagship bond fund up until the last few years. It has a focus on the universe of government and investment-grade bond issuers in Canada. Since inception, the fund has provided effective risk-adjusted returns – providing an annualized return of 4.6 per cent as compared to a benchmark return of 2.7 per cent – delivering annually 1.9 per cent of added value.
- > Established a reputation as a leading institutional provider of capital to the direct lending market. In less than five years, BCI has grown the private debt portfolio to \$13.5 billion as at the end of the fiscal year.
- > Provided a commitment in excess of USD\$400 million to the financing of Maxar Technologies in the Principal Credit Fund.
- > Invested in 22 new issues of sustainable bonds valued at over \$1.1 billion, bringing total historical participation in sustainable bonds to \$4.2 billion at March 31, 2023. We expect our strategies in fixed income will lead to an estimated cumulative participation of \$5 billion in sustainable bonds by 2025.

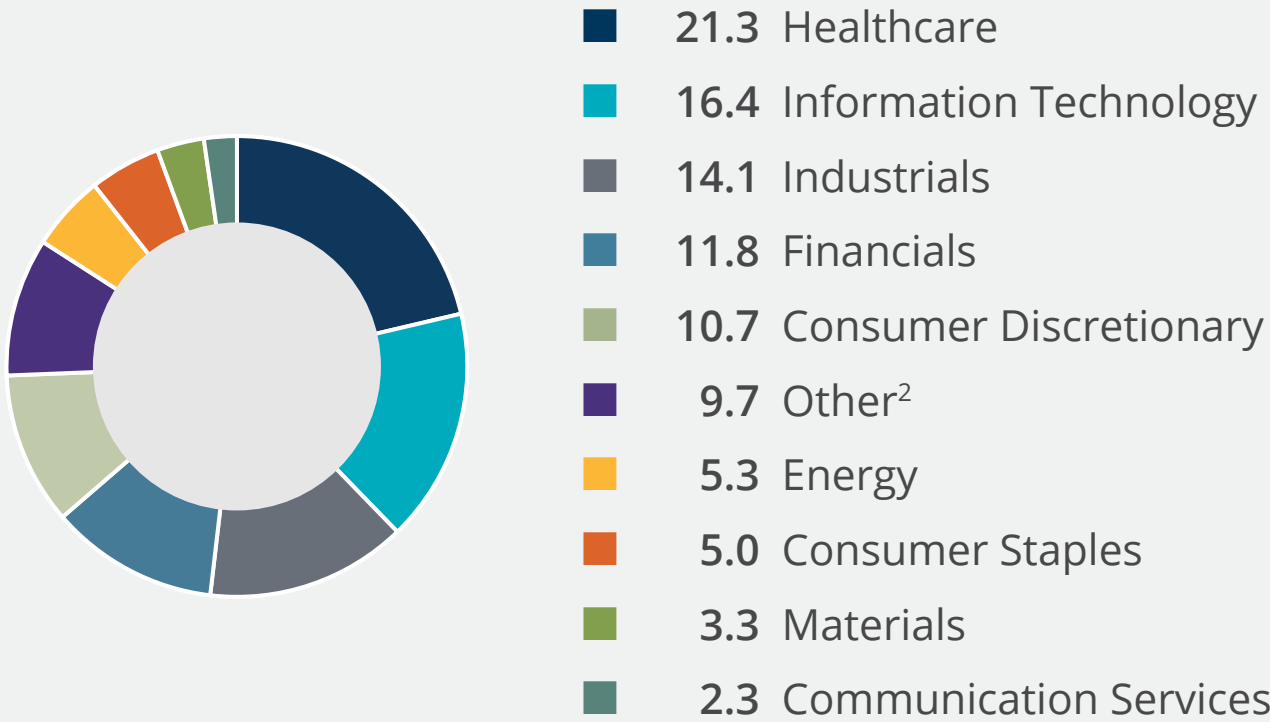
## PRIVATE DEBT PROGRAM PERFORMANCE (%)

Annualized return for the period ended March 31, 2023



## PRIVATE DEBT PORTFOLIO ASSETS (%)

As at March 31, 2023<sup>1</sup>



<sup>1</sup> Values do not sum to 100 per cent due to rounding.

<sup>2</sup> Other includes Not Classified, Utilities, and Real Estate.



# Public Equities

Invested in a diverse, \$60.9 billion portfolio of global securities.

## OUR APPROACH

Our internally managed programs include actively managed equity portfolios that seek to outperform their benchmarks, as well as cost-effective indexing strategies designed to track the performance of well-diversified equity indices.

Since 2018, we have launched five diversified investment strategies that are more cost effective for our clients, while improving prospects for risk-adjusted returns, and provide better alignment with our clients' objectives and delivering sustainable value. Over the last five years, the amount of actively managed internal equities has grown by over 190 per cent, or \$14.4 billion, with a focus on opportunities to invest directly in public companies.

Our diverse investment and risk management strategies, and long-term investment horizon give us the flexibility necessary to perform in volatile markets. Active management allows us to better assess and engage on ESG factors which we integrate in our analysis to strengthen our investment and risk management strategies. We continue to use external managers where appropriate.

## PERFORMANCE ANALYSIS

Macro forces dominated the public equity markets over the fiscal year. The continuing impacts of the Russian invasion of Ukraine, the ongoing pandemic, and the reopening of the Chinese economy following the end of COVID-19 lockdowns led to a difficult market. While the geopolitical events were significant, most impactful to equity markets were the efforts by central banks to rein in inflation. The rapid escalation in interest rates dampened equity returns. Still, BCI's public equities performance beat benchmark results due to our focus on investing in high-quality companies that will prosper over the long term.

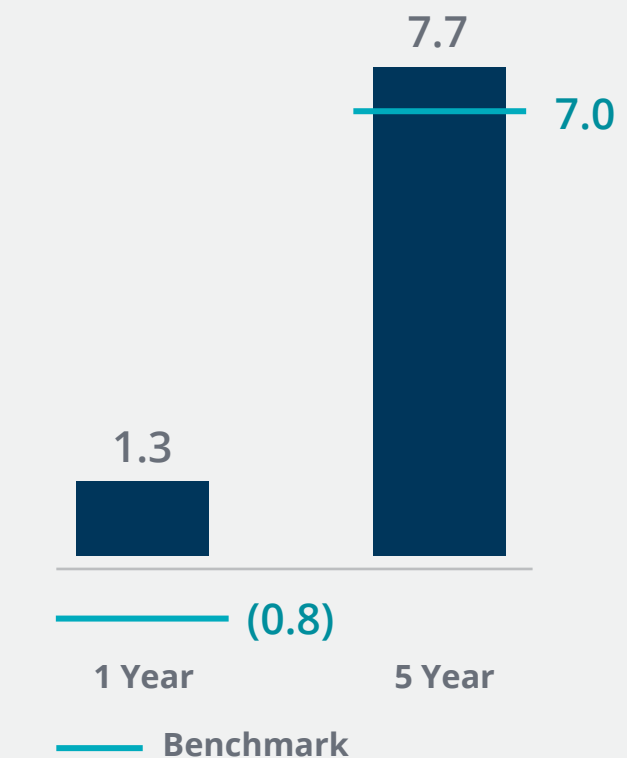
**28.3%**  
of net assets  
under management

Over a one-year  
period outperformed  
the benchmark by

**2.1%**

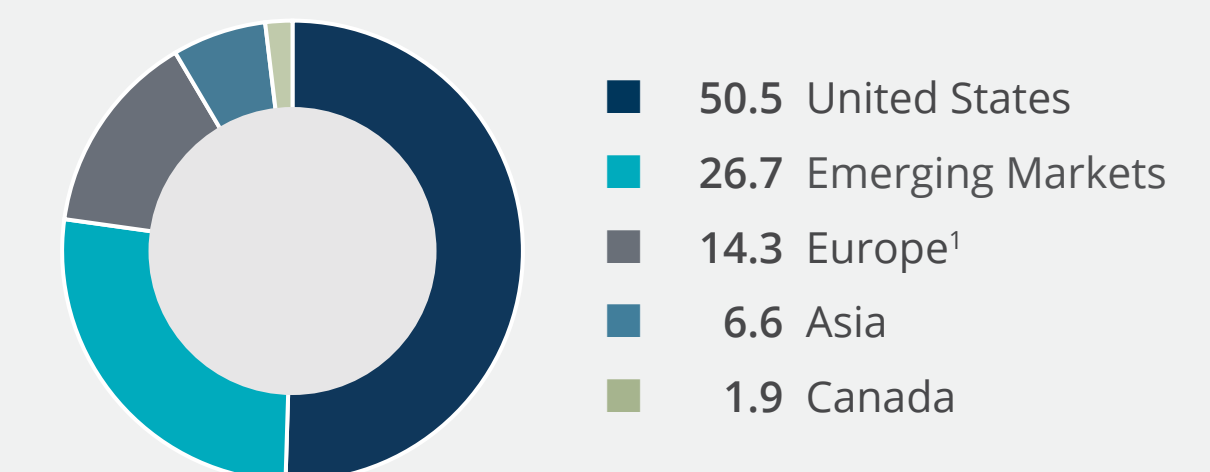
## PUBLIC EQUITIES PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended March 31, 2023



## GLOBAL DISTRIBUTION OF PUBLIC EQUITIES PROGRAM (%)

As at March 31, 2023



<sup>1</sup> Europe includes the United Kingdom





## GLOBAL THEMATIC FUND

The Global Thematic Fund is positioned to deliver long-term growth driven by persistent macro trends in technological, economic, political, and sustainability themes. Growth-oriented companies held in the portfolio were negatively affected by the rising interest rates worldwide. Despite this headwind, the fund generated a positive return of 5.1 per cent outperforming the benchmark, which returned 1.0 per cent, by 4.1 per cent over a one-year period. Key positive contributors were strong stock selection in the consumer discretionary and industrial sectors as well as the reopening of the Chinese economy in the second half of the year. Over a five-year period, the fund continues to generate strong performance, returning 10.2 per cent against the benchmark of 9.1 per cent.

## CANADIAN FUNDAMENTAL (LARGE CAP)

The Active Canadian Equity Fund leverages our in-depth knowledge of the Canadian equity market to invest in high-quality companies that compound returns over the long term. Over a one-year period, the fund performed well against the benchmark returning (0.8) per cent versus the benchmark at (5.2) per cent. Outperformance was led by the financials and industrials sector and our strong stock selection. Conversely, the underweight position in the consumer staples sector and our holdings in the utilities sector detracted from overall performance as interest rates rose. Over longer time periods, the fund has a solid long-term track record, outperforming the benchmark by 1.6 per cent over a five-year period and 1.7 per cent over a ten-year period. The fund has been carefully positioned for resiliency as economic activity slows.

## GLOBAL FUNDAMENTAL

The Active Global Equity Fund seeks to invest globally in high-quality companies with modest valuations. In 2020, we launched an internal, actively managed portfolio, capitalizing on our in-house expertise. The internal, actively managed portfolio performance was strong in the year, with returns of 3.5 per cent against the benchmark returns of 1.0 per cent, adding 2.5 per cent of value. Since inception, this actively managed portfolio has outpaced the benchmark by 1.0 per cent on an annualized basis. The key to the portfolio's success has been resiliency in declining markets. This is the result of careful risk management, and focusing on high-quality companies that perform better in economic downturns while still positively compounding financial results over the long term.

## PUBLIC EQUITIES HIGHLIGHTS

- > Continued to be a leading equity investment manager during markets that have been challenged in both direction and volatility. Eight of nine of our internal strategies outperformed relative to their benchmarks. Our investment process targets the protection of client capital, and the past year was evidence we uphold this approach.
- > Implemented new technology and systems to strengthen our internally managed equities capabilities to allow for research insights to be more widely and efficiently shared within the organization. The Quantitative Equity team deployed natural language processing and artificial intelligence to derive insights into stock performance based on analysis of company documents and other public sources.

- > Successfully deployed \$960 million in the Global Emerging Markets Fund in a volatile environment. Despite transaction costs and the shifting geopolitical landscape, the internal Global Emerging Markets fund has outperformed by 2.4 per cent since its launch in April 2022.
- > Added to our absolute return strategies program with \$2.9 billion in commitments and \$1.9 billion gross deployments, bringing total commitments and net deployments to \$6.9 billion and \$4.7 billion, respectively. These new deployments include \$971 million in funds and \$851 million in co-investments. Over \$200 million was deployed throughout Europe, diversifying the portfolio into global market opportunities.
- > Delivered downside protection for our clients through the Global Partnership Fund (GPF). The GPF provides clients exposure to absolute return investment strategies and of the 41 months since BCI's first absolute return investment, 16 were negative for global equities, with the index returning a negative cumulative return of (44.6) per cent during those months. In contrast, our absolute return investments delivered 20.5 per cent cumulative returns during those months and only delivered negative performance during three of the 16 months. BCI's absolute return strategies have grown to over \$5 billion, net asset value with total investments in over 30 funds and more than 23 co-investments.



# Infrastructure & Renewable Resources

Overseeing \$22.3 billion of long-term capital invested in essential assets across the globe.

## OUR APPROACH

The objective of the program is to generate stable returns over the long term while maintaining a low to moderate risk portfolio, with an investment horizon typically exceeding 20 years. Our investments are made on a global scale in companies that promote economic and community growth, while protecting against market fluctuations. These companies may have reliable cash flows, strong market support, or be involved in initiatives related to thematic areas that present growth opportunities, such as climate change and digitalization.

Our portfolio consists of essential services in regulated utilities (electricity, gas, water, and wastewater), transportation assets (including roads, rail, and port terminals), power (hydroelectric, wind, biomass, and solar), and telecommunications. We also hold select investments in timberlands, farmlands, and agri-businesses.

Our approach involves direct ownership of companies and assets, which empowers our professionals to drive long-term value and align the strategies and actions of our portfolio companies with the interests of BCI and our clients. We focus on meaningful ownership positions that enable us to actively exercise governance. Our team works closely

with portfolio companies to manage current and emerging risks and take advantage of global trends, such as the green energy transition.

We are expanding our investible universe by developing our capabilities to invest in publicly-listed infrastructure, which will diversify the portfolio across various sectors and geographies. Furthermore, we continue to explore opportunities in infrastructure debt to complement our holdings and deliver additional value and diversification to our clients.

## PERFORMANCE ANALYSIS

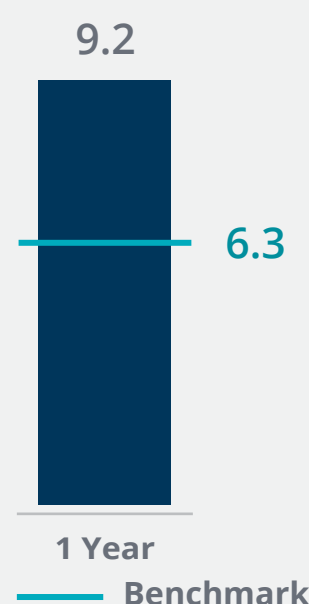
In 2022, the program continued to significantly outperform, with a return of 9.2 per cent against its benchmark of 6.3 per cent. The primary drivers were strong distributions, mostly from our utility assets, and strong capital appreciation generated through operational outperformance, as well as market transactions and positive currency movements.

Deal activity was robust in 2022, with several of our assets marked to the market transaction values, which generated a material valuation increase.

While the overall increase in interest rates across the globe put pressure on our assets, approximately half of the investments in the portfolio are regulated utilities, which are comparatively resilient to market fluctuations and inflationary pressures.

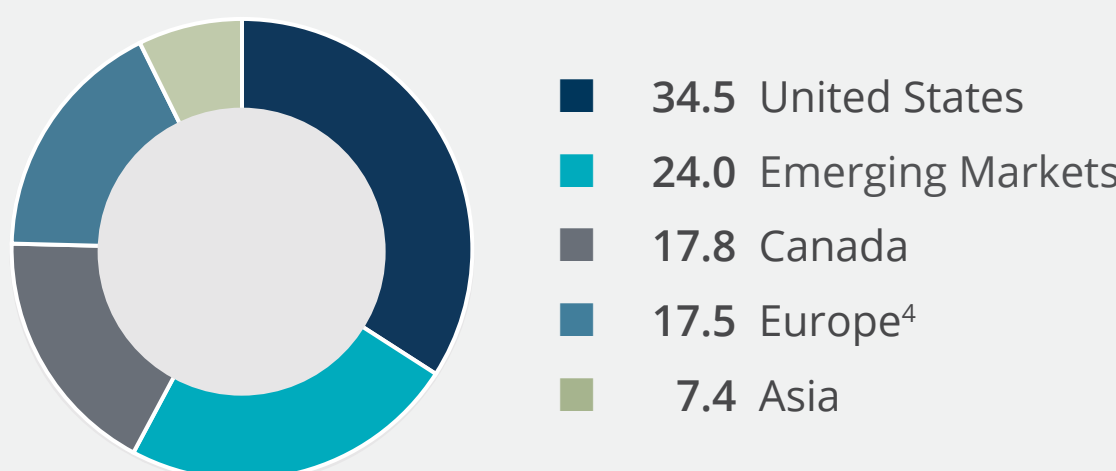
## INFRASTRUCTURE & RENEWABLE RESOURCES PROGRAM PERFORMANCE (%)

Annualized return for the period ended December 31, 2022<sup>1</sup>



## GLOBAL DISTRIBUTION OF INFRASTRUCTURE & RENEWABLE RESOURCES PROGRAM (%)

As at December 31, 2022<sup>2,3</sup>



<sup>1</sup> Returns for the program are calculated on an internal rate of return basis and benchmarks are presented on a TWRR basis.

<sup>2</sup> Assets in the infrastructure & renewable resources program are valued annually at December 31.

<sup>3</sup> Values do not add up to 100 per cent due to (1.2) per cent allocated to Other. Other includes unrealized currency hedging contracts.

<sup>4</sup> Europe includes the United Kingdom.





Russia’s invasion of Ukraine early in 2022 had a global impact. BCI has limited exposure to Russia-Ukraine within the infrastructure & renewable resources portfolio. Much of the risk in our portfolio has been mitigated by reducing operations in the region and sourcing natural gas from alternative regions. We continue to carefully monitor the impact of the conflict on our portfolio companies that may still be impacted by the conflict.

Overall, the portfolio is well-positioned against potential market and global volatility, and inflation-sensitivity.

**HIGHLIGHTS**

- > Deployed more than \$4.0 billion in client capital across a diverse spectrum of new investments, which includes follow-on investments, new platforms, and funds.
- > Benefitted from another year of strong demand for consumer goods during the COVID-19 pandemic, which led to supply chain disruptions. As a result, our North American port assets experienced favourable contract renewals, higher volumes, and higher revenues. These trends are expected to normalize in the coming year.
- > Invested in businesses that play an important role in decarbonizing electricity grids around the world, as electricity demand grows due to rising electrification. In the context of stronger national climate policies and clean energy goals, these investments help BCI to be better positioned to adapt to the world of tomorrow and to deliver strong results for our clients in the future.

Notable investments include: Reden Solar, which develops, builds, and operates solar power plants across Europe and Latin America; and, Eku Energy, a large-scale, global battery storage platform.

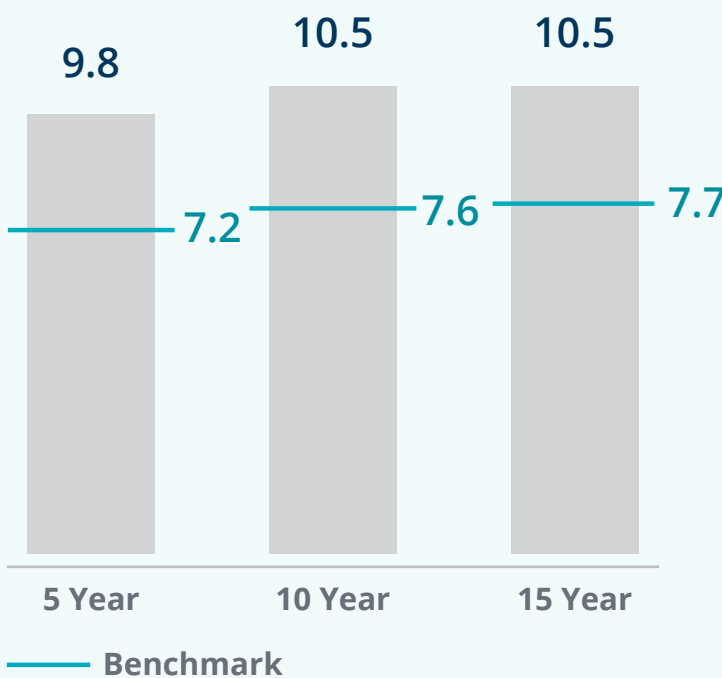
- > Strengthened our internal ESG capabilities with the hiring of a new Director of ESG, who will help the team refine and implement a decarbonization and climate transition strategy.
- > As part of a consortium, completed the acquisition of majority stake in National Gas Transmission, a U.K. regulated utility. National Gas Transmission is an essential asset that provides the safe, reliable, and affordable transportation of gas needed to heat homes, power industry, and generate electricity in the U.K. BCI will continue to work with our partners to embark National Gas Transmission on a path of decarbonization while offering reliable services to its customers. The investment is expected to play an important role in the U.K.’s energy transition.

**10.4%**  
of net assets  
under management

Over a one-year  
period outperformed  
the benchmark by  
**2.9%**

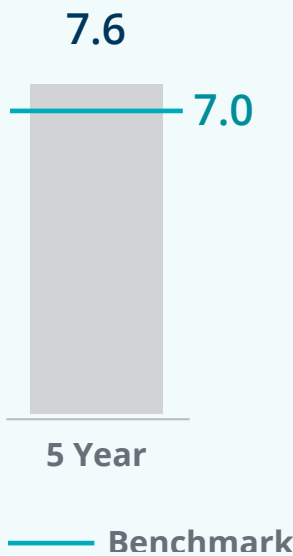
**HISTORICAL INFRASTRUCTURE PROGRAM  
PERFORMANCE (%)**

Annualized returns for the periods ended December 31, 2019<sup>1</sup>



**HISTORICAL RENEWABLE RESOURCES PROGRAM  
PERFORMANCE (%)**

Annualized return for the period ended December 31, 2019<sup>2</sup>



<sup>1</sup> On January 1, 2020, the infrastructure and renewable resources programs were consolidated into the infrastructure & renewable resources program. Historical returns for the infrastructure program are presented on an internal rate of return basis and benchmarks are reported on a TWRR basis.

