



Corporate Annual Report

2019-2020



British Columbia Investment
Management Corporation

Erratum to Fiscal 2020 Corporate Annual Report

The Corporation advises that it has identified a process error associated with the transition to a new investment management platform that impacts the performance calculation for BCI's Realpool program for fiscal 2020, and previously reported returns included in BCI's Corporate Annual Report published on August 15, 2020.

PAGE	PARAGRAPH	PREVIOUS TEXT	UPDATED TEXT
Highlights 2019-2020		Added Value \$11.2 billion over the 10-year period	Added Value \$11.1 billion over the 10-year period
BCI celebrates 20 years		\$12.2 billion in added value over the 20-year period	\$12.1 billion in added value over the 20-year period
5	Graph: BCI Annualized Pension Returns	1 year 3.0 10 year 8.5	1 year 2.9 10 year 8.4
5	Graph: Cumulative Value Added by BCI	1 year (0.25) 5 year 4.4 10 year 11.2 15 year 11.4 20 year 12.2	1 year (0.36) 5 year 4.3 10 year 11.1 15 year 11.3 20 year 12.1
9	5	Overall, our combined pension plan clients' returns slightly lagged the benchmark by 0.25 per cent this fiscal year. This represents a \$253 million relative underperformance for the year compared to a \$2.0 billion outperformance last year and a \$4.4 billion outperformance over five years.	Overall, our combined pension plan clients' returns slightly lagged the benchmark by 0.34 per cent this fiscal year. This represents a \$364 million relative underperformance for the year compared to a \$2.0 billion outperformance last year and a \$4.3 billion outperformance over five years.
9	6	Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.2 billion of value-added activity.	Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.1 billion of value-added activity.

PAGE	PARAGRAPH	PREVIOUS TEXT	UPDATED TEXT
18	2	Despite the extraordinary societal and financial circumstances faced during the fourth quarter due to the COVID-19 global pandemic, our annualized return for the combined pension plan clients stands in positive territory at 3.0 per cent, net of all fees, slightly lagging the benchmark by 0.25 per cent.	Despite the extraordinary societal and financial circumstances faced during the fourth quarter due to the COVID-19 global pandemic, our annualized return for the combined pension plan clients stands in positive territory at 2.9 per cent, net of all fees, slightly lagging the benchmark by 0.34 per cent.
18	4 (column 2)	Overall, BCI's combined pension client one-year return represents \$253 million relative underperformance for the year, compared to a \$2.0 billion outperformance last year.	Overall, BCI's combined pension client one-year return represents \$364 million relative underperformance for the year, compared to a \$2.0 billion outperformance last year.
18	5 (column 2)	Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.2 billion of value-added activity. Over the 10-year period, the combined pension plan has an annualized rate of return of 8.5 per cent compared to a benchmark of 7.2 per cent, representing \$11.2 billion in added value. Over the five-year period, BCI generated an annualized rate of return of 6.0 per cent against a benchmark of 5.2 per cent, representing \$4.4 billion in added value.	Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.1 billion of value-added activity. Over the 10-year period, the combined pension plan has an annualized rate of return of 8.4 per cent compared to a benchmark of 7.2 per cent, representing \$11.1 billion in added value. Over the five-year period, BCI generated an annualized rate of return of 6.0 per cent against a benchmark of 5.2 per cent, representing \$4.3 billion in added value.
52	6	Despite the extraordinary societal and financial circumstances faced during the fourth quarter due to the COVID-19 global pandemic, our annualized return for the combined pension plan clients stands in positive territory at 3.0 per cent, net of all fees, slightly lagging the benchmark by 0.25 per cent.	Despite the extraordinary societal and financial circumstances faced during the fourth quarter due to the COVID-19 global pandemic, our annualized return for the combined pension plan clients stands in positive territory at 2.9 per cent, net of all fees, slightly lagging the benchmark by 0.34 per cent.
52	9 (last paragraph, last sentence, continues on p. 53)	Overall, BCI's combined pension client one-year return represents a \$253 million relative underperformance for the year, compared to a \$2.0 billion outperformance in fiscal 2019.	Overall, BCI's combined pension client one-year return represents a \$364 million relative underperformance for the year, compared to a \$2.0 billion outperformance in fiscal 2019.

