Corporate Annual Report

2018–2019

British Columbia Investment Management Corporation

About BCI

With $153.4 billion of managed assets, British Columbia Investment Management Corporation (BCI) is a leading provider of investment management services to British Columbia's public sector. We generate the investment returns that help our institutional clients build a financially secure future. With our global outlook, we seek investment opportunities that convert savings into productive capital that will meet our clients' risk and return requirements over time. We offer investment options across a range of asset classes: fixed income; mortgage; public and private equity; real estate; infrastructure; and renewable resource.

Content

2018–2019 Investment Highlights

Returned 6.1%
against a one-year combined benchmark of **4.5%**

Returned 8.2% (annualized)
against a five-year combined benchmark of **7.1%**

Returned 9.8% (annualized)
against a 10-year combined benchmark of **8.6%**

$2.0 billion
in added value over the one-year period to British Columbia public sector pension plans

$10.9 billion
in added value over the 10-year period to British Columbia public sector pension plans

Increased our managed net assets by **$7.8 billion** — reflecting investment gains of **$9.0 billion**, partially offset by **$1.2 billion** of client distributions

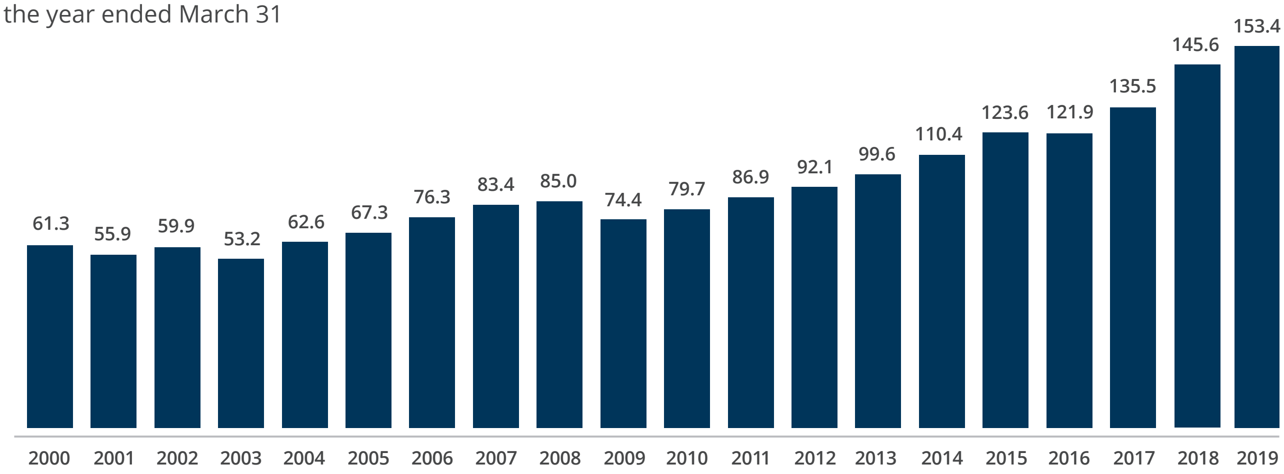
79.3% of assets managed in-house versus **73.3%** for the previous year

Committed $13.1 billion
to illiquid assets

BCI at a Glance

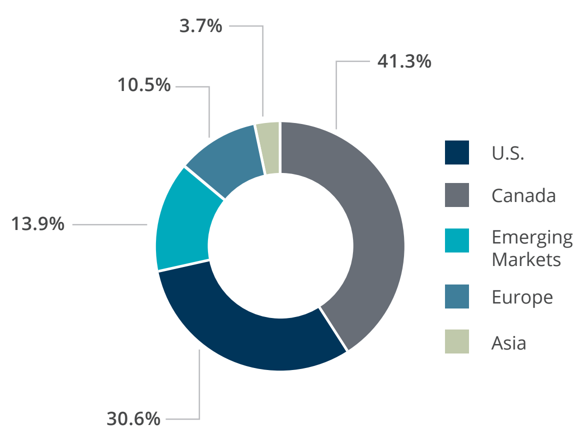
TOTAL NET ASSETS UNDER MANAGEMENT ($ BILLION)

For the year ended March 31



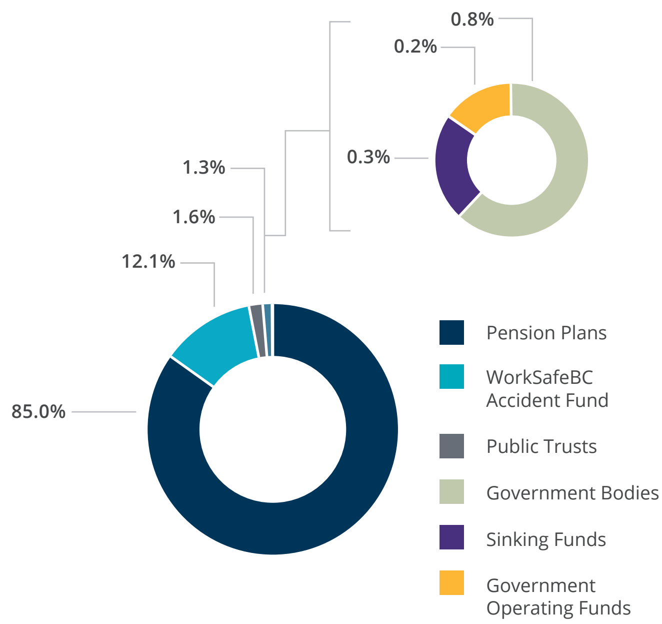
REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT

As at March 31, 2019[1]



CLIENT PROFILE

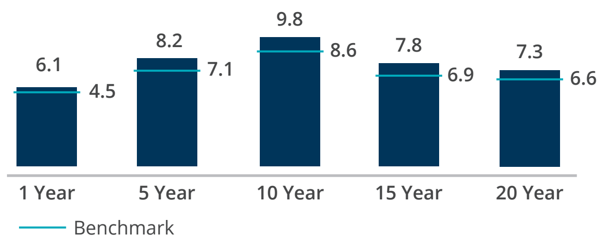
As at March 31, 2019[1]



[1] Percentages based on net assets.

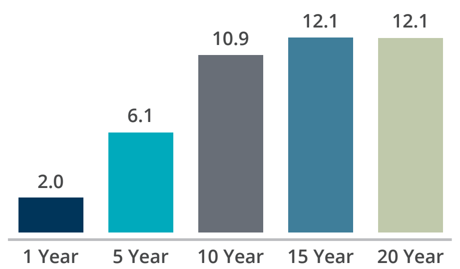
BCI ANNUALIZED PENSION RETURNS (%)

For the periods ended March 31, 2019



CUMULATIVE VALUE ADDED BY BCI ($ BILLION)

For the periods ended March 31, 2019



Value-add is the additional return in dollars BCI generated for clients in excess of client benchmarks through active investment, after all costs and fees.

ASSETS UNDER MANAGEMENT

For the year ended March 31, 2019 (by asset class)

	$ BILLION	%
PRIVATE MARKETS		
Real Estate	24.3	15.8
Private Equity	13.0	8.5
Infrastructure	12.8	8.4
Mortgage	5.4	3.5
Renewables Resource	3.0	2.0
PUBLIC MARKETS		
Public Equities	62.2	40.5
Fixed Income	30.4	19.8
Other Strategies	2.3	1.5
Net Assets Under Management	**153.4**	**100.0**

Message from the Chair

BCI has transformed into an active in-house investment manager to meet our clients' long-term investment objectives.

The board's role is to ensure BCI's strategic direction is appropriate and that we pursue the correct initiatives to realize our vision in a financially responsible and prudent manner. We have fully supported BCI's transformation of their investment and operating model since the strategy's inception in 2015. We have a strong board and an experienced executive management team that are aligned with this new model so that we may continue to serve our clients' interests in the years to come.

We recognize the need to embrace our clients' changing asset mixes and their interest in more value-added investment strategies. And we acknowledge the executive management team's efforts and talents in leading this transformation. BCI's long-term success now relies on the ability to deploy capital into the private markets and meet allocation targets in a timely manner. BCI has also changed our approach and model for managing fixed income and public equities. This involves repatriating public equity funds from external managers to internal management, building a fundamental portfolio that is aligned with our clients' long-term requirements, as well as seeking opportunities to invest directly in publicly traded companies.

The board supports the work that lies ahead. There remain several multi-year projects to implement that will allow BCI to fully transition from the passive investment model that was historically in place. BCI's active in-house investment approach requires robust systems and processes, as well as specialized expertise. As a board, we strive to establish a level of governance consistent with leading industry practices, standards, and requirements. And as chair, I believe good governance is critical to delivering long-term value. It is also key to the continued success and commitment to our clients, their best financial interests, and delivering on our financial promise.

This past year, the board approved and established a benchmark governance policy to develop a transparent, objective, and structured process for setting investment and compensation benchmarks and excess return objectives. We recognize that benchmarks and excess returns are important instruments for investment performance measurement, incentive compensation, and risk management.

To strengthen reporting and support our expanding investment activities, BCI is replacing their investment management system with a new investment platform that keeps pace with the ongoing evolution of our investment strategies and the dynamics of the capital markets. This year the board formed a provisional committee to provide oversight of this multi-year project.

As we have grown in numbers to support our new model, the board and BCI's executive management team identified the need to review and clearly define our values to ensure they create a culture that aligns with our strategic objectives. In line with our focus on culture, we also supported the launch of a task force to develop a long-term vision: a North Star to guide our decisions to ensure optimal alignment with our client's goals as they evolve over time. This long-term vision will be finalized in fiscal 2020, but I can assure you it will most certainly be client centric.

People at all levels of BCI are paramount to our continued success, including at the board level. Of note, I want to acknowledge the important contributions of Ron McEachern to the board over the past 12 years. Ron, whose term ended March 2019, provided enormous leadership in his capacity as chair of the human resources and governance (HRG) committee. I would also like to thank Dennis Blatchford, whose term ended December 2018, for his work on the board for the past six years and his contributions to the HRG committee. We also have two talented additions to the board. We welcome Donna Lommer, who joined the board in January 2019 and brings extensive financial experience as chief financial officer of the Interior Health Authority; and Paul Finch, who joined the board in April 2019 and has considerable public service experience. Donna and Paul were appointed by the Municipal Pension Board of Trustees and the Public Service Pension Plan Board of Trustees, respectively.

As chair, I would like to conclude by recognizing my fellow board members for their commitment to BCI's governance. I also want to thank our clients for your continued confidence and support.

Peter Milburn
Chair of the BCI Board of Directors

Report from the CEO/CIO

Clients are at the core of everything we do.

All of BCI's investment activities and operational planning are driven by a singular commitment to generating long-term returns for our clients and their beneficiaries.

When I joined BCI five years ago, we set out to better meet our clients' investment return objectives by shifting our investment focus to private markets and global equities, and securing greater, direct control over investment activities. Today, our in-house, active asset management model is firmly established to deliver on this commitment. However, we continuously benchmark ourselves against the best and constantly seek to improve. BCI remains focused on continuing to internalize the management of more assets within both private markets and public markets, expanding and diversifying our investment strategies, and strengthening our talent pool and technology.

In fiscal 2015, approximately 57.0 per cent of our clients' assets were internally managed and, today, that percentage has increased to 79.3 per cent. And with no immediate need for liquidity, BCI can take advantage of less liquid opportunities that others cannot — embracing more value-added investment strategies that go toward managing the probability of meeting our clients' long-term return expectations.

While the markets have been more volatile and the near-term outlook uncertain, the fundamental drivers of returns strongly suggest we are operating in a low return environment for the forseeable future. A large part of BCI's success is now attributable to our ability to deploy our clients' capital into the private markets. This year we committed $13.1 billion in the illiquid markets, expanding our direct investments and increasing our global exposure.

I thank our team for executing on BCI's model, both in terms of investment strategy and resulting performance.

Approximately 600,000 pension plan beneficiaries and 2.3 million British Columbian workers depend on us. Our strategy is essential to meeting our clients' long-term financial objectives. Returns help our clients build financially secure futures as $75 of every $100 paid to a pensioner is generated by BCI's investment activity.

BCI's transformation has improved the financial positions of many of our pension plan clients, created a positive cushion to help withstand an inevitable market downturn and, in some cases, allowed clients to reduce contributions. All plans are fully funded, ranging from 100 to 129 per cent.

Our clients require us to meet, or exceed, their actuarial rates of return and market-based benchmarks. BCI's one-year combined pension return for fiscal 2019 was 6.1 per cent against a market benchmark of 4.5 per cent. As a result, BCI generated $2.0 billion in added value for our clients over the one-year period.

Although one-year performance provides us with a short-term perspective, our viewpoint is fixed on the longer term.

Over the past five years, BCI delivered an annualized return of 8.2 per cent against a market benchmark of 7.1 per cent, resulting in a cumulative added value of $6.1 billion for the period. Over 10 years, this cumulative added value grew to $10.9 billion, and the 10-year annualized return was 9.8 per cent against a market benchmark of 8.6 per cent.

All asset classes generated positive returns for the year. In particular, private markets contributed largely to overall excess returns, or added value, while public equities accounted for the majority of absolute returns.

A large percentage of our assets under management will remain in public markets, which includes fixed income and public equities. However, we continue to repatriate public equity funds from external managers to internal asset management. We are actively seeking opportunities to invest or co-invest directly in public companies or allocate to absolute return managers, derivatives, and cost-effective index programs. This year, we internalized approximately $6.5 billion of net assets by terminating mandates with low-conviction managers. BCI continued to expand its suite of credit products with the introduction of a private debt fund and a change in mandate that introduced investment grade U.S. corporate debt. Challenged with a persistent low-for-longer interest rate environment, these broader credit mandates offer our clients scale, diversification, and the opportunity to capture superior risk-adjusted returns. We also completed implementation of a derivatives program, which will allow BCI to trade up to 10 different derivative instruments.

Of note, our public equities portfolio team completed its first co-investment: a privately negotiated transaction with publicly traded Stella-Jones, a leading North American producer and marketer of pressure treated wood products. The transaction is an absolute return investment opportunity that adds diversified returns to our clients' public market portfolio. The transaction also firmly establishes the profile of our team and will lead to more exposure to private placement opportunities in public companies.

In private markets, BCI's private equity program committed more than $4.8 billion in new capital globally this year. Key transactions included Verifone Systems, a global provider of payment and commerce solutions at the point of sale, and Springs Window Fashions, a market leader in window coverings specializing in made-to-order products.

Our infrastructure program committed $1.2 billion in new capital. The team continues to invest in core assets that operate in stable regulatory environments in developed markets, have high barriers to entry and provide our clients with low return volatility. We focus on majority or co-controlling equity positions, allowing us to adopt an active governance approach. Notable direct investments included: acquiring an equity interest in GCT Global Container Terminals, a North American container terminal operator; and increasing our equity position in Puget Sound Energy, a Washington State-based electric and gas utility company serving nearly two million customers. Large deployment to direct investments increased the program's relative exposure to direct investment versus funds to 84 per cent.

Real estate and mortgage are key investment areas for us. In our real estate program, we completed the transfer of asset and property management responsibilities for our domestic and global real estate portfolios to QuadReal Property Group, a company owned by BCI. QuadReal entered into an agreement with RBC Global Asset Management Inc. to allow other institutional investors to co-invest in a select portfolio of its Canadian real estate assets, valued at $7 billion. The new partnership allows QuadReal to raise capital on behalf of our clients and deploy into the international market as well as higher yielding large-scale development projects within Canada. For the fiscal year, our mortgage program committed a total of $3.7 billion to commercial mortgages in Canada and the U.S., where we are actively expanding our footprint.

Our investment model relies on talent. While our team is more specialized today, we continue to add skills to strengthen our capabilities as an active asset manager. In the past year alone, we have added 74 members to BCI, strengthening our expertise in the areas of portfolio management, asset management, risk management, information technology, and corporate and investor relations. Although increasing bench strength adds internal costs, it significantly lowers external manager fees and is a more cost-effective approach over the long term.

We are drawing high quality talent to our team and building a client-focused culture. Of note, David Morhart joined BCI to lead our corporate and investor relations, representing our clients' interests and communicating to key stakeholders. David has held a variety of provincial deputy minister roles for more than a decade and has led British Columbia's Provincial Treasury team.

From my first day, our board has provided important guidance and support to implement this strategy. I would specifically like to thank Ron McEachern and Dennis Blatchford who completed their terms in March 2019 and December 2018, respectively. I appreciate their contributions in our transformation, which has been a significant undertaking. On behalf of BCI, I would also like to welcome Donna Lommer and Paul Finch, who joined our board in 2019. I look forward to working with them as we optimize our performance for the benefit of our clients.

And, finally, I'd like to thank our clients and staff. When our clients are successful, we are successful. Our investment model places more direct control of assets into our hands to ensure investment interests align with those of our clients. By growing our team and placing a priority on being decisive and nimble, we are well positioned for opportunities and challenges ahead.