<sup>2</sup> On January 1, 2020, the infrastructure and renewable resources programs were consolidated into the infrastructure & renewable resources program. Historical returns the renewable resources program are presented on an internal rate of return basis and benchmarks are reported on a TWRR basis.



# Private Equity

Actively managed global portfolio of \$28.3 billion in privately held companies and funds with attractive growth potential.

## OUR APPROACH

For over two decades, BCI has invested in private equity. Our program is diversified by geography and sector through direct investments in companies and externally managed funds. The program makes significant minority and control direct investments globally, across a wide variety of industries. The proportion of capital allocated to direct investments has grown substantially resulting in strong returns and significant fee savings for clients. While fund investments remain crucial for diversification, direct deal sourcing, and generating risk-adjusted returns, direct investments offer significant governance rights and opportunities for collaboration with management teams on strategic, operational, and financial matters, including ESG.

The program approaches the market by sector. Investment opportunities primarily originate and are managed in collaboration with strategic partners with a focus on aligning interests between shareholders and management, long-term value creation, and active governance to drive returns. Sectors include: business services; consumer; financial services; healthcare; industrials; and technology, media, and telecommunications.

## PERFORMANCE ANALYSIS

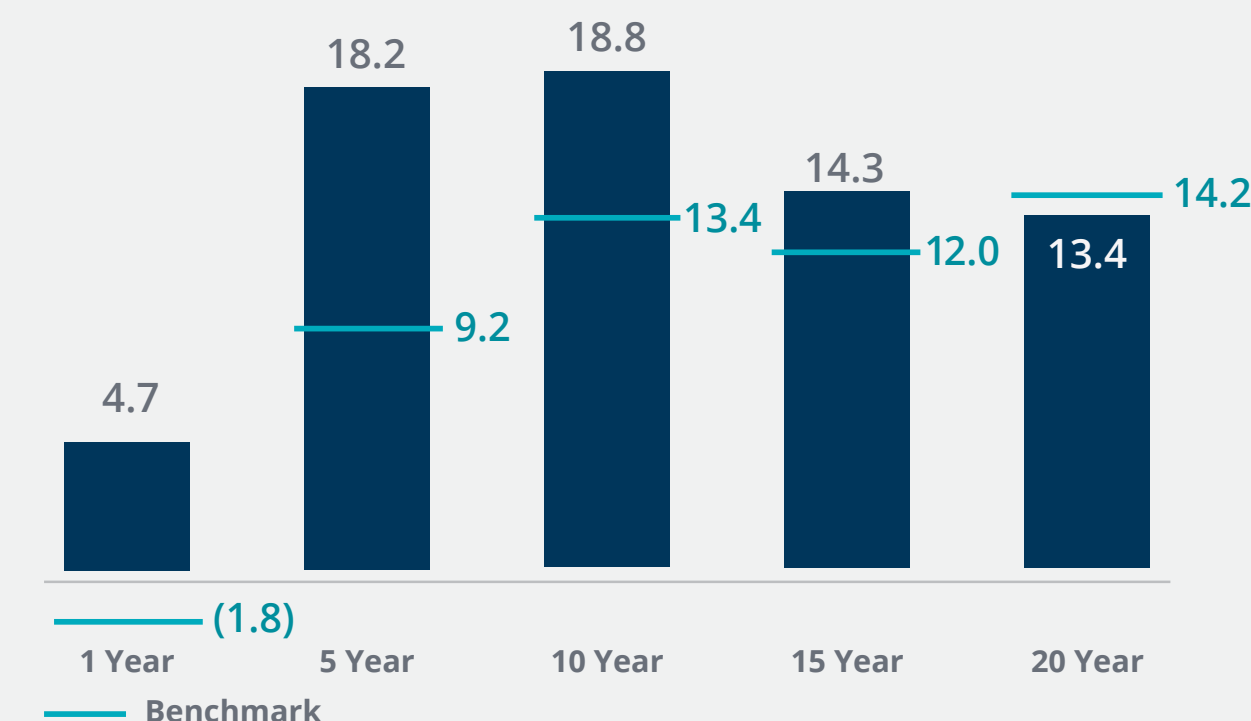
The nature of private equity investments is long term, and although we report results annually, in our view, a five-year period is more suitable for measuring performance. Over the last five-year period, the program achieved an annualized return of 18.2 per cent, surpassing the benchmark of 9.2 per cent, and generating approximately \$15.4 billion in value for our clients, \$8.9 billion more than the benchmark.

Both fund and direct investments exceeded their respective five-year benchmarks. In terms of one-year performance, the program exhibited strong relative performance, delivering a return of 4.7 per cent against a benchmark of (1.8) per cent.

We managed our portfolio thorough a challenging post-COVID-19 market environment. Availability of debt became scarce as banks pulled back their lending to buyout deals, forcing private equity buyers to find other sources of debt at a higher cost. Downward movement in private equity valuations lagged public markets in response, creating a gap between seller and buyer expectations. As a result, the ability to sell private equity companies greatly diminished and industry-wide distributions slowed. Some of these dynamics in the private equity industry remain today.

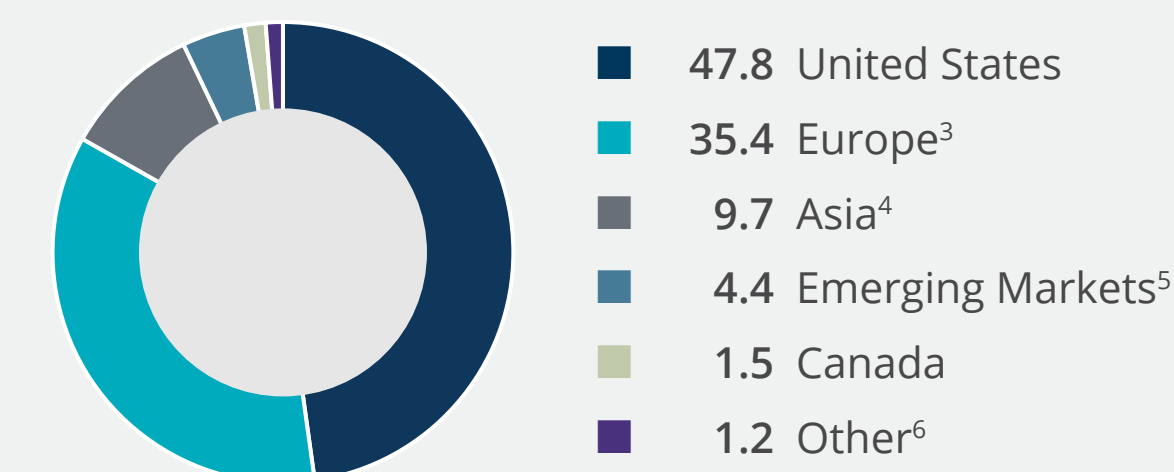
## PRIVATE EQUITY PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2022<sup>1</sup>



## GLOBAL DISTRIBUTION OF PRIVATE EQUITY PROGRAM (%)

As at December 31, 2022<sup>2</sup>



<sup>1</sup> Returns for the program are calculated on an internal rate of return basis and benchmarks are presented on a TWRR basis.

<sup>2</sup> Assets in the private equity program are valued annually at December 31.

<sup>3</sup> Europe includes the United Kingdom.

<sup>4</sup> Asia includes China and South Korea.

<sup>5</sup> Emerging Markets consist of 22 countries. Private equity exposure is primarily in India, Brazil, Turkey, and Poland.

<sup>6</sup> Other includes countries not listed in the MSCI Developed Markets and MSCI Emerging Market Indices.





## HIGHLIGHTS

- > Created approximately \$15.4 billion of value over the last five years, while returning \$20.5 billion in cash distributions to our clients.
- > In 2022, committed \$9.8 billion in overall capital to the private equity program, including \$3.7 billion to 14 direct investments including additional funding to existing investments. This was supported by cash distributions received from timely direct exits and secondary sales in 2021 and early 2022.
- > Committed to Maxar Technologies (Maxar), a global space technology and intelligence company. The transaction, completed in May 2023, is an example of a large-scale, cross-asset-class investment, alongside a long-standing strategic partner. BCI's private debt program participated in a separate underwriting process, diversifying our exposure across Maxar's capital structure. Headquartered in Colorado, U.S., Maxar's business is in high-resolution intelligence imagery of earth from space, with a space infrastructure arm that manufactures satellites for commercial markets.

- > Opened our New York office, and hired 13 investment professionals, which enabled us to allocate capital directly and optimally manage our existing investments.
- > In the past year, we also increased our focus on venture and growth (V&G) investments. We see V&G investments as potentially providing insights into disruptions to our core buyout businesses, as well as a source of return enhancement and added resiliency to our portfolio.

**13.1%**  
of net assets  
under management

Over a one-year  
period outperformed  
the benchmark by  
**6.5%**





# Real Estate Equity

\$36.1 billion net assets under management of real estate investments across the world.

## OUR APPROACH

QuadReal's expertise lies in managing Canadian properties and development opportunities while also investing in global cities and targeted asset classes. The portfolio is concentrated around real estate investments in the industrial and residential sectors, which offer attractive opportunities in areas like logistics and last-mile facilities, purpose-built rentals, student housing, manufactured home communities, and condominium developments. QuadReal's investments also include alternative properties, like data centres, self-storage, cold storage, and life sciences facilities.

QuadReal also delivers value to BCI's clients by initiating a build-to-core program in selected markets, and by owning global operating companies in high-conviction property sectors. QuadReal aims for resiliency through active asset allocation, developing next-generation real estate, and the flexibility to invest through either equity or debt in public or private markets. To minimize volatility, QuadReal maintains retail allocations below industry benchmarks, with most of the assets positioned or advanced for mixed-use densification.

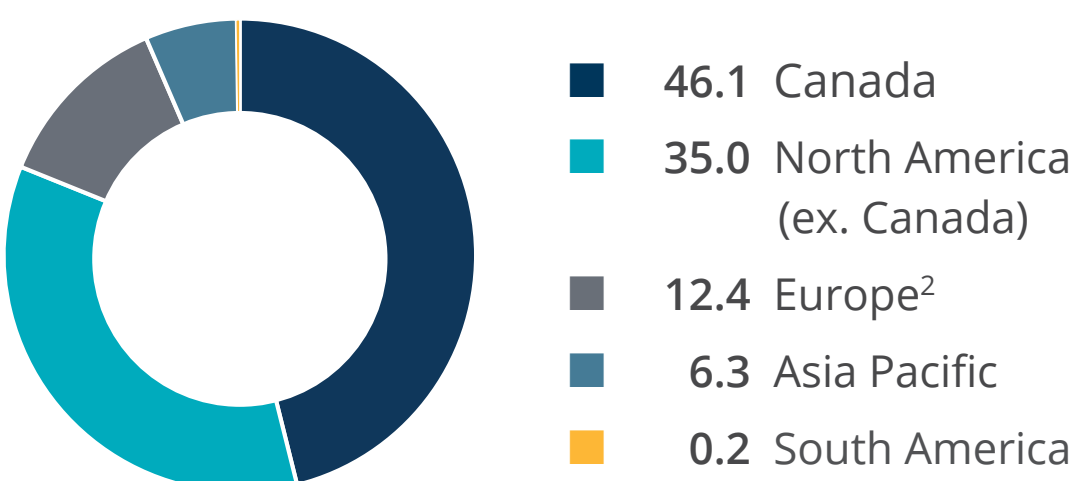
## PERFORMANCE ANALYSIS

Real estate equity assets grew by \$2.5 billion this year, representing 16.8 per cent of total net assets under management. On a one-year basis, real estate equity delivered a return of 7.1 per cent, outperforming the benchmark by 0.3 per cent.

Positive drivers include an overweight sector allocation to industrial, residential, and alternative assets, with geographic diversification that protected the portfolio from market volatility. Record low vacancy rates in Canada across most asset classes reflected positively in newly contracted rental rates, as did continued rent growth in certain sectors where demand outstripped supply.

## GLOBAL DISTRIBUTION OF REAL ESTATE EQUITY PROGRAM (%)

As at December 31, 2022



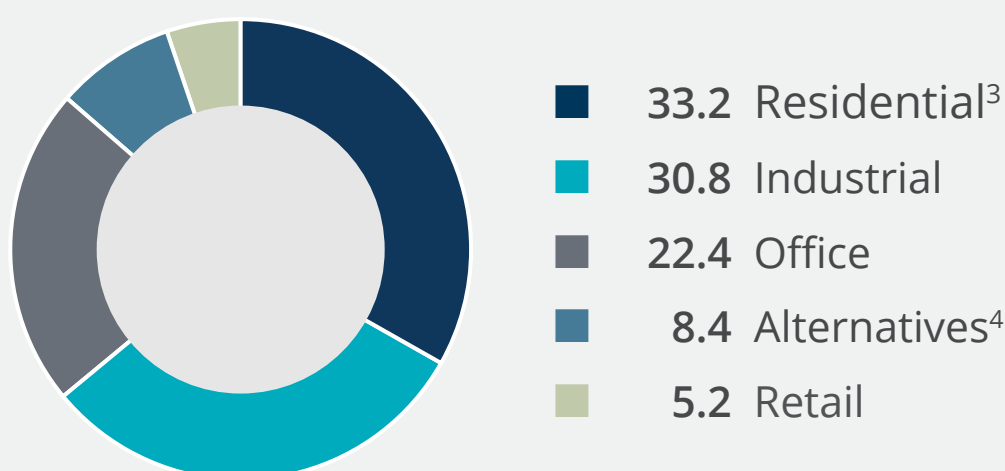
## REAL ESTATE EQUITY PROGRAM PERFORMANCE (%)

Annualized return for the period ended December 31, 2022<sup>1</sup>



## REAL ESTATE EQUITY HOLDINGS BY PROPERTY TYPE (%)

As at December 31, 2022



<sup>1</sup> Returns for the program are calculated as at December 31 on an internal rate of return basis and benchmarks are presented on a TWRR basis.

<sup>2</sup> Europe includes the United Kingdom.

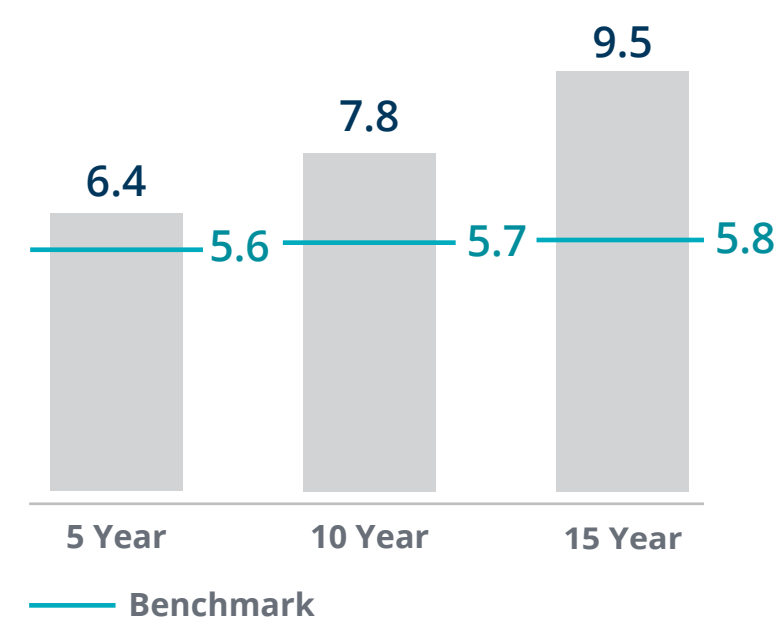
<sup>3</sup> Residential includes condominium, multi-family rental, student housing, and seniors housing.

<sup>4</sup> Alternatives include land, hospitality, technology, data centres, storage, health care, land lease and other.



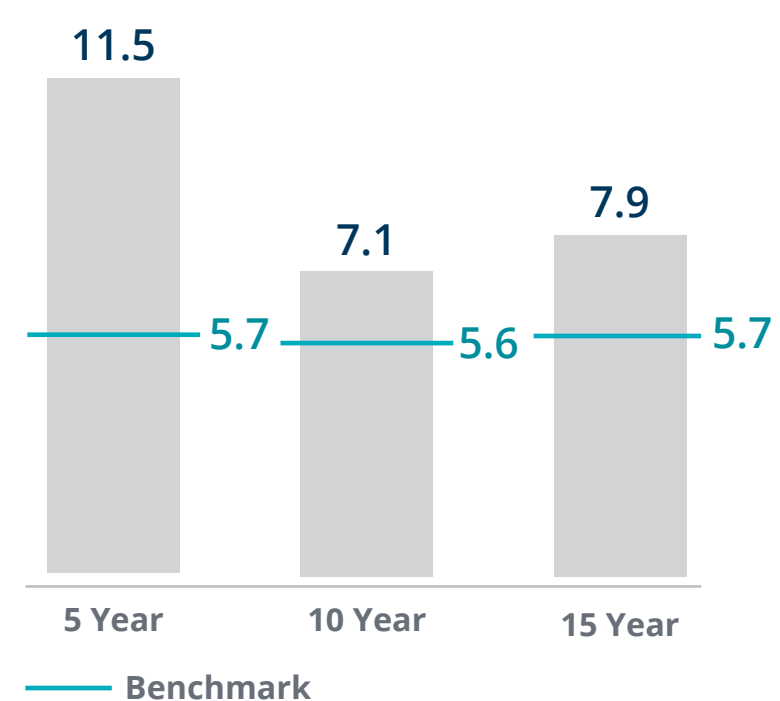
**HISTORICAL DOMESTIC REAL ESTATE PERFORMANCE (%)**

Annualized returns for the periods ended March 31, 2019<sup>1</sup>



**HISTORICAL REALPOOL GLOBAL PERFORMANCE (%)**

Annualized returns for the periods ended December 31, 2018<sup>2</sup>



<sup>1</sup> On April 1, 2019, the domestic and global real estate programs were consolidated into the real estate equity program. Historical returns for the domestic real estate program are presented on a TWRR basis.

<sup>2</sup> On April 1, 2019, the domestic and global real estate programs were consolidated into the real estate equity program. Historical assets for the global real estate program are presented on an IRR basis. Benchmarks are presented on a TWRR basis.

Moreover, QuadReal added value by securing attractive renewals with commercial tenants and generating strong rental growth in industrial properties with higher market rent lease-ups, allowing the portfolio to benefit from high occupancy levels and stable revenue. QuadReal is also managing industrial real estate assets in the United States, providing a direct relationship with tenants and an ability to add value by enhanced performance through their experience in service, management, and development.

Overall, net deployment for 2022 was \$3.5 billion, which was slightly higher than expected, while strategic disposition activity was focused on enhancing the resiliency of the portfolio.

**HIGHLIGHTS**

- Transitioned a \$2.5 billion bank credit facility to the largest sustainability-linked facility in Canada’s real estate sector, reflecting the continued growth and evolution of QuadReal’s sustainable financing program. The committed three-year sustainability-linked facility incorporates two sustainability-linked performance targets related to reductions in greenhouse gas intensity and energy usage.

**16.8%**  
of net assets  
under  
management

Over a one-year  
period outperformed  
the benchmark by  
**0.3%**

- Selected as the 2022 winner of the PREA (“Pension Real Estate Association”) Institutional Investor ESG Award, recognizing excellence in incorporating environmental, social, and governance factors into commercial real estate investing. Across QuadReal’s global portfolio, the team is actively applying ESG strategies, tools, and approaches relating to green certification, net-zero carbon, zero waste, health and well-being, accessibility, stakeholder engagement, data transparency, and climate risk mitigation.
- Honoured by two customer experience leaders with awards recognizing QuadReal’s commitment to service excellence. The Kingsley Excellence Award recognized 40 of QuadReal’s Canadian residential properties for having exceeded the Kingsley Index™ benchmark for overall prospect and resident satisfaction. The Reputation 800 Award recognized two of QuadReal’s residential properties in Vancouver and Toronto for putting customer experience at the very core of their strategy.



Photo: QuadReal – Alberta Labour Building, Edmonton, AB, Canada



# Real Estate Debt

Diverse loan portfolio of \$7.9 billion to generate income.

## OUR APPROACH

QuadReal is a major lender in the commercial real estate industry, specializing in direct real estate debt investments with resilient and attractive risk-return profiles. This strategy involves originating new loans for property types in which the team has a high level of confidence, stemming from extensive research. The primary focus is on residential and industrial projects, with investments diversified by lender profile and loan size.

The program targets fixed-term, construction, and mezzanine borrowers in Canada and the United States to optimize capital utilization. QuadReal's established Canadian program is supplemented by U.S. investments, which offer increased geographical and borrower diversification.

With the increase in construction and related costs, QuadReal carefully monitors the portfolio to ensure that borrowers' business plans remain on track. Construction loans are secured with various guarantees, and funds are only lent once the project is progressing. QuadReal actively manages upcoming loan maturities and collaborates with borrowers to capitalize on any emerging business opportunities and, if needed, manage and mitigate repayment risks.