PAGE	PARAGRAPH	PREVIOUS TEXT	UPDATED TEXT
53	2	Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.2 billion of value added. Over the 10-year period, the combined pension plan has an annualized rate of return of 8.5 per cent compared to a benchmark of 7.2 per cent, representing \$11.2 billion in added value. Over the five-year period, BCI generated an annualized rate of return of 6.0 per cent against a benchmark of 5.2 per cent, representing \$4.4 billion in added value.	Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.1 billion of value added. Over the 10-year period, the combined pension plan has an annualized rate of return of 8.4 per cent compared to a benchmark of 7.2 per cent, representing \$11.1 billion in added value. Over the five-year period, BCI generated an annualized rate of return of 6.0 per cent against a benchmark of 5.2 per cent, representing \$4.3 billion in added value.
53	4	This performance generated a total award for 2019 – 2020 of 84.9 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	This performance generated a total award for 2019 – 2020 of 82.7 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
53	Table	2019-2020 (\$253 million) 84.9	2019-2020 (\$364 million) 82.7
53	5	Based on the performance delivered over the five- and 10-year periods, LTIP payments for 2019 – 2020 reflect 84.9 per cent of the maximum opportunity. Over the five-year period, BCI generated over \$4.4 billion in cumulative value-add. Over a 10-year period, we have generated \$11.2 billion in cumulative added value.	Based on the performance delivered over the five- and 10-year periods, LTIP payments for 2019 – 2020 reflect 82.7 per cent of the maximum opportunity. Over the five-year period, BCI generated over \$4.3 billion in cumulative value-add. Over a 10-year period, we have generated \$11.1 billion in cumulative added value.
53	7	Total compensation for BCI's named executive officers was \$13.3 million in 2019 – 2020 (\$10.1 million in 2018–2019).	Total compensation for BCI's named executive officers was \$13.2 million in 2019 – 2020 (\$10.1 million in 2018–2019).
54	Summary Compensation Table	See next page	See next page

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	2019 – 2020	\$598,564	\$1,330,000	\$1,302,988	\$61,857	\$180,110	\$3,473,519
	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
Daniel Garant Executive Vice President & Global Head, Public Markets	2019 – 2020	\$462,320	\$884,462	\$667,037	\$48,701	\$78,711	\$2,141,231
	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
Lincoln Webb Executive Vice President & Global Head, Infrastructure & Renewable Resources	2019 – 2020	\$389,808	\$709,395	\$557,345	\$41,294	\$95,416	\$1,793,258
	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
Jim Pittman Executive Vice President & Global Head, Private Equity	2019 – 2020	\$389,808	\$726,024	\$557,345	\$41,294	\$70,721	\$1,785,192
	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
Stefan Dunatov Executive Vice President, Investment Strategy & Risk	2019 – 2020	\$339,519	\$587,180	\$403,782	\$36,341	\$57,757	\$1,424,579
	2018 – 2019	\$314,904	\$571,725	\$249,133	\$33,767	\$49,230	\$1,218,759
	2017 – 2018 ⁷	\$174,077	\$299,780	\$90,609	\$22,517	\$79,469	\$666,452

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.

⁷ Stefan Dunatov joined BCI on September 1, 2017.

This erratum is separate from, and does not form part of, the BCI Corporate Annual report, as published on August 17, 2020.



With **\$171.3 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; public and private equity; infrastructure and renewable resources; real estate and mortgages.



Content

i	Highlights 2019–2020	
ii	BCI Celebrates 20 Years	
04	BCI at a Glance	
06	Message from the Chair	
08	Report from the CEO/CIO	
11	Management’s Discussion and Analysis	
12	BCI in Brief	
14	Our Clients	
16	Key Corporate Accomplishments 2019–2020	
17	Key Corporate Objectives 2020–2021	
18	Investment Returns	
19	Return Summary	
	for the Combined Pension Plan Clients	
20	Capital Markets Overview	
21	Public Markets	
22	Fixed Income	
23	Public Equities	
24	Private Markets	
25	Infrastructure	
26	Private Equity	
27	Renewable Resources	
28	QuadReal Property Group	
29	Mortgages	
30	Real Estate	
32	Risk Management	
35	Benchmarks and Performance Objectives	
36	Environmental, Social, and Governance	
37	Stakeholder Engagement	
38	Our People	
39	Corporate Social Responsibility	
40	Corporate Governance	
41	Our Board of Directors	
46	Our Corporate Governance	
48	Compensation Discussion and Analysis	
55	Corporate Financial Statements	
83	Our External Managers and Partners	
84	Our Executive Management Team	



Highlights

2019–2020

ADDED

**\$17.8
BILLION**

in AUM, increasing total
AUM to **\$171.3** billion

COMMITTED

**\$11.5
BILLION**

to private market assets



Figures in the report may not appear to sum due to rounding.