Gordon J. Fyfe
Chief Executive Officer / Chief Investment Officer

Management's Discussion and Analysis

BCI in Brief

OUR MANDATE

BCI provides investment management services to British Columbia's public sector. We invest our clients' funds to pay future pensions and other benefits. BCI is responsible for growing long-term client wealth while also protecting the value of their funds. We offer investment products across a wide range of asset classes.

OUR INVESTMENT DISCIPLINE

We are legally and contractually required to invest our clients' funds in their best financial interest — that is our fiduciary responsibility. We invest for the long term, utilizing the scale of the assets under management to our advantage. Maintaining our discipline, while focusing on due diligence and diversification, allows us to manage market risks. BCI invests in assets that provide reliable cash flows and will appreciate in value over the long term. We are an active, in-house asset manager that uses more sophisticated strategies to deliver the returns our clients seek.

INVESTMENT BELIEFS

Our investment beliefs provide a clear and transparent structure for how we work to achieve our clients' investment goals. These beliefs influence our views on capital markets, our investment processes, the creation of investment strategies and our overall approach to managing our clients' funds.

We believe:

- **Having a strategic investment discipline is key:**
  We work with our clients to develop a strategic asset mix that is appropriate for their long-term return objectives. We vary our investment holdings and manage investment risk, utilizing financial tools, strategies and products. We seek investment opportunities that convert savings into productive capital that will meet our clients' risk and return requirements over time.
- **Environmental, social and governance (ESG) matters makes a difference:**
  BCI brings more than capital to our investments. Our clients share our belief that responsible investing allows us to manage material ESG risks and improve long-term returns. We expect our portfolio companies to create long-term value and focus on stewardship.
- **Skills matter:**
  Recognizing that skills are the foundation for long-term investment returns, we recruit and retain talented staff with the skills and expertise to provide leadership in investment management and business-related functions.
- **Integrity counts:**
  BCI's continued success depends on using our best judgment and making ethical decisions that are aligned with our core values.

Our beliefs guide our team and business. Putting these beliefs into practice is key to delivering results.

OUR VISION

We will be the responsible fund manager of choice for the British Columbia public sector, at the forefront of the industry and consistently exceeding the performance and service expectations of our clients.

OUR MISSION

We are accountable to our clients to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility. We deliver to our clients the highest return for a given level of risk, at a reasonable cost, while recognizing our responsibility to the broader society through our governance, social and environmental related activities.

OUR VALUES

We live and embrace the values of being client focused, performance driven, world class, accountable and transparent, while conducting ourselves with the utmost integrity.

- **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 accountable 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.

OUR INVESTMENT FUNDS

Our product line is diversified by asset class. Each fund is expected to provide a different investment outcome for the clients. Like a mutual fund, the pooled fund combines our clients' contributions and invests in securities and other assets. This structure provides economies of scale, allowing clients to obtain a more diversified portfolio at a lower cost than investing individually. BCI holds all assets in trust; clients do not own the individual assets within BCI's investment portfolios.

Investing is an intrinsically dynamic activity. As capital markets evolve, we adapt our product line to ensure clients benefit from new investment opportunities. This year we suspended the Global Government Bond Fund and All Weather Fund due to restructuring. BCI's board approved investment policies for one new fund, the Global Partnership Fund, to provide clients the opportunity to diversify their portfolios with exposure to global equities, benchmarked against the Morgan Stanley Capital International World ex-Canada net index.

OPERATING COSTS

The types of assets under management, client-driven changes to asset mix, and our investment strategy affect costs and client fees. Our pension plan and accident fund clients, accounting for almost 97.1 per cent of total assets managed, are moving into more illiquid assets to manage the probability of generating their required long-term actuarial rate of return. And by nature, these assets are more expensive to manage than publicly-traded stocks and bonds.

Also, we are moving to a more cost-effective model by managing a greater percentage of assets in-house. BCI is gradually reducing our reliance on external managers. Enabling a more active and in-house investment approach requires robust systems and processes, as well as specialized expertise. As a result, our operating model is transitioning and will be financially prudent, based on reasonable costs. Cost advantages arise from economies of scale provided by managing $153.4 billion, pooling assets, and managing 79.3 per cent of assets in-house.

This year our total costs were $873.2 million or 58.4 cents per $100 of assets under management (2017–2018: $919.7 million or 65.4 cents per $100), consisting of internal, external direct, and external indirect costs, all of which are netted against investment returns. Internal costs are operating costs directly paid by BCI and include salaries, rent, and technology and consulting fees, representing 24.1 per cent of costs for the fiscal year. External direct costs are investment management fees paid to third parties to manage assets and include fees to asset managers, auditors, custodian, etc., where BCI has discretion over the buy and sell decision of the asset, representing an estimated 27.2 per cent for the fiscal year. External indirect costs are investment management fees incurred on our behalf by BCI pooled investment portfolios to general partners, who have discretion over the buy and sell decision of the asset. These costs are disclosed for transparency based on underlying reports provided by these third parties and are 48.7 per cent of costs for the fiscal year.

We operate on a cost recovery model and do not receive subsidies or financial aid from any third party. We are accountable to our clients for the costs involved in managing their funds.

OUR INVESTMENT MANAGEMENT SERVICES

BCI provides clients with a full range of services that include strategic investment consulting, investment management of our public markets and illiquid asset programs, risk management, investment management administration, responsible investing, and investment education. Our clients' real estate program is managed by QuadReal Property Group, an independently operated company owned by BCI and created in 2016. By moving from multiple external managers to one directly owned company, we streamline the decision-making process and management of our real estate assets.

Our Clients

BCI began operations under the *Public Sector Pension Plans Act* in 2000 in order to provide investment services to British Columbia's public sector. BCI works in the best financial interests of our clients at all times. Our clients are not mandated to use BCI and have voluntarily chosen BCI as their investment manager. BCI has 31 clients as of March 31, 2019.

We invest on behalf of 11 public sector pension plans. As our largest client group, this accounts for approximately 85.0 per cent of the assets under management. Our investment activities help our clients secure the pensions of over 598,000 plan members in our six largest pension plans alone. Clients establish the investment framework and set the performance targets for their pension fund. They define their personalized long-term strategic asset allocation based on their unique characteristics, circumstances, objectives, and risk tolerances. Some plans take greater market and liquidity risk to strengthen long-term returns. Returns are important — for every $100 a pension plan member receives in retirement benefits, on average $75 is provided by BCI's investment activity.

SIX LARGEST PENSION PLANS

The **Municipal Pension Plan** has over 330,000 active, inactive, and retired members in B.C. Members come from a variety of sectors across the province, including health, municipalities, and school districts.

The **Public Service Pension Plan** serves approximately 127,000 active, inactive, and retired members in B.C.'s public sector.

The **Teachers' Pension Plan** has over 96,000 active, inactive and retired members from all school districts across B.C.

The **College Pension Plan** includes over 27,000 active, inactive, and retired members from most of the publicly funded post-secondary institutions in B.C.

The **BC Hydro Pension Plan** is a single-employer plan that serves eligible employees of BC Hydro. The plan has over 13,000 members.

The **WorkSafeBC Pension Plan** is a single-employer plan that serves eligible employees of WorkSafeBC. The plan has over 5,600 active, inactive, and retired members.

Government bodies account for 12.9 per cent of our assets. We help finance the insurance and benefit funds for over 2.3 million workers in B.C.

Publicly administered trust funds comprise 1.6 per cent of our assets. Some of these clients prioritize capital protection, while others look for liquidity and short-term performance. Investment returns help provide the financing required for maintaining government initiatives such as:

- a program designed to support Indigenous communities and businesses in B.C.
- a fund to support the creation of meaningful legacies to honour unique and diverse histories, culture, and heritage of B.C.
- a program that creates opportunities for British Columbians to enjoy an active lifestyle through sport, engage in creative and cultural activities, and build strong communities through civic engagement.

Sinking and government operating funds represent 0.5 per cent of our managed assets.

We invest in line with our clients' investment frameworks and policies, as well as applicable legislation and regulations. BCI is accountable to clients for fund performance, net of all operating costs.

We focus on understanding our clients' different investment needs — whether managing pension funds on behalf of plan trustees, growing capital reserves for insurance funds or generating income for trust funds. This includes learning about their investment objectives, liability profile, liquidity needs, and their investment horizon. BCI assists with developing strategies that take into account our clients' investment objective, risk appetite, and investment beliefs.

Meeting clients' needs extends beyond putting their funds to work. Our team of investment professionals work closely with trustees to expand their knowledge and understanding of capital markets. BCI offers many of our clients educational sessions that include webinars, orientation programs, and multiday training sessions, as well as an annual conference.

2018–2019 Key Corporate Accomplishments

Expanding and Diversifying Investment Strategies

Manage the probability of achieving our clients' actuarial rate of return

Begin the upgrade of asset liability services to support clients' strategic investment decisions	• Began introducing an asset liability management system that will allow BCI to offer clients increasingly sophisticated advice on their asset mix and strategy; targeting completion in F2020
Fully operationalize our derivatives program to provide additional returns via hedging and lower transaction costs	• Completed implementation of the derivatives program, strengthening client returns via hedging and lower transaction costs
Expand investment in the Principal Credit and Corporate Bond Funds to enhance clients' access to diverse products	• Established and funded the Principal Credit Fund, offering clients the opportunity to invest in illiquid credit and receive a premium return relative to traditional fixed income investments • Transformed and grew the Corporate Bond Fund, providing attractive risk-adjusted returns for our clients
Further integrate ESG into investment decisions to align responsible investing, client interests, and long-term investment value, including the climate action plan	• Expanded BCI's corporate ESG strategy to create a consistent approach across all asset classes — a collaboration between our investment strategy and risk department and public markets' ESG team • Publicly released *BCI's Climate Action Plan and Approach to the TCFD Recommendations*

Strengthening the Base

Continue to build on our highly-skilled and talented investment and business professionals supported by technology and processes aligned with industry standards

Continue a multi-year program to replace the investment management platform to reduce operational risk and increase efficiency	• Substantially completed code development and configuration for new investment management platform • Initiated testing phase that will continue into F2020
Implement a system to capture, manage, and report on infrastructure & renewable resources investments	• Completed upgrade to an industry-leading integrated system that provides analytics, reporting features, contact relationship management, and investment pipeline functionality
Improve tailored web-based client portals to deliver timely and responsive client communication	• Completed the first phase by conducting market analysis to determine industry practices
Develop new approaches and capabilities in IT, corporate & investor relations, and public markets	• Introduced a platform to streamline data and system integration — reducing the risk and complexity associated with changing systems and improving the time to production • Introduced a more robust client satisfaction survey that includes all clients

Internalizing Asset Management

Transition away from external active management and fund investing to more cost-effective investment styles that include internal active management

Complete the transition of real estate asset management to QuadReal Property Group	• Successfully completed final phase of the transfer of real estate asset and property management to QuadReal Property Group
Continue to transition the highest priority support functions to QuadReal Property Group	• Completed the transition of responsibility for operational processes related to domestic and global real estate from BCI to QuadReal Property Group
Move towards the three-year plan objective of 30 per cent direct investment for private equity	• Increased the ratio of principal investments to total AUM to 32 per cent — achieving objective one year ahead of the initial plan

2019–2020 Key Corporate Objectives

Expanding and Diversifying Investment Strategies

Manage the probability of achieving our clients' actuarial rate of return

- Develop a funding desk within our public markets department for managing leverage and liquidity for the benefit of our clients' overall portfolios
- Consolidate the domestic and global real estate pooled funds to reduce complexity and streamline investment accounting and reporting processes
- Formalize and implement the Board-approved ESG Policy
- Develop and identify ESG risk and capabilities for the total portfolio

Strengthening the Base

Continue to build on our highly-skilled and talented investment and business professionals supported by technology and processes aligned with industry standards

- Launch Global Fundamental and U.S. Small Cap Equity Funds
- Deploy capital in absolute return strategies through the Global Partnership Fund
- Develop Board-approved investment risk governance policy
- Expand management investment committee's mandate and governance framework to include tactical asset allocation, rebalancing of client portfolios, and the assessment of risks and opportunities
- Align technology, systems, and process with the industry
- Continue work on the multi-year program to replace the investment management platform to reduce operational risk and increase efficiency

Internalizing Asset Management

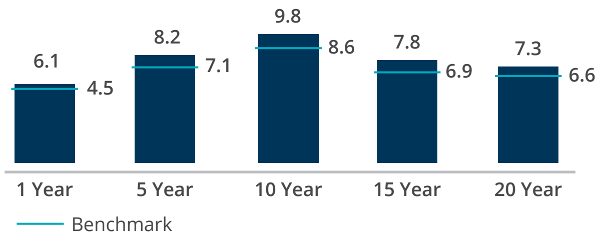
Transition away from external active management and fund investing to more cost-effective investment styles that include internal active management

- Deploy capital via internal, active public equity strategies such as Canadian Small Cap, Thematic, and active ESG Equity
- Move towards objective of 40 per cent direct investment for Private Equity

Investment Returns

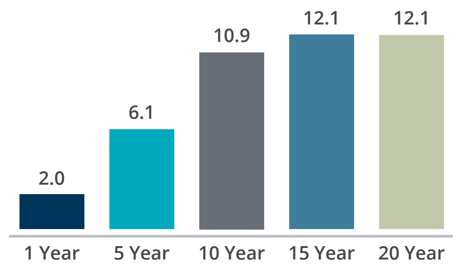
BCI ANNUALIZED PENSION RETURNS (%)

For the periods ended March 31, 2019



CUMULATIVE VALUE ADDED BY BCI ($ BILLION)

For the periods ended March 31, 2019



Pension clients benefitted from all asset classes contributing positively to the overall performance. The combined pension clients annual return of 6.1 per cent exceeded its benchmark of 4.5 per cent.

Excess return was largely driven by the outperformance of our private assets, which weathered the volatility of the public markets and finished the fiscal year with significant returns from both income generation and capital gains. Outperformance relative to our clients' policy benchmark resulted in value added by BCI of $2.0 billion over the year.

As pension plans have long-term financial obligations, we focus on generating long-term client wealth. Over the five-year period, the annualized return was 8.2 per cent against a benchmark of 7.1 per cent, adding $6.1 billion in value. Public equities, which represents 40.5 per cent of the overall portfolio contributed more than half of the fund's overall return and excess return for the five-year period. For the 10-year period, the annualized return was 9.8 per cent against a benchmark of 8.6 per cent. BCI added $10.9 billion in value over this period.

The combined pension plan clients reflect the investments of BCI's six largest pension clients.

ASSETS UNDER MANAGEMENT

A comparison of the combined pension plan clients [1] AUM vs BCI's total AUM for the year ended March 31, 2019

	COMBINED PENSION ($ BILLION)	BCI TOTAL ($ BILLION)
PRIVATE MARKETS		
Real Estate	20.6	24.3
Private Equity	11.7	13.0
Infrastructure	11.2	12.8
Mortgage	4.7	5.4
Renewable Resource	2.6	3.0
PUBLIC MARKETS		
Public Equities	53.7	62.2
Fixed Income	22.9	30.4
Other Strategies	2.0	2.3
Total	**129.4**	**153.4**

[1] 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.

Return Summary for the Combined Pension Plan Clients[1]

	ANNUALIZED RETURNS (%)			
	1 YEAR	5 YEAR	10 YEAR	15 YEAR
PRIVATE MARKETS				
Private Equity [2]	16.5	17.7	15.6	12.7
Benchmark	0.7	11.6	12.6	13.3
Infrastructure [2]	9.9	10.1	10.6	–
Benchmark	7.0	7.4	7.7	–
Renewable Resource [2]	13.2	10.6	–	–
Benchmark	7.0	7.4	–	–
Mortgage	5.1	4.3	5.2	5.4
Benchmark	4.1	2.7	3.3	4.0
Real Estate				
Domestic Real Estate	7.6	6.4	7.8	9.5
Benchmark	5.9	5.6	5.7	5.8
Global Real Estate [2]	12.2	11.5	7.1	7.9
Benchmark	6.0	5.7	5.6	5.7
PUBLIC MARKETS				
Public Equities				
Canadian Public Equity	6.9	5.4	9.6	7.4
Benchmark	8.0	5.4	9.2	7.1
Global Public Equity	7.8	11.5	13.6	7.6
Benchmark	7.7	11.1	13.5	7.6
Emerging Markets Public Equity	(5.3)	8.0	9.8	–
Benchmark	(4.1)	7.7	9.5	–
Fixed Income				
Short-Term	2.2	1.3	1.6	2.4
Benchmark	1.5	0.8	0.8	1.7
Nominal Bonds	5.6	4.2	5.0	5.1
Benchmark	5.3	3.8	4.4	4.8
Real Return Bonds	2.7	3.3	4.7	4.9
Benchmark	3.7	3.6	5.0	5.2
Other Strategies	6.1	5.1	–	–

Except as otherwise indicated, returns are time-weighted rates of return (TWRR) as at March 31, 2019. All returns are net of all costs and fees.

Investments are reported by programs 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.

[1] 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.