## PERFORMANCE ANALYSIS

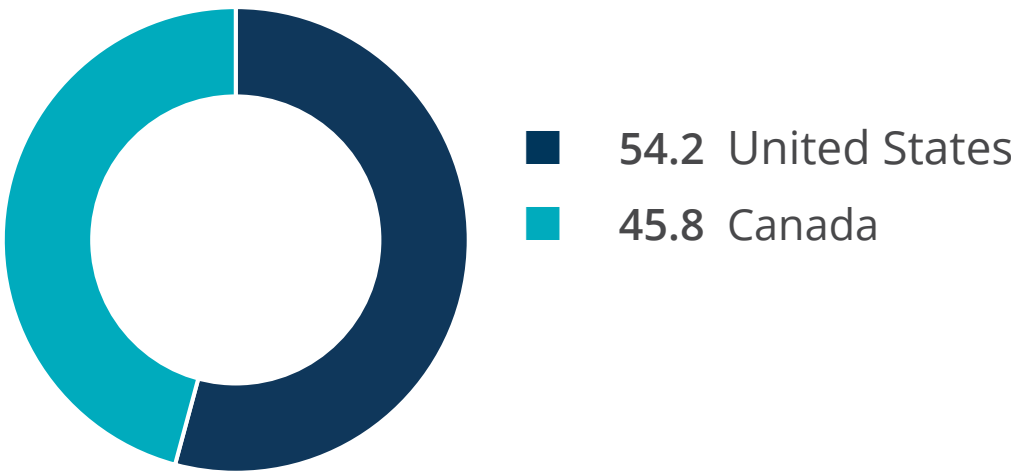
In 2022, QuadReal deployed \$1.1 billion in real estate debt, in line with expectations, with \$3.4 billion deployed before repayments. Deployments are anticipated to increase in 2023 due to favourable lending conditions, while early repayments are expected to moderate due to overall market conditions. The real estate debt program exceeded its benchmark, achieving a 3.1 per cent return.

As of December 31, 2022, Canada represents 46 per cent of QuadReal's allocation, purposely down from 56 per cent in 2019. The remainder is allocated in the United States, with an expected increase to 60 per cent by 2026.

As banks face increasing capital constraints and property valuations become uncertain, non-bank lenders like QuadReal are well-positioned to benefit from opportunities to fill out the capital structure through various financing structures including subordinated debt.

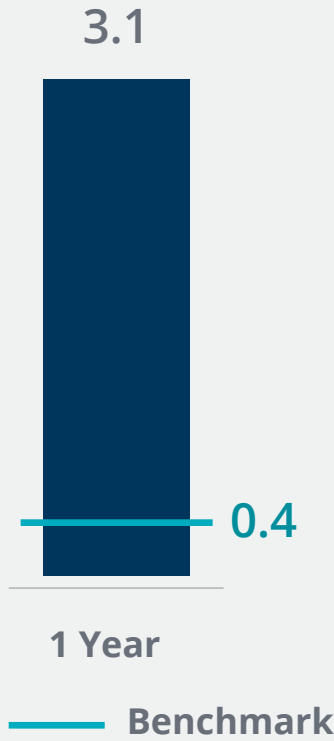
## GLOBAL DISTRIBUTION OF REAL ESTATE DEBT PROGRAM (%)

As at December 31, 2022



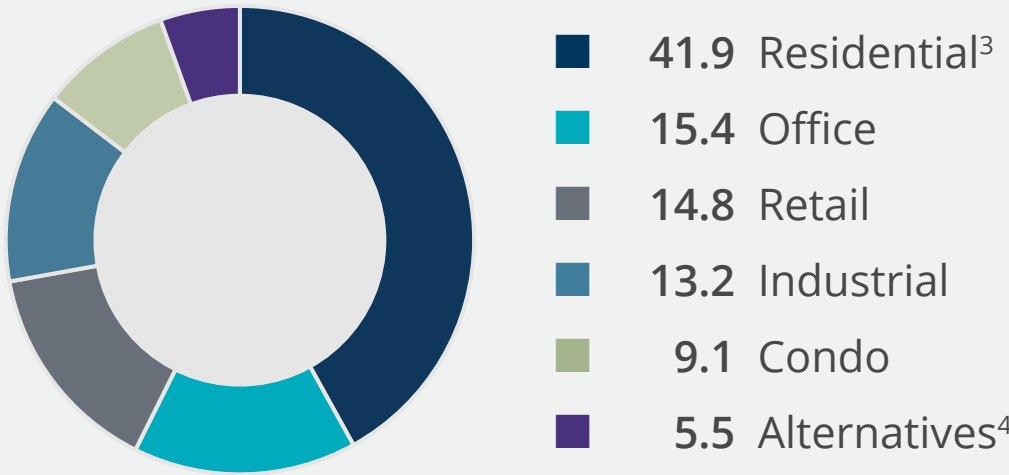
## REAL ESTATE DEBT PROGRAM PERFORMANCE (%)

Annualized return for the period ended December 31, 2022<sup>1</sup>



## REAL ESTATE DEBT HOLDINGS BY PROPERTY TYPE<sup>2</sup> (%)

As at December 31, 2022



<sup>1</sup> Returns for the program are calculated as at December 31 on an internal rate of return basis and benchmarks are presented on a TWRR basis.

<sup>2</sup> Undeveloped land not entitled for intended use is classified as alternatives (e.g. farmland). Pre-development land has been classified based on the intended use. Values do not add up to 100 per cent due to rounding.

<sup>3</sup> Residential includes multi-family rental, student housing, and seniors housing.

<sup>4</sup> Alternatives include land, hospitality, technology, data centres, storage, health care, land lease and other.



QuadReal is primarily focused on fully funded term loans to optimize capital utilization. These loans typically have stronger guaranteed property cashflows and offer better prepayment protections. Additionally, plans are to selectively add fixed-rate loans to the portfolio to capitalize on both today's lending environment, and what is expected in the near future.

### HIGHLIGHTS

- Continued to invest in floating rate investments, which benefit when interest rates rise while also protecting against downside risk should interest rates dip. 97 per cent of new investments were in floating rate debt securities, increasing exposure to floating rate investments from 74 per cent in 2022 to 80 per cent in 2023.
- Deployed 69 per cent of new commitments in construction loans, 29 per cent in term loans, and the remaining 1 per cent of new commitments in mezzanine loans.
- Targeted high-conviction sectors in a year of challenged debt markets. In Canada, majority of loans were on residential, including condominium, and industrial projects in the Greater Vancouver and Greater Toronto areas. In the U.S., new commitments included residential and industrial in California, Northern New Jersey, and Austin, Texas.

**3.7%**  
of net assets under  
management

Over a one-year period  
outperformed the  
benchmark by  
**2.7%**

Photo: QuadReal – Walker Steele Creek, Charlotte, NC, USA



# Investment Discipline

Our responsibility as an investment agent is to invest our clients' funds in their best financial interests. To achieve this, we employ a long-term investment strategy, leveraging the scale of assets under management to our advantage. Focusing on risk management and global diversification allows us to maintain discipline and generate sustainable value for our clients. We invest in assets that are expected to provide reliable cash flows and appreciate over the long term.

## INVESTMENT BELIEFS

Our investment beliefs provide a clear and transparent structure for achieving our clients' investment goals.

### **Adopting a strategic investment discipline is essential:**

We collaborate with clients to establish a suitable asset mix that aligns with their long-term return objectives and risk tolerance. We invest globally, utilizing strategies that are appropriate for each market and asset class in which we invest.

**Environmental, social, and governance (ESG) matters are crucial:** At BCI, we bring more than just capital to our investments. By factoring in ESG matters, we can better comprehend, manage, and mitigate risks, and capitalize on opportunities associated with long-term investments. We expect our portfolio companies to focus on creating long-term value and prioritize strong stewardship. Furthermore,

we endeavour to promote the integrity and transparency of global capital markets and advocate for sustainability considerations to create favourable economic conditions for long-term investors.

**Skills matter:** We acknowledge that skills form the foundation for long-term investment returns, and thus we recruit and retain talented staff with expertise in investment management and business-related functions.

**Integrity counts:** Integrity is also vital to our success, and we prioritize using our best judgment and making ethical decisions that are consistent with our core values.





# Investment Funds

Investing is intrinsically dynamic. Capital markets continually evolve, and we adapt our product line to ensure clients benefit from new investment opportunities. Our product line is diversified by asset class and strategy. Like a mutual fund, a pooled fund combines our clients' contributions and invests through a particular strategy designed to provide a specific investment outcome.

This structure provides economies of scale, allowing clients to obtain a more diversified portfolio at a lower cost than they could attain by investing individually. BCI holds all assets in trust; clients do not own the individual assets within BCI's investment portfolios. We constantly review performance and market developments and each year, we may introduce, consolidate, or suspend funds to ensure optimal investment results.

## BENCHMARKS AND PERFORMANCE OBJECTIVES

Our Benchmark Governance Policy applies to all pooled funds, asset classes, and other investment-related benchmarks within BCI. It follows a principles-based approach towards setting benchmarks and performance objectives and adopts industry best practices, supported by a dedicated governance structure and a triennial review process.

The Policy aligns BCI's benchmarks and performance objectives with our investment beliefs and the specific purposes and characteristics of each asset class. These Policy principles are supported by risk-adjusted performance

measures for public markets equity pooled funds, and internal risk ratings for private asset classes. These mechanisms allow for continuous monitoring and reporting of risk measures in tandem with performance.

An effective benchmarking framework should also enable compensation governance. Our performance compensation structure is designed to drive long-term, risk-adjusted value creation and discourage the pursuit of short-term performance and excessive risk taking. To further incentivize long-term value creation, in fiscal 2023, we evolved our Public Markets Multi-Year Compensation Framework towards a new five-year measure. To support this evolution, several benchmarking tools and methodologies were revisited and modified.

A revised Policy was approved by the BCI Board this year, which addressed the findings from the fiscal year 2022 triennial review. The Policy retained its original principles and introduced additional governance instruments and directives which aim to enable decision making, facilitate recordkeeping and information sharing, improve governance transparency and management, and support the continued



growth of BCI's investment offerings. The next review is scheduled for fiscal 2026.

As part of the annual benchmark review process, the BCI Board approves benchmarks for public and private market pooled funds. This year, a new Money Market Fund and an Indexed Europe, Australasia, and Far East (EAFE) Fund were established. Additionally, all private market cost of capital benchmarks were updated to reflect the most recent capital market expectations as part of clients' asset-liability studies.

See the Pooled Fund Benchmarks on [pages 74 to 75](#) for a complete listing of benchmarks.



# Risk Management

Our framework integrates guiding principles and market trends into our operations and investments, enabling us to anticipate, manage, and capitalize on risks and opportunities.

Our approach is based on guiding principles, communication, and judgment.

Effective risk management at BCI requires knowledge of capital markets and legislation, investment products, business practices, and internal controls. We anticipate risks, take appropriate steps to limit exposures or capitalize on opportunities, and manage outcomes.

Risk management is embedded in our culture and operations, including strategic planning, investment decision-making and monitoring, as well as other key operational and investment controls and activities.

## INTEGRATED RISK GOVERNANCE

BCI has two risk committees: the Enterprise Risk Management Committee (ERMC) and the Investment Risk Committee (IRC), which are part of BCI's Integrated Risk Governance Framework. These committees support the CEO/CIO in managing all risks, assist the Board in its risk oversight, recommend risk policies for Board approval, and approve risk directives.

The Chief Operating Officer (COO), who chairs the ERMC, has delegated authority for managing non-investment risks. The ERMC advises and assists the COO in managing all enterprise risks.

The CEO/CIO, who chairs the IRC, retains authority for managing investment risks. The IRC advises and assists the CEO/CIO in managing investment risks.

To ensure integration between the two committees, the COO and Executive Vice President, Investment Strategy & Risk, or their delegates, are members of both committees as needed.

This framework strengthens the Board's ability to oversee risk management and fulfill its responsibilities under the *Public Sector Pension Plans Act*.

Our governing documents for managing risk include client investment policy statements, and BCI's corporate policies, directives, and procedures. The Integrated Risk Governance Framework ensures that risk-taking decisions align with BCI's and our clients' related governance documentation.

Because of **BCI**



## INVESTMENT RISK MANAGEMENT

We have dynamic, global investment strategies that constantly adapt to changes in the market. By managing more assets in-house, we constantly discover new methods to identify and evaluate potential investment risks and take appropriate action to either mitigate or capitalize on them. Our risk management procedures have developed alongside our investment strategies and aim to maximize long-term returns while protecting our clients' capital.

BCI's Investment Risk Management Framework plays a dual role: it offers support and advice, and provides independent oversight of investment risk. This framework is designed to ensure that the CEO/CIO and Board meet their governance and oversight duties.



Our Investment Risk Management Framework covers:

- ✓ **Concentration risk:** BCI employs a strategy of diversification across various areas, including sectors, countries/regions, currencies, individual companies and assets, investment types, counterparties, investment partners, and funding sources. By diversifying our holdings across these different categories, we aim to minimize the risk of losses that could result from over-reliance on a single area of investment.
- ✓ **Counterparty risk:** BCI only works with reputable counterparties and ensures that we have strong legal agreements in place, such as International Swaps and Derivatives Association master agreements, global master repurchase agreements, and credit support annexes. We continuously monitor the quality of these counterparties to promptly identify any signs of potential decline.
- ✓ **Credit risk:** BCI employs dependable methods to monitor credit risk, such as assessing credit ratings from both internal and external agencies, tracking the amount of distressed securities in our portfolio, analyzing historical and projected default and recovery rates, and monitoring credit outlooks for various sectors and geographic regions. We also stay alert to potential changes in the credit cycle. To manage credit risk at the pooled fund level, we establish sound investment criteria, which include minimum acceptable credit ratings and limits on single name concentration. We regularly review and monitor these criteria and immediately notify our Board and clients of any significant breaches.

- ✓ **ESG risk:** BCI measures and manages material ESG risks for individual investments and for the total portfolio using a variety of tools and practices appropriate for each investment. In fiscal 2022, BCI expanded our in-house ESG Risk and Opportunity Framework to measure and monitor the potential risks and opportunities that result from systemic ESG issues such as climate change. This analysis is now integrated into total portfolio investment risk measurement processes that support investment decisions across the corporation and for clients.
- ✓ **Funding and contribution risk:** BCI collaborates with clients to perform an asset-liability review that determines a policy asset mix that maximizes the chances of achieving the plan's primary investment goals while staying within the predetermined risk tolerance levels. For pension clients, these goals mainly include maintaining a funded status over 100 per cent and managing the volatility of the contribution rate. After the asset-liability review, BCI closely monitors the funding risk, which is the risk of a reduction in the funded status (when expected liability growth surpasses asset growth), and the contribution risk, which is the risk of an increase in the required contribution rate. This monitoring process helps us ensure that an investment strategy remains appropriate for each client's unique circumstances.
- ✓ **Leverage:** BCI considers various classifications of leverage such as financial and synthetic. Depending on the source of leverage, additional market, counterparty, and/or liquidity risk may also be taken on. Multiple leverage metrics are used in conjunction with the current frameworks for measuring and monitoring market, counterparty, and liquidity risks.

- ✓ **Liquidity risk:** BCI ensures sufficient liquid assets are available to meet potential financial obligations under stressed market conditions. BCI's liquidity is managed on a continuous basis to allow for opportunistic deployment of capital during adverse market conditions. Liquidity management relies partly on maintaining a sufficient level of highly liquid assets to meet obligations over various time periods.
- ✓ **Market risk:** BCI uses a variety of tools to measure, monitor, and manage market risks, such as Value at Risk (VaR), duration and convexity for interest-rate-sensitive instruments, and sensitivity analysis. BCI considers the historical VaR to measure exposure to market risk.

Our investment risk team works with clients, our Board, and the asset class teams to help inform key investment decisions.



# ENTERPRISE RISK MANAGEMENT

The enterprise risk management (ERM) program enables the identification, assessment, and management of risks related to BCI's non-investment activities. The program helps BCI align with industry best practices and embed ERM into the culture and core processes of the organization. Our corporate-wide view helps ensure we take the appropriate amount of non-investment risk and allocate resources to the areas of highest risk, opportunity, or corporate priority.

BCI's Board provides oversight through our ERM Policy, and reviews enterprise risks quarterly. Our ERM Committee, which convenes quarterly, is responsible for setting acceptable risk tolerances, examining emerging risks, reviewing assessment results, and monitoring the completion of mitigation activities. Our business units and staff are responsible for managing risks based on tolerances set by the ERM Committee.

The ERM team proactively collaborates with management to administer and adapt the ERM program over time, and to report pertinent information to management and the Board.

The program's objectives include:

- > Ensuring a strategic view of risk, informed by both external and internal perspectives, is available to support strategic and operational decision-making.
- > Bridging organizational silos by embedding risk management practices into strategic planning exercises, key business processes, and initiatives.
- > Leading the growth of a common understanding, competency, and culture related to BCI's risks across the organization.
- > Advocating for and facilitating the consistent use of risk-informed analysis and decision-making.
- > Monitoring, analyzing, and communicating existing, new, and emerging risks.

As part of our approach to enterprise risk management, BCI maintains preparedness for business disruptions using a multi-disciplinary approach. We conduct regular table-top exercises to test the resilience of key functions and processes to address potential crisis scenarios.

# COVID-19 PANDEMIC IMPACT ON BCI'S OPERATIONS

BCI's Core Crisis Response Team managed the corporation's response to the COVID-19 pandemic from 2020 to 2022. By April 2022, all employees had returned to BCI's offices in Victoria and Vancouver. To accommodate changing work patterns, a hybrid working model was implemented, which allows employees to maintain a flexible work schedule that includes a minimum of three days in the office per week, with the option to work from home for the remainder.

BCI continues to monitor the situation and adjust our procedures and protocols as new information becomes available across the jurisdictions in which we operate. By taking these measures, BCI aims to protect our staff and maintain safe operations.





# Centralized Currency Management

Our tailored currency management strategy enables clients to customize their currency hedging, providing diversification and risk mitigation amidst global market shifts.

BCI's global investment strategy leads to our investments being denominated in a variety of foreign currencies. We manage these foreign currency exposures on behalf of our clients to ensure they can reap the diversification benefits, without taking undue risk.

In 2021, BCI implemented a centralized currency management approach that enables clients to customize their hedging program to align with their individual financial objectives and risk tolerance.

For Canada-based investors, an appropriate exposure to foreign currencies (particularly the U.S. dollar) provides important diversification benefits, as the U.S. dollar tends to strengthen during times of financial market stress, when additional diversification is most needed. Over extended periods of time, major currency movements tend to offset, and systematically hedging them comes with additional costs for clients, including increased liquidity risk.

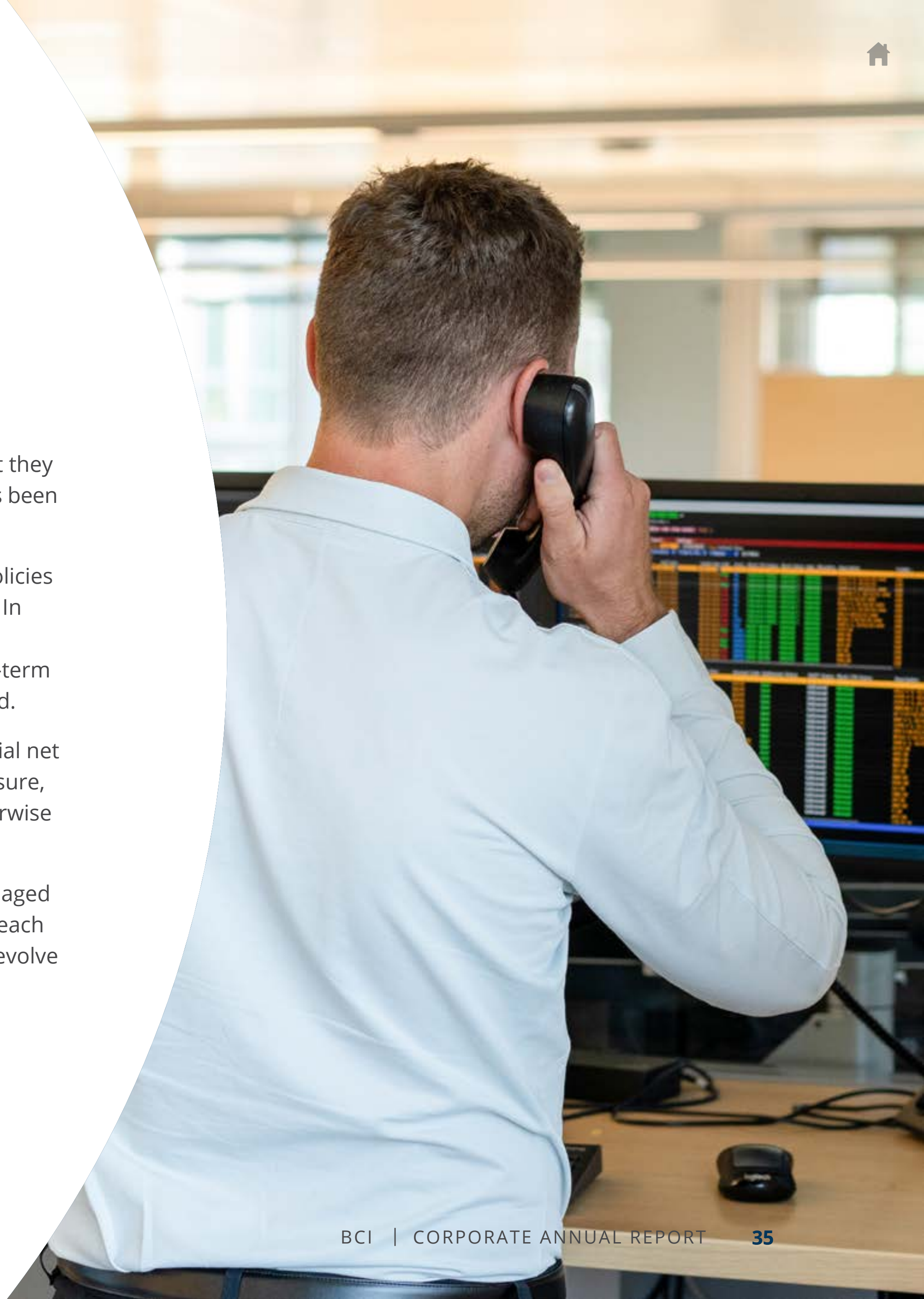
This past year provided an excellent example of the benefit of foreign currency exposures. Inflation challenges, geopolitical conflicts, the rapid rise in central bank policy interest rates, and looming recession risks all acted to push

up the value of the U.S. dollar. This strengthened the performance of our clients' portfolios, relative to what they would have seen had their foreign currency exposures been fully hedged.

We advise our clients on tailored currency hedging policies that are ideal for their individual fund characteristics. In doing so, we contrast the benefit of foreign currency exposure against each client's ability to take on short-term foreign currency volatility within their investment fund.