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.



TRANSITIONED

**\$3.0
BILLION**

to internally managed
active equities

ADDED VALUE

**\$11.2
BILLION**

over the 10-year period to
British Columbia public sector
pension plans¹ (annualized return
of 8.5% against a combined
benchmark of 7.2%)

PARTNERED

to acquire Czech Grid Holdings

**1ST DIRECT
INFRASTRUCTURE
ASSET IN
CENTRAL AND
EASTERN EUROPE**

INTRODUCED NEW

**INVESTMENT
MANAGEMENT
PLATFORM**

allowing for increased
efficiency and reduced
operational risk

WELCOMED

**INSURANCE
CORPORATION
OF BRITISH
COLUMBIA**

as a new client

NAMED ONE OF
**CANADA'S
TOP 100
EMPLOYERS**

and one of BC's Top Employers





BCI celebrates 20 years of investing globally on behalf of British Columbia's public sector. As we mark this important anniversary, we reflect on 20 of our notable investments and achievements. As always, our focus is on generating long-term returns to secure our clients' financial futures.

Become operational as **bciMC** on January 1, **2000**

63 staff transition from the B.C. ministry of finance

Doug Pearce is appointed as the first CEO/CIO

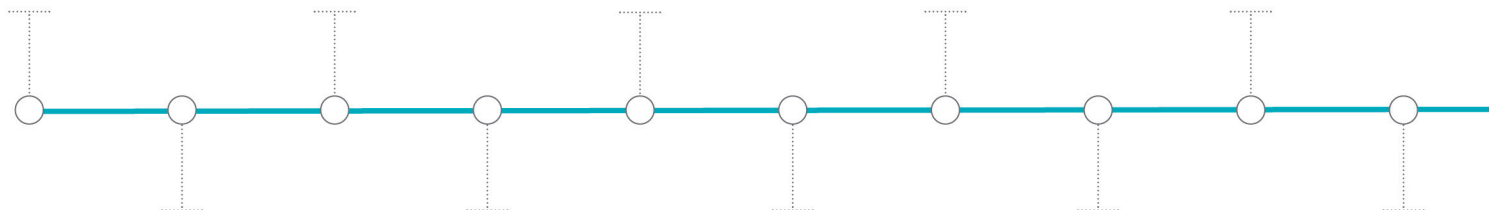
Begin voting international proxies in **2003**, **expanding corporate governance and engagement activities**

Become a founding signatory to the United Nations **Principles for Responsible Investing** in **2006**

Appoint **Gordon J. Fyfe** as bciMC's second CEO/CIO in **2014**



Launch **QuadReal Property Group** to manage our real estate program in **2016**, transition management of our mortgages program in **2019**



Introduce our **infrastructure program** in **2002**, with an initial focus on fund investments

Commit to the Canada Line in **2005**, a light rail system in Vancouver, B.C. Project Finance International names it the **"2005 Infrastructure Deal of the Year for Americas"**

Invest in **TimberWest Forest Corporation** in **2009**, in partnership took the company private in **2011** – our first direct investment in renewable resources

Begin transformation to an **active, in-house asset manager** in **2015**

Fund **our first U.S. mortgage** in **2016**, after expansion into the U.S. market; part of diversifying investment strategies within our mortgages program

\$12.2 BILLION IN ADDED VALUE OVER THE 20-YEAR PERIOD

to British Columbia public sector pension plans with an annualized return of **6.5%** against a combined benchmark of **5.8%**



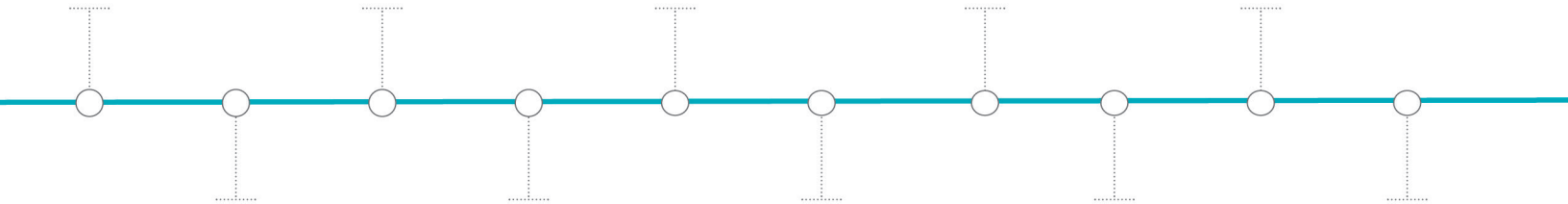
Complete transaction for **Asciano**, an Australian rail, port, and logistics company in **2016**, partnering to acquire Pacific National, Patrick Terminals, and Linx Cargo Care Group