[2] An internal rate of return methodology is used to calculate returns for Private Equity, Infrastructure, Renewable Resource, and Global Real Estate assets. The returns and benchmarks are as at December 31, 2018. Benchmarks are presented on a TWRR basis.

Capital Markets Overview

Fiscal year April 1, 2018–March 31, 2019

Markets began the year with a positive backdrop of solid recent performance and good prospects for global economic growth of approximately 3.5 per cent over the near term. Despite solid growth in developed economies, emerging markets proved vulnerable to rising U.S. interest rates, a stronger U.S. dollar, slower growth in China, and weaker commodity prices.

During the second half of 2018–2019, financial market turbulence set in due to:

- planned hikes in short-term interest rates by some central banks and the fear that short-term rates might exceed long-term rates, a situation historically associated with recession
- the imposition of tariffs by the U.S. against its largest trade partners — Canada, China, and Europe
- a slowing economy in China amid concerns about excessive credit growth and the potential threat to domestic financial stability
- the U.K.'s efforts to exit from the European Union — concerns grew that a "no deal" Brexit could not only be chaotic and disruptive to the U.K. but also have adverse effects on markets and supply chains in Europe and beyond

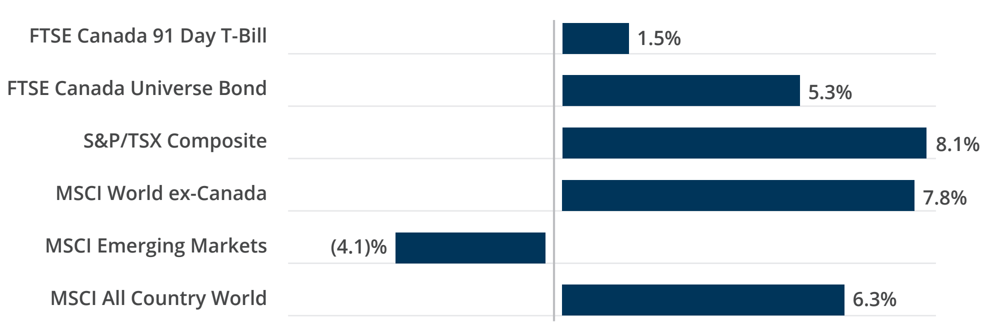
Together with other confidence-sapping policy missteps, including the U.S. government shutdown and geo-political concerns weighing on investor sentiment, a sharp global equity market sell-off occurred in December.

After equity markets bottomed just before the end of December, the 2019 calendar year started off with a bang. The catalyst was remarks by the Federal Reserve chair on January 4, indicating the central bank would not be raising short-term interest rates in the near term. This sparked a sharp rally in equity markets. Long-term interest rates began falling and volatility receded.

From April 1, 2018, through March 31, 2019, MSCI All Country World index rose 6.3 per cent in Canadian dollar terms. The S&P 500 index was up nearly 13.5 per cent, while MSCI's Emerging Markets index fell 4.1 per cent.

In Canada, the S&P/TSX index posted a 8.1 per cent gain during 2018–2019. Low energy prices remained a drag on capital investment and overall economic growth. By the summer of 2018, the economy also began showing the effects of policy measures designed to reduce risks from an over-heated housing market and growing consumer debt. Economic growth slowed from an annual pace of 2.1 per cent during the first half of 2018–2019, to about 1.4 per cent in the second half. This deceleration caused expectations of short-term rate hikes to evaporate and yields on 10-year government bonds to decline from 2.4 per cent at the end of September to just 1.6 per cent by the end of 2018–2019. The Canadian dollar depreciated from 77.5 US cents at the beginning of 2018–2019 to 74.9 US cents at the end. Depreciation acts as a shock absorber for the domestic economy and also boosts the Canadian dollar value of foreign equities and other assets held in diversified client portfolios.

CAPITAL MARKET INDEX RETURNS



Public Markets

The Public Markets program manages a portfolio of fixed income and equity investments representing $94.9 billion and totalling 61.8 per cent of BCI's assets under management. We invest in Canada, the U.S. and internationally in developed and emerging markets utilizing index and active management strategies. Assets are managed internally and by external managers using a diverse mix of financial instruments including derivatives.

Concerns about trade wars, slower growth in China, Brexit, rapid credit and debt growth, and weaker commodity prices increasingly weighed on investor sentiment as the fiscal year began. A series of hikes in short-term interest rates by the U.S. Federal Reserve and its plans for further increases led to a flatter and, intermittently, inverted yield curve — the occurrence of short-term rates being higher than long-term rates is often a leading indicator of U.S. recessions. Rising interest rates and a stronger U.S. dollar posed a threat to emerging economies with debt denominated in U.S. currency. All of this concerned investors and led to a sharp sell-off in global equity markets in December.

However, markets were quickly calmed by dovish remarks by the chair of the U.S. Federal Reserve in early January. This seemed to give an all-clear signal to investors, spurring a sharp rally in equity markets in the first quarter of 2019. With prospects for monetary tightening in the rear-view mirror, long-term interest rates fell and market volatility receded.

During 2018–2019, economic and earnings prospects in Canada deteriorated relative to the strength seen in 2017–2018. Weakness in key export prices contributed to the depreciation of the Canadian dollar from 77.5 US cents at the beginning of fiscal year to 74.9 US cents at the end. Slow growth contributed to yields on 10-year Canadian government bonds declining from 2.4 per cent at the end of September to just 1.6 per cent by the end of 2018–2019. For fiscal year, the S&P/TSX index posted a 8.1 per cent gain while the MSCI All Country World index rose 6.3 per cent in Canadian dollar terms, both modest performances relative to the major U.S. equity indexes.

Fixed Income

Offering clients a variety of fixed income investment strategies

Total program assets are $32.7 billion [1]

OUR APPROACH Our fixed income program invests in public and private market debt, as well as oversees our exposure to foreign currency. We offer our clients a diverse range of fixed income products, including government bonds and corporate bonds. We also provide exposure to private credit opportunities in Canada, the U.S. and Europe through our partnerships with top-tier private debt managers and investing directly. Our strategies include yield curve positioning, duration timing, and securities selection. Issuers of debt owned within our pools are assessed and reviewed regularly for default and credit risk. Credit limits are set for approved issuers to manage risks. We use internally and externally produced credit ratings to assess the investment risk.

PERFORMANCE ANALYSIS The Canadian Universe Bond Fund, which invests in high quality government and corporate debt, continued to post solid long-term returns. The fund returned 4.0 per cent against a five-year benchmark of 3.8 per cent; and 4.9 per cent compared to a 10-year benchmark of 4.4 per cent. Duration and credit positioning have been key long-term value drivers. Despite rising interest rates, the fund returned 5.5 per cent against a one-year benchmark of 5.3 per cent. Duration and yield curve positioning contributed to the outperformance.

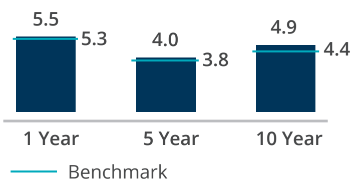
BCI continued to expand its suite of credit products with the introduction of a private credit fund and a change in mandate of its Corporate Bond Fund that introduced investment grade U.S. corporate debt. Challenged with a persistent low-for-longer interest rate environment, these broader credit mandates offer our clients scale, diversification, and the opportunity to capture superior risk-adjusted returns.

In its inaugural year, the actively managed Principal Credit Fund returned 7.8 per cent relative to a benchmark of 6.5 per cent for the partial year [2]. The outperformance is attributed to a combination of good credit performance, high merger and acquisition activity, and an increase in the underlying reference interest rate.

Since expanding to include U.S. investment grade credit, the revised Corporate Bond Fund (previously the High Yield Bond Fund) deployed nearly $2.5 billion. The fund had strong performance, returning 6.2 per cent against a benchmark of 4.8 per cent for the partial year [2]. The outperformance was driven by credit selection and moving to a more defensive stance in the fall of 2018.

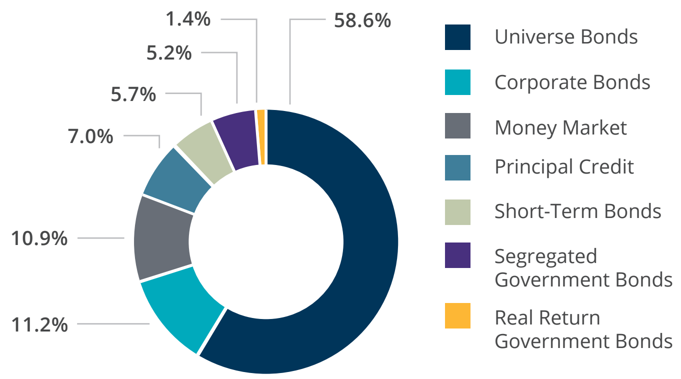
UNIVERSE BOND FUND PERFORMANCE (%)

Annualized returns for the periods ended March 31, 2019



FIXED INCOME PORTFOLIO ASSETS

As at March 31, 2019 [3]



[1] Total program assets include Other Strategies.

[2] The inception dates for the Principal Credit Fund and the Corporate Bond Fund were May 31, 2018 and April 4, 2018, respectively.

[3] The values presented do not reflect money market units held within other asset classes. As at March 31, 2019 this amounted to approximately 1.0 billion in money market funds and 19.0 billion in floating rate funds.

Public Equities

A portfolio positioned to capture global growth and income opportunities

Total program assets are $62.2 billion

OUR APPROACH We capitalize on opportunities in Canada and internationally in both developed and emerging markets. Our internally managed programs include high-quality, cost-effective indexing strategies, derivatives, and actively managed portfolios. We continue to shift from a reliance on external managers to internal asset management where we seek opportunities to invest directly in public companies as well as cost-effective index programs. While our focus is on internal asset management, we use external managers where appropriate. Our diverse investment and risk management strategies and long-term investment horizon provide us with the flexibility to take advantage of opportunities presented in volatile markets.

PERFORMANCE ANALYSIS The Active Canadian Small Cap Fund, which includes an internally managed portfolio, returned (4.2) per cent, against a one-year benchmark of (1.8) per cent. While the internally managed portfolio outperformed for the year, it was offset by underperformance from our external manager. Since its inception two years ago, our internally managed portfolio has outperformed the benchmark by 7.7 per cent on an annualized basis. We continued to increase its weighting over the year given its well-established investment process and the consistent positive performance.

The Active Canadian Equity Fund returned 8.9 per cent against a one-year benchmark of 8.1 per cent. The outperformance was driven by an overweight to the IT sector and strong stock selection within the financial sector. Over the longer term, the fund beat its benchmark, returning 6.4 per cent against a five-year benchmark of 5.4 per cent; and 10.5 per cent against a 10-year benchmark of 9.2 per cent. The positive performance is attributed to one of the fund's external managers delivering consistently strong returns.

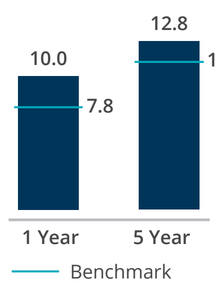
The Active Emerging Markets Fund returned (4.4) per cent against a one-year benchmark of (4.1) per cent. Returns were impacted by the fund's significant overweight to China, which struggled amidst trade tensions with the U.S. Over the 10-year period, the fund matched its benchmark of 9.6 per cent.

The Active Global Fund generated a return of 9.1 per cent for the year, exceeding its 7.8 per cent benchmark return. A focus on quality growth stocks, particularly within the U.S., was a major contributor to performance. Over the past five years the fund outperformed, returning 12.0 per cent against its 11.2 per cent benchmark.

The Thematic Public Equity Fund returned 10.0 per cent, exceeding its one-year benchmark of 7.8 per cent. Returns were driven by the internal portfolio's good stock selection, an overweight to the IT and healthcare sectors, and an underweight to the financial sector. Longer term, the fund outperformed, returning 12.8 per cent against its five-year benchmark of 11.2 per cent.

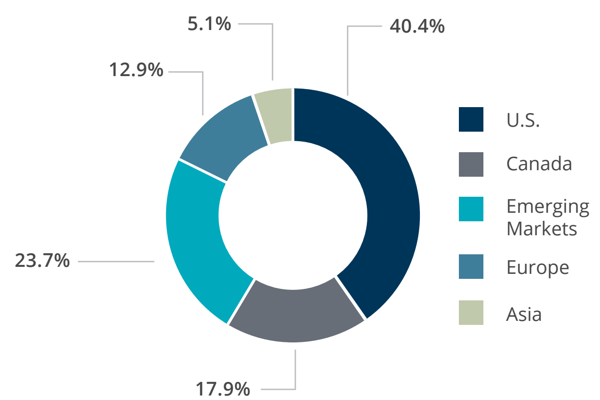
THEMATIC PUBLIC EQUITY FUND (%)

Annualized returns for the periods ended March 31, 2019



REGIONAL ALLOCATION OF PUBLIC EQUITIES

As at March 31, 2019



Private Markets

BCI invests the funds not currently required by our clients to pay pensions and other benefits. Clients are increasing their exposure to asset classes that are illiquid and longer term in nature.

We invest in quality assets and stable companies with the potential to appreciate in value and provide reliable cash flows in the years to come.

Our outlook, strategies, and approach are driven by longer term considerations. Our investments are diversified by style, duration, and region. BCI's clients have exposure to Canada, the U.S., Europe, Asia, and emerging markets. We favour direct investments as they allow for a closer alignment of interests with our outlook and those of our clients.

BCI's private market programs account for $58.5 billion or 38.2 per cent of total assets under management and include: infrastructure, mortgage, private equity, real estate, and renewable resource.

Private markets continue to see large inflows of capital. In the face of strong demand for private assets, the challenge for portfolio managers is investing the funds so they will deliver the required returns at suitable levels of risk.

In 2018, fundraising by private asset managers totalled over $1 trillion globally. Infrastructure investors' interest in existing assets remains high — such assets offer regulated rates of return that are an attractive match to pension liabilities yet avoid the development and construction risks of greenfield investments. Unmet public infrastructure needs may offer future greenfield opportunities that yield higher returns with higher levels of risks — if public authorities can design financing structures that are attractive to pension and other private capital. Renewable assets such as timber and farmland also offer attractive characteristics, although new risks related to the environment and climate change are emerging. In real estate, income rather than excess returns remains the focus in an era of continued low interest rates. Supply of capital and competition for commercial mortgages remained strong throughout the fiscal year in both Canadian and U.S. markets.

Mortgage

Providing financing for commercial real estate in Canada and the U.S.

Commitments totalled $3.7 billion for the year ended March 31, 2019[1]

OUR APPROACH As a significant lender to the commercial real estate industry, BCI focuses on direct mortgage investments with strong-yielding and attractive risk-return profiles. Investments are diversified by loan size, region, and property type with a focus on industrial, office, multi-family residential, and retail. And while we have a well-established Canadian mortgage program, our strategy calls for a global focus; therefore, we have expanded the program into the U.S. to provide clients with geographical diversification.

PERFORMANCE ANALYSIS Our Fixed Term Mortgage Fund, which primarily provides first secured financing for income-producing commercial real estate, returned 4.2 per cent against a one-year benchmark of 4.7 per cent. During the period, bond yields decreased through most of the yield curve, having a greater positive impact on the benchmark relative to the fund due to its longer duration. Mortgage spreads also widened which negatively impacted the fund and had no effect on the benchmark. Longer term, the fund returned 4.9 per cent against a 15-year benchmark of 4.2 per cent.

Our Construction Mortgage Fund, which finances commercial and multi-residential developments, returned 5.3 per cent against a one-year benchmark of 3.7 per cent. The outperformance was attributable to above-market interest rates, floor interest rates, and fees on construction loans. Over the longer term, the fund returned 5.3 per cent against the 15-year benchmark of 3.0 per cent.

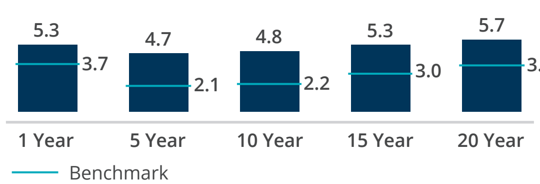
Our Mezzanine Mortgage Fund finances high loan-to-value loans offered to commercial developers and property owners. The fund returned 12.2 per cent for the year, significantly outperforming its benchmark of 6.2 per cent. This was attributable to rate premiums reflective of higher risk characteristics. Longer term, the fund continues to outperform, returning 9.2 per cent against a 15-year benchmark of 4.6 per cent.

Fixed Term, Construction, and Mezzanine funds all outperformed against their respective 15-year benchmarks due to above-market rates, floor interest rates, and fees.

The U.S. Mortgage Opportunity Fund[2] finances commercial and multi-residential properties in the U.S. For the reporting year, the fund committed US$1.4 billion/C$1.9 billion through both fund and direct investments. The fund returned 18.3 per cent against a one-year benchmark of 14.2 per cent. Since its launch in February 2017, the fund has returned 15.6 per cent against a benchmark of 6.9 per cent. Outperformance was attributed to initially weighting the portfolio with higher yielding loans with mezzanine characteristics, including direct and debt fund investments.