Our clients' currency hedging policies result in potential net increases or decreases in total foreign currency exposure, relative to the underlying hedging activity that is otherwise undertaken by the various asset classes.

Additionally, BCI has a currency hedging overlay, managed by the foreign currency desk, which tactically adjusts each clients' overall hedge ratio to help mitigate risks that evolve in foreign currency markets over time.





# Environmental, Social & Governance

## FULFILLING OUR RESPONSIBILITY TO EFFECTIVELY MANAGE CLIENT FUNDS

Incorporating ESG considerations into our investment process is an essential part of who we are and what we do as a long-term investor. It is also an integral part of how we meet our responsibility to manage our clients' funds. Our commitment to ESG is deeply ingrained within our organization, reflected in our investment beliefs, ESG principles, and the application of our ESG Governance Policy to all employees and BCI's Board of Directors.

We have a corporate-wide ESG Strategy that ensures consistency across all asset classes and addresses the most significant issues relevant to our clients' investments. It consists of four key components — Integrate, Influence, Invest, and Insight — encompassing all ESG activities at BCI.

These components reinforce each other. For instance, through integration, we gain valuable insights that inform our investment decisions and areas where our influence can be exerted. By influencing the behaviour of capital markets, we contribute to strengthening the overall investment landscape. Furthermore, as we actively invest, our voice carries greater weight in driving improvements. These actions generate insights that enhance our expertise and can be shared across teams, promoting knowledge transfer and collaboration.

We regularly review our ESG approach and continuously adapt our strategies in response to our experiences and evolving responsible investment standards.

## CLIMATE ACTION PLAN

Climate change is a multifaceted global challenge that intersects with and impacts the financial performance of markets and our investments. Achieving the global goal of net-zero emissions by 2050 is imperative to mitigate the most severe physical and economic consequences of climate change. Our Climate Action Plan positions BCI to capitalize on opportunities arising from the transition to a low-carbon economy, while protecting the portfolio from undue physical and transition risks. BCI has been actively engaged in addressing climate change for over two decades. In November 2022, we released an updated version of our initial Climate Action Plan from 2018, affirming our commitment to use our influence to drive actions aligned with the global goal of achieving net-zero greenhouse gas emissions by 2050. It includes four components: Engage & Advocate, Integrate, Seek Opportunities, and Manage Risks.

Building on more than 20 years of climate action, the plan reinforces our focus on engagement with portfolio companies, policymakers, and other participants in the capital markets.

We have set a specific engagement goal to ensure that by 2030 at least 80 per cent of BCI's most carbon-intensive investments have set mature net-zero aligned commitments.

To achieve this, BCI will:

- > Engage the most carbon-intensive investments in our portfolio to drive action towards net zero.
- > Encourage companies to develop action plans that include short- and medium-term targets for emissions reductions.
- > Deepen climate engagements in high-emitting sectors and the financial sector.
- > Expand our escalation strategies for non-responsive companies through voting and filing shareholder proposals.
- > Continue our active participation in collaborative initiatives like Climate Action 100+ and CDP's campaign to promote the Science Based Targets initiative (SBTi).
- > Support the Transition Pathway Initiative (TPI).
- > Encourage disclosure aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations across all our investments.

In 2022, BCI released our updated **Climate Action Plan**, [read more here](#).



# ESG Highlights

## OUR COMMITMENT IN ACTION

- ✓ **Released an update to our Climate Action Plan**, affirming our commitment to use our influence to drive actions aligned with the global goal of achieving net-zero greenhouse gas emissions by 2050.
- ✓ **Released the 11th edition of our Proxy Voting Guidelines**, raising expectations for climate disclosure and performance, diversity, corporate governance, and protection of shareholder rights.
- ✓ **Appointed Jennifer Coulson as BCI's first Global Head of ESG**. This newly created position reflects our corporate-wide commitment to ESG and will oversee all activities across BCI.
- ✓ **Participated in collaborative engagement initiatives targeting 2,294 public companies** on climate change, gender diversity, and sustainable finance.
- ✓ **Escalated our engagement with companies on key issues** through shareholder proposals filed on climate risk disclosure and labour issues or human capital.
- ✓ **Invested in 22 sustainable bond issuances valued at over \$1.1 billion**, increasing total historical participation to \$4.2 billion; we expect this number to grow to \$5 billion by 2025.

- ✓ **Engaged 20 private equity general partners, representing 68 per cent of our private equity funds portfolio**, to promote participation in the ESG Data Convergence Initiative and better understand their ESG data collection and reporting processes.
- ✓ **Contributed to developing a taxonomy roadmap to create a unified view of green and transition financing in Canada** as an active member of the Government of Canada's Sustainable Finance Action Council (SFAC).
- ✓ **Supported the expansion of the Sustainable Development Investments (SDI) Asset Owner Platform**, established by BCI alongside partners in 2020, including increasing the number of companies assessed using the UN Sustainable Development Goals and adding new datasets for investors.
- ✓ **Portfolio carbon footprint decreased by 34 per cent since 2020**, demonstrating that the actions we are taking to implement our Climate Action Plan are achieving the expected decrease of our portfolio carbon footprint.





# 2022 Task Force on Climate-related Financial Disclosures (TCFD)

## OVERVIEW

We are committed to incorporating the Task Force on Climate-related Financial Disclosure (TCFD) recommendations into our reporting and disclosure practices. In 2022, BCI released an updated Climate Action Plan, affirming our commitment to use our influence to drive actions aligned with the global goal of achieving net-zero greenhouse gas emissions by 2050, while aligning with the best financial interest of our clients. The actions we have taken contributed to a 34 per cent reduction in our total portfolio carbon footprint relative to 2020. We continue to prioritize understanding and investing in opportunities that stand to benefit from the climate transition while increasing our capacity to quantify and manage all forms of climate risk across the portfolio.

## GOVERNANCE

The BCI Board reviewed and updated BCI's ESG Governance Policy in 2022 and approved the final version in April 2023, which outlines our general approach and related roles and responsibilities for effective management of ESG and climate-related risks and opportunities. The Board has established clear oversight of ESG and climate-related activities and reporting throughout the organization.

## STRATEGY

Building on our strategy to date, our updated Climate Action Plan reinforces our four strategic components: Engage & Advocate, Integrate, Seek Opportunities, and Manage Risks. These components each have a focus area that will increase our ability to benefit from opportunities arising from the transition to a low-carbon economy while protecting the portfolio from undue physical and transition risk.

### > Engage & Advocate

Our focus: By 2030, ensure at least 80 per cent of BCI's carbon-intensive investments have mature net-zero aligned commitments, or are the subject of direct or collaborative climate engagement by BCI.

### > Integrate

Our focus: Further integrate climate stress testing into investment decisions and monitor the total portfolio climate change stress test outcomes.

### > Manage Risks

Our focus: Continue to track and report the total portfolio carbon footprint with the expectation that it will decrease over time.

### > Seek Opportunities

Our focus: Pursue meaningful investments in climate solutions through specific actions in all asset classes.

## Climate Scenario Analysis

BCI uses our proprietary in-house ESG Risk and Opportunity Framework to evaluate the impact of climate scenarios. We continue to integrate this analysis as a lens in all client asset liability reviews and have expanded our scenario analysis work in 2022 to analyze material physical and transition risk in all private market due diligence reviews. Additionally, we use these scenarios to identify opportunities to decrease the climate change risk exposure. We model the portfolio impacts in 1.5°C, 2°C, and 3°C warming scenarios to understand the directional sensitivity of various assets and the physical damages and transition risks that may impact the broader economy.

Between 2018 and 2022, the climate change risk level decreased due to client asset allocation decisions, a focus on actively assessing and integrating climate change into investment decisions in active mandates and increasing exposure to climate-related opportunities.



# Task Force on Climate-related Financial Disclosures

## RISK MANAGEMENT

Management and clients receive regular climate risk reporting and analysis to support their respective investment decisions. We have increased the evaluation of physical climate change risks and conduct physical risk analysis for new direct real asset investments. We also run sensitivity analysis on investments that have the potential to be impacted by climate transition risk to understand how revenue and expenses change under different scenarios and identify mitigation measures that might add value over the life of the investment.

## METRICS AND TARGETS


We are evolving the metrics we use to track our progress to align with leading standards, including aligning our portfolio carbon footprint with the Partnership for Carbon Accounting Financials (PCAF). The summarized portfolio carbon footprint using the updated methodology is included below:

	2020	2021	2022
BCI Total portfolio carbon footprint (tCO <sub>2</sub> e/\$ million)	91	63	60

The declining trend of the portfolio carbon footprint reflects the results of the continued climate change integration and engagement activities across the portfolio. Our exposure to climate-related investment opportunities grew to \$11.1 billion in 2022, up from \$10.2 billion in 2021.

### Committed to Transparency

BCI's complete TCFD reporting with additional information on the updated methodology can be found on **page 76** or click the link to the right.







# Our Three-year Business Plan

Fiscal 2023 represents the second year of our three-year business plan. To date, we have made substantial progress on our planned activities and grown our operating and investment capabilities.

Our business plan is intended to generate long-term financial sustainability for our clients and has the following goals:

- > Over a rolling 10-year period, generate absolute returns that meet or exceed our clients' actuarial return objectives ranging from 4.7 to 7.0 per cent.
- > Deliver value-added performance returns (returns that exceed appropriate benchmarks) over a five-year period.
- > Provide cost-efficient investment management services.

BCI's Three-Year Business Plan for F2024-2026 is available on [BCI.ca](https://www.bci.ca).

## STRATEGIC AMBITION 1

### Strengthening the Client Value Proposition

BCI is committed to deepening our partnerships with clients and showing our value beyond investment results. We continue to strengthen the ways in which we communicate and engage with our clients.

#### OUR F2023 ACCOMPLISHMENTS

- ✓ Improved quarterly client reporting by aligning it to our clients' needs, delivering greater value and efficiencies.
- ✓ Became a stronger ESG advisor to our clients by providing climate change education, portfolio and scenario analysis, and sharing ESG insights.
- ✓ Articulated BCI's client value proposition, including plan sustainability tools and measures to improve visibility into BCI's value add and raise awareness of our services.
- ✓ Enhanced our risk reporting and measurement capabilities to assist clients in evaluating the resiliency of their plans and funds.
- ✓ Integrated insights about BCI's reputation into our communications strategies and activities.
- ✓ Formalized a client education plan that leverages BCI thought leadership and relationships to drive insightful discussions with clients.

#### OUR F2024 PRIORITIES >>

- > Reinforce BCI's position as a trusted advisor and respond to clients' servicing needs and preferences.
- > Evaluate client fees to ensure continued value and fairness among clients.
- > Refine governance and investment policies to ensure they remain meaningful for clients.
- > Support clients with ESG leadership and insights as their interests and concerns evolve.





## STRATEGIC AMBITION 2

### Optimizing Risk-Adjusted Returns

To grow our clients' portfolios and ensure they are resilient, BCI will continue to manage client assets using well-constructed, diversified portfolios — aiming to meet or exceed their return objectives without taking unnecessary risk.

#### OUR F2023 ACCOMPLISHMENTS

- ✓ Established and staffed our U.S. and U.K. offices to better manage existing assets, and nurture the business relationships needed for future deals.
- ✓ Began developing a private equity value-creation team in New York City.
- ✓ Improved organizational ESG alignment by appointing our first Global Head of ESG.

#### OUR F2024 PRIORITIES >>

- > Expand on ESG as a source of long-term value creation.
- > Develop centralized investment activities to support asset class strategies.
- > Identify operating models for sharing insights and ideas across asset classes.

## STRATEGIC AMBITION 3

### Leveraging Digital Technology

Technology enables all our activities — from analyzing investments to settling trades to collaborating across global offices. We are continuously integrating modern technology that enables improved collaboration, analysis, reporting, and decision-making.

#### OUR F2023 ACCOMPLISHMENTS

- ✓ Developed a common data governance framework, with an emphasis on data definition, quality and consistency, for BCI-wide data sharing and accountability.
- ✓ Developed an enterprise technology vision, driven by business strategies, to guide architectural decisions and inform future planning.
- ✓ Developed an integrated data and analytics environment (our data marketplace) that enables our teams to access reliable data products for various purposes.

#### OUR F2024 PRIORITIES >>

- > Adopt modern technologies to optimize processes and support collaboration and business-driven innovation.
- > Provide access to corporate data in a variety of models that empower our employees as data consumers.
- > Identify initiatives to use artificial intelligence, machine learning, and other emerging capabilities.

## STRATEGIC AMBITION 4

### Focusing on Talent

We continue to strengthen our people practices to attract, develop, and retain employees. BCI requires a highly specialized workforce to deliver on our strategic ambitions and commitment to clients.

#### OUR F2023 ACCOMPLISHMENTS

- ✓ Reduced voluntary turnover and increased retention of top-performing employees.
- ✓ Addressed immediate talent sourcing needs while planning our future workforce.
- ✓ Evaluated and addressed the unique and specific factors that impact retention at BCI.

#### OUR F2024 PRIORITIES >>

- > Leverage workforce planning to drive more strategic use of talent, emphasizing cross-functional collaboration.
- > Implement our EDI strategic framework and initiatives to build diversity and promote inclusion.
- > Develop a formal employee value proposition that supports BCI's brand and reputation in the global market.





# People & Culture



# People & Culture

BCI cultivates a collaborative and inclusive workplace, attracting top talent from across the globe for long-term success.

We are intentional about creating a workplace that supports both individual and collaborative excellence. Through our core values, people practices, and work environment, we are committed to fostering a culture that empowers our people to do their best work. Our team members come from all over the world, lending their diverse perspectives to help hundreds of thousands of British Columbians have financially secure futures. Bringing world-class professional skills to work that matters is the foundation of our culture.

Cultivating performance-focused teams requires a commitment to inclusion. Through our equity, diversity and inclusion (EDI) program, principles, and EDI Council, we are continuously refining how we foster and support diversity of thought, backgrounds, and strengths.

We believe in the power of supporting our colleagues in their learning and development. We deliver training programs both in-person and online, ensuring our people have the flexibility, resources, and opportunities they need to continue their career progression at BCI. This year, we offered programs related to technical skillsets, management and leadership, career pathing, competencies, team effectiveness, and change management.

To continue supporting our team members' mental health, we expanded our wellness offerings and supports.

Through a variety of channels — including a virtual counselling service, a new employee and family assistance program, and a telehealth provider which includes a mental health program — we remain committed to providing the resources our people need.

We believe BCI is a place to thrive. Headquartered in Victoria, which makes headlines in Canada and internationally as one of the best small cities to live in, we have expanded to include offices in Vancouver, New York City, and London, U.K. We offer a world-class work environment for those who excel in a performance-focused and collaborative culture.

In a highly competitive market for top talent, we continued to seek out, welcome, and engage the world's best and brightest to work on our clients' behalf. As of March 31, 2023, BCI's employee complement was 711, a net increase of 91 employees from the previous year, with employee turnover returning to pre-pandemic levels. Despite the added internal cost of increased headcount, our active, in-house asset management model significantly lowers external manager fees and is a more cost-effective approach over the longer term for both our investment and business operations.





# Executive Management & Senior Leadership

BCI is led by a world-class team that sets the overall direction of the corporation, in alignment with our clients' investment needs and expectations.



**GORDON J. FYFE**  
Chief Executive Officer /  
Chief Investment Officer



**SHAUNA LUKAITIS**  
Chief Operating Officer



**DANIEL GARANT**  
Executive Vice President &  
Global Head, Public Markets



**NORINE HALE**  
Executive Vice President,  
Human Resources



**DAVID MORHART**  
Executive Vice President,  
Corporate & Investor Relations



**JIM PITTMAN**  
Executive Vice President &  
Global Head, Private Equity



**RAMY RAYES**  
Executive Vice President,  
Investment Strategy & Risk



**LINCOLN WEBB**  
Executive Vice President &  
Global Head, Infrastructure  
& Renewable Resources



**MONIQUE BROSSEAU**  
Senior Vice President,  
Investment Operations



**MICHEL DROLET**  
Senior Vice President,  
Corporate Risk & Audit  
and Chief Audit Executive



**JENNIFER HARTFIELD**  
Senior Vice President,  
Corporate Data & Operations



**UMAR MALIK**  
Senior Vice President,  
Finance & Chief  
Financial Officer



**TONY PAYNE**  
Senior Vice President,  
Technology & Innovation  
and Chief Technology Officer





# Equity, Diversity & Inclusion

We believe that fostering an inclusive culture — one where we can recognize our commonalities and leverage our differences — empowers our people to excel. An equitable and inclusive environment fosters a strong sense of trust, confidence, and belonging. A workplace where we can respectfully challenge one another’s perspectives and express our opinions results in better ideas and outcomes for our clients.

## BCI'S EDI STRATEGIC PLAN

We aim to intentionally advance our diversity and promote an inclusive culture within BCI by:

### 1 Creating intentionality and accountability

- > We will measure our performance, ensure consistency in our approach, and ensure commitment of senior leadership.

**Our Action** Collect and monitor self-identification data on BCI's workforce and its intersectionality.

### 3 Accelerating internal talent

- > We will focus on broadening opportunities for career development, strengthen staff retention, and open promotion pathways.

**Our Action** Examine internal talent processes, policies, and practices to identify opportunities to decrease bias and increase flexibility.

### 2 Attracting top talent

- > We will strengthen our employee value proposition and address potential bias in our recruitment process.

**Our Action** Train hiring managers on recognizing bias in selection, interviewing, and recruitment of talent.

### 4 Fostering engagement, performance, and innovation through inclusion

- > We will develop a more inclusive team and organizational culture.

**Our Action** Tailor learning and training programs for employee levels to develop the mindsets, habits, and behaviours to support an inclusive culture.

## Our Equity, Diversity & Inclusion Principles

Our EDI guiding principles frame our initiatives, anchor our programs, and help steer us forward.

### EQUITY IS ABOUT FAIRNESS:

- > It is respecting and valuing our differences and actively identifying and removing barriers so that everyone has the same opportunity to flourish.

### DIVERSITY MAKES US WHO WE ARE:

- > It is the visible and invisible traits, characteristics, and dimensions that make us unique.

### INCLUSION IS INTENTIONAL:

- > It is an environment where all employees feel valued, respected, and supported, where skills and talents are recognized and leveraged, and where ideas and voices are heard.

### WE ARE ALL CONNECTED TO ONE ANOTHER:

- > We are committed to each other and have a common purpose and sense of community.

### WE ARE COMMITTED TO DELIVERING OUR BEST WORK:

- > We feel passionate about our work and do our best every day in support of a high-performing team.



# EDI Council Report

This past year, we launched two strategic initiatives:

- > **Deploying the inaugural self-identification census for employees and applicants, a key element of BCI's EDI Strategy.** Collecting demographic information and understanding the lived experiences of our employees was crucial for intentionality and accountability in our EDI Strategy.
- > **Piloting the first all-employee learning program "Becoming Consciously Inclusive."** The program focuses on labeling and mitigating bias. To set the foundation for an inclusive culture, we are taking an intentional and collective approach to strengthening our decision making.

In addition, we engaged a consultant to conduct an equity review of BCI's HR talent policies and processes including hiring, performance review, promotion, and benefits. The objective of the review is to identify strengths, potential areas of bias, and barriers in order to make BCI's talent processes more equitable and inclusive.

BCI's HR Leadership Team is integrating the detailed recommendations from this process to develop a roadmap identifying short-, medium-, and long-term goals. Along with the findings and recommendations from the self-identification census, this roadmap will be incorporated into BCI's EDI Strategy going forward.

In support of BCI's commitment to shape an inclusive culture, we also shared and amplified employee stories and hosted learning events in recognition of Lunar New Year, Black History Month, International Women's Day, Asian Heritage Month, Mental Health Awareness, and International Day of Persons with Disabilities. In addition, BCI participated in Victoria's Pride Parade — celebrating, supporting, and demonstrating allyship with members of the 2SLGBTQIA+ community.

We also partnered with Canadian pension peers, including Alberta Investment Management Corporation and Investment Management Corporation of Ontario, to co-host a virtual discussion with keynote speaker Jesse Thistle, a Métis-Cree professor and author, in which he shared his story for National Day of Truth and Reconciliation.

This was the second consecutive year hosting an Indigenous speaker to share their experiences with our employees. BCI acknowledges the importance of providing education and training opportunities for management and staff as outlined in the Truth and Reconciliation Commission Call to Action 92, Business and Reconciliation.

## Equity Statement

BCI is committed to reflecting the global and diverse markets in which we work and invest. To further our intentions, we now include our Equity Statement in job postings to reach all talent pools.

We also inform candidates of their ability to request accommodations during the recruitment process, such as alternate formats of materials and accessible meeting spaces should they require it.

“**At BCI, we value diversity and believe in fostering an inclusive culture where all employees can be successful. We are performance and client focused and value integrity; if you share these values, we want to know you. We recognize that some skills can be learned on the job and encourage all to apply.**”



# People & Culture Highlights

Fostering a workplace of choice.

- ✓ **Recognized for a fourth straight year as one of Canada's Top 100 Employers, Top Family-Friendly Employers, and B.C.'s Top Employers by Mediacorp Canada Inc.** These awards highlight BCI's strong corporate culture — one that supports flexibility, growth and development, celebrates achievement, and prioritizes health and wellbeing through our comprehensive benefits program, vacation and leave policies, and health and wellness programming.
- ✓ **Welcomed the most students to date for our co-op and internship program,** which gives students hands-on experience, supports Canadian post-secondary institutions, and allows us to spot and to nurture emerging talent. Our program — now in its eighth year — provided placements for 138 students across 178 work terms and surpassed an impressive milestone, converting our 100th student into a permanent full-time position at BCI.
- ✓ **Introduced a Corporate Competency Framework describing the specific skills, behaviours and attributes that contribute to effective performance in each role at BCI.** Defining how we deliver on our accountabilities allows employees to execute with excellence in their roles, and helps with the development of career and succession plans.