Acquire **Hayfin Capital Management**, a European credit asset manager, in **2017**, our first private equity investment completely sourced and negotiated internally

Invest directly in **GCT Global Container Terminals Inc.**, a leading North American container terminal operator headquartered in Vancouver, in **2018**

Launch the **Principal Credit Fund** in **2018** to target higher-yielding illiquid credit investments. Our clients benefit from a premium return relative to traditional fixed-income investments

Welcome **Insurance Corporation of British Columbia** as a new client in **2019**



Become a member of the **30% Club**, advocating for **strengthened gender diversity** at the board and executive level, in **2017**

Acquire a **significant stake in Refresco N.V.**, a European-based beverage and bottling company in **2018**

Rebrand to BCI in **2018**. Our new brand reflects our evolving strategy and investment approach while honouring our history

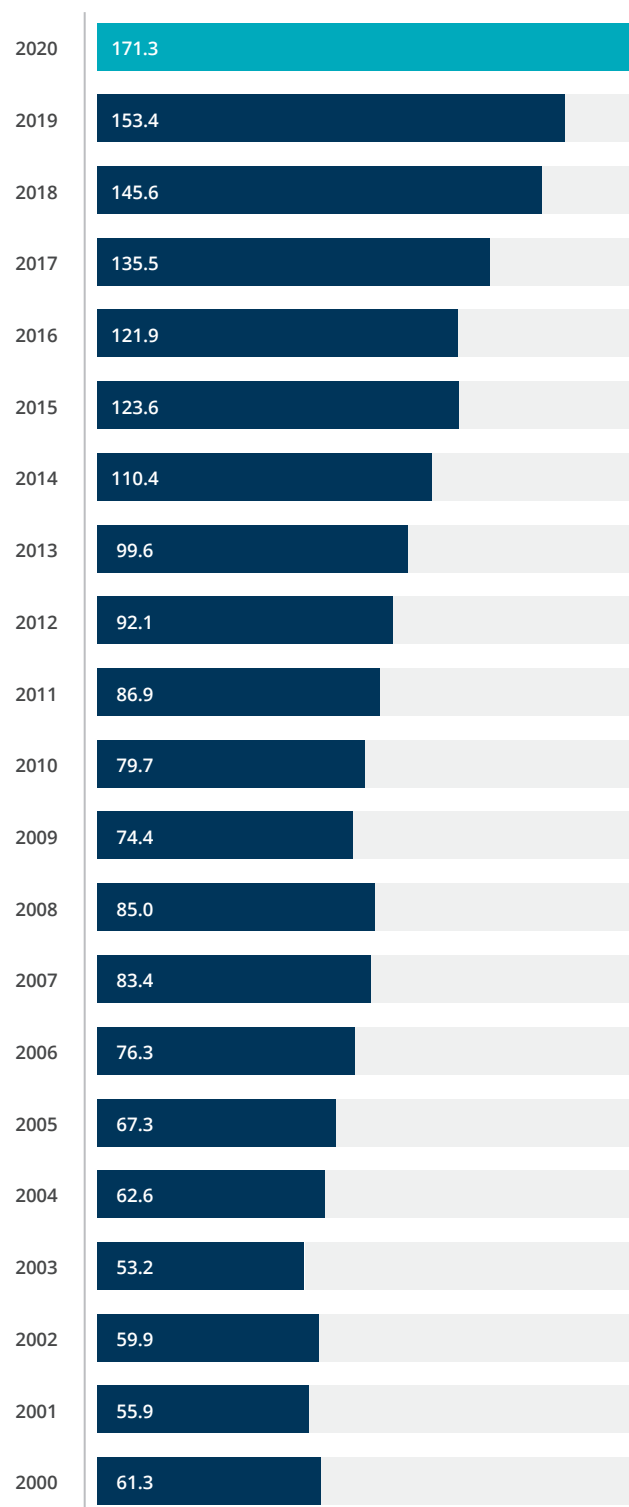
Enter into a **\$7.0 billion Canadian real estate partnership** with QuadReal and RBC Global Asset Management Inc., in **2019**, further diversifying our clients' real estate portfolios

Introduce our **new investment management platform**, in **2020**, our largest multi-year technology initiative

BCI at a Glance