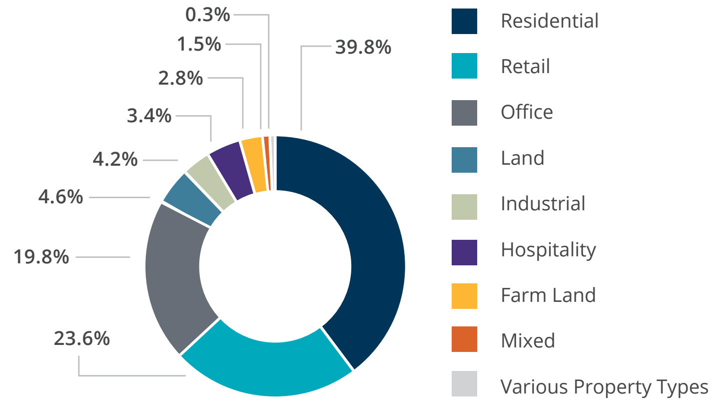
CONSTRUCTION MORTGAGE FUND PERFORMANCE (%)

Annualized returns for the periods ended March 31, 2019



MORTGAGE HOLDINGS BY PROPERTY TYPE

As at March 31, 2019



[1] Reflects the domestic and U.S. commitments made in BCI's fiscal year, April 1, 2018–March 31, 2019.
[2] The U.S. Mortgage Opportunity Fund returns are reported on an internal rate of return basis as at December 31, 2018.

Private Equity

Providing long-term capital to privately financed investments across the globe

Committed $4.8 billion for the year ended December 31, 2018

OUR APPROACH We invest in leverage buyout and growth equity opportunities that include market leading companies with tangible downside protection. Portfolio companies have a sustainable competitive advantage, offer value-added products and services, and are led by talented management teams. Our activities are driven by our sector focus — investing globally in the industrial, healthcare, financial and business services, technology, and consumer/retail sectors. We invest alongside strategic general partners with deep sector expertise as well as directly in deals lead by BCI. Our significant equity investments secure meaningful governance positions, allowing us to fulfill our role as an active asset manager in overseeing the strategic direction of each company. Value creation informs our activities and we seek businesses with stable cash flows over the duration of the investment holding.

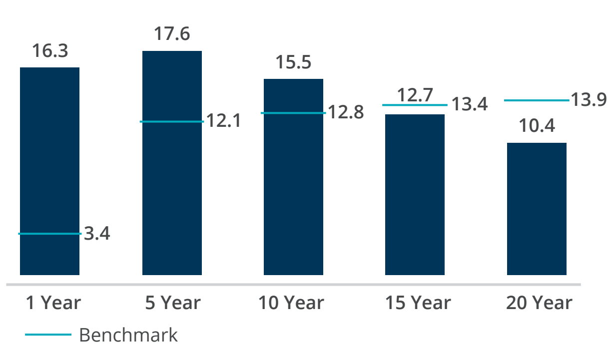
PERFORMANCE ANALYSIS We are increasing our weighting to principal investments, consisting of both direct and co-investments, as they typically outperform fund returns over the longer term. The ratio of principal investments to total AUM has grown to 32 per cent from 25 per cent.

Our private equity program invested a total of $1.8 billion to nine principal investments. Acquisitions included Verifone Systems, a global provider of payment and commerce solutions and Springs Window Fashions, a market leader in window coverings specializing in made-to-order products. The program committed approximately $3.0 billion to 15 funds, including six commitments to new strategic relationships. BCI is deploying capital that will allow clients to get closer to their allocation targets and ultimately manage the probability of meeting their return requirements. Larger equity stakes provide greater governance rights, allowing us to more closely align the interests of BCI, the portfolio companies, and our clients.

Both our externally managed fund investments and our principal investments delivered strong returns for the year ended December 31, 2018[1]. Our private equity program returned 16.3 per cent against a one-year benchmark of 3.4 per cent. On a five-year basis the program returned 17.6 per cent against a benchmark of 12.1 per cent. The 10-year return outperformed its benchmark by 2.7 percentage points. The outperformance was attributed to a combination of robust distribution and valuation gains. Over the longer-term, our principal investments have outperformed fund investment returns and provided significant value add to our clients' portfolios.

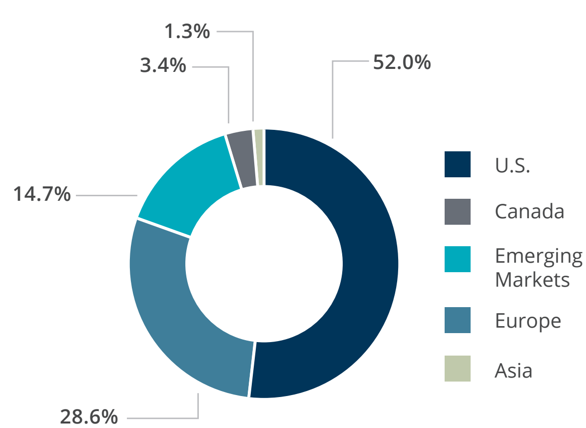
PRIVATE EQUITY PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2018[1]



REGIONAL DISTRIBUTION OF PRIVATE EQUITY PROGRAM

As at December 31, 2018[1]



[1] Assets in the private equity program are valued annually at December 31 and are measured on an internal rate of return basis.

Infrastructure

Managing a $12.8 billion portfolio diversified by geographic region and sector

A year-over-year increase of $1.2 billion

OUR APPROACH We invest primarily in core assets that operate in stable regulatory environments in developed and emerging markets, that have high barriers to entry, and provide our clients with low return volatility. Our program is diversified by geographic region and sector. It includes a global portfolio of regulated utilities in the water, electricity and wastewater sectors; energy transmission; as well as roads, port terminals, and light rail transport. We focus on meaningful equity positions allowing us to adopt an active governance approach. This permits us to actively manage the assets with the view of increasing the long-term value and aligning the investment interests of BCI, the portfolio company, and those of our clients.

PERFORMANCE ANALYSIS The program returned 9.7 per cent [1], exceeding its benchmark of 7.0 per cent. Performance was attributed to good operating performance across much of our portfolio and strong program cash yields. Although the program does undertake hedging activities, the favourable net impact of foreign exchange movement, particularly the appreciation of the U.S. dollar relative to the Canadian dollar, also contributed to performance for the year.

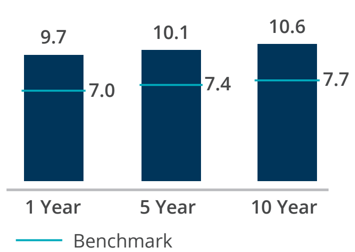
Longer term the program continues to outperform, with a five-year return of 10.1 per cent against a benchmark of 7.4 per cent and a 10-year return of 10.6 per cent against a benchmark of 7.7 per cent. Strong yield drove performance, as well as persistent increases in market values.

During the year, BCI focused the operations at our portfolio company Corix Infrastructure, a North American water utility, resulting in the sale of one of Corix Infrastructure's non-core business units and returned significant capital to clients participating in our infrastructure program.

The market for infrastructure assets remains highly competitive, leading to higher valuations and making due diligence increasingly important. For the year ending December 31, 2018, we committed $1.2 billion in infrastructure assets. Notable investments included: acquiring an equity interest in GCT Global Container Terminals Inc., a North American container terminal operator; and increasing our equity position in Puget Sound Energy, a Washington State-based utility company. During the year, the program increased its exposure to direct investments versus funds to 84 per cent.

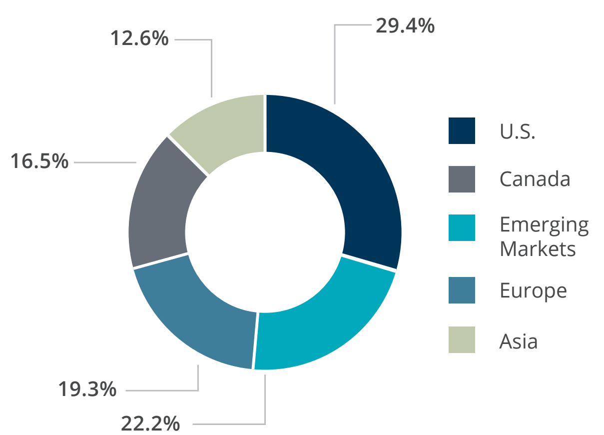
INFRASTRUCTURE PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2018 [1]



REGIONAL DISTRIBUTION OF INFRASTRUCTURE PROGRAM

As at December 31, 2018 [1]



[1] Assets in the infrastructure program are valued annually at December 31 and are measured on an internal rate of return basis.

Real Estate

QuadReal — Managing and growing our domestic and global real estate portfolio

Committed $3.1 billion to global real estate

OUR APPROACH Our clients' real estate investment portfolios are actively managed by QuadReal Property Group (QuadReal), a company owned by BCI and created in 2016. They provide our clients with investment opportunities in Canadian and global real estate markets, including a mix of strong performing assets ranging from office, industrial, multi-residential, and retail properties to land lease communities. Within Canada, QuadReal is an established manager and developer. Globally, the company invests strategically with long-term partners offering local expertise in dynamic global cities such as New York, London, and Hong Kong. QuadReal focuses on working with best-in-class partnerships and providing high-quality service to tenants and residents.

PERFORMANCE ANALYSIS The portfolio increased to $24.3 billion from $21.1 billion the year previous. Domestic and global assets accounted for $17.4 billion and $6.9 billion, respectively. The majority of growth is attributed to increased allocations to Europe and Asia Pacific, as well as continued growth within North America. For the year ended December 31, 2018, QuadReal committed $3.1 billion to the global program. Commitments included $2.3 billion in direct investments and $800 million in fund investments. Global assets account for 28 per cent of the overall portfolio, compared to 24 per cent the year previous. QuadReal continues to focus on growing BCI's global portfolio with a goal to achieve a 50/50 balance between domestic and international allocations.

Our global program[1] had a strong year, returning 11.9 per cent against a one-year benchmark of 7.0 per cent. Five-year returns were 11.3 per cent against a benchmark of 7.0 per cent. Performance is a result of increased asset valuations. The 10-year return of 6.9 per cent underperformed its benchmark of 7.8 per cent. The performance of the global program has generated consistently stronger returns since 2014 when BCI re-focused its investment strategy on acquiring properties in targeted cities.

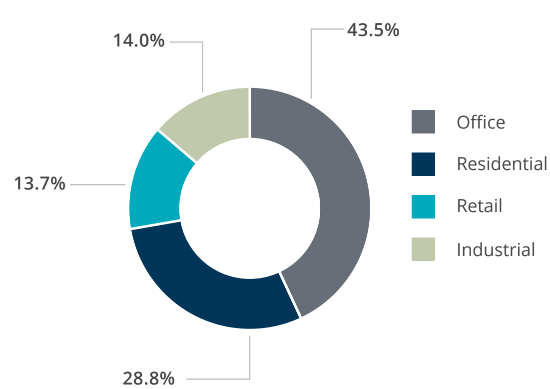
For the year ended March 31, 2019, the domestic program returned 7.6 per cent against a one-year benchmark of 5.9 per cent. Five-year returns were 6.4 per cent against a benchmark of 5.6 per cent. Over the longer term, the program returned 9.0 per cent against a 20-year benchmark of 6.0 per cent. BCI's domestic real estate properties are well-leased, centrally-located, and provide consistent income streams. QuadReal provides additional value via selective development activity. Although the portfolio continues to outperform against its benchmark, returns in Canada are moderating due to strong investment demand and a limited supply of opportunities. During the current economic and real estate cycle, active asset management is key to earning value-add returns.

REALPOOL GLOBAL FUND PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2018[1]

DOMESTIC REAL ESTATE ASSETS BY PROPERTY TYPE

As at March 31, 2019[2]



[1] Assets in the Realpool Global Fund are valued annually as of December 31 and are measured on an internal rate of return basis.
[2] Gross assets for the domestic real estate program totalled $20.8 billion as at March 31, 2019.

Renewable Resource

A global mandate with a focus on forestry and agriculture

Managing a portfolio of $3.0 billion

OUR APPROACH BCI invests in long-life renewable resource assets that are essential to a growing global population and increase in economic mobility. Our typical investment horizon can span over a 20-year holding period. These investments provide our clients with exposure to assets offering diversification, inflation protection, and stable cash-flow with growth potential. The renewable resource program primarily targets investments in forestry and agribusiness. Our strategy is to invest in majority or co-controlling positions, or as a strong minority partner. We adopt a governance approach that permits us to actively manage the investment with the view of increasing its long-term value and align the interests of BCI, the portfolio company and those of our clients.

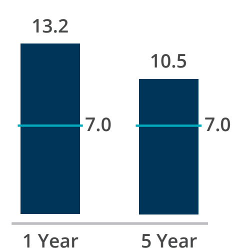
PERFORMANCE ANALYSIS The program returned 13.2 per cent[1] for the year, exceeding its benchmark of 7.0 per cent. The positive performance was attributable to strong yield and significant increases in market value, particularly from our direct timber investments; and U.S. currency appreciation, which had a net positive impact of 4.2 per cent, after hedging. Longer-term performance for the program was positive, beating its five-year benchmark with returns of 10.5 per cent. The outperformance was largely driven by strong asset appreciation of direct investments in timber and a U.S.-based integrated agribusiness.

As part of a joint venture with a consortium of institutional investors, BCI acquired 1.1 million acres of prime East Texas timberlands for approximately $1.4 billion. This was BCI's first direct U.S. timber transaction, providing geographic diversification for our clients. The acquisition increased the program's portfolio weighting to timber and direct investments.

BCI, along with our investment partners, created an affiliation between two existing investments, TimberWest Forest Corporation and Island Timberlands. The two B.C.-based forestry companies will continue to operate independently while sharing certain services that will realize economic and environmental benefits.

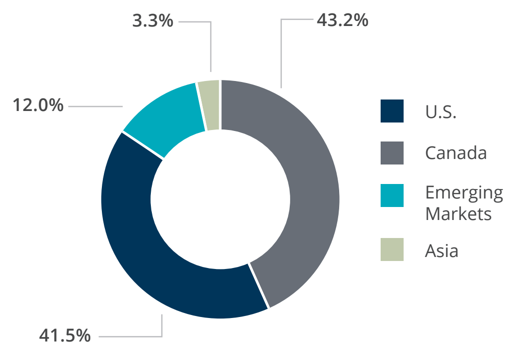
RENEWABLE RESOURCE PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2018[1]



REGIONAL DISTRIBUTION OF RENEWABLE RESOURCE PROGRAM

As at December 31, 2018[1]



[1] Assets in the renewable resource program are valued annually at December 31 and are measured on an internal rate of return basis.

Risk Management

Risk management is integral to BCI's fiduciary role in managing our clients' funds

Managing risk is the process by which BCI identifies, evaluates, measures, monitors, and communicates the risks and opportunities associated with our operations and investments.

Risk management allows BCI to address uncertainty and manage associated risks and opportunities. Guiding principles inform our approach, which also requires communication and judgment. Within BCI, effective risk management calls for knowledge of capital markets and legislation, as well as an understanding of investment products, business practices, and internal controls.

Anticipating risk, taking appropriate steps to limit exposure or capitalize on the opportunities and managing the results are essential to BCI's risk management. BCI aims to ensure that:

- funds under management are better protected
- our operations are sound
- trust in BCI remains unwaivered

INTEGRATED RISK GOVERNANCE

In fiscal 2019, BCI continued efforts to build out the board-approved integrated risk governance framework that enhances the board's ability to oversee enterprise, investment, and product-related risk management. This included the development of risk directives, frameworks, and strengthened oversight and reporting of risk activities.

BCI's risk governance framework formalizes the roles and responsibilities of the enterprise risk management committee and the investment risk management committee. To ensure the integration of risk between the two committees, mandatory members of each committee are the chief operating officer and the senior vice president, investment strategy & risk.

Each committee is responsible for approving risk directives and the board is responsible for approving the corporate risk policies. Senior executives approve risk procedures, which must adhere to all relevant policies and directives. Collectively, the policies, directives and procedures that relate to risk, as well as defined roles and responsibilities, form the governance framework for BCI's risk management.

INVESTMENT RISK MANAGEMENT

As our investment strategies become more dynamic and global, and we continue our strategy to actively manage more assets in-house, we require new ways to identify, assess, and either mitigate or seize opportunity in potential investment risks. Our risk management processes are evolving with our investment strategies to maximize long-term, risk-adjusted returns and preserve our clients' capital.

Our investment risk management framework includes:

- **Concentration Risk:** A small group of positions may contribute disproportionately to BCI's risk, exposing it to potential loss events that could have been diversified away. BCI manages such risk by diversifying holdings across sectors, countries/regions, currencies, single names, investment types, counterparties, investment partners, and funding sources.
- **Credit Risk:** The potential for loss from the deterioration or default of an issuer or guarantor's ability to honour payment obligations. BCI uses sound tools to monitor this risk, including: credit ratings assigned by S&P, Moody's, DBRS, and other external agencies; historical default and recovery rates; credit outlooks per sector and geography; and potential changes in the credit cycle. BCI manages credit risk at the pooled fund level by setting sound investment criteria, including the lowest acceptable credit ratings and single name concentration limits. BCI regularly monitors these criteria and reports any breaches to the BCI board and clients.