- ✓ **Developed role profiles that outline key competencies, skills, experience, education and behavioural expectations for each role in the organization, with career paths outlining potential ways for employees to move forward in their career** within each department and, where applicable, across departments. Transparent career paths are a proven tool for strengthening employee retention and engagement.
- ✓ **Built a global mobility practice to support colleagues moving internationally, whether to join BCI in Canada or to one of BCI's international office locations.** Employees moving to Victoria or Vancouver to join BCI now have up to six months to work remotely prior to their move to facilitate a smooth transition at a time that works for them.
- ✓ **Implemented a one-month 'work from anywhere' policy for permanent employees to work remotely from anywhere for up to one month per calendar year.** As a growing international organization, we recognize that our employees have personal and professional connections all over the world.





# Stakeholder Engagement

Emphasizing meaningful engagement and fostering transparency and integrity.

Our approach is centred around integrity and transparency. In addition to our clients, we engage with governments, business partners, industry peers and associations, portfolio companies and special interest groups, and academic and community partners. We are broadening our presence through digital platforms, media, speaking opportunities, and community engagements.

We remain committed to maintaining and deepening relationships with government decision makers and stakeholders. We engage with the provincial government on routine matters like our business plan and annual investment performance, as well as global developments relating to our investments and business operations as they arise.

Engaging with industry peers and associations is vital to advancing important initiatives and driving necessary changes for our clients and the institutional investment industry as a whole. As part of our engagement activities, we meet regularly with our counterparts in the “Maple Eight” — Canada’s largest pension plans — to collaborate on addressing shared opportunities and challenges. We also play an active role in many pension and

investment organizations in Canada and world-wide, including the Association of Canadian Pension Management (ACPM), Pension Investment Association of Canada (PIAC), and International Centre for Pension Management (ICPM).

Our asset class teams also work with further specialized industry associations and index providers to likewise collaborate on, and address, issues facing our industry and the markets, as well as to set and share best practices standards.







# Community Engagement

We are proud of our long history of giving, and the commitment of our people to make a difference in the communities where they live and work.

Our community involvement spans more than two decades and is part of who we are. BCI has partnered with the United Way of Southern Vancouver Island on annual fundraising initiatives since 2000, and employees have contributed more than \$1.2 million to make Greater Victoria better for all. Last year, our annual campaign returned to in-person activities, and our dedicated United Way Committee raised over \$50,000 by hosting impact speakers, running donation drives, and organizing events.

In July 2022, BCI doubled the number of paid volunteer hours per employee from seven to 14 annually, enabling an even greater collective impact. Since the increase, BCI employees have volunteered more than 500 hours at over 20 organizations in our local communities.

This included nearly 200 hours with HeroWork Program Society (HeroWork), a non-profit that creates positive change for other charities by transforming their buildings through community events called “radical renovations.” Led by our legal team, BCI provided the highest number of corporate

volunteers for HeroWork’s renovation of the Victoria Cool Aid Society Downtown Community Centre, which serves vulnerable populations. BCI was the proud recipient of a Hero Award for our collective contributions.

Thanks to our grassroots Financial Literacy Committee, established in 2019 by women in our public markets department to address systemic barriers to working in finance through youth education, BCI has also become the largest corporate source of volunteers for JA British Columbia (JABC), a non-profit organization that delivers free, hands-on education in work readiness, financial health, and entrepreneurship. Since 2014, more than 80 BCI employees have delivered over 150 volunteer programs with JABC, empowering an estimated 4,500 students.

To complement our employees’ passion, BCI became a lead sponsor of JABC’s More Than Money program – a student-centred and skills-focused learning opportunity offered to grade four and five classes across British Columbia. A portion of our sponsorship is directed to tailored financial literacy programming for Indigenous learners, including support for more students in Indigenous communities to take part in programs taught by local volunteers.

More information about BCI’s approach to community engagement can be found at [BCI.ca/community](https://www.bci.ca/community).

## Focus Areas

### 1 COMMUNITY RESILIENCE

We help create strong, healthy communities for all where we live and work through a wide range of causes and organizations our employees care about.

### 2 FINANCIAL LITERACY

We support access to education that empowers youth and adults to build foundational financial skills, as well as gain exposure to the possibilities of a career in finance.

### 3 EDI IN OUR INDUSTRY

We champion initiatives, programs, and opportunities that accelerate collective action to address the existence of systemic racism, inequalities, and discrimination in our industry.

### 4 INITIATIVES FROM OUR PORTFOLIO

As an active, global investor, we support our portfolio companies in their commitments to making a difference in their local communities, in B.C. and around the world.



A photograph of a modern building's interior. Two women are standing on a curved concrete balcony with a glass railing. The balcony has a wooden ceiling with recessed lights. Large windows in the background show a city view. A large teal shape on the right side of the image contains the title text.

# Corporate Governance



# Our Board of Directors

## COMPOSITION OF THE BOARD

The *Public Sector Pension Plans Act* requires our Board to have seven Directors as follows:

- One Director appointed by the College Pension Board from among its members.
- One Director appointed by the Municipal Pension Board from among its members.
- One Director appointed by the Public Service Pension Board from among its members.
- One Director appointed by the Teachers' Pension Board from among its members.
- Two Directors, representative of other clients, appointed by the Minister of Finance for British Columbia.
- One other Director appointed by the Minister of Finance for British Columbia and designated to be the Chair of the Board.

These nominating bodies are aware of our criteria relating to the knowledge, experience, and skill set we look for in BCI Directors.

## BOARD INDEPENDENCE

All Directors and the Board Chair are non-executive Directors and independent of management.





# Corporate Governance

We remain committed to upholding world-class governance standards.

## GOVERNANCE FRAMEWORK

BCI was established by the *Public Sector Pension Plans Act* (the Act) in 1999. The Board appoints the CEO/CIO, sets their remuneration, and reviews and monitors their performance. The Board also oversees BCI's operations, and approves pooled fund investment policies, auditors, the business plan, and annual budget. Other responsibilities include establishing an employee classification system and compensation scale.

The Board Mandate provides detail on how the Board discharges the duties and responsibilities outlined in the Act.

Investment professionals under the supervision of the CEO/CIO make all investment decisions within the framework of the policies approved by the Board and the policies established by BCI's clients.

## ROLE AND ACCOUNTABILITY OF THE CHIEF INVESTMENT OFFICER

The Act defines BCI's Chief Investment Officer (CIO) as the Chief Executive Officer (CEO) with responsibility for supervising day-to-day operations and for performing duties relating to the management of the invested funds, including a determination of which assets to buy and sell. The CEO/CIO is accountable to the Board for the efficiency and effectiveness of the corporation in conducting BCI's mandate. The CEO/CIO is also responsible for reporting to each client with respect to the management and investment performance of their funds.

Among other responsibilities, the CEO/CIO (or delegate) hires staff and external managers, prepares the annual business plan and budget, and establishes policies and procedures to meet operational objectives. The CEO/CIO ensures that funds are managed in a prudent and appropriate fashion.





## BOARD ACTIVITIES AND COMMITTEES

The Board has two standing committees:

- > The Audit Committee, consisting of a minimum of two Directors, meets at least three times a year and oversees the audit programs, financial management controls, financial reporting, and compliance matters.
- > The Human Resources and Governance Committee (HRGC), consisting of a minimum of two Directors, meets at least three times a year and reviews human resource strategies, Compensation Philosophy, succession management, performance incentive plans, employee classification systems, and Board governance.

The CEO/CIO attends all Board and HRGC meetings and the COO attends all Audit Committee meetings on behalf of the CEO/CIO (although neither the CEO/CIO nor COO are a Director). The Executive Vice President, Human Resources, attends all HRGC meetings (and is not a Director).

The triennial review of the Board Mandate and committee terms of references (formerly called mandates) was conducted this year. The Board Mandate was updated to reflect current Board practices, such as approving the Communication Policy and BCI's long-term vision. Additionally, both the Board Mandate and the HRGC Terms of Reference were updated to include the responsibility

to foster a workplace that embraces equity, diversity and inclusion. The Audit Committee Terms of Reference was updated to clarify the committee's role regarding real estate equity and real estate debt financial statements and project budget oversight.

More information about BCI's governance documents can be found at [BCI.ca/board-of-directors](https://www.bci.ca/board-of-directors).

## DIRECTOR ORIENTATION PROGRAM

Senior management leads the Director orientation program. New Directors are briefed on the Board's role and responsibilities, our business plan, budget, investment and risk management activities, and human resource policies. Details on key operational functions are also addressed.

## DIRECTOR ATTENDANCE

The Board meets on a quarterly basis. Additional meetings are arranged when matters arise that require immediate attention.

In fiscal 2023, the Board met seven times, the Audit Committee four, and the HRGC on five occasions. This included two strategic retreats and a special meeting to discuss ESG governance and reporting. Directors who are not members of a committee may observe those meetings.

There was 100 per cent attendance for most of the meetings held in fiscal 2023. Details for individual Directors are included in their profiles on [pages 55](#) to 61.

## DIRECTOR COMPETENCIES, SKILLS, AND EDUCATION MATRIX

The Board completed a Director competencies, skills, and education matrix. The matrix identifies the competencies expected of all Directors and then asks Directors to rank their ability from a set list of skills and education. The results are used to identify future education and development opportunities, and to determine key skills that BCI will communicate to appointing bodies and request they consider.

## DIRECTOR CODE OF CONDUCT

The Board of Directors Code of Conduct (last updated April 2022) outlines the minimum standard of conduct. Directors must make timely disclosure of direct or indirect interest, material or not, in any proposed or completed BCI contract, transaction, or investment.

Directors must also abstain from voting on matters in which they have a personal interest.





### CONTINUING DIRECTOR EDUCATION

BCI maintains an Institute of Corporate Directors membership for all Directors and budgets an amount to enable Directors to benefit from courses and conferences offered by third parties.

In addition, Directors indicate which areas of the business they require further information on, and management or external consultants present on these topics.

The Board and its committees received several presentations during regular meetings to enrich Directors’ knowledge of the business and support their oversight role.

### DIRECTOR REMUNERATION

The Act provides that BCI may pay Directors' remuneration that has been set by the Board and is consistent with the Province of British Columbia’s Treasury Board guidelines. Board members are paid an annual retainer and per diem (meeting fee) for their service on the Board and its committees.

A Director is also compensated for attending meetings or conferences as a representative of BCI. If a Director receives remuneration from their employer for Board or committee service, a component of their fees is paid to their employer.

Directors receive only one meeting fee for each 24-hour day. Members of committees will be paid a fee equal to a meeting fee for any committee meetings held on the same day as Board or other committee meetings.

For the fiscal year, total remuneration for the Board was \$266,346.54 (2021–2022: \$246,958.67). Details for individual Directors are included in their profiles on [pages 55](#) to 61.

POSITION	YEAR	ANNUAL RETAINER	PER DIEM
Board Chair	2023 <sup>1</sup>	\$36,700.91	\$917.50
	2022	\$34,396.35	\$859.88
	2021	\$33,401.00	\$835.00
Director	2023 <sup>1</sup>	\$18,349.90	\$917.50
	2022	\$17,197.66	\$859.88
	2021	\$16,700.00	\$835.00
Audit Committee Chair	2023 <sup>1</sup>	\$6,117.00	\$917.50
	2022	\$5,732.90	\$859.88
	2021	\$5,567.00	\$835.00
HRGC Chair	2023 <sup>1</sup>	\$6,117.00	\$917.50
	2022	\$5,732.90	\$859.88
	2021	\$5,567.00	\$835.00
Committee Member	2023 <sup>1</sup>	-	\$917.50
	2022	-	\$859.88
	2021	-	\$835.00

<sup>1</sup> Annual adjustment to align with the average percentage that the British Columbia pension plan grants to retired members of the College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, and Teachers’ Pension Plan (our four largest pension plan clients).





**PETER MILBURN** | Vancouver, British Columbia

Peter retired in 2016 after a 33-year career with the provincial government. Most recently, he fulfilled the role of Deputy Minister of Finance and Secretary to Treasury Board. In this role, he oversaw three consecutive balanced budgets and over \$15 billion in capital expenditures. Prior to this appointment, Peter held several senior positions with the Ministry of Transportation and Infrastructure, including Deputy Minister, Chief Operating Officer, and Executive Project Director for the Sea to Sky Highway Improvement Project. During his career, he was appointed Chair of the Board for two Crown corporations (Transportation Investment Corporation and BC Rail) and three hospital capital boards (Women and Children’s Hospital Redevelopment, Interior Heart and Surgical Centre, and the Surrey Memorial Hospital Critical Care Tower). In addition, he was responsible for the BC Transportation Finance Authority. Peter has a degree in civil engineering from the University of British Columbia.

# Board of Directors

## BCI BOARD AND COMMITTEE APPOINTMENTS

2022-2023 ATTENDANCE

<ul style="list-style-type: none"><li>• Director since December 31, 2016</li><li>• Current term to December 31, 2023</li><li>• Appointed by BC’s Minister of Finance</li><li>• Independent</li></ul>	Chair, BCI Board of Directors (2016 – Present)	7/7	100%
	Guest, Human Resources and Governance Committee	3/5	60%

## BCI DIRECTOR REMUNERATION 2022–2023

	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$34,971	\$9,574	–	\$3,096	\$51,081 <sup>1</sup>

## OTHER BOARD DIRECTORSHIPS/TRUSTEESHIPS/ POSITIONS OF FIDUCIARY RESPONSIBILITY

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
Lucas Solutions Ltd.	2017 – Present	Y	2017 – Present	–

<sup>1</sup> Includes remuneration for representing BCI at other meetings





**WELDON COWAN** | Surrey, British Columbia

Weldon is a Labour Relations Specialist with the Federation of Post-Secondary Educators of BC (FPSE). He was appointed a Trustee to the College Pension Board in 2005 and has served in that position since then. He is Chair of the Interplan Trustee Education Committee. He was a Director of the BC Pension Corporation from 2012 to 2019. During that time, he served as Chair of the BC Pension Corporation Board of Directors for four years and Vice-Chair for three years. Weldon holds a bachelor of science degree with a specialization in chemistry from Concordia University and a diploma in education from McGill University. He taught French immersion science for over 15 years at the secondary level before joining FPSE. Weldon has completed the Advanced Trust Management Standards program and holds the ICD.D designation from the Institute of Corporate Directors.

**BCI BOARD AND COMMITTEE APPOINTMENTS**

2022-2023 ATTENDANCE

<ul style="list-style-type: none"><li>• Director since September 1, 2021</li><li>• Current term to August 31, 2024</li><li>• Appointed by the College Pension Board of Trustees</li><li>• Independent</li></ul>	Director, BCI Board of Directors	6/7	85%
	Member, Human Resources and Governance Committee (2021 – Present)	5/5	100%
	Guest, Audit Committee	2/4	50%

**BCI DIRECTOR REMUNERATION 2022–2023**

	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
100 per cent of the remuneration is paid to FPSE Prior remuneration paid directly to Mr. Cowan has been reimbursed to FPSE.	\$17,486	\$8,714	-	\$6,536	\$32,735

**OTHER BOARD DIRECTORSHIPS/TRUSTEESHIPS/  
POSITIONS OF FIDUCIARY RESPONSIBILITY**

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
College Pension Board of Trustees	2005 – Present	Y	2021 – 2022	
Interplan Trustee Education Committee	2005 – Present	Y	2007 – Present	





**PAUL FINCH** | Vancouver, British Columbia

Paul was elected Treasurer and Chief Financial and Administrative Officer of the British Columbia General Employees' Union (BCGEU) in 2014 and re-elected in 2017 and 2021. He is responsible for the BCGEU's ethical investment program and policy on housing affordability and land economics. Prior to this, Paul served as the BCGEU's Executive Vice President for three years. Paul is a Plan Partner Representative for the Public Service and College Pension Plans, and a Trustee on the Public Service Pension Plan Board of Trustees. He also serves on the National Executive Board of the National Union of Public and General Employees and the Executive Council of the BC Federation of Labour. Paul completed the Directors Education Program at the University of Toronto's Rotman School of Management in 2019. During his career in the civil service, Paul worked primarily in real estate and IT project management.

**BCI BOARD AND COMMITTEE APPOINTMENTS**

2022-2023 ATTENDANCE

<ul style="list-style-type: none"> <li>• Director since April 1, 2019</li> <li>• Current term to March 31, 2025</li> <li>• Appointed by the Public Service Pension Board of Trustees</li> <li>• Independent</li> </ul>	Director, BCI Board of Directors	7/7	100%
	Member, Human Resources and Governance Committee (2019 – Present)	5/5	100%
	Guest, Audit Committee	3/4	75%

**BCI DIRECTOR REMUNERATION 2022–2023**

	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
50 per cent of the Board meeting fees is paid to BCGEU	\$17,486	\$9,574	-	\$7,395	\$34,885 <sup>1</sup>

**OTHER BOARD DIRECTORSHIPS/TRUSTEESHIPS/  
POSITIONS OF FIDUCIARY RESPONSIBILITY**

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
Affordable BC Housing Society	2020 – Present	N	-	-
Autism Canada	2020 – Present	Y	2022 - Present	Human Resources and Governance Committee Finance and Audit Committee
BC Public Service Pension Plans Plan Partner Representative BCGEU	2014 – Present	N	-	-
BC Federation of Labour	2014 – Present	N	-	-
BC Target Benefit Pension Plan	2014 – 2021	Y	2017 - 2021	-
BCGEU	2011 – Present	N	-	Finance Committee Human Resources and Governance Committee Administrative Committee Executive Committee
Canada Capital Stewardship Network	2020 – Present	Y	2022 - Present	-
Constellation Media Society	2020 – 2021	N	-	-
National Union of Public and General Employees	2014 – Present	N	-	Finance Committee
Public Service Pension Plan	2014 – Present	N	-	Communications Committee Benefits Committee
Solidarity Holdings Ltd.	2011 – Present	N	-	-
Workers Capital Holding Society	2020 – Present	N	-	-

<sup>1</sup> Includes remuneration for representing BCI at other meetings





**GAYLE GORRILL** | Victoria, British Columbia

In 2021, Gayle stepped down as Vice-President Finance and Operations at the University of Victoria (UVic) after 15 years. She was responsible for the budget office, computing services, campus security, emergency planning, facilities management, financial services, and human resources. Prior to UVic, she was with the University of Calgary as Associate Vice-President, Administration for three years and in various executive positions for the Calgary Health Region. She began her career at Ernst and Young. Gayle has a bachelor of business administration and received her chartered accountant (CPA CA) designation in 1985, becoming a Fellow of the CPA-CA in 2016. Gayle has extensive Board experience and holds the ICD.D designation from the Institute of Corporate Directors.

**BCI BOARD AND COMMITTEE APPOINTMENTS**

2022-2023 ATTENDANCE

<ul style="list-style-type: none"> <li>• Director since June 18, 2018</li> <li>• Current term to June 18, 2025</li> <li>• Appointed by BC's Minister of Finance</li> <li>• Independent</li> </ul>	Director, BCI Board of Directors	7/7	100%
	Chair, Audit Committee (Sept 2021 – Present)	4/4	100%
	Guest, Human Resources and Governance Committee	4/5	80%

**BCI DIRECTOR REMUNERATION 2022–2023**

	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$17,486	\$9,574	\$5,830	\$7,395	\$41,575 <sup>1</sup>

**OTHER BOARD DIRECTORSHIPS/TRUSTEESHIPS/  
POSITIONS OF FIDUCIARY RESPONSIBILITY**

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
BCNet	2015 – 2022	Y	2019 – 2022	Governance and HR Committee Finance Committee
Canadian Association of University Business Officers	2011 – 2019	Y	2016 – 2017	-
Heritage Realty Properties	2006 – 2021	N	-	-
Ocean Networks Canada	2008 – 2021	N	-	Finance and Audit Committee Governance and Human Resources Committee
University of Victoria Foundation	2006 – 2021	N	-	-
University of Victoria Properties Investments Inc.	2006 – 2021	N	-	-

<sup>1</sup> Includes remuneration for representing BCI at other meetings





**DONNA LOMMER** | Kelowna, British Columbia

Donna joined Interior Health Authority over 30 years ago and is currently the Vice-President Clinical and Corporate Services. She leads a team of more than 2,500 people; provides executive oversight to capital projects totaling more than \$1.2 billion; and provides financial stewardship over a \$2.6 billion annual operating budget. Donna has experience leading many facets of health care service delivery, most notably laboratory, medical imaging, pharmacy, health systems planning, seniors' health care, palliative care, support services, financial management, and capital projects. She is active on the Board of Trustees for Municipal Pension Plan and is a past Board Member of the Healthcare Benefits Trust and Occupational Health & Safety Agency for Healthcare in British Columbia. Donna holds an executive master’s degree in business administration (EMBA) and is a chartered professional accountant (CPA CGA).

**BCI BOARD AND COMMITTEE APPOINTMENTS**

2022-2023 ATTENDANCE

<ul style="list-style-type: none"><li>• Director since January 1, 2019</li><li>• Current term to December 31, 2024</li><li>• Appointed by the Municipal Pension Board of Trustees</li><li>• Independent</li></ul>	Director, BCI Board of Directors	7/7	100%
	Member, Audit Committee (2019 – Present)	4/4	100%
	Guest, Human Resources and Governance Committee	1/5	20%

**BCI DIRECTOR REMUNERATION 2022–2023**

	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
100 per cent of the remuneration is paid to the Interior Health Authority	\$17,486	\$9,574	-	\$4,299	\$31,359

**OTHER BOARD DIRECTORSHIPS/TRUSTEESHIPS/  
POSITIONS OF FIDUCIARY RESPONSIBILITY**

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
Healthcare Benefits Trust	2014 – 2019	N	-	Audit Committee Finance Committee
Municipal Pension Plan	2017 – Present	N	-	Benefits Committee Communications and Advocacy Committee Governance Committee Valuation Committee





**ROB TAYLOR** | Langford, British Columbia

Rob is a retired educator who spent 34 years in the education sector, including 25 years as a classroom teacher and five years as Director of Instruction — Human Resources in School District 27 (Cariboo-Chilcotin). He also spent four years working on the staff of the BC Teachers’ Federation as an Assistant Director responsible primarily for pensions and benefits. Rob is Vice-Chair of the Teachers’ Pension Board of Trustees, having first been appointed to that Board in January 2015. Rob holds a bachelor of education and masters of education from the University of Victoria. He has also completed the Pension Plan Administration Certificate at Humber College, the International Foundation of Employee Benefit Plans’ Advanced Trust Management Standards program, and other professional development activities related to public sector pension plans.