- **Counterparty Risk:** The potential for loss from a counterparty (over the counter {OTC} derivatives or securities financing transactions) not honouring its contractual obligations. To manage such risk, BCI engages only with high quality counterparties and maintains robust legal documents, such as International Swaps and Derivatives Association Master Agreements, Global Master Repurchase Agreements, and Credit Support Annexes. The quality of approved counterparties is monitored regularly to detect any potential deterioration in a timely manner. Maximum exposure thresholds are also set for each counterparty to prevent undue concentration in a single name. A higher exposure threshold is allowed for higher quality counterparties. BCI also applies prudent collateral management practices to reduce exposure to counterparty risk. Only high-quality instruments are accepted as collateral from counterparties. In addition, OTC counterparties are not allowed to re-pledge the collateral posted by BCI.
- **ESG Risk:** Any environmental, social or governance (ESG) factor that could positively or negatively affect the risk and/or return of an investment, sector or fund. ESG matters are evaluated and prioritized based on how large an impact those matters have on financial performance and/or the reputation of the specific company, BCI, or our clients. Systemic ESG risks, especially climate change, are assessed using scenario analysis to measure potential portfolio impacts. BCI also conducts ESG risk analysis prior to making investment decisions and actively tracks and manages identified risks through proactive engagement with portfolio companies.
- **Liquidity Risk:** The risk BCI incurs losses due to forced sales or its inability to meet financial obligations in a timely manner. BCI's liquidity is managed on a continuous basis to allow for opportunistic deployment of capital during adverse market conditions. BCI also ensures sufficient liquid assets (cash, cash equivalents, and high quality government bonds) are available to meet potential financial obligations (including collateral calls and cash outflows to clients) under stressed market conditions. Liquidity management relies partly on monitoring the liquidity coverage ratios and the minimum levels set by the investment risk committee for short (one-month) and long (one-year) term horizons. A liquidity contingency plan was put in place this fiscal year that outlines the readiness of BCI during a liquidity crisis.
- **Market Risk:** The uncertainty of asset returns resulting from fluctuations in market factors including equity prices, interest rates, credit spreads, currency rates, and commodity prices. BCI has put in place many tools to measure, monitor and manage market risk, such as Value at Risk (VaR), sensitivity analysis, drawdown analysis, and stress testing (hypothetic and historical scenarios). These metrics are also monitored at the client level. BCI considers the historical VaR to measure exposure to market risk. This approach uses historical market data to assess the maximum potential loss of the current portfolio with a given likelihood. Stress testing is another tool used by BCI to manage exposure to market risk. It considers specific hypothetical or historical scenarios and assesses the impact of abnormally large movements in market factors on BCI's portfolio performance.

BCI has a dedicated investment risk team that supports our mandate by working with clients, our board, and the asset classes to help inform key investment decisions. We continue to create a more robust approach to risk management. Developments in the past fiscal year include:

- **Technology upgrades**, including: the migration to a new market risk management platform featuring more robust modelling capabilities to support the diversity of BCI's investment strategies; and the development of internal risk monitoring dashboards.
- **Governance developments**, including: the advancement of risk culture within BCI; and the progress of oversight related to key risks, liquidity contingency, securities lending, and external investment platforms.

ENTERPRISE RISK MANAGEMENT

Operating a business inherently involves taking risks to achieve objectives. By managing these risks, we strive to secure a sustainable performance. We operate a risk management program that allows us to tolerate risks in a controlled manner, a core principle of our corporate governance and strategy development. The program is embedded in all strategic planning, operational management, and project and internal control decisions. By providing an objective and forward-looking assessment of challenges and opportunities, we make certain the right amount of non-investment risk is taken. This corporate-wide view ensures we allocate resources in the areas of highest risk, opportunity, or corporate priority.

The aim of BCI's enterprise risk management (ERM) program is to support better decision making by understanding risks and their likely impact to our non-investment activities. Our program follows the Committee of Sponsoring Organizations of the Treadway Commission risk management framework, which focuses on identifying risks that could impact the achievement of our objectives.

BCI's ERM framework follows these principles:

- **Risk Governance and Culture:** BCI's risk governance and culture together form the basis for all components of ERM.
- **Risk, Strategy, and Objective-Setting:** BCI integrates ERM into the process of setting strategy and business objectives.
- **Risk in Execution:** BCI identifies and assesses risks that may affect our ability to achieve our strategy and business objectives.
- **Risk Information, Communication, and Reporting:** BCI leverages information systems to capture, process, and manage risk data and information.
- **Risk Review and Revision:** BCI evaluates risk management capabilities and practices to determine if activities have increased value and helped us achieve our objectives.

Risks are reviewed quarterly by our board of directors who provide oversight through our ERM policy. Our management risk committee meets monthly to set acceptable risk tolerances, identify emerging risks, and ensure mitigation activities are being completed. Business units and staff manage risks based on tolerances set by our board and management. The ERM team actively applies this framework through a continuous and comprehensive program that seeks to identify, evaluate, monitor, and report key risks to objectives at all levels in our business and report the results to management and the board.

BCI prepares a report annually for clients to provide assurance that we are actively managing non-investment risk.

Benchmarks

A risk-adjusted investment and performance evaluation framework that emphasizes measuring, monitoring, and managing risk

In 2018, our board approved a benchmark governance policy to develop a transparent, objective, and structured process for setting investment and compensation benchmarks and excess return objectives. The policy is aligned with industry best practices and follows a principle-based approach to asset class and portfolio benchmark selection. The new benchmark policy applies to all pooled funds, asset classes, and other investment-related benchmarks.

Benchmarks represent the measure of success for the efficient implementation of the investment strategy. Excess returns measure the quantum, difficulty, and persistence of this success. Benchmarks and excess returns are instruments for investment performance measurement and represent an integral part of the investment strategy, objectives, implementation, and risk management. Both need to reflect the nature of the investment mandate and the sources of value creation, while accounting for the use of risk and avoiding sub-optimal investment choices and excessive risk taking.

The policy has specific risk-control mechanisms: risk-adjusted performance for public markets and internal risk ratings for private asset classes. The framework also includes risk-adjusted excess return objectives in consideration of the risk taken, what has been achieved by other similar strategies in the market, our capabilities, and cost of implementation.

The new benchmarking framework has been a two-year focus for our board. In the first year, the board undertook a comprehensive review of the governance framework around setting investment performance objectives and measures of success. Accountability, delegations of authorities and responsibilities of all parties involved in determining benchmarks were defined. Monitoring and reporting responsibilities ensure established benchmarks and excess return objectives adequately reflect the investment mandates and constraints. The benchmark governance policy is aligned with BCI's compensation governance framework.

All benchmark matters are overseen by a robust governance structure comprising the board, CEO/CIO, the executive talent and compensation committee, the investment risk committee, and decisions under the purview of the senior vice president of the asset class or investment strategy and risk department. The CEO/CIO may also appoint other governing bodies in fulfilment of the requirements.

During this past fiscal year, the board was largely focused on implementation of the policy. Two key deliverables were the integration of the benchmark and excess returns with the risk-control requirements (internal risk rating and value-at-risk) to enable risk-adjusted performance evaluation, and operational readiness for performance measurement and human resources processes. To support readiness, BCI successfully integrated and automated the benchmark processes within its departments of investment strategy and risk, investment performance, and human resources. A formal and transparent annual review process was also approved.

Responsible Investing

Considering environmental, social, and governance matters at all stages of an investment, creating a positive impact for the companies and our clients' long-term return objectives

Responsible investing is an essential part of the investment beliefs shared by BCI, the pension funds, and many of the other clients for which we invest. Assessing and managing investment risk is an integral part of how we meet our responsibility. We believe taking environmental, social, and governance (ESG) matters into account enables investors to better understand, manage, and mitigate risks associated with long-term investments. Companies employing robust ESG practices are better positioned to generate long-term value for investors than similar companies with less-favourable practices.

Our primary mandate is to create long-term client wealth. The majority of the funds we manage belong to pension plans. As pension funds have long-term obligations and seek a specified rate of return to fund these obligations, BCI is required to invest our clients' funds to generate the expected returns. BCI adheres to the applicable requirements of the *Pensions Benefits Standards Act* and other legislation, as well as the legal contracts established by our clients.

As part of the prudent investment management of our clients' funds, we integrate ESG considerations into our investment analysis, decisions, and processes. And as an active owner, we monitor ESG factors and engage with companies to raise awareness that good corporate governance is the over-arching framework for effective management of risks. We also use our influence as a shareholder to encourage companies to manage and report on their ESG risks.

Climate change is increasingly becoming a focus of both long-term investment risk and opportunity at BCI. To continue to protect and grow the value of our clients' funds, we need to be aware of the financial repercussions of climate change.

During the fiscal year, we publicly released *BCI's Climate Action Plan and Approach to the TCFD Recommendations* (Climate Action Plan). The plan continues the climate-related work that BCI started developing in 2006, when we became a founding member to the Principles for Responsible Investment, an international initiative to develop and promote best practices in responsible investing by institutional investors. Building on over a decade of climate-related work, we focused efforts to formalize a plan that outlines our four key activities — manage risk, integrate, seek opportunities, and engage and advocate. Our Climate Action Plan helps position our clients' assets to both capitalize on investment opportunities from the long-term transition to a lower carbon economy and protect them from undue physical and transition risks.

The plan also discloses our alignment with the recommendations put forth by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We believe that greater disclosure leads to improved transparency and helps investors make more informed investment decisions.

For more information on our responsible investing activities, please read our *Responsible Investing Annual Report*, Climate Action Plan and newsletters on our website (**BCI.ca**).

Corporate Governance

From left to right Gayle Gorrill, Peter Milburn, Donna Lommer, Ken Tannar, Sheila Taylor, Karen Maynes, and Ron McEachern.

Our Board of Directors

COMPOSITION OF THE BOARD

The *Public Sector Pension Plans Act* (the 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 B.C.'s Minister of Finance; and
- One other director appointed by B.C.'s Minister of Finance 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.

Our four largest clients are represented on the board.

Dennis Blatchford's term on the board ended December 31, 2018. During the fiscal year, B.C.'s Minister of Finance appointed two new board members — Sheila Taylor and Gayle Gorrill; and the Municipal Pension Board appointed Donna Lommer.

BOARD INDEPENDENCE

All directors and the board chair are non-executive directors and independent of management.

PETER MILBURN | VANCOUVER, BRITISH COLUMBIA

Peter retired in 2016 after a 33-year long 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 more than $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 the chief executive officer for the BC Transportation Finance Authority. Peter has a degree in Civil Engineering from the University of British Columbia.

BCI BOARD AND COMMITTEE APPOINTMENTS				**2018–2019 ATTENDANCE**	
Director since December 31, 2016 Current term to December 31, 2019 Appointed by B.C.'s Minister of Finance Independent	Chair, BCI Board of Directors (2016–Present)			4.5/5	90%
	Guest, Human Resources and Governance Committee			1/1	100%
BCI DIRECTOR REMUNERATION 2018–2019	**ANNUAL RETAINER**	**BOARD MEETING FEE**	**COMMITTEE CHAIR FEE**	**COMMITTEE MEETING FEE**	**TOTAL**
	$32,000	$7,174	–	$813	$46,374 [1]
OTHER BOARD DIRECTORSHIPS/ TRUSTEESHIPS DURING THE LAST FIVE YEARS					
	TERM	**BOARD CHAIR & TERM**		**COMMITTEE APPOINTMENTS**	
Lucas Solutions Ltd.	2017–Present	Y	2017–Present	–	

[1] Includes remuneration for representing BCI at other meetings.

DONNA LOMMER | KELOWNA, BRITISH COLUMBIA

Donna joined the Interior Health Authority more than 25 years ago and serves as the vice president support services and chief financial officer. She leads a team of more than 2,500 people; provides executive oversight to capital projects totalling more than $1.2 billion; and has financial stewardship over a $2 billion annual operating budget. Donna holds an executive master's degree in business administration and is a Chartered Professional Accountant (CPA, CGA).

BCI BOARD AND COMMITTEE APPOINTMENTS				**2018–2019 ATTENDANCE**	
Director since January 1, 2019 Current term to December 31, 2021 Appointed by the Municipal Pension Board of Trustees Independent	Director, BCI Board of Directors			1/1	100%
BCI DIRECTOR REMUNERATION 2018–2019	**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	$4,065	$1,625	–	–	$6,910 [1]
OTHER BOARD DIRECTORSHIPS / TRUSTEESHIPS DURING THE LAST FIVE YEARS					
	TERM	**BOARD CHAIR & TERM**		**COMMITTEE APPOINTMENTS**	
Healthcare Benefits Trust (Trustee)	2014–Present	N	–	Audit Committee Finance Committee	
Municipal Pension Plan (Trustee)	2017–Present	N	–	Benefits Committee	

[1] Includes remuneration for representing BCI at other meetings.

GAYLE GORRILL | VICTORIA, BRITISH COLUMBIA

Gayle joined the University of Victoria on September 1, 2006 as vice-president finance and operations. Prior to this, she was associate vice-president administration for the University of Calgary for three years and in various executive positions with the Calgary Health Region. She began her career at Ernst and Young. Gayle has a Bachelor of Business Administration and is a Chartered Professional Accountant (CPA, CA). She was named a Fellow of the CPA in 2016. She holds an Institute of Corporate Directors, Director designation (ICD.D) from the Institute of Corporate Directors.

BCI BOARD AND COMMITTEE APPOINTMENTS		2018–2019 ATTENDANCE	
Director since June 18, 2018 Current term to June 18, 2020 Appointed by B.C.'s Minister of Finance Independent	Director, BCI Board of Directors	3/3	100%
	Guest, Audit Committee	1/1	100%
	Member, Audit Committee (2018–Present)	3/3	100%
	Member, Investment Management Platform Program Committee (2018–Present)	3/3	100%

BCI DIRECTOR REMUNERATION 2018–2019	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
50 per cent of the renumeration is paid to the University of Victoria	$12,546	$4,806	$2,004	$5,583	$26,927 [1]

OTHER BOARD DIRECTORSHIPS / TRUSTEESHIPS DURING THE LAST FIVE YEARS

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
BCNet (Vice Chair)	2015–Present	N		Governance & HR Committee, Finance Committee (Chair effective September 2019 for 2 years)
University of Victoria Properties Investments Inc. (Vice Chair)	2006–Present	N		–
Heritage Realty Properties (Vice Chair)	2006–Present	N		–
University of Victoria Foundation	2006–Present	N		–
Ocean Networks Canada	2008–Present	N		–
Canadian Association of University Business Officers	2011–Present	Y	2016–2017	–

[1] Includes remuneration for representing BCI at other meetings.

KAREN MAYNES | MAPLE RIDGE, BRITISH COLUMBIA

Now retired, Karen was the vice-president, finance and administration at Douglas College. She was nominated by the post-secondary employers' association and appointed to the College Pension Board of Trustees in 2006 by the provincial government. Karen is the past chair of the provincial senior finance and administration officers committee. She is also past post-secondary sector representative of the Chartered Professional Accountants of BC's Government Organizations' Accounting & Auditing Forum. Karen has served on numerous Douglas College and provincial committees dealing with issues such as technology planning, faculty negotiations and data definitions and standards. Karen is a Chartered Professional Accountant (CPA, CA).

BCI BOARD AND COMMITTEE APPOINTMENTS		2018–2019 ATTENDANCE	
Director since September 18, 2014 Current term to August 31, 2019 Appointed by the College Pension Board of Trustees Independent	Director, BCI Board of Directors	5/5	100%
	Chair, Audit Committee (2018–Present)	5/5	100%
	Member, Audit Committee (2014–2018)	0/0	100%

BCI DIRECTOR REMUNERATION 2018–2019	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	AUDIT COMMITTEE PREPARATION FEE	TOTAL
	$15,999	$7,986	$5,333	$3,976	$795	$34,487 [1]

OTHER BOARD DIRECTORSHIPS / TRUSTEESHIPS DURING THE LAST FIVE YEARS

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
College Pension Board (Trustee)	2006–Present	N	–	Benefits Committee Governance Committee Interplan Audit Committee Interplan Post-Retirement Group Benefits

[1] Includes remuneration for representing BCI at other meetings.

RON McEACHERN | NORTH SAANICH, BRITISH COLUMBIA

Ron has worked in human resources and labour relations for more than 30 years. Prior to retiring, he was an associate deputy minister of employee relations in the BC Public Service Agency. Ron holds a Bachelor of Science from the University of Victoria and has completed several certificate courses with International Foundation of Employee Benefit Plans in the Advanced Trustee Management Standards Program.

BCI BOARD AND COMMITTEE APPOINTMENTS		2018–2019 ATTENDANCE	
Director since April 1, 2007 Current term to March 31, 2019 Appointed by the Public Service Pension Board of Trustees Independent	Director, BCI Board of Directors	5/5	100%
	Chair, Human Resources and Governance Committee (2015–Present)	3/3	100%
	Member, Human Resources and Governance Committee (2007–2014)	–	–

BCI DIRECTOR REMUNERATION 2018–2019	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	$15,999	$7,986	$5,333	$2,403	$33,718 [1]

OTHER BOARD DIRECTORSHIPS / TRUSTEESHIPS DURING THE LAST FIVE YEARS	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
Public Service Pension Board (Trustee)	2002–Present	Y	2011–2016	Benefits Committee Communications Committee Governance Committee
Ron E. McEachern & Associates Ltd.	2004–Present	Y	2004–Present	–

[1] Includes remuneration for representing BCI at other meetings.

KEN TANNAR | LANGLEY, BRITISH COLUMBIA

Ken retired in 2017 after a 34-year career teaching in British Columbia, most currently as a physics and senior math teacher in Surrey. He was appointed to the Teachers' Pension Plan Board of Trustees (TPP) by the BC Teachers' Federation (BCTF) in 2008. For the past 10 years, Ken has served on the BCTF's pensions committee and TPP's advisory committee, which is independent of the TPP. He has served as the past chair for both committees. Ken holds a Bachelor of Science from the University of British Columbia.

BCI BOARD AND COMMITTEE APPOINTMENTS		2018–2019 ATTENDANCE	
Director since January 1, 2015 Current term to December 31, 2020 Appointed by the Teachers' Pension Plan Board of Trustees Independent	Director, BCI Board of Directors	5/5	100%
	Member, Human Resources and Governance Committee (2015–Present)	3/3	100%
	Member, Audit Committee (2018–Present)	5/5	100%

BCI DIRECTOR REMUNERATION 2018–2019	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	AUDIT COMMITTEE PREPARATION FEE	TOTAL
	$15,999	$7,986	–	$6,379	$795	$31,160 [1]

OTHER BOARD DIRECTORSHIPS / TRUSTEESHIPS DURING THE LAST FIVE YEARS	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
BC Teachers' Federation	2005–2017	N	–	Pensions Committee (Past Chair) Teachers' Pension Plan Advisory Committee (Past Chair)
Teachers' Pension Plan (Trustee)	2008–Present	Y	2018–Present	Benefits and Communications Committee (Past Chair)

[1] Includes remuneration for representing BCI at other meetings.

SHEILA TAYLOR | NORTH SAANICH, BRITISH COLUMBIA

Now retired, Sheila was the deputy minister of the Ministry of Social Development. Prior to that, Sheila was an associate deputy minister and the 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 a degree in finance from the Marriott School of Management, Brigham Young University.

BCI BOARD AND COMMITTEE APPOINTMENTS		2018–2019 ATTENDANCE	
Director since April 9, 2018 Current term to December 31, 2021 Appointed by B.C.'s Minister of Finance Independent	Director, BCI Board of Directors	4/4	100%
	Member, Audit Committee (2018–2019)	4/4	100%
	Member, Human Resources and Governance Committee (2018–Present)	2/2	100%
	Member, Investment Management Platform Program Committee (2018–Present)	3/3	100%

BCI DIRECTOR REMUNERATION 2018–2019	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	$15,650	$6,396	$2,004	$7,191	$35,623 [1]

OTHER BOARD DIRECTORSHIPS / TRUSTEESHIPS DURING THE LAST FIVE YEARS

	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS
BC Medical Services Commission	2010–2017	N	–	–
Labour Market Priorities Board	2014–2017	N	–	–

[1] Includes remuneration for representing BCI at other meetings.

Our Corporate Governance

The board of directors is committed to high governance standards in the oversight of BCI's operations and accountability to clients

THE GOVERNANCE FRAMEWORK

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

The BCI board mandate clarifies the board's duties and responsibilities and is available on our website.

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 as the chief executive officer with responsibility for supervising day-to-day operations and for carrying out 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 carrying out 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 ACTIVITY AND COMMITTEES

The board meets on a quarterly basis. Meetings are scheduled in advance. Additional meetings are arranged when issues arise that require immediate board attention. A strategic retreat is also planned annually. The board has two standing committees:

- The audit committee, consisting of a minimum of three directors, meets at least three times a year and oversees the audit programs, financial management controls, and financial reporting.
- The human resources and governance committee (HRGC), consisting of a minimum of three directors, meets at least twice a year and reviews human resource strategies, compensation philosophy, succession management, performance incentive plans, employee classification systems, and board governance.

In 2018, the board formed a provisional committee:

- The investment management platform (IMP) program committee, consisting of two directors, provides oversight during the multi-year project to replace BCI's investment management reporting technology.

The CEO/CIO attends all board and HRGC meetings and the COO attends all audit committee and IMP program committee meetings on behalf of the CEO/CIO (although neither the CEO/CIO or COO can be a director).

DIRECTOR ATTENDANCE

The board met on five occasions; the audit committee, five; the HRGC, three; and the IMP program committee, three. 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 2018-2019. Details for individual directors are included in their profiles on pages 35 to 38. Dennis Blatchford attended all board meetings held during the fiscal year before his term ended on December 31, 2018.

DIRECTOR ORIENTATION PROGRAM

Senior management lead the orientation. 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.

BOARD EVALUATION AND ASSESSMENT

The board completed both a Board Performance Questionnaire and a Director Competencies, Skills and Education Matrix. The questionnaire evaluates board, committee, and chair effectiveness. The matrix identifies the competencies required of all directors and then asks directors to rank their ability from a set list of skills and education. The board discusses the results and identifies areas that require additional or new emphasis.

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. The board is 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, such fees are paid to their employer.

Directors receive only one meeting fee per each 24-hour day. Members of the audit committee will be paid a preparation fee equal to a meeting rate for any audit committee meetings held on the same day as board meetings.

For fiscal year, total remuneration for the board was $235,083.06 in 2018–2019 (2017–2018: $191,723.68). Details for individual directors are included in their profiles. Remuneration for Dennis Blatchford, whose term ended December 31, 2018, was $19,885.29 of which 40 per cent was paid to the Health Sciences Association of British Columbia.

DIRECTOR CODE OF CONDUCT

The Code of Conduct for Directors (updated this fiscal year and available on our website) 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

The board recognizes the importance of ongoing director education. BCI encourages directors to enrol in professional development courses and participate in industry-related seminars, such as the Public Sector Pension Conference.

BCI maintains an Institute of Corporate Director (ICD) membership for all directors and budgets an amount to enable directors to benefit from courses and conferences offered by third parties. In addition, directors provide feedback for key areas of the business they require further information on, and arrangements are made for management or external consultants to present in these areas.

The board and its committees received a number of presentations during regular meetings, special meetings, and board dinners to enrich the board's knowledge of the business.

	JANUARY 1–DECEMBER 31, 2018		AS OF JANUARY 1, 2019[1]	
POSITION	ANNUAL RETAINER	PER DIEM	ANNUAL RETAINER	PER DIEM
Board Chair	$31,825	$795	$32,525	$813
Director	$15,912	$795	$16,262	$813
Audit Committee Chair	$5,304	$795	$5,421	$813
HRGC Chair	$5,304	$795	$5,421	$813
IMP Chair	–	–	$5,421	$813
Committee Member	–	$795	–	$813

[1] 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, Teachers' Pension Plan, and Public Service Pension Plan (the four largest clients represented on the board).

Compensation Discussion and Analysis

Aligning compensation with pay-for-performance, long-term results and meeting our clients' expectations

As an in-house asset manager, BCI recruits and seeks to retain talented and motivated employees with the skills and expertise to provide leadership in a complex investment environment. As we compete with our Canadian peers for the required expertise, BCI offers rewarding work opportunities, supports continued professional development, and pays competitive base salaries and incentive pay.

Our primary mandate is to grow the value of our clients' funds. We are accountable to our clients for investment returns and the costs involved in managing their funds. BCI operates on a cost recovery model, and investment management fees are charged to the investment pools and clients.

HRGC MANDATE

The human resources and governance committee (HRGC) assists the board in ensuring that BCI retains a highly effective team and that human resource practices continue to align employee performance with client expectations. The HRGC monitors and makes recommendations to the board on the following matters:

- trends and external market practices for compensation, benefits, and terms and conditions of employment
- BCI's job classification system and compensation scale
- comparators and competitive positioning of compensation
- salary and performance assessment of the CEO/CIO
- BCI's performance incentive plans
- oversight of risks associated with human resources activities
- employee Code of Conduct provisions
- BCI's 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 matters. Members are independent of management. Ron McEachern is the chair; Dennis Blatchford [1]; Ken Tannar; and Sheila Taylor (appointed to the committee on October 1, 2018) are committee members. The other directors may also attend committee meetings as guests. The CEO/CIO and senior vice president, human resources attend the meetings. The HRGC meets at least twice a year. In 2018–2019, the committee met on three occasions and in-camera sessions were held at each meeting.

COMPENSATION CONSULTANTS AND EXTERNAL SOURCES

As part of its governance responsibility, the board conducts a comprehensive review of BCI's philosophy and compensation structure every three years.

For investment professional 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 Ontario Municipal Employees Retirement System, the Ontario Teachers' Pension Plan, and the Public Sector Pension Investment Board. The survey includes positions ranging in seniority and responsibilities.

BCI's investment positions are further benchmarked against data from the Willis Towers Watson Investment Management Compensation Survey.

For non-investment roles, the board approves the compensation framework based on equivalent positions within the B.C. public sector as identified in a custom survey undertaken in fiscal 2016. This survey included BC Assessment Authority, BC Hydro, BC Lottery Corporation, BC Transit, Insurance Corporation of BC, and WorkSafeBC. The positions are also benchmarked against surveys by Willis Towers Watson, which include the Investment Management Compensation Survey, the Financial Services Executive Compensation Survey and Financial Services Middle Management, Professional & Support Compensation Survey, which includes additional positions such as audit, communications, and facilities.

[1] Mr. Blatchford's term on the board and his participation on the committee ended December 31, 2018.

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

A comprehensive review and assessment of BCI's compensation, philosophy, and structure began in fiscal 2016 and was completed in fiscal 2018. Adjustments to BCI's compensation structure and salary grade, effective April 1, 2016, were based on general guidelines that emphasize pay for performance. This enabled management to begin attracting the skill base required to move forward with BCI's business plan.

The board retained Case Dillon & Associates in 2017 to assist and advise them on our compensation philosophy. This review concluded in fiscal 2018. Changes to the compensation philosophy were effective as of April 1, 2018.

The next triennial review begins in 2019–2020.

COMPENSATION PHILOSOPHY

BCI's compensation philosophy, effective April 1, 2018, is principle-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.

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, equity, and establish internal job hierarchy.

COMPENSATION GOVERNANCE

BCI's governance framework outlines the roles and responsibilities related to compensation and align with industry best practices. The framework includes the following governance authorities:

- The board of directors makes all structural and strategic decisions including: the 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 and annual returns for asset classes. They approve the total fund long-term absolute return benchmark and the individual pooled funds benchmarks; and the overall investment return performance objectives (excess return targets 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; length of time the fund needs to be open prior to inclusion in AIP calculation; and multi-year timeframe for department and portfolio returns. ETCC reviews all benchmark and excess return recommendations for further approval by the CEO/CIO of BCI, as appropriate. The committee is comprised of the executive management team and is chaired by the senior vice president, human resources. The chair may invite participants outside of the executive management team, as appropriate.
- The investment risk committee (IRC), reviews all benchmark and excess return recommendations for further consideration by the ETCC. This includes: required excess return objectives (targets and maximums) for each pooled fund, asset class, and overall investment return; and all pooled fund benchmarks and related governance and implementation requirements, as well as the overall investment return absolute return benchmark. The committee is comprised of 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 brings greater 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 have an effect on corporate policy and performance and leadership of employees represents a significant portion of overall responsibilities.
- **Professional/Technical:** provides advanced knowledge in 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

The board's philosophy is to pay total compensation (base salary and performance incentive plans) designed to align employee interests with our clients' return requirements and BCI's strategic objectives, while discouraging undue risk-taking.

Our compensation structure includes a base salary, benefits, and performance-based remuneration 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 employees are eligible to participate in the AIP. The plan provides employees 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 of the position 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 five-year multi-year basis 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 asset class's respective market benchmarks with a 75 per cent weighting on multi-year asset class performance and a 25 per cent weighting on annual performance. 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.

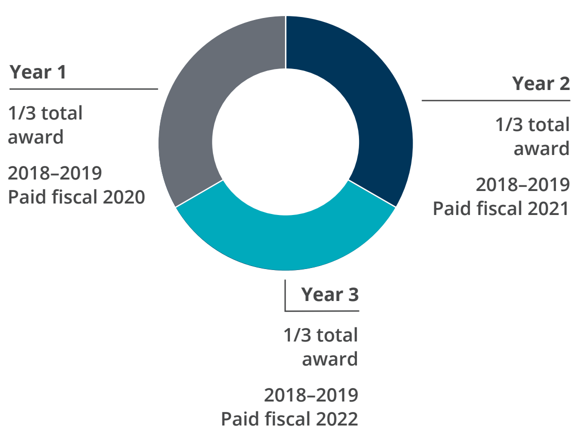
Long-Term Incentive Plan: This plan is designed to attract and retain senior employees and align commitment to BCI with our longer-term investment results. The plan provides the opportunity to eligible employees to earn additional compensation during their BCI careers derived from investment return performance.

Since April 1, 2017, the long-term, value-add measure in AIP has been used in LTIP. This ensures that a single measure is used for both plans. This provides further emphasis on 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.

LONG-TERM INCENTIVE PLAN CALCULATION

TEN YEAR CLIENT ABSOLUTE RETURN 30% + FIVE YEAR CLIENT RELATIVE RETURN 70% = TOTAL AWARD %

Total award payment disbursement (3 equal payments)



BENCHMARKS AND COMPENSATION

BCI pursues a principle-based approach to asset class and portfolio benchmark selection. All benchmarks for fiscal 2019, 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 class, and other investment related benchmarks, and address the overall investment return performance 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 FOR 2018–2019

BCI's net assets under management were $153.4 billion at the end of the fiscal year. Pension clients benefitted from all asset classes contributing positively to the overall performance. The combined pension clients annual return of 6.1 per cent exceeded its benchmark of 4.5 per cent.

Excess return was largely driven by the outperformance of our private assets, which weathered the volatility of the public markets and finished the fiscal year with significant returns from both income generation and capital gains. Outperformance relative to our clients' policy benchmark resulted in value added by BCI of $2.0 billion over the year.

As pension plans have long-term financial obligations, we focus on generating long-term client wealth. Returns are important — for every $100 a pension plan member receives in retirement benefits, on average $75 is provided by BCI's investment activity. Over the five-year period, the annualized return was 8.2 per cent against a benchmark of 7.1 per cent, adding $6.1 billion in value. Public equities, which represents 40.5 per cent of the overall portfolio contributed more than half of the fund's overall return and excess return for the five-year period. For the 10-year period, the annualized return was 9.8 per cent against a benchmark of 8.6 per cent. BCI added $10.9 billion in value over this period.

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

Over the April 2014 to March 2019 period, BCI's investment performance added value in each of the five years. The above benchmark performance in 2018–2019 generated a total award of 91.5 per cent, with 100.0 per cent being the maximum towards a current and future long-term incentive plan grant. The value-added performance in the five-year period is shown in the table below.

YEAR	BCI'S VALUE-ADDED PERFORMANCE ($)	TOTAL AWARD (MAXIMUM OF 100%)
2014–2015	$1.4 billion	97.8
2015–2016	$133 million	90.1
2016–2017	$688 million	84.9
2017–2018	$1.9 billion	91.5[1]
2018–2019	$2.0 billion	91.5

LTIP total awards and instalments are derived from the past five years 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

As the value-added performance was delivered in each of the five years, LTIP payments for 2018–2019 reflect 91.5 per cent of the maximum opportunity. Over the five-year period, BCI generated over $6.1 billion in cumulative value-add. Over a 10-year period, we have generated $10.9 billion in cumulative added value.

EXECUTIVE COMPENSATION

The total compensation of the five most highly remunerated officers in place at fiscal year end, with comparable amounts for 2017–2018 and 2016–2017, is disclosed in the Summary Compensation Table on page 46.

The AIP and LTIP payments for the chief executive officer/chief investment officer and the other named executive officers reflect the investment performance that exceeded our clients' combined market benchmark and generated $2.0 billion in additional value, net of costs. These payments also recognize their department's contribution to the returns, as well as their individual contribution. Total compensation for BCI's named executive officers was $10.1 million in 2018–2019 ($9.5 million in 2017–2018).

TOTAL COMPENSATION

Total cost of salaries and benefits for our entire employee complement was $119.5 million in 2018–2019 (8.0 cents per $100 of net assets under management) compared to $117.8 million in 2017–2018 (8.4 cents per $100 of net assets under management).