**BCI BOARD AND COMMITTEE APPOINTMENTS**

2022-2023 ATTENDANCE

<ul style="list-style-type: none"><li>• Director since January 1, 2022</li><li>• Current term to December 31, 2023</li><li>• Appointed by the Teachers’ Pension Board of Trustees</li><li>• Independent</li></ul>	Director, BCI Board of Directors	7/7	100%
	Member, Audit Committee (2022 – Present)	4/4	100%
	Guest, Human Resources and Governance Committee	5/5	100%

**BCI DIRECTOR REMUNERATION 2022–2023**

	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$17,486	\$9,574	-	\$7,797	\$34,856

**OTHER BOARD DIRECTORSHIPS/TRUSTEESHIPS/  
POSITIONS OF FIDUCIARY RESPONSIBILITY**

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
Teachers’ Pension Plan	2015 – Present	N	-	-





**SHEILA TAYLOR** | Sidney, British Columbia

Now retired, Sheila was Deputy Minister of the Ministry of Social Development. Prior to that, Sheila was an Associate Deputy Minister and Chief Operating Officer with the Ministry of Finance. During her 32-year career with the BC Public Service, she also held other executive and senior financial positions with the ministries of Health, Transportation, Environment, and Finance. Sheila has served on several major capital project boards; as an Alternate Trustee on the Municipal Pension Plan Board of Trustees; and was Deputy Chair of the BC Medical Services Commission from 2012 to 2017. Sheila has a degree in finance from the Marriott School of Management, Brigham Young University.

**BCI BOARD AND COMMITTEE APPOINTMENTS**

2022-2023 ATTENDANCE

<ul style="list-style-type: none"> <li>• Director since April 9, 2018</li> <li>• Current term to December 31, 2024</li> <li>• Appointed by BC’s Minister of Finance</li> <li>• Independent</li> </ul>	Director, BCI Board of Directors	7/7	100%
	Chair, Human Resources and Governance Committee (2019 – Present)	5/5	100%

**BCI DIRECTOR REMUNERATION 2022–2023**


	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$17,486	\$9,574	\$5,830	\$4,816	\$39,855 <sup>1</sup>

**OTHER BOARD DIRECTORSHIPS/TRUSTEESHIPS/  
POSITIONS OF FIDUCIARY RESPONSIBILITY**

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
BC Housing Management Commission	2022 - Present	Y N N	2023 - Present	Governance and Human Resources Committee Capital Review Committee Business Transformation Committee
BC Medical Services Commission	2010 - 2017	N	-	-
Labour Market Priorities Board	2014 – 2017	N	-	-

<sup>1</sup> Includes remuneration for representing BCI at other meetings



A woman with dark curly hair, wearing a black and white patterned dress, is seated at a dark table. She is smiling and looking to her right. Her hands are resting on the table, holding a dark mug. In the background, there are indoor plants and a bright window. A large teal semi-circle is overlaid on the right side of the image, containing the title text.

# Compensation Discussion & Analysis



# Compensation Discussion & Analysis

Attracting and retaining a highly skilled team is essential for our clients' financial success.

As a global investment and asset manager, BCI's team has the skills and expertise to fulfill our mandate of growing and protecting the long-term value of our clients' funds, while providing leadership in a dynamic investment environment.

BCI offers rewarding career opportunities, supports continued professional development, and provides competitive base salaries and incentive pay to compete for talent in the markets in which we operate.

BCI operates on a cost-recovery model, and investment management fees are charged to the investment pools and clients. We are accountable to our clients for investment returns and the costs involved in managing their funds.

## HUMAN RESOURCES AND GOVERNANCE COMMITTEE MANDATE

The Human Resources and Governance Committee (HRGC) assists the Board in ensuring BCI retains a highly effective and engaged team, and that human resource practices align employee performance with client expectations.

The HRGC monitors and makes recommendations to the Board on the following:

- > trends and external market practices for compensation, benefits, and terms and conditions of employment
- > job classification system and compensation scale
- > comparators and competitive positioning of compensation
- > performance incentive plans
- > oversight of risks associated with human resources activities
- > employee code of conduct provisions
- > succession planning
- > professional development and training strategies
- > new human resources strategies and supporting policies
- > self-evaluation plans of the Board and its committees
- > best practices and trends in Board governance

The HRGC consists of three Directors, appointed by the Board, with diverse backgrounds and experience in business and human resources. Members are independent of management. Sheila Taylor is Chair; Paul Finch and Weldon Cowan are Committee members. Other Directors may also attend Committee meetings as guests. The CEO/CIO and Executive Vice President, Human Resources attend the meetings.

The HRGC meets at least three times a year. The Committee met on five occasions in fiscal 2023 and in-camera sessions were held at each meeting.





## COMPENSATION CONSULTANTS AND EXTERNAL SOURCES

The Board conducts a comprehensive review of BCI's Compensation Philosophy and structure every three years with the support of an external advisor. During fiscal 2023, the Board appointed Willis Towers Watson, a compensation consultant, to support the triennial review of the Compensation Philosophy, pay levels, and pay mix — the proportions of base salary and other incentive pay. Changes resulting from the triennial review were based on detailed market analysis and market comparisons and were effective April 1, 2022.

For all roles, the Board looks at similar and/or equivalent positions within BCI's peer group, which consists of the Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, the Canada Pension Plan Investment Board, the Healthcare of Ontario Pension Plan, the Investment Management Corporation of Ontario, the Ontario Municipal Employees Retirement System, the Ontario Teachers' Pension Plan, and the Public Sector Pension Investment Board.

The Board uses the Willis Towers Watson Investment Management Compensation Survey as the primary source of data. Secondary data sources include broader Canadian investment management organizations and other external data. Surveys include positions ranging in seniority and responsibilities.

For non-investment roles, tertiary samples can include broader financial services, general industry, and/or custom data sources. An additional reference sample is BC Crown/ public sector organizations. Market data is regularly

reviewed to ensure that our pay levels are appropriately targeted, and that our actual pay levels reflect the performance we achieve and closely align with our clients' returns.

Willis Towers Watson conducts formal market surveys in which BCI participates annually. Throughout the year, BCI also participated in ad hoc or custom surveys sponsored by different market providers and/or peer organizations.

## COMPENSATION PHILOSOPHY

BCI's Compensation Philosophy was updated as part of the triennial compensation review. Adjustments included updating the external market comparators to ensure we remain competitive and clarifying BCI's approach to rewarding target or expected levels of performance, as well as excellent performance. The philosophy was last changed in 2018.

BCI's Compensation Philosophy effective April 1, 2022, is:

- > We pay our people competitively in the markets in which we compete for talent and with consideration to internal equity and job structure.
- > We aim for actual pay to be around the median of the market for target or expected levels of performance, and around the upper quartile of the market for excellent performance.

The philosophy is principles-based and emphasizes pay-for-performance, long-term results, and meeting clients' expectations. It provides the framework for all compensation-related decisions and practices.

BCI is committed to providing employees with total compensation opportunities that are competitive and equitable. Total compensation includes base salary and incentive pay, as well as benefits, pension contributions, and perquisites. Employees based outside of Canada are eligible to participate in defined contribution pension plans that were established based on local regulations and aligned with local market practices.

BCI's compensation practices are guided by the following principles:

- > Aligned to and support BCI's short- and long-term strategies and objectives to ensure value for money.
- > Responsive to the different markets in which we compete for talent.
- > Managed on a total compensation basis.
- > Value cost effectiveness and ease of administration.
- > Recognize differences in individual performance and reinforce desired behaviours.
- > Communicated clearly and consistently.
- > Provide a level of base salary, incentives, and benefits that is sufficiently competitive to the relevant markets.
- > Maintain consistency and equity, and establish internal job hierarchy.

## COMPENSATION GOVERNANCE

BCI's governance framework outlines the roles and responsibilities related to compensation and aligns with industry best practices.



The framework includes the following governance authorities:

- > The Board of Directors makes all structural and strategic decisions including: BCI's Compensation Philosophy; annual incentive plan (AIP) and long-term incentive plan (LTIP) policies; measures of return within the AIP and LTIP policies; and the inclusion of multi-year returns for asset classes. They approve the total fund long-term absolute return benchmark and the individual pooled funds benchmarks, and the overall investment and return performance objectives (target and maximums).
- > The Executive Talent and Compensation Committee (ETCC) makes administrative and performance measurement decisions related to AIP calculation criteria, including value driver weightings for AIP and multi-year timeframe for department and portfolio returns. The ETCC reviews all benchmark and performance objective recommendations, including the overall investment return and absolute return benchmark, for further approval by the CEO/CIO, as appropriate. The Committee comprises the Executive Management Team and is chaired by the Executive Vice President, Human Resources. The Chair may invite participants outside of the Executive Management Team, as appropriate.
- > The Investment Risk Committee reviews all benchmark and performance objective recommendations for further consideration by the ETCC. This includes required performance objectives (target and maximums) for each pooled fund, asset class, and overall investment return, and all pooled fund benchmarks and related governance and implementation requirements. The Committee comprises key members of the Executive Management Team as well as BCI's investment risk professionals.

The framework allows the Board to focus on aligning strategic decisions with the Compensation Philosophy. It also formalizes the decisions under Board discretion and those which are delegated to BCI management.

### JOB EVALUATION AND CLASSIFICATION PLAN

BCI's job evaluation and classification plan is based on external benchmarking and a "job family" system comprising four categories. The plan provides internal consistency and measures knowledge, complexity, responsibility, and working relationships required of all positions.

The plan's four job categories are:

- > **Investment:** actively involved in the financial management and/or support of an asset portfolio or investment activities requiring an investment professional.
- > **Management/Leadership:** works at a high operational and/or strategic level where decisions generally influence corporate policy and performance, and leadership of employees represents a significant portion of overall responsibilities.
- > **Professional/Technical:** provides advanced knowledge in an area of expertise to give technical direction and leadership for a process, system, and/or functional area to protect the company and minimize risk.
- > **Enterprise Support:** provides information and/or support for various operations and processes.

### COMPENSATION STRUCTURE

Our compensation structure includes a base salary, benefits, and pay-for-performance remuneration (variable pay) through the AIP and LTIP for senior roles. As a statutory corporation with one share with a par value of \$10, BCI does not issue share options to our employees.

**Base Salary:** Salary ranges are aligned with the results of custom and published surveys. Salaries are evaluated annually, and increases are based on the employee's performance.

**AIP:** To achieve the objectives set out in our business plan, we must attract, retain, and motivate skilled professionals. As BCI's compensation structure emphasizes pay-for-performance, all employees are evaluated on an annual basis. Assessments are based on the individual's accountabilities and their specific contribution to BCI's business plan.

All permanent and fixed-term employees are eligible to participate in the AIP. The plan provides employees with the opportunity to receive additional compensation based on the achievements of the corporate objectives, investment performance, and individual efforts.

The AIP includes three value drivers for the asset classes and two value drivers for the non-asset-class departments. AIP payments are conditional on performance that, in aggregate and on a weighted basis, adds value relative to client benchmarks. The weighting assigned to each of the value drivers may differ by position depending on the role and its impact on corporate performance.



**Driver 1: Overall Investment Return Performance:**

Overall investment return performance is measured 70 per cent against relative industry benchmarks and 30 per cent against clients' absolute return objectives. The value-added component for relative returns is assessed net of investment management fees and expenses. This driver is intended to align overall investment performance with client expectations and requirements.

To reinforce that long-term investment returns matter and to ensure alignment with BCI's long-term investment horizon, relative returns are measured on a multi-year basis (five-year timeframe) and absolute return is measured over a 10-year time horizon.

**Driver 2: Individual Contribution:** The employee's performance is measured against the accountabilities assigned to their role as outlined in their individual scorecards. This is intended to encourage and reward high performance.

**Driver 3: Investment Department Performance:**

Performance is measured against the five-year market benchmarks for the asset class. Depending on the role, a greater weighting of total incentive pay is placed on the results of department and portfolio returns.

The maximum value-added objectives are consistent with client mandates and BCI's investment approach. These are designed to discourage excessive risk-taking consistent with BCI's investment philosophy of focusing on long-term results.

Prior to fiscal 2023 this driver included a one-year performance measure. By removing the one-year measure, a greater emphasis is placed on long-term results.

**LTIP:** This plan is designed to attract and retain senior employees and align their commitment with our longer-term investment results.

- > The plan provides a significant portion of compensation tied to the achievement of long-term investment performance and aligns employee total compensation to the long-term interests of our clients.
- > Supports retention by deferring the receipt of a meaningful portion of compensation.

The long-term value-add measure in AIP has been used in LTIP since April 1, 2017, ensuring that a single measure is used for both plans. This further emphasizes long-term returns. The LTIP total award is disbursed over a three-year period with a maximum award of 100.0 per cent for each year. New employees participating in LTIP are eligible to receive the first payment after completing the first fiscal year of employment.

As part of the triennial review, the Board introduced notional reinvestment to the LTIP design such that deferred awards will fluctuate with the five-year annualized combined pension plan returns. This further aligns the interests of employees with our clients' investment objectives.

**BENCHMARKS AND COMPENSATION**

BCI pursues a principles-based approach to asset class and portfolio benchmark selection. All benchmarks for fiscal 2023, and the value-add performance objectives (excess return targets and maximum) associated with each benchmark for incentive compensation calculations, were reviewed in accordance with BCI's Benchmarking Policy.

The provisions apply to all pooled funds, asset classes, and other investment-related benchmarks, and address the overall investment return performance which is used as the value driver 1 for AIP and LTIP programs.

By establishing BCI's overall investment return performance — both in the context of relative returns and our clients' absolute return objectives — our incentive programs ensure alignment of interest between management and clients.

**PERFORMANCE ASSESSMENT**

BCI's net assets under management grew by \$3.9 billion during the year to \$215.0 billion, reflecting investment gains of \$6.7 billion and client net withdrawals of \$2.8 billion.

As our clients have long-term financial obligations, we focus on meeting and exceeding their return expectations. Returns are important — for every \$100 a pension plan member receives in retirement benefits, on average \$75 is provided by BCI's investment activity.

In the fiscal year ending March 31, 2023, the combined pension plan portfolio (representing BCI's six largest pension plan clients) had an annual return of 3.5 per cent, net of all fees. All asset classes contributed positively to the return, with significant gains being provided by private equities and infrastructure & renewable resources.

On a relative basis, all asset classes exceeded their one-year benchmarks.





Multi-year results are the best measure of BCI's performance. Over a 10-year period, BCI has generated an annualized return of 8.5 per cent against a benchmark of 7.2 per cent. This outperformance represents \$16.3 billion of value-added activity.

Over the 20-year period, BCI has generated an annualized return of 8.4 per cent against a benchmark of 7.5 per cent. In an ever-changing investment landscape, BCI outperformed the benchmark by 0.9 per cent, representing \$19.5 billion of value-added activity.

BCI's longer-term returns exceed the required actuarial rates of return for all major pension plan clients. As a result, our pension plan clients' most recent funding ratios vary from 103 per cent to 133 per cent. The value-added performance is calculated as the clients' total portfolio return (net of all costs and fees) minus the benchmark return multiplied by the opening market value.

### LONG-TERM INCENTIVE PLAN CREDITS AND PAYMENTS

BCI's strong multi-year performance generated a total award for 2022–2023 of 100.0 per cent, with 100.0 per cent being the maximum towards a current and future long-term incentive plan grant.

LTIP total awards and instalments are derived from the past five and 10 years of returns related to relative industry benchmarks and absolute client return objectives, respectively. Total awards are deferred and disbursed in three equal instalments over three fiscal years.

### EXECUTIVE COMPENSATION

Total compensation for BCI's named executive officers was \$20.6 million in 2022–2023 (\$14.7 million in 2021–2022). The AIP and LTIP payments for the CEO/CIO and the other named executive officers reflect the industry-aligned pay-for-performance compensation levels resulting from the Board's triennial compensation review. Payments reflect the strong investment performance for the fiscal year which allowed for the total maximum award of 100.0 per cent as performance exceeded our clients' benchmark return and generated the greatest one-year value add in BCI's history of \$4.6 billion. Payments also recognize their individual contributions and those of their respective departments.

The compensation of the five named executive officers in place at fiscal year-end, with comparable amounts for 2021–2022 and 2020–2021, is disclosed in the Summary Compensation Table on [page 68](#).

### TOTAL COMPENSATION

The total cost of salaries and benefits for our entire employee complement was \$270.5 million in 2022–2023 (12.7 cents per \$100 of net assets under management) compared to \$180.9 million in 2021–2022 (8.8 cents per \$100 of net assets under management).

The year-over-year change in total compensation was driven by the outperformance against relative benchmarks and absolute return requirements over the multi-year time horizon which allowed for AIP and LTIP awards up to the maximum. The adjustments to the maximum earning potential resulting from the triennial review strengthened variable pay-for-performance and further aligned employee incentives with our clients' long-term investment objectives.

As of March 31, 2023, BCI's employee complement was 711 compared to 620 at the end of fiscal 2022. This represents a 14.7 per cent year-over-year increase in the size of our workforce. We opened international offices in London, U.K. and New York City, U.S., and hired new employees in these global financial markets.





SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	BASE SALARY	ANNUAL INCENTIVE <sup>1,2</sup>	LONG-TERM INCENTIVE PLAN <sup>1,2</sup>	PENSION CONTRIBUTIONS <sup>3</sup>	OTHER BENEFITS <sup>4</sup>	TOTAL COMPENSATION <sup>5</sup>
<b>Gordon J. Fyfe</b> Chief Executive Officer / Chief Investment Officer	<b>2022 – 2023</b>	<b>\$641,641</b>	<b>\$1,924,923</b>	<b>\$2,143,097</b>	<b>\$66,956</b>	<b>\$267,871</b>	<b>\$5,044,488</b>
	2021 – 2022	\$622,576	\$1,767,938	\$1,427,126	\$64,824	\$214,879	\$4,097,342
	2020 – 2021	\$611,082	\$1,417,673	\$1,307,698	\$63,292	\$187,008	\$3,586,753
<b>Daniel Garant</b> Executive Vice President & Global Head, Public Markets	<b>2022 – 2023</b>	<b>\$515,000</b>	<b>\$1,416,250</b>	<b>\$1,181,952</b>	<b>\$54,482</b>	<b>\$173,835</b>	<b>\$3,341,518</b>
	2021 – 2022	\$484,692	\$859,796	\$772,452	\$51,242	\$82,965	\$2,251,148
	2020 – 2021	\$475,403	\$758,445	\$669,691	\$49,928	\$75,060	\$2,028,528
<b>Lincoln Webb</b> Executive Vice President & Global Head, Infrastructure & Renewable Resources	<b>2022 – 2023</b>	<b>\$475,000</b>	<b>\$1,306,250</b>	<b>\$999,594</b>	<b>\$50,542</b>	<b>\$159,029</b>	<b>\$2,990,415</b>
	2021 – 2022	\$407,754	\$787,277	\$618,396	\$43,664	\$104,701	\$1,961,792
	2020 – 2021	\$400,398	\$760,640	\$561,567	\$42,540	\$99,108	\$1,864,252
<b>Jim Pittman</b> Executive Vice President & Global Head, Private Equity	<b>2022 – 2023</b>	<b>\$475,000</b>	<b>\$1,306,250</b>	<b>\$999,594</b>	<b>\$50,542</b>	<b>\$158,175</b>	<b>\$2,989,561</b>
	2021 – 2022	\$407,754	\$787,277	\$618,396	\$43,664	\$102,937	\$1,960,028
	2020 – 2021	\$400,398	\$760,640	\$561,567	\$42,540	\$98,629	\$1,863,773
<b>Ramy Rayes</b> Executive Vice President, Investment Strategy & Risk <sup>6</sup>	<b>2022 – 2023</b>	<b>\$390,000</b>	<b>\$975,000</b>	<b>\$634,212</b>	<b>\$42,169</b>	<b>\$119,648</b>	<b>\$2,161,029</b>
	2021 – 2022	\$285,922	\$553,122	\$281,552	\$32,081	\$64,317	\$1,216,993
	2020 – 2021	-	-	-	-	-	-

<sup>1</sup> The values of incentive payments are listed beside the performance year in which they were earned; actual disbursement occurs in the following fiscal year.

<sup>2</sup> The incentive plan value reflects performance over a five and ten-year timeframe; actual disbursement occurs in the following fiscal year.

<sup>3</sup> These values represent the contributions paid by BCI on behalf of the named individuals to the Public Service Pension Plan and the Canada Pension Plan.

<sup>4</sup> These values include BCI-funded group health and wellness benefits and illness wage-loss provisions, parking, professional dues, and contributions paid by BCI on behalf of the named individuals for legislated benefits such as Employment Insurance and Workers' Compensation. Vacation pay is calculated on incentive compensation in line with applicable employment standards.

<sup>5</sup> Values in this table constitute the total compensation earned by or paid on behalf of the identified individuals. All values are inclusive.

<sup>6</sup> Ramy Rayes was appointed as Executive Vice President, Investment Strategy & Risk on December 21, 2021.





# Costs





# Costs

Our primary purpose is to generate the returns our institutional clients depend on to support their financial obligations and commitments. Doing so requires us to deliver long-term value-add, net of costs and fees. We operate on a cost-recovery basis and do not receive subsidies or financial aid from any third party. We are accountable to our clients for our returns, the costs involved in managing their funds, and the net value-add from our services.

The primary drivers of investment management costs are the assets under management and each client's asset mix. To support their long-term investment return objectives, many of our clients have shifted the asset allocations within their portfolios toward the private markets. This change, strategically and thoughtfully made over time, is in alignment with larger economic trends and peer practices.

In the fiscal year ending March 31, 2023, the combined pension plan portfolio (representing BCI's six largest pension plan clients) had an annual return of 3.5<sup>1</sup> per cent, net of all fees, representing \$4.6 billion of value-added activity.

This fiscal year, our total costs were \$1.1 billion or 53.7 cents per \$100 of assets under management (2021–2022: \$2.2 billion or 1 dollar and 8.1 cents per \$100), consisting of internal, external direct, and external indirect costs, all of which are netted against investment returns.