As of March 31, 2019, BCI's employee complement was 487 compared to 413 at the end of fiscal 2018. We added expertise in the areas of portfolio management, asset management, risk management, information technology, and corporate and investor relations. This additional expertise supports the requirements of an active, in-house asset manager that is strategic and risk aware. In addition to deploying more capital into the illiquid markets, our industry-aligned strategies and products across asset classes allow clients to capitalize on opportunities within the global markets and meet their actuarial return requirements.

[1] Effective fiscal 2018, the LTIP total award was based on 70 per cent weighting to the five-year client relative return, and 30 per cent weighting to the 10-year client absolute return performance.

Summary Compensation Table

NAME AND PRINCIPAL POSITION	YEAR	BASE SALARY	ANNUAL INCENTIVE [1, 2]	LONG-TERM INCENTIVE PLAN [1, 2]	PENSION CONTRIBUTIONS [3]	OTHER BENEFITS [4]	TOTAL COMPENSATION [5]
Gordon J. Fyfe Chief Executive Officer / Chief Investment Officer	**2018–2019**	**$588,286**	**$1,364,501**	**$1,132,816**	**$60,695**	**$169,338**	**$3,315,636**
	2017–2018	$579,043	$1,343,013	$884,946	$65,045	$151,129	$3,023,176
	2016–2017	$571,200	$1,218,619	$723,280	$64,167	$62,776	$2,640,042
Daniel Garant Senior Vice President, Public Markets	**2018–2019**	**$454,904**	**$858,107**	**$665,569**	**$47,557**	**$75,476**	**$2,101,613**
	2017–2018 [6]	$249,231	$833,215	$610,632	$30,731	$170,347	$1,894,155
	2016–2017	–	–	–	–	–	–
Lincoln Webb Senior Vice President, Infrastructure & Renewable Resources	**2018–2019**	**$379,904**	**$718,960**	**$481,834**	**$40,169**	**$89,745**	**$1,710,612**
	2017–2018	$374,712	$724,500	$374,528	$42,711	$81,328	$1,597,779
	2016–2017	$359,970	$661,464	$302,810	$77,768	$74,862	$1,476,874
Jim Pittman Senior Vice President, Private Equity	**2018–2019**	**$379,904**	**$718,960**	**$481,834**	**$40,169**	**$66,323**	**$1,687,190**
	2017–2018	$374,712	$709,500	$374,983	$42,711	$61,290	$1,563,196
	2016–2017	$353,077	$647,064	$306,252	$42,047	$59,154	$1,407,593
Dean Atkins Senior Vice President, Mortgage & Real Estate Investments	**2018–2019**	**$324,904**	**$577,655**	**$285,870**	**$34,752**	**$69,841**	**$1,293,022**
	2017–2018	$319,904	$530,179	$259,906	$36,721	$62,576	$1,209,285
	2016–2017	$314,945	$519,278	$264,296	$57,266	$106,373	$1,262,157

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

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

[3] 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.

[4] These values include BCI-funded group health and welfare 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.

[5] Values in this table constitute the total compensation earned by or paid on behalf of the identified individuals. All values are inclusive.

[6] Daniel Garant joined BCI on September 5, 2017.

Corporate Financial Statements

Management's Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The consolidated financial statements, which by necessity include some amounts that are based on management's best estimates and judgments, are prepared in accordance with International Financial Reporting Standards. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the significant accounting policies summarized in the consolidated financial statements and present fairly the Corporation's financial position, financial performance and cash flows.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of the Corporation's policies that govern ethical business conduct.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is comprised entirely of independent directors. The Audit Committee reviews the consolidated financial statements of the Corporation and recommends them to the Board for approval. The consolidated financial statements have been reviewed and approved by the Corporation's Board of Directors.

KPMG LLP, an independent auditor, has performed an audit of the consolidated financial statements, and its report follows. KPMG LLP has full and unrestricted access to the Audit Committee to discuss their audit and related findings.

Gordon J. Fyfe
Chief Executive Officer /
Chief Investment Officer

Lawrence E. Davis
Senior Vice President, Finance

July 5, 2019

Independent Auditor's Report

KPMG

To the Shareholder of British Columbia Investment Management Corporation

OPINION

We have audited the consolidated financial statements of British Columbia Investment Management Corporation (the Corporation), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended

in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

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

KPMG LLP

Chartered Professional Accountants

July 5, 2019
Vancouver, Canada

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Statement of Financial Position

(Expressed in thousands of dollars)
As at March 31, 2019, with comparative information for 2018

ASSETS	Note	2019	2018
Current assets:			
Cash and cash equivalents	5	54,210	44,165
Trade and other receivables	6	210,738	198,154
Prepaid expenses		4,772	4,746
Total current assets		269,720	247,065
Premises and equipment	7	25,734	29,534
Total assets		295,454	276,599

LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities:			
Trade and other payables	6	196,365	180,893
Employee benefits	8	51,882	44,818
Term loan facility	9	1,864	1,819
Contract liabilities	10	13,659	15,614
Total current liabilities		263,770	243,144
Trade and other payables		2,412	5,011
Employee benefits	8	14,289	11,597
Term loan facility	9	14,983	16,847
Total non-current liabilities		31,684	33,455
Total liabilities		295,454	276,599
Shareholder's equity:			
Retained earnings		–	–
Total equity		–	–
Total liabilities and shareholder's equity		295,454	276,599

Operating leases (note 11)
Derivatives (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Peter Milburn,
Chair, Board of Directors

K Maynes

Karen Maynes,
Chair, Audit Committee

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Statement of Income and Comprehensive Income

(Expressed in thousands of dollars)
Year ended March 31, 2019, with comparative information for 2018

REVENUE	Note	2019	2018
Recoveries of costs	6	446,717	415,795
Investment income		870	768
		447,587	416,563

EXPENSES	Note	2019	2018
Internal:			
Salaries and benefits	6, 13	119,545	117,827
Professional services		37,573	18,697
Information systems	6	23,019	19,059
Rent		12,335	4,351
Office and business	6	6,837	8,285
Recruitment and training		6,754	4,724
Depreciation	7	3,928	4,110
External:			
Investment management		186,639	209,105
Professional services		44,406	23,871
Custodial		6,551	6,534
		447,587	416,563
Net income and comprehensive income		–	–

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Statement of Changes in Equity

(Expressed in thousands of dollars)
Year ended March 31, 2019, with comparative information for 2018

	RETAINED EARNINGS	TOTAL EQUITY
Balance, March 31, 2017	–	–
Net income and comprehensive income	–	–
Balance, March 31, 2018	–	–
Net income and comprehensive income	–	–
Balance, March 31, 2019	–	–

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Statement of Cash Flows

(Expressed in thousands of dollars)
Year ended March 31, 2019, with comparative information for 2018

	Note	2019	2018
Cash flows provided by (used in):			
Operations:			
Net income and comprehensive income		–	–
Items not involving cash:			
Depreciation		3,928	4,110
Loss on write-off of premises and equipment		–	445
		3,928	4,555
Changes in non-cash items:			
Trade receivables		(12,584)	(141,561)
Prepaid expenses		(26)	(1,152)
Trade payables and employee benefits		22,629	138,972
Contract liabilities		(1,955)	(2,651)
Net cash provided by (used in) operating activities		11,992	(1,837)
Investments:			
Premises and equipment additions		(128)	(21,034)
Proceeds from disposal of premises and equipment		–	1,031
Net cash used in investing activities		(128)	(20,003)
Financing:			
Proceeds from term loan facility		–	20,000
Repayment of term loan facility		(1,819)	(1,334)
Net cash (used in) provided by financing activities		(1,819)	18,666
Increase (decrease) in cash and cash equivalents		10,045	(3,174)
Cash and cash equivalents, beginning of year		44,165	47,339
Cash and cash equivalents, end of year	5	54,210	44,165

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

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 (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2019 was $153 billion (2018–$146 billion). Of that, approximately $130 billion (2018–$124 billion) is invested on behalf of pension funds and $23 billion (2018–$22 billion) on behalf of various publicly-administered trust funds and clients. These assets are held by BCI as 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 by BCI as trustee of 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 July 5, 2019.

(B) BASIS OF MEASUREMENT: The consolidated financial statements have been prepared on the historical cost basis except long-term employee benefits which are measured at the present value of the expected future benefit payments.

(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 conformity 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.

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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all periods presented in these 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 when the Corporation can use its power over the activities of the entity to generate returns for itself.

In the normal course of operations, the Corporation utilizes subsidiary and structured entities to facilitate the management of investment assets:

(i) Subsidiary entities: The Corporation establishes subsidiary entities as part of its investment strategy. In all cases, the Corporation holds 100% of the voting shares of these subsidiary entities. The Corporation has power over the relevant activities of these entities, is exposed to variability in returns from these entities, and uses its power to generate these returns. Accordingly, these entities are consolidated into the Corporation. However, in all cases, these subsidiaries earn nominal income that is not material to the operations of the Corporation.

(ii) Structured entities: In the normal course of its operations, the Corporation establishes various structured entities, such as pooled investment portfolios and their subsidiary entities, through its role as investment manager. The Corporation's control over these entities is established either by regulation, or ownership of voting shares, or both. The Corporation has power over the relevant activities of the structured entities; however, in all cases, the Corporation has no exposure or rights to variability of returns in these structured entities. Accordingly, these entities do not meet the criteria for control and are not consolidated.

(B) CASH AND CASH EQUIVALENTS: Cash and cash equivalents include cash and money market funds with original maturities of three months or less. Cash and cash equivalents are held at amortized cost on the consolidated statement of financial position.

(C) FINANCIAL INSTRUMENTS:

(i) Recognition and measurement: Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

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

A financial asset is measured at FVOCI if it meets both the following conditions:

- it is held within a business model who's objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Corporation may irrevocably elect to measure financial assets that otherwise meet the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Corporation has not classified any of its financial assets as FVTPL or FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Corporation may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

The Corporation has not classified any of its financial liabilities as FVTPL.

(ii) Amortized cost: Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Corporation classifies cash and cash equivalents, trade and other receivables, trade and other payables and term loan facility as amortized cost.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) PREMISES AND EQUIPMENT:

(i) Measurement: Items of premises and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognized within profit or loss.

(ii) Depreciation: Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of premises and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and equipment	10 years
Computers and related software	5 years

Leasehold improvements and interests are depreciated on a straight-line basis over the anticipated life of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(E) SHARE CAPITAL: The capital of the Corporation is one share with a par value of ten dollars and is classified as equity. The share is issued to and registered in the name of the Minister of Finance and must be held by that Minister on behalf of the Government of British Columbia.

(F) REVENUE: The Corporation's revenues comprise the following:

(i) Recoveries of costs: The Corporation provides investment management services to pooled investment portfolios as defined and legislated under the Act and to its clients as contracted under funds investment management agreements (collectively, the "Management Contracts"). The Corporation's performance obligations in connection with investment management services are satisfied over time through the rendering of services that have the same pattern of transfer to pooled investment portfolios and clients as costs are incurred. As set forth in the Management Contracts, the transaction prices allocated to performance obligations are equal to costs incurred. Contract liabilities recorded in the consolidated statement of financial position relate to the Corporation's future period performance obligations and are recognized in income in the period when the performance obligations have been satisfied.

(ii) Investment income: Investment income is recorded on an accrual basis and includes interest income on cash and cash equivalents.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

(G) EMPLOYEE BENEFITS:

(i) Defined benefit plans: The Corporation and its employees contribute to the Public Service Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. Due to insufficient information relating to the Corporation's share of the Plan's assets and liabilities, the Corporation accounts for the Plan as if it were a defined contribution plan. The Corporation's annual cost is represented by contributions required for the respective year.

The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan's unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2017 indicated that the Plan was 108 per cent funded.

(ii) Annual incentive plan: The Corporation provides an incentive to employees through an annual incentive plan ("AIP"). At the end of each fiscal year, eligible employees are entitled to an AIP Award. AIP is accrued for eligible employees based on the achievement of corporate objectives, investment performance and individual efforts. The estimated payments relating to the current year, which will be paid out in the next fiscal year, are recorded as a current liability.

(iii) Long term incentive plan: The Corporation provides a retention incentive to employees in senior staff positions through a long-term incentive plan ("LTIP"). At the end of each fiscal year, eligible employees are entitled to an LTIP Total Award. Each Total Award vests in three equal installments over a three-year period. LTIP is accrued for eligible employees at an amount equal to one third of the estimated aggregate pay-out for the current year and each of the following two years. The estimated payments relating to current and previous years, which will be paid out in years beyond the next fiscal year, are recorded as a long-term liability.

(iv) Long service retiring allowance: Employees hired prior to October 31, 2007 are entitled to a long service retiring allowance ("LSRA") as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances.

(H) LEASED ASSETS:

(i) Classification: The Corporation classifies its leases according to whether the leases transfer substantially all the risks and benefits of ownership in the asset. The Corporation does not have any leases classified as finance leases where it assumes substantially all the risks and rewards of ownership. The Corporation only has operating leases and they are not recognized in the statement of financial position.

(ii) Lease payments: Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

(I) FOREIGN CURRENCY TRANSACTIONS: Transactions denominated in foreign currencies are translated by applying the exchange rate prevailing on the date of the transaction. At each reporting date, all monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the closing exchange rate. Any resulting translation adjustments are recorded in net income or loss.

(J) TAXATION: As an agent of the government of British Columbia, the Corporation is not liable to federal and provincial taxation.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(K) NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE: New standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Corporation, except for IFRS 16, *Leases*.

IFRS 16, *Leases* ("IFRS 16"):

On January 13, 2016 the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17, *Leases* ("IAS 17").

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. Management is currently evaluating the potential effect of this standard.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

4. CHANGE IN ACCOUNTING POLICY:

The Corporation has adopted IFRS 9 *Financial Instruments* ("IFRS 9") with a date of initial application of 1 April 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 has been applied retrospectively. The nature and effects of the key changes to the Corporation's accounting policy are summarized below.

(A) CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES: IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Corporation may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Corporation may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

The adoption of IFRS 9 did not result in any measurement differences in the Corporation's financial assets and liabilities as at the transition date. The following table shows the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Corporation's financial assets and financial liabilities.

	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9
Financial assets		
Cash and cash equivalents	Loans and recievables	Amortized Cost
Trade and other receivables	Loans and recievables	Amortized Cost
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized Cost
Term loan facility	Other financial liabilities	Amortized Cost

(B) IMPAIRMENT OF FINANCIAL ASSETS: IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Corporation holds only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact these financial statements.

(C) HEDGE ACCOUNTING As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Corporation has not applied hedge accounting under either standard. Therefore, the hedge accounting requirements under the new standard do not impact these financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

5. CASH AND CASH EQUIVALENTS:

2019	CANADIAN	U.S.	TOTAL
Cash in bank	6,440	1,144	7,584
Short-term money market instruments	45,695	931	46,626
	52,135	2,075	54,210

2018			
Cash in bank	7,081	1,912	8,993
Short-term money market instruments	31,426	3,746	35,172
	38,507	5,658	44,165

Short-term money market instruments consist of units in pooled investment portfolios managed by the Corporation, specifically the Canadian Money Market Fund ST2 and the U.S. Money Market Fund ST3.

6. RELATED PARTY TRANSACTIONS:

Province of British Columbia:

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts as follows:

	2019	2018
Recoveries of costs	416	–
Salaries and benefits	38	33
Information systems expenses	245	159
Office and business expenses	3	11
Trade and other payables	81	63

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

Pension Plans:

The Corporation is related to the College, Municipal, Public Service and Teachers' pension plans and the British Columbia Pension Corporation. The pension plan boards appoint members to the BCI board and BCI provides investment management services to various public sector pension funds, the Province of British Columbia, provincial government bodies and publicly administered trust funds. Transactions with these entities are in the normal course of operations and consist of the recovery of costs that are recorded at the exchange amounts.

For the year ended March 31, 2019, the Corporation received $1,721,206 (2018–nil) in recoveries of costs from sub-lease of offices to British Columbia Pension Corporation.

QuadReal Property Group Limited Partnership ("QuadReal LP"):

Quadreal LP provides investment management services to real estate pooled investment portfolios. BCI provides administrative services to Quadreal LP on a cost recovery basis. Transactions with Quadreal LP are in the normal course of operations and are recorded at the exchange amounts as follows:

	2019	2018
Recoveries of costs	2,585	4,628
Trade and other receivables	2,322	9,104

Key Management Personnel Compensation:

Included in salaries and benefits are the following amounts related to key management personnel compensation:

	2019	2018
Base salary	3,368	3,319
Annual incentive plan	5,526	5,967
Long-term incentive plan	3,476	3,578
Other short-term benefits	682	809
Post-employment benefits — pension contributions	358	384
	13,410	14,057

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

7. PREMISES AND EQUIPMENT:

	FURNITURE & EQUIPMENT	COMPUTERS & RELATED SOFTWARE	LEASEHOLD IMPROVEMENTS & INTERESTS	TOTAL
Cost:				
Balance, March 31, 2017	3,162	6,623	12,567	22,352
Additions	4,453	1,438	15,143	21,034
Disposals	(2,021)	–	(7,859)	(9,880)
Balance, March 31, 2018	5,594	8,061	19,851	33,506
Additions	–	142	123	265
Rebates	(137)	–	–	(137)
Disposals	–	–	–	–
Balance, March 31, 2019	5,457	8,203	19,974	33,634

	FURNITURE & EQUIPMENT	COMPUTERS & RELATED SOFTWARE	LEASEHOLD IMPROVEMENTS & INTERESTS	TOTAL
Accumulated depreciation:				
Balance, March 31, 2017	603	2,449	5,214	8,266
Depreciation for the year	304	1,213	2,594	4,111
Disposals	(597)	–	(7,808)	(8,405)
Balance, March 31, 2018	310	3,662	–	3,972
Depreciation for the year	554	1,373	2,001	3,928
Disposals	–	–	–	–
Balance, March 31, 2019	864	5,035	2,001	7,900
Carrying amounts:				
March 31, 2018	5,284	4,399	19,851	29,534
March 31, 2019	4,593	3,168	17,973	25,734

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

8. EMPLOYEE BENEFITS:

Current:

	2019	2018
Regular employee benefits	5,755	4,356
Annual incentive plan	34,898	30,945
Long term incentive plan (LTIP)	10,986	9,210
Long service retiring allowance (LSRA)	243	307
	51,882	44,818

Non-Current:

	2019	2018
Long term incentive plan (LTIP)	13,445	10,774
Long service retiring allowance (LSRA)	844	823
	14,289	11,597

9. TERM LOAN FACILITY:

In July 2017, the Corporation secured a bank term loan facility to fund tenant leasehold improvements at the Corporation's new head office located at 750 Pandora Avenue, Victoria, B.C.

Interest is charged at a fixed rate of 2.5 per cent per annum, payable quarterly in arrears. The loan principal and interest are payable in equal quarterly instalments of $566,000 until completion of the loan repayment at June 30, 2027.

At March 31, 2019, the fair value of the term loan facility is $16,920,504 (2018–$18,360,669). There have been no defaults or breaches of the loan terms during the year. Movements in the carrying amount of the term loan facility are presented below:

	2019	2018
Carrying amount, beginning of year	18,666	–
Proceeds	–	20,000
Repayment	(1,819)	(1,334)
Carrying amount, end of year	16,847	18,666
Current portion	1,864	1,819
Non-current portion	14,983	16,847

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

10. CONTRACT LIABILITIES:

	2019	2018
Balance, beginning of year	15,614	18,265
Performance of services in the period	(1,955)	(2,651)
Balance, end of year	13,659	15,614

11. OPERATING LEASES:

Property leases:

The Corporation leases office space under various operating leases which expire in 2025, and 2038 subject to various renewal options contained within the lease agreements.

During the year ended March 31, 2016, the Corporation entered into an arm's length lease agreement to rent office space in a new head office building at 750 Pandora Avenue, Victoria, B.C. The lease took effect in March 2018, following completion of construction of the new building. The Corporation has three signed agreements to sub-lease the vacated office space on Jutland Road that took effect in April 2018.

Subsequent to the execution of the lease, bcIMC Realty Corporation invested in the 750 Pandora Avenue office development project, becoming a 50 per cent co-owner. bcIMC Realty Corporation is a related party to the Corporation as it is wholly owned by a pooled investment portfolio managed by the Corporation.

The initial term of the new building lease is for twenty years, with three renewal options of five years each.

Future minimum lease payments based on current estimates of total rentable area of the lease agreements for office space, are as follows:

	2019	2018
Less than 1 year	12,960	12,392
Between 1 and 5 years	55,624	52,033
More than 5 years	178,930	187,374
	247,514	251,799

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

Property leases (continued):

The Corporation has sub-leased its former location to related parties effective April 2018, resulting in the following net future minimum lease payments:

2019	Gross	Sub-leased	Net
Less than 1 year	12,960	3,568	9,392
Between 1 and 5 years	55,624	15,271	40,353
More than 5 years	178,930	3,543	175,387
	247,514	22,382	225,132

Software leases:

During the year ended March 31, 2018, the Corporation entered into a subscription agreement for a software system. The initial term of the subscription agreement expires on September 30, 2024 and is automatically renewed for an additional three years unless either party terminates the agreement. The Corporation also has the option to purchase additional modules of the software system.

Future minimum subscription payments based on current estimates are as follows:

	2019	2018
Less than 1 year	3,126	947
Between 1 and 5 years	14,513	7,261
More than 5 years	1,754	2,841
	19,393	11,049

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

12. DERIVATIVES:

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. Derivative financial instruments can be listed or traded over-the-counter ("OTC"). OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared ("OTC cleared") by a central clearing party.

The Corporation enters into derivative transactions for the benefit of its clients and pooled investment portfolios to manage exposure to currency fluctuations, to enhance returns, or to replicate investments synthetically. As the Corporation does not have any beneficial interests in these derivative contracts, the contracts are not recognized in these financial statements.

As at March 31, 2019, the various forward currency, equity and fixed income contracts entered into on behalf of clients or pooled investment portfolios had an unrealized gain of $696,067,861 on a notional value of $54,503,382,078 (2018 — an unrealized loss of $236,280,413 on a notional value of $22,389,469,454).

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

Notional values under the current agreements are as follows:

	2019	2018
Equity derivatives:		
Listed:		
Futures	12,442	4,259
OTC:		
Swaps	21,535,292	6,598,921
Options	37,990	–
Currency derivatives:		
OTC:		
Forwards:		
U.S. dollar	16,465,625	11,238,496
British pound	1,634,055	1,045,541
Australian dollar	1,236,271	1,351,395
Euro	1,226,018	1,193,285
Other currencies	224,241	42,136
Japanese yen	39,989	203,554
Options:		
Euro	(135,411)	554,954
Interest rate derivatives:		
Listed:		
Futures	91,870	72,465
OTC:		
Swaps	12,135,000	84,463
Total	54,503,382	22,389,469

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

12. DERIVATIVES (CONTINUED):

There were no OTC-cleared contracts outstanding at March 31, 2019 or March 31, 2018.

Notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

The outstanding derivative contracts were entered into with fifteen (2018-thirteen) counterparties. The terms of the agreements provide for right of offset with each counterparty. Net counterparty receivables and payables at March 31 are:

	2019	2018
Receivables	940,685	1,339
Payables	(244,618)	(237,619)
	696,067	(236,280)

The Corporation posted collateral of $778,829,918 (2018–$167,112,384) to secure the payable position. The counterparties for swap contracts are limited to those with at least an “A-” credit rating.

13. SALARIES AND BENEFITS:

	2019	2018
Salaries	59,030	64,658
Annual incentive plan	34,977	30,895
Long term incentive plan	13,737	12,767
Benefits:		
Health	2,741	2,328
Pension	5,421	4,944
Retirement allowance	769	(111)
Insurance and other	2,870	2,346
	119,545	117,827

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

14. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The fair value of the Corporation's financial instruments which includes cash and cash equivalents, trade and other receivables, and trade and other payables, approximates their carrying value due to the short-term to maturity of these instruments. The fair value of the Corporation's outstanding term loan facility is disclosed in Note 9.

Fair value measurements are classified into a three level hierarchy based on the significance of the inputs used in making the fair value measurements. Level 1 measurements are determined by reference to quoted prices in active markets for identical assets and liabilities. Level 2 measurements include those measured using inputs that are based on observable market data, either directly or indirectly. Level 3 measurements are based on unobservable inputs.

The Corporation's financial assets and liabilities, which are measured at amortized cost are considered Level 2 because while observable prices are available, they are not quoted in an active market.

15. FINANCIAL RISK MANAGEMENT:

In the ordinary course of operations, the Corporation may be exposed to risk arising from its financial instruments as follows:

(A) CREDIT RISK: Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash equivalents and trade and other receivables.

The Corporation's cash equivalents consist of units in money market investment portfolios managed by the Corporation. The trade and other receivables relate primarily to fees and receivables from pooled investment portfolios managed by the Corporation and are generally short-term in nature.

Due to the Corporation's role as fund manager for the pooled investment portfolios and the highly liquid nature of the Corporation's cash equivalents, management does not believe the Corporation is exposed to significant credit risk.

(B) LIQUIDITY RISK: Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation operates on a cost recovery basis and recovers all of its expenses through the pooled investment portfolios and segregated client accounts it manages on a timely basis. Accordingly, management does not believe that the Corporation is exposed to significant liquidity risk.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

15. FINANCIAL RISK MANAGEMENT (CONTINUED):

The following table shows the contractual maturities of the Corporation's liabilities as at March 31:

MARCH 31, 2019	WITHIN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	TOTAL
Trade and other payables	196,365	2,412	–	–	198,777
Term loan facility	1,864	10,043	4,940	–	16,847
Contract liability	13,659	–	–	–	13,659
Regular employee benefits	5,755	–	–	–	5,755
Annual incentive plan /LTIP	45,884	13,445	–	–	59,329
LSRA	243	252	356	236	1,087
	263,770	26,152	5,296	236	295,454

MARCH 31, 2018	WITHIN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	TOTAL
Trade and other payables	180,893	5,011	–	–	185,904
Term loan facility	1,819	7,740	9,107	–	18,666
Contract liability	15,614	–	–	–	15,614
Regular employee benefits	4,357	–	–	–	4,357
Annual incentive plan /LTIP	40,155	10,774	–	–	50,929
LSRA	306	177	326	320	1,129
	243,144	23,702	9,433	320	276,599

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)
Year ended March 31, 2019

(C) CURRENCY RISK: Currency risk is the risk that the Corporation's financial instruments will fluctuate in value from changes in value of foreign currencies in relation to the Canadian dollar. The Corporation does not hold significant net financial assets nor have significant net financial obligations denominated in currencies other than Canadian dollars. Accordingly, management does not believe the Corporation is exposed to significant currency risk. Cash and cash equivalents denominated in US dollars are disclosed in note 5.

(D) INTEREST RATE RISK: Interest rate risk refers to the effect on the fair value or future cash flows of financial instruments of fluctuations in both long-term and short-term nominal and real interest rates. The Corporation's cash equivalents are in units of money market investment portfolios that are interest rate sensitive; however, the underlying financial instruments re-price on a frequent basis. Other financial assets and liabilities have a short term to maturity. As investment earnings are not material, management does not believe the Corporation is exposed to significant interest rate risk.

(E) OTHER PRICE RISK: Other price risk is the risk that the fair value of the Corporation's financial instruments will fluctuate because of changes in market prices, other than those arising from currency risk or interest rate risk. Management does not believe the Corporation's financial instruments are exposed to significant other price risk.

16. CAPITAL MANAGEMENT:

The Corporation's objectives in managing capital are to ensure compliance with the Act, whereby the Corporation must recover its operating costs and capital expenditures from amounts charged to the funds, persons, organizations and other clients or from investment income. The Corporation is not subject to any internal or external restrictions on its capital.

Our External Managers and Partners

As at March 31, 2019

AUDITORS

- Ernst & Young LLP
- KPMG LLP

FIXED INCOME

- Ares Capital Advisers LLC
- Antares Capital Management LLC
- Hayfin Capital Management

GLOBAL CUSTODIAN

- Northern Trust

INFRASTRUCTURE & RENEWABLE RESOURCES

- Actis
- ArcLight Capital Partners, LLC
- Azimuth Capital Management
- Bonnefield FinancialInc.
- Brookfield Asset Management Inc.
- Energy Capital Partners
- First Reserve Corporation
- Highstar Capital
- Macquarie Infrastructure and Real Assets
- TIAA CREF Financial Services

MORTGAGE

- ACORE Capital
- Bentall Kennedy (Canada) Limited Partnership
- BlackRock
- CMLS Financial Ltd.
- First National Financial LP
- Greystone Managed Investments Inc.
- Murray & Company Limited
- Tricon Capital Group Inc.
- Royal Bank of Canada
- RXR Realty

PRIVATE EQUITY

- Adams Street Partners, LLC
- Advent International Corporation
- AEA Investors LP
- Affinity Equity Partners
- Apax Partners
- Apollo Global Management, LLC
- Asia Alternatives Management LLC
- AsiaVest Partners TCW/YFY (Taiwan) Ltd.
- ATL Partners
- Avista Capital Partners
- Azimuth Capital Management
- Bain Capital, LLC
- Banyan Capital Partners
- Baring Private Equity Asia
- BGH Capital
- Birch Hill Equity Partners Management Inc.
- Brookfield Asset Management Inc.
- CAI Private Equity
- Canaan Partners
- Cartesian Capital Group, LLC
- Castik Capital
- Castlelake, L.P.
- Celtic House Venture Partners Inc.
- Cinven Partners LLP
- Clearspring Capital LP
- Corsair Capital
- CVC Capital Partners
- FountainVest Partners
- Francisco Partners
- Gamut Capital Management
- Greenstone Venture Partners
- GTCR, LLC
- H&Q Asia Pacific
- HarbourVest Partners, LLC
- Hayfin Capital Management LLP
- Hellman & Friedman LLC
- India Value Fund Advisors
- Jasper Ridge Partners
- Leonard Green & Partners, L.P.
- Lone Star Funds
- McKenna Gale Capital Inc.
- McLean Watson Capital
- MBK Partners
- New Mountain Capital, LLC
- Newstone Capital Partners, LLC
- Nexus Point Partners
- Northstar Advisors Pte. Ltd.
- Oaktree Capital Management, L.P.
- Orchid Asia Group Management, Ltd.
- Pacven Walden, Inc.
- PAI Partners SAS
- Pantheon Ventures (UK) LLP
- Parallel49 Equity
- Penfund
- PineBridge Investments
- Polaris Partners
- Richardson Capital Limited
- RRJ Capital
- Searchlight Capital Partners
- Spring Lane Management, LLC
- TA Associates Management, L.P.
- The Carlyle Group
- TorQuest Partners
- TPG Capital
- Trimble Hill Management Inc.
- TriWest Capital Partners
- Turkven
- Vanedge Capital
- Wayzata Investment Partners
- Yaletown Venture Partners

PUBLIC EQUITIES

- Acadian Asset Management Inc.
- Allianz Global Investors Asia Pacific Limited
- APS Asset Management Pte. Ltd.
- Connor, Clark & Lunn Investment Management Ltd.
- Fidelity Investments Canada ULC
- Green Court Capital Management Limited
- J.P. Morgan Asset Management (Canada) Inc.
- Pier 21 Asset Management Inc./C Worldwide
- Quantum Advisors Private Limited, India
- Red Gate Asset Management Company Limited
- Schroder Investment Management (Hong Kong) Limited
- Van Berkom and Associates Inc.
- Walter Scott & Partners Limited
- Wasatch Advisors Limited
- Wellington Management Company LLP

REAL ESTATE

- The Jawl Group
- QuadReal Property Group

Our Executive Management Team

Gordon J. Fyfe
Chief Executive Officer / Chief Investment Officer

Shauna Lukaitis
Chief Operating Officer

Dean Atkins
Senior Vice President, Mortgage & Real Estate Investments

Stefan Dunatov
Senior Vice President, Investment Strategy & Risk

Daniel Garant
Senior Vice President, Public Markets

Norine Hale
Senior Vice President, Human Resources

David Morhart
Senior Vice President, Corporate & Investor Relations

Jim Pittman
Senior Vice President, Private Equity

Lincoln Webb
Senior Vice President, Infrastructure & Renewable Resources

ECO-AUDIT
ENVIRONMENTAL BENEFITS STATEMENT

The BCI responsible investing annual report is printed with vegetable-based inks, on paper that is made from 100 per cent post-consumer recycled content. The stock is manufactured with renewable, non-polluting, wind-generating electricity, and is sourced from certified suppliers that support the growth of responsible forest management. By using this environmentally friendly paper, BCI has saved the following resources:

trees	water	energy	solid waste	greenhouse gases
13.4	**4,163**	**5.7**	**20**	**2,644**
fully grown	litres	million BTU	kilograms	kilograms

Environmental impact estimates were made using the Environmental Paper Network Calculator Version 4.0
For more information visit papercalculator.org FSC® is not responsible for any calculations on saving resources by choosing this paper.

Printed by Hemlock Printers Ltd. In addition to being named the ***Most Environmentally Progressive Printer in Canada*** with Gold or Silver recognition for each of the last 13 years, Hemlock Printers has the distinction of being the first printing company in Canada to achieve **carbon neutral** status.

We welcome your comments and suggestions on our report.

Please contact: Gwen-Ann Chittenden
Director, Corporate Communication
Tel: 778-410-7310 | E-mail: communication@bci.ca

This annual report has been made carbon neutral by Zerofootprint. Printed within a carbon neutral facility, the carbon emissions from paper manufacturing, transport, and disposal were offset with investments in ISO-compliant forestry projects.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
750 Pandora Ave, Victoria B.C. V8W 0E4 CANADA / **BCI.ca**