<sup>1</sup> Includes adjustment for the centralized currency management program. The performance implications of any net increase or decrease in hedging activity is reported to clients separately from the performance of any asset class but influences BCI's total portfolio performance.

<sup>2</sup> Peer median: Representing eight Canadian pension peers



## COST BENCHMARKING

CEM Benchmarking Inc., a global benchmarking company with over 300 participants, compared BCI to our Canadian pension peers. The results show BCI has successfully executed on our business plan and transitioned to an active, in-house asset manager. For the five-year period ending December 31, 2021 — CEM cost benchmarking survey is produced on a one-year lag — BCI delivered higher returns and value-add for our clients, at a lower cost, than the peer median<sup>2</sup> benchmark





BCI'S COST TYPES

TYPE	DEFINITION	PROVIDES	PURPOSE	COST
Internal	Operating costs over which BCI has direct control.	Salaries, rent, technology, and consulting fees.	<p>To staff BCI with high-performing professionals in key global locations to deliver results for our clients.</p> <p>To provide and scale the facilities, tools, and services necessary for BCI's operations.</p>	33.8 per cent of total costs or 18.1 cents per \$100 of assets managed
External Direct	Investment management costs, including performance fees, where BCI retains discretion over the decision to buy or sell assets.	Asset management fees and performance fees to third-party managers, custodial fees, audit fees, legal costs, pursuit costs and other transaction costs.	<p>To engage and incent external managers and partners with skills and resources BCI does not have.</p> <p>To facilitate investment transactions and fund administration activities.</p>	38.5 per cent of total costs or 20.7 cents per \$100 of assets managed
External Indirect	Investment management costs, including performance fees where BCI has delegated to a third-party manager the discretion to buy or sell assets.	Asset management fees and performance fees to third-party managers.	<p>To engage and incent external managers with skills and resources BCI does not have.</p> <p>To ensure alignment between BCI and external managers through incentive pay options.</p>	27.7 per cent of total costs or 14.9 cents per \$100 of assets managed

COSTS ANALYSIS

Internal Costs were \$387 million in 2022-2023 compared to \$283 million in 2021-2022. The 36.4 per cent year-over-year increase was primarily due to the addition of personnel, realignment of compensation levels following the triennial compensation review, and an increase in professional services. The changes reflect the growth of teams, systems, and increased costs from strategic corporate projects, including global offices, designed to support our clients' increased target asset allocations to private markets. Managing these assets internally creates significant cost efficiencies for our clients relative to external management.

External Direct Costs were \$440 million compared to \$654 million in 2021-2022. The 32.6 per cent year-over-year decline was driven by fewer performance fees paid, lower AUM across certain mandates and a reduction in the number of external managers used, with a shift to internal active portfolios.

External Indirect Costs were \$316 million compared to \$1,283 million in 2021-2022. The 75.3 per cent year-over-year decline was driven largely by a decrease in private equity performance fees paid to external managers, as current-year returns were 4.7<sup>1</sup> per cent versus exceptionally strong returns of 29.6<sup>2</sup> per cent last year.

For complete cost disclosure, view the [Audited Financial Statements](#).

<sup>1</sup> One-year return for calendar year ending December 31, 2022

<sup>2</sup> One-year return for calendar year ending December 31, 2021





# Appendix





# Clients

## PENSION FUNDS

- > BC Hydro and Power Authority Pension Plan
- > British Columbia Railway Company
- > College Pension Plan
- > Insurance Corporation of British Columbia
- > Municipal Pension Plan
- > Public Service Pension Plan
- > Teachers’ Pension Plan
- > University of British Columbia Staff Pension Plan
- > University of Victoria Combination & Money Purchase Pension Plans
- > University of Victoria Staff Pension Plan
- > WorkSafeBC Pension Plan

## INSURANCE FUNDS

- > Credit Union Deposit Insurance Corporation of British Columbia
- > Insurance Corporation of British Columbia
- > WorkSafeBC Accident Fund

## SPECIAL PURPOSE FUNDS

- > 2010 Games Operating Trust
- > 94 Forward Society
- > BC Assessment Authority
- > BC Ferry Services Inc.
- > BC Hydro and Power Authority
- > BC Pension Corporation
- > BC Transportation Financing Authority
- > British Columbia Railway Company
- > Columbia Basin Trust
- > Healthcare Investment Unit Trust
- > Innovate BC
- > Municipal Retiree Benefit Trust
- > Province of British Columbia
- > Public Education Benefits Trust
- > University of British Columbia (Endowment Fund)

Three clients have chosen not to be disclosed.





# Pooled Fund Benchmarks

Unless otherwise indicated, all benchmarks are total return, unhedged, and as of March 31, 2023.

POOLED FUND	BENCHMARK
SHORT TERM FUNDS	
Canadian Money Market Fund (ST1)	Canadian Overnight Repo Rate Average (CORRA)
Canadian Money Market Fund (ST2)	FTSE Canada 91 Day T-Bill Index
U.S. Dollar Money Market Fund (ST3)	Secured Overnight Financing Rate (SOFR)
U.S. Dollar Money Market Fund (ST4) <sup>1</sup>	ICE Bank of America (BofA) U.S. 3-Month Treasury Bill Index
BOND FUNDS	
Short Term Bond Fund	FTSE Canada Short Term Government Bond Index
Canadian Universe Bond Fund	FTSE Canada Universe Bond Index
Government Bond Fund	FTSE Canada All Government Bond Index
Corporate Bond Fund	Custom Benchmark <sup>2</sup>
Principal Credit Fund	S&P/LSTA U.S. Leveraged Loan 100 Index <sup>3</sup>
Leveraged Bond Fund	FTSE Canada All Government Bond Index <sup>4</sup>
EQUITY FUNDS — CANADIAN	
Indexed Canadian Equity Fund	S&P/TSX Composite Index
Canadian Quantitative Active Equity Fund	S&P/TSX Capped Composite Index
Active Canadian Equity Fund	S&P/TSX Capped Composite Index
Active Canadian Small Cap Equity Fund	S&P/TSX Small Cap Index

<sup>1</sup> New fund established in fiscal 2023.

<sup>2</sup> The custom benchmark is an equal weighting of ICE BofA U.S. Corporate Index plus ICE BofA BB-B U.S. Cash Pay High Yield Constrained Index, hedged to the Canadian dollar.

<sup>3</sup> Hedged to the Canadian dollar.

<sup>4</sup> For performance measurement, the liability benchmark performance equals the liability portfolio performance, i.e., the realized cost of financing liabilities.





# Pooled Fund Benchmarks

POOLED FUND	BENCHMARK
EQUITY FUNDS — GLOBAL	
Indexed EAFE Equity Fund	MSCI EAFE Index
Indexed U.S. Equity Fund <sup>1</sup>	MSCI USA Index
Indexed Global Equity Fund	MSCI World ex-Canada Index
Global Quantitative ESG Equity Fund	MSCI World ex-Canada Index
Global Partnership Fund	MSCI World ex-Canada Index
Global Quantitative Active Equity Fund	MSCI World ex-Canada Index
Active Global Equity Fund	MSCI World ex-Canada Index
Thematic Public Equity Fund	MSCI World ex-Canada Index
Active U.S. Small Cap Equity Fund	Russell 2000 Index
EMERGING MARKETS PUBLIC EQUITIES	
Indexed Emerging Markets Equity Fund	MSCI Emerging Markets Index
Active Emerging Markets Equity Fund	MSCI Emerging Markets Index
PRIVATE MARKETS FUNDS <sup>2</sup>	
Private Equity Funds	Custom Benchmark <sup>3</sup>
Infrastructure & Renewable Resources Program	Cost of Capital
BCI QuadReal Real Estate Equity Program	Cost of Capital
BCI QuadReal Real Estate Debt Program	ICE Bank of America (BofA) 1-3 Year Canada Government Index + Custom Spread

<sup>1</sup> New fund established in fiscal 2023.

<sup>2</sup> Private Market Funds are revised on an annual basis. The benchmarks are derived using several inputs which produce a long-term asset class risk-adjusted cost of capital. BCI’s internal risk ratings are used to ensure the benchmarks are adjusted to reflect the risk taken.

<sup>3</sup> Private Equity Funds consist of two components: Private Equity Fund investments are benchmarked to the MSCI All Country World Index (ACWI) plus a risk premium. Private Equity Direct/Co-investments are benchmarked to the private equity cost of capital.





# BCI's Approach to the TCFD Recommendations

BCI believes that meaningful disclosure of ESG risks, strategies, practices, and performance helps institutional investors make the best decisions for their clients.

We collaborate with like-minded investors and organizations to raise awareness of the need for reliable and consistent disclosure, and we are committed to incorporating the Task Force on Climate-related Financial Disclosures (TCFD) recommendations into our reporting and disclosure practices.





# Task Force on Climate-related Financial Disclosures Report

## Aligning with the TCFD recommendations

The Financial Stability Board (FSB) established the TCFD in 2015 to develop recommendations for more effective climate-related disclosures that could promote informed investment, credit, and insurance underwriting decisions.

BCI commented on the draft recommendations and officially signed a statement supporting the work of the TCFD in 2017.

Along with encouraging other companies to follow the TCFD’s recommendations, BCI is committed to incorporating the recommendations into our own reporting and disclosure practices. Previously, we included climate-related disclosures in our ESG Annual Report. This is the first year BCI is including our TCFD report in our Corporate Annual Report, with our public financial statements, as recommended by the TCFD.

The reporting period for the TCFD mentioned in this report is fiscal 2020 to fiscal 2022. Carbon data reporting lags by one year.

## CORE ELEMENTS OF TCFD RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES



**Governance**  
BCI’s governance around climate-related risks and opportunities



**Strategy**  
The actual and potential impacts of climate-related risks and opportunities on BCI’s operations, strategy, and financial planning



**Risk Management**  
BCI’s processes for identifying, assessing, and managing climate-related risks



**Metrics & Targets**  
The metrics and targets BCI uses to assess and manage relevant climate-risks and opportunities





# GOVERNANCE

## BCI'S GOVERNANCE AROUND CLIMATE-RELATED OPPORTUNITIES AND RISKS

BCI operates under a dual accountability model as set out in the *Public Sector Pension Plans Act*, which provides the legislated accountability we have to our clients and the BCI Board of Directors. Our clients set out their investment policies and management frameworks and the Chief Investment Officer (CIO) is accountable to each client for their investment returns and the management of their funds.

BCI's Board of Directors is appointed by our clients and British Columbia's Minister of Finance. The Board is accountable for overseeing BCI's operations and ensuring proper reporting and accountability to our clients.

**TCFD Recommendation:** Describe the Board's oversight of climate-related risks and opportunities.

**BCI's Alignment:** BCI's Board is not involved in making investment decisions but is actively involved in ensuring that all key operational risks and investment risks are analyzed by BCI and reported to clients. The Board approved an updated **ESG Governance Policy** in 2023, which establishes the Governance Framework and articulates the general approach and related roles and responsibilities at BCI regarding ESG. The Policy applies to all ESG issues, including climate change, which is specifically addressed by the BCI Board and BCI executive committees.

In 2022, the BCI Board was briefed on BCI's updated Climate Action Plan, and provided guidance on the approach. The Board also reviewed the climate change-related KPIs and held a strategic session with detailed education on climate risk and an overview of how BCI integrates climate change into our investment decision-making processes and engagement activities. The Board reviews portfolio climate change scenario analysis. We regularly report on our climate strategy and risk assessment, as well as inform the Board of revisions to our overall approach and specific actions we are taking to address climate change.

**TCFD Recommendation:** Describe management's role in assessing and managing climate-related risks and opportunities.

**BCI's Alignment:** BCI's CEO/CIO and senior management committees review and approve our climate strategy and climate-related risk management approach. With BCI's updated Climate Action Plan, the senior management committees will oversee the state of climate-related risks and BCI's progress toward achieving each component of our strategy. For individual investment decisions, the Management Investment Committee receives climate-related risk and opportunity analysis as part of every investment risk review, where material. Detailed physical and transition climate change risk analysis is reviewed by asset class investment teams where climate-related opportunities, value creation ideas, mitigation measures and valuation impacts are addressed. Climate-related investment opportunities may also be presented and approved at the CEO/CIO level where authority has not been delegated to other senior executives within the corporation.



# STRATEGY

## THE ACTUAL AND POTENTIAL IMPACTS OF CLIMATE-RELATED OPPORTUNITIES AND RISKS ON BCI'S OPERATIONS, STRATEGY, AND FINANCIAL PLANNING

**TCFD Recommendation:** Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

**BCI's Alignment:** Climate change continues to present opportunities and risks across all timeframes and is a key systemic risk that is expected to continue impacting all markets and investments that BCI makes on behalf of our clients.

TRANSITION RISKS		PHYSICAL RISKS
Short term	There were encouraging signs in 2022 with some governments moving to enact policies (e.g., Inflation Reduction Act in the U.S.) that support a more rapid shift towards their stated commitments. However, energy markets were disrupted, primarily due to the war in Ukraine, leading to challenges in energy supply reliability and affordability. The conflict has created climate action uncertainty across many jurisdictions, increasing the complexity of navigating transition risks in the short term. This shift is creating short-term investment opportunities in sectors that will benefit from these incentives. BCI's policy advocacy in the short term will continue to promote regulatory and policy ambition and certainty to increase the pace of action toward the global goal of net zero by 2050.	In the short term, physical risks to BCI's investments are expected to materialize in isolated incidents across the portfolio. These short-term physical risks are actively evaluated and considered across all investments. Due diligence is conducted where material physical risks are identified. Mitigation measures are included where appropriate, such as purchasing adequate insurance and creating climate change adaptation plans.
Medium term	Transition opportunities and risks are expected to increase in importance for pricing assets across all markets, but will vary by region. The transition opportunities will crystallize for some industries and sectors. We see capital-intensive sectors needing the most policy support to create the right market conditions to scale clean technologies. Companies that enable low-carbon electricity grids, alternative green energy sources and decarbonization of the industrials sector will present transition opportunities for investors.	Physical risks from climate change increase in likelihood and severity under all climate change scenarios and have the potential to impact real assets and supply chains. To manage this risk, BCI uses specialized physical risk tools and data to evaluate such damages across all time frames.
Long term	Over the long term, an orderly transition to a low-carbon economy that is aligned with a net-zero (1.5 °C) scenario will ultimately benefit client portfolios. However, we do not see an indication that current global government commitments will meet that goal. BCI's engagement and advocacy efforts will continue to focus on supporting public policies and regulations that enable an orderly and predictable transition and prepare companies to be resilient under any transition. BCI will continue to use influence as a large institutional investor to help avoid the negative long-term economic outcomes that may result from climate change, which is important in meeting long-term return objectives, while preparing the portfolio for a long-term outcome that does not achieve this objective.	We understand there will be long-term physical impacts as a result of climate change. Ongoing climate action will influence the timing and severity of the effects.  While a high warming scenario is expected to negatively impact the portfolio performance over the long term, there may be opportunities for investors to anticipate the physical risks and find opportunities to adjust their portfolios accordingly.



**TCFD Recommendation:** Describe the impact of climate-related risks and opportunities on operations, strategy, and financial planning.

**BCI's Alignment:** BCI has created a Climate Action Plan to identify and manage the climate-related risks and opportunities across all aspects of our investment activity.

The plan comprises four parts: Manage Risks; Integrate; Seek Opportunities; and Engage & Advocate. Climate-related risks and opportunities are factored into each asset class and investment strategy in a consistent manner while adapting the specific approach to the asset class context.

BCI believes the most effective way to manage climate investment impacts is to integrate climate-related considerations into our investment decision-making processes, which we have done, and continue to refine. BCI employs the following tools to identify and assess climate-related risks:

- > Data compiled by the Sustainable Development Investments Asset Owner Platform (SDI AOP) to measure our exposure to companies providing products and services that contribute positively to UN Sustainable Development Goals (SDGs) related to climate change.

- > ESG company reviews and due diligence that include analysis of greenhouse gas (GHG) emissions, decarbonization commitments, energy efficiency policies, and consideration of climate change in business strategies.
- > Climate change scenario analysis to help prioritize areas of the portfolio that require further analysis or management.
- > Asset-specific sensitivity analysis for active investments in industries highly susceptible to climate change policy changes.
- > Physical climate risk assessments to quantify the physical risks of climate change on direct physical assets.
- > External manager surveys that include climate strategy in the due diligence and monitoring processes.

Each asset class will have a different exposure to climate change risks and opportunities, and we measure the exposure over time using our ESG Risk and Opportunity Framework. This measurement provides quantitative outputs that can be used to evaluate how different underlying exposures in the portfolio may be impacted under each climate change scenario.





**TCFD Recommendation:** Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

**BCI’s Alignment:** BCI has developed internal scenarios based on information from both the International Energy Agency and the Network for Greening the Financial System (NGFS). These scenarios provide insight into direct transition impacts on the energy system and incorporate economic damages to understand potential impacts on the broad economy. This provides an estimate of net economic impacts to growth-sensitive industries and to directly impacted industries that will see material changes to their revenues and expenses. These scenarios provide a directional understanding of the potential impacts of climate change across all asset types.

Each asset class requires fit-for-purpose processes and analysis to evaluate climate change physical and transition risks. For example, the real estate and infrastructure & renewable resources asset classes apply specialized tools to measure physical climate change risks as part of the due diligence process. These tools help understand the potential financial impacts that will need to be managed and accounted for in each investment. All asset classes apply a systematic process to identify and factor climate risks into the investment decision-making process.

By using the climate risk management tools to properly price these risks across multiple scenarios, we aim to protect the financial best interest of client portfolios. As we continue to engage with portfolio companies to increase their resilience under many future climate scenarios and we appropriately factor these risks into all levels of investment decisions, we aim to create a climate-resilient investment strategy across all asset classes.

**1.5°C scenario**

Our updated 1.5°C or net-zero aligned scenario assumes deep decarbonization across all industries and requires a rapid and extensive shift in many sectors of the economy. We have updated our scenarios with new data to better understand the opportunities that will arise in this scenario. This scenario has the most pronounced short-term transition impacts, which are expected to be disorderly in some jurisdictions and industries. The direct impacts to the energy sector will be distinct as demand for high-carbon energy is rapidly displaced by low-carbon energy.

There are substantial opportunities for low-carbon energy infrastructure in this scenario, which would create growth opportunities for electric utilities, transmission and distribution, and renewable energy. We also see opportunities in critical mineral suppliers and the need for carbon-negative solutions to achieve the climate outcomes in this scenario, which creates new revenue opportunities for some portfolio companies. This scenario results in the best long-term outcome for the global economy.

**2°C scenario**

Similar to the 1.5°C scenario, the 2°C scenario has lower long-term physical impacts from climate change compared to the higher warming scenarios and may provide substantial investment opportunities for low-carbon infrastructure. The direct impacts of transitioning the energy and utilities sectors will support broader decarbonization of the economy. Industries with high emissions are impacted in the short term, as increasing regulatory pressure to reduce emissions results in increasing costs. Over the long term, negative impacts on utilities reverse and result in positive overall performance as these assets grow and enable a transition to low-carbon energy sources.

**3°C scenario**

This scenario creates a trajectory where immediate impacts to the energy system are less severe relative to the 2°C scenario, but transition impacts still materialize slowly. Negative impacts result primarily from more pronounced impacts from physical risks. In the medium and long term, increases in severity and frequency of physical damages are anticipated to impact asset valuations and decrease economic growth. Supply chain disruption and damages to food and agriculture systems create chronic impacts over the long term.



# RISK MANAGEMENT

## BCI'S PROCESS FOR IDENTIFYING, ASSESSING, AND MANAGING CLIMATE-RELATED RISKS

**TCFD Recommendation:** Describe the process for identifying and assessing climate-related risks.

**BCI's Alignment:** BCI integrates climate change risk identification alongside all existing risk management activities. We use climate change scenario analysis to identify macroeconomic climate-related risks and opportunities that could impact our clients' investment returns. These scenarios are used to stress test and assess the direction and size of potential financial impact on the portfolio under each scenario. Each asset class team identifies, analyzes, and monitors material climate change risks and opportunities for new and existing investments.

Climate risks are assessed during due diligence, and throughout the investment life cycle to ensure climate change is an ongoing consideration in the investment decision, asset management, and stewardship activities.

### Engagement Activity

Climate change has been a top engagement priority for BCI for more than a decade. We engage with company management, regulators, and standard-setting bodies through four main activities:

- > **Proxy Voting:** we increased our expectations of companies with regard to disclosure and performance and in 2023 we are asking public companies to incorporate climate assumptions and risk assessments in their audited financial statements.
- > **Direct Engagement:** we focus on improving climate change performance and achieving better disclosure from invested companies.
- > **Collaborative Engagement:** we work with our peers globally to improve practices related to climate change, as well as ask companies to reduce GHG emissions. In 2022, we participated in six collaborative engagements targeting 2,294 companies.
- > **Policy Advocacy:** we advocate for policy changes that will improve the investing environment for long-term investors, including more than 11 climate-related policy submissions with provincial, federal, and international policymakers over the past five years.

This strategy promotes a stable, transparent, and ultimately, improved investment environment. We continue to expand our efforts across all investments and asset classes to ensure our climate-related engagement influences all areas of the investment universe.

### Updated 2023 Proxy Voting Guidelines

BCI is now supporting more prescriptive shareholder proposals on climate change to publicly signal our expectation that companies must act quickly to address this systemic risk and provide investors appropriate disclosures. We vote against directors for weak responses to climate change risk. In calendar year 2022, we voted against 261 directors at 197 companies.

### 2022 Update: Collaborative Engagement with Climate Action 100+

BCI has been actively involved in Climate Action 100+ since 2017 and participates in efforts to encourage the world's largest GHG emitters to meet the objectives of the Paris Agreement. Between 2020 and 2022, we saw a 94 per cent increase in global Climate Action 100+ companies with net-zero targets.



**TCFD Recommendation:** Describe the process for managing climate-related risks.

**BCI's Alignment:** Managing climate-related risks starts with ensuring that a detailed evaluation of the risks is incorporated into each investment decision. Dedicated teams across the organization provide analysis and insight into investment decisions to ensure climate-related risks are managed throughout the investment lifecycle. Outputs from climate change scenario analysis, measurements of carbon footprints and physical risk assessments are provided to our clients, portfolio managers, the executive management team, and BCI's Board.

In our public markets investments, climate change indicators are integrated into internally managed, fundamental active equity mandates based on the Sustainability Accounting Standards Board (SASB) framework. We also encourage fixed-income credit rating agencies to incorporate climate analysis.

In our private market investments, we commission and review reports on legal, environmental, regulatory, and other climate factors in direct private asset due diligence. BCI has developed a climate materiality assessment for private markets based on SASB.

We use the outcomes of this analysis to engage with portfolio companies to ensure they are appropriately acting to mitigate and plan for these risks and where possible, taking advantage of opportunities to add value to their business.

**TCFD Recommendation:** Describe how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.

**BCI's Alignment:** Climate-related risk management at the total portfolio level occurs through ongoing updating and modelling of climate change scenarios and integrating decision-useful data that informs investment strategy and decisions. Individual investments that receive investment risk reviews are assessed for material climate change risks and, where material, are factored into the ESG risk assessment that is delivered to the Management Investment Committee. Climate risk is considered alongside all other investment risks and impacts are integrated into all existing applicable investment risk processes. As per other investment risks, it is part of the ongoing investment risk monitoring discussed at the senior management committee level and with BCI's clients.







## METRICS AND TARGETS

### THE METRICS AND TARGETS BCI USES TO ASSESS AND MANAGE RELEVANT CLIMATE-RELATED OPPORTUNITIES AND RISKS.

**TCFD Recommendation:** Describe the metrics used to assess climate-related opportunities and risks in line with the strategy and risk management process.

**BCI's Alignment:** BCI has updated the climate-related metrics tracked with the introduction of our updated Climate Action Plan. The primary metrics include:

- > Number of portfolio companies with mature net-zero commitment or otherwise engaged by BCI.
- > Relative impact of climate scenarios on total expected returns.
- > Total portfolio carbon footprint measured in tonnes of carbon dioxide equivalent per million dollars.
- > Weighted average carbon intensity (WACI) for public equities.
- > Capital invested in climate-related opportunities.
- > BCI's operational carbon footprint.
- > Sustainable bond participation and tracking with an expectation of \$5 billion initial participation by 2025.

<sup>1</sup> More information on the SDGs can be found at: [sdgs.un.org/goals](https://sdgs.un.org/goals)

<sup>2</sup> In July 2020, BCI, partnered with APG (Netherlands), Aussie Super (Australia) and PGGM (Netherlands) to establish the SDI AOP to set a global standard for the classification of sustainable development investments that enables investors to assess companies on their contributions to the SDGs. Further information can be found at [SDI-AOP.org](https://SDI-AOP.org).

### Climate-related Opportunity Exposure

BCI calculated our exposure to climate-related opportunities to align with definitions consistent with the climate-related SDGs.<sup>1</sup> With the release of our updated Climate Action Plan, we have updated our methodology to calculate the climate-related opportunity exposure of the portfolio using the SDI AOP<sup>2</sup>, green building classifications such as LEED and BOMA, Green Bond Taxonomy and investments in climate-themed opportunities. Details can be found in our Climate Action Plan.

Using the updated methodology, our climate opportunity exposure was approximately \$11.1 billion at March 31, 2022, compared to \$10.2 billion in 2021. The climate-related exposure increased primarily due to increased real estate and fixed income investments in climate opportunities. Additional direct climate opportunity investments were made later in 2022, including Reden Solar and Eku Energy, a battery energy storage developer.

**TCFD Recommendation:** Disclose the level of greenhouse gas (GHG) emissions and related risks.

**BCI's Alignment:** BCI measures and reports our operational emissions as well as our investment-related carbon footprint separately each year. We continue to evolve with industry best practices to ensure we use and report the most appropriate metrics.

### BCI Operational GHG Emissions

BCI's operational GHG emissions primarily include emissions associated with the operation of our offices and employee travel but excludes all emissions associated with our investment activity, which is captured in our portfolio carbon footprint metrics.

Increased travel after COVID-19 and opening a new office in New York resulted in an increase to our operational GHG emissions in 2022 relative to historic emissions. Emissions related to employees working from home have been excluded. This year we are procuring offsets from the Big Coast Forest Climate Initiative.

### BCI OPERATIONAL GHG EMISSIONS

	tonnes of CO <sub>2</sub> e	
	F2021	F2022
Scope 1: Direct emissions	45	51
Scope 2: Indirect emissions	21	26
Scope 3: All other indirect emissions	319	3088
<b>Total emissions generated</b>	<b>385</b>	<b>3165</b>
<b>Total offsets purchased</b>	<b>385</b>	<b>3165</b>

**BCI's carbon offset purchases:** We purchased voluntary carbon credits to offset all of BCI's operational CO<sub>2</sub> emissions across all scopes.





### BCI's Investment-related Carbon Footprint

BCI continues to adapt our approach to calculating our portfolio carbon footprint, based on evolving industry guidance and standards. This year we have moved to align with the PCAF standard using an enterprise value including cash (EVIC) ownership approach and new carbon data from S&P Trucost. We are also measuring the weighted average carbon intensity (WACI) in our public equities portfolio. Going forward, we plan to disclose the EVIC metric for our total portfolio and the sovereign bond carbon footprint separately, as recommended by PCAF, as well as continuing to track the WACI in our public equities portfolio.

### Portfolio Carbon Footprint: Enterprise Value Ownership (EVIC)

PCAF recommends using an EVIC approach as the denominator for the carbon footprint metric. This metric describes the portfolio exposure to carbon-intensive companies expressed in tonnes of CO<sub>2</sub>e per million dollars in enterprise value, including cash, to obtain the carbon intensity of the holding relative to the value of the investment in the portfolio. All asset classes are contributing to an overall reduction in BCI's portfolio carbon footprint between 2020 and 2022. This is driven by a reduction in the emissions of several portfolio companies with a relatively high carbon intensity in private markets while

also diversifying our exposure to less-carbon-intensive assets. Corporate fixed income has also contributed to the overall reduction, due to an increased focus on green and sustainable bonds and reducing exposure to carbon-intensive issuers. This provides a good indication that our Climate Action Plan is leading to a reduction in the portfolio exposure to higher emitting investments.

### ENTERPRISE VALUE OWNERSHIP METHOD<sup>1</sup>

For the year ended March 31

Carbon Footprint (tonnes CO <sub>2</sub> e/\$ million)			
ASSET CLASS	F2020	F2021	F2022
Public Equities	67	53	51
Benchmark	80	58	58
Corp. Fixed Income	78	31	24
Benchmark	123	123	53
Real Estate	9	8	7
Private Markets	150	104	90
BCI Total Portfolio	91	63	60

<sup>1</sup> This approach is calculated retroactively using S&P Trucost data following the PCAF guidance.

<sup>2</sup> Sovereign bond carbon footprint is calculated retroactively using the PCAF guidance.

<sup>3</sup> This is the approach historically used by BCI.

The sovereign bond carbon footprint is reported separately from the overall portfolio carbon footprint in alignment with PCAF and provides a directional understanding of the emissions trends within the regions issuing the debt.

### SOVEREIGN BOND CARBON FOOTPRINT<sup>2</sup>

For the year ended March 31

Carbon Footprint (tonnes CO <sub>2</sub> e/\$ million)			
ASSET CLASS	F2020	F2021	F2022
Sovereign Bonds	359	352	319

For transparency, we are including our previously reported portfolio carbon footprint calculated using the equity ownership approach which used data from Institutional Shareholder Services (ISS).

### EQUITY OWNERSHIP METHOD<sup>3</sup>

For the year ended March 31

Carbon Footprint (tonnes of CO <sub>2</sub> e/\$million)			
ASSET CLASS	F2020	F2021	F2022
Public Equities	111	88	95
Benchmark	132	47	113
Fixed Income	66	47	36
Benchmark	68	79	117
Real Estate	7	7	5
Private Markets	380	227	162



### Public Equities Carbon Exposure: WACI

In 2020, BCI began disclosing the carbon exposure of the public equities program using the TCFD-recommended WACI calculation. This metric describes the portfolio exposure to carbon-intensive companies expressed in tonnes of CO<sub>2</sub>e per million dollars in revenue to obtain the carbon intensity of the holding relative to the value of the investment in the portfolio. Our investment strategy and focus on integrating ESG into our active investment approach allows BCI to manage the reduction of the carbon exposure of the public equities program over time. Between 2019 and 2022 we saw a decrease of over 24 per cent in the public equities WACI. This is primarily due to the continued execution of the strategy at BCI and indicates that our engagement activity and active integration of climate considerations in the investment decision-making process is working. We believe the continued execution of our strategy, including encouraging carbon-intensive companies to adapt to the low-carbon economy as part of our engagement program, will lead to an overall decrease in carbon exposure for our public equities portfolio of 30 per cent by 2025 using 2019 as the baseline.

### PUBLIC EQUITIES WACI<sup>1</sup>

For the year ended March 31

ASSET CLASS	Carbon Footprint (tonnes CO <sub>2</sub> e/\$ million)			
	F2019	F2020	F2021	F2022
Public Equities	173	151	164	132
Benchmark	197	171	177 <sup>2</sup>	160

**TCFD Recommendation:** Describe the targets used to manage climate-related risks and opportunities and performance against targets.

**BCI's Alignment:** BCI uses the following targets relating to our engagement activities.

- > Within our public markets department, BCI is committed to increasing the following KPIs for the Canadian, U.S., and global markets:
  - **CDP<sup>3</sup>-related KPIs:**
    - percentage of respondents that have adopted an internal price on carbon
    - percentage of respondents that received the highest CDP score placing them on the A-list
    - percentage of respondents with any type of climate target

- **Target adoption across Climate Action 100+ companies:**
  - percentage of companies with net-zero target
  - percentage of companies with a net-zero target covering Scope 3 emissions<sup>4</sup>
  - percentage of companies with a long-term climate target
  - percentage of companies with a medium-term climate target
  - percentage of companies with a short-term climate target
- **Tracking adoption of net-zero targets and science-based targets across select indexes and high emitters in BCI's portfolio:**
  - percentage of index or portfolio emissions linked to net-zero targets for Scope 1 and Scope 2 emissions<sup>4</sup>
  - percentage of index or portfolio emissions linked to science-based targets
  - number and percentage of companies with net-zero targets
  - number and percentage of companies with science-based targets

<sup>1</sup> F2022 results use S&P Trucost data, while prior year utilizes ISS outputs.  
<sup>2</sup> The F2021 benchmark is restated using data with a higher data quality score, providing a more precise representation of the relative comparator for the WACI calculation.  
<sup>3</sup> CDP was formerly known as the Carbon Disclosure Project.  
<sup>4</sup> Scope 1: All direct emissions from the activities of an organization or under their control; Scope 2: Indirect emissions from electricity purchased and used by the organization; Scope 3: All other indirect emissions that occur in a company's value chain.



## METHODOLOGY

# Portfolio Carbon Footprint

BCI's carbon footprint methodology continues to evolve as new standards and guidance from the TCFD and the Partnership for Carbon Accounting Financials (PCAF) are reviewed and incorporated into our carbon footprinting calculations each year, where possible. The methodology applied in fiscal 2022, has evolved to align with the PCAF standard. We also calculate a PCAF data quality score which measures the quality of the data used to calculate the portfolio carbon footprint and is measured on a scale of 1 to 5, with 1 being the highest quality data possible. This year, our overall total portfolio data quality score is 2.8.

The metric used for all portfolios is portfolio carbon footprint. This is a measure of the total carbon emissions of the portfolio normalized by the enterprise value including cash in the portfolio. The portfolio carbon footprint includes Scope 1 and Scope 2 GHG emissions for our public equity, corporate bond holdings, real estate and private market portfolios.

- > Scope 1: All direct emissions from the activities of an organization or under their control
- > Scope 2: All the indirect emissions from energy purchased and used by an organization

**Public markets:** BCI used data provided by Trucost, a division of S&P Global, which provides climate data, analytics, and advisory services to financial market participants. Trucost applies the following approach for estimating emissions:

1. Company-reported emissions
2. Estimate based on company-specific factors
3. Proprietary sector-based model

Any public equity or credit holdings not covered by the Trucost database are estimated by proxy using Global Industry Classification Standards (GICS) sub-industry average emissions calculated from Trucost's database.

For our public equities portfolio, we have also calculated the weighted average carbon intensity (WACI), which measures the portfolio exposure to carbon-intensive holdings. WACI is one of the metrics recommended within the TCFD framework.

For our government bond holdings, the PCAF sovereign methodology was used and carbon data from Trucost is used to calculate the carbon footprint of these holdings.

**Private markets:** The carbon footprints for BCI's private market portfolios were improved this year to include additional directly disclosed company data and estimates of company emissions. A data hierarchy was established to consistently conduct emissions estimates across the private market portfolios. The estimation approach for each investment was determined based on the data available for each underlying investment. The current estimation data hierarchy methodology is as follows:

1. Company reported emissions
2. Estimated emissions based on company-specific emission factors
3. Estimated emission factors based on GICS sub-industry revenue-based intensities
4. Estimated emission factors based on GICS sub-industry market cap-weighted intensities

These approaches allowed for greater coverage across the private market portfolios than in previous years, but where data was not available to apply these estimation methodologies, investments were excluded from the calculation.



BCI recognizes the limitations and uncertainties that are inherent in estimation methodologies in use today. This includes the impact of unrelated market conditions such as market valuation and revenue impacts, the influence of exchange rates, incomplete reporting from issuers and fund managers, the frequency at which emissions data is updated, and BCI's point-in-time approach, which may not accurately reflect our portfolio exposure over the course of the year.

## SCOPE

The following are the asset classes and instrument types included in BCI's portfolio carbon footprint metrics at March 31, 2022.

### Public Equities

**Included:** All public equity positions and externally managed investments.

**Excluded:** Synthetic products and derivatives.

### Fixed Income

**Included:** All corporate and government bonds.

**Excluded:** Cash, money market instruments and private debt.

### Private Markets

**Included:** Internally and externally managed private equities, infrastructure assets, and natural resources.

**Excluded:** Underlying securities invested in funds of which sufficient descriptive and financial information is not available

### Real Estate

**Included:** Domestic real estate equity portfolio.

**Excluded:** International real estate equity and real estate debt portfolio.







# External Managers & Partners

As at March 31, 2023

## AUDITORS

Ernst & Young LLP  
KPMG LLP

## GLOBAL CUSTODIAN

Northern Trust

## FIXED INCOME

Ares Capital Advisers LLC  
Antares Capital Management LLC  
Brinley Partners  
The Carlyle Group  
CIBC  
Hayfin Capital Management  
Veritas Capital

## INFRASTRUCTURE & RENEWABLE RESOURCES

Actis Capital  
ArcLight Capital Partners, LLC  
BlackRock Financial Management Inc.  
Bonnefield Financial Inc.  
Brookfield Asset Management Inc.  
BTG Pactual  
First Reserve Corporation  
John Hancock Investments

KKR & Co. Inc.  
Macquarie Asset Management  
Oaktree Capital Management  
Paine Schwartz Partners

## PRIVATE EQUITY

776 Management  
Advent International Corporation  
AEA Investors LP  
Affinity Equity Partners  
Apax Partners  
Asia Alternatives Management LLC  
AsiaVest Partners TCW/YFY (Taiwan) Ltd.  
ATL Partners  
Avista Capital Partners  
Bain Capital, LLC  
Baring Private Equity Asia Ltd  
BGH Capital  
Boyu Capital  
Brighton Park Capital Management  
Brookfield Asset Management Inc.  
Butterfly Equity  
Castik Capital Partners  
Cinven Limited  
The Chernin Group  
Corsair Capital

Crosspoint Capital  
CVC Capital Partners  
Ethos Capital  
Francisco Partners, L.P.  
Gamut Capital Management  
GHO Capital Partners  
GTCR, LLC  
H&Q Asia Pacific  
Hayfin Capital Management LLP  
Hellman & Friedman LLC  
Hg Capital Partners  
Hosen Capital  
Inovia Capital  
Integrum Capital Partners  
JAB Holding Company  
Jasper Ridge Partners  
KDX GP I, LLC  
Leeds Equity Partners  
Leonard Green & Partners, L.P.  
Lone Star Funds  
Maverix Private Equity  
MBK Partners  
MidOcean Partners  
New Mountain Capital, LLC  
Newstone Capital Partners, LLC  
Nexus Point Partners

PAI Partners SAS  
Pantheon Ventures (UK) LLP  
Patient Square Capital  
Penfund Management Limited  
PineBridge Investments Partners LLC  
Preservation Capital Partners  
Revelstoke Capital Partners  
RRJ Management (HK) Limited  
Searchlight Capital Partners  
Spring Lane Management, LLC  
TA Associates Management, L.P.  
Thomas H. Lee Company  
Turkven  
Wayzata Investment Partners

## PUBLIC EQUITIES

APS Asset Management Pte. Ltd.  
ARGA Investment Management LP  
GQG Partners LLC  
Schroder Investment Management Limited  
Wasatch Advisors Limited

## REAL ESTATE AND REAL ESTATE DEBT

The Jawl Group  
QuadReal Property Group





# With Thanks

**WITH SPECIAL THANKS TO OUR EMPLOYEES WHO APPEAR IN THIS YEAR'S CORPORATE ANNUAL REPORT**

Adam G.  
Adam T.  
Adriana F.  
Alexsandro A.  
Amy M.  
Angela F.  
Antonio M.  
Arsh G.  
Baldeep W.  
Beth R.  
Bhupinder D.  
Breanne S.  
Brock S.  
Cam E.  
Chelsea K.  
Chris G.

David A.  
Delaney W.  
Doris B.  
Emily Z.  
Erin F.  
Garret W.  
Grace T.  
Hayley C.  
Jack T.  
Jatinder M.  
Jen S.  
Jennifer C.  
Jenny Lyn D.  
Jessica G.  
Johann K.  
Karen W.

Lauren C.  
Levi G.  
Lindsay H.  
Megan W.  
Michael Y.  
Michel D.  
Michele L.  
Michelle L.  
Mike D.  
Nicholas R.  
Owen B.  
Paola C.  
Ray K.  
Ruchir M.  
Sam M.  
Sameer J.

Samuel F.  
Sanchi D.  
Shruthi K.  
Somaya K.  
Steven O.  
Susan G.  
Teeravit C.  
Tharmini Y.  
Xander S.  
Yakine B.  
Zehan Z.  
Zinnia P.

**PHOTOS PROVIDED BY**

BCI  
QuadReal Property Group  
Shutterstock, Inc.



2022-2023

# Corporate Financial Statements



British Columbia Investment  
Management Corporation

## BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION Notes to Consolidated Financial Statements

(Amounts expressed in thousands of dollars, unless otherwise indicated)  
Year ended March 31, 2023

### 1. REPORTING ENTITY

The British Columbia Investment Management Corporation (the "Corporation" or "BCI") is a statutory corporation incorporated under section 16 of the Public Sector Pension Plans Act, SBC 1999 c44 (the "Act") domiciled in Canada. The address of the Corporation's office is 750 Pandora Avenue, Victoria, BC. The consolidated financial statements of BCI include the Corporation and its subsidiaries.

In accordance with the Act, the Corporation invests the money or securities of various public sector pension funds, the Province of British Columbia (the "Province"), provincial government bodies (statutory corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2023 was \$215 billion (2022 - \$211 billion). Of that, approximately \$168 billion (2022 - \$163 billion) is invested on behalf of pension funds and \$47 billion (2022 - \$48 billion) on behalf of other BCI clients. These assets are held by BCI as an agent for investment for its clients and may consist of units in one or more pooled investment portfolios whose assets are held in trust by BCI. BCI annually prepares separate audited financial statements for each pooled investment portfolio with more than one unitholder. Neither assets held in trust by BCI in the pooled investment portfolios, nor assets held by BCI as agent for investment for its clients, are consolidated in these financial statements.

### 2. BASIS OF PREPARATION

(A) **STATEMENT OF COMPLIANCE:** The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Board of Directors on June 20, 2023.

(B) **BASIS OF MEASUREMENT:** The consolidated financial statements have been prepared on the historical cost basis.

(C) **FUNCTIONAL AND PRESENTATION CURRENCY:** The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented has been rounded to the nearest thousand dollars, unless otherwise indicated.

(D) **USE OF ESTIMATES AND JUDGMENTS:** The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

## BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION Notes to Consolidated Financial Statements

(Amounts expressed in thousands of dollars, unless otherwise indicated)  
Year ended March 31, 2023

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.

The Corporation applies judgement to determine whether an arrangement contains a lease. The evaluation is based on the substance of the arrangement. The Corporation determines whether a contract conveys the right to direct the use of an identified asset for a substantive substitution right, the Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period and whether renewal options are reasonably expected to be exercised. For those arrangements considered to be a lease, further judgement is required to determine the lease term and the rate implicit in the lease.

### 3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

(A) **BASIS OF CONSOLIDATION:** Subsidiaries are consolidated in the Corporation's financial statements from the date that control commences until the date that control ceases.

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

- Where 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.
- Where there exists a linkage between power and returns as described above. A linkage exists if the Corporation can use its power over the activities of the entity to generate returns for itself.





**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

**Victoria, B.C. (Head Office)**

750 Pandora Ave, Victoria, BC  
V8W 0E4 CANADA

**Vancouver, B.C.**

1110-400 Burrard St, Vancouver, BC  
V6C 3A6 CANADA

**New York, U.S.**

16B-767 Fifth Ave, New York, NY  
10153 USA

**London, U.K.**

35 Portman Square, London  
W1H 6LR UNITED KINGDOM

BCI® is the investment agent for many institutional clients; the views and opinions expressed in this report are those of BCI and do not necessarily represent the views of its clients. The information in this report is provided as of the date hereof. Neither the delivery of the report nor any further discussions in relation to BCI will under any circumstances create any implication that there has been no change in the affairs of BCI since the date of this report. All rights reserved. Contents copyright © BCI 2023

**BCI.ca | LinkedIn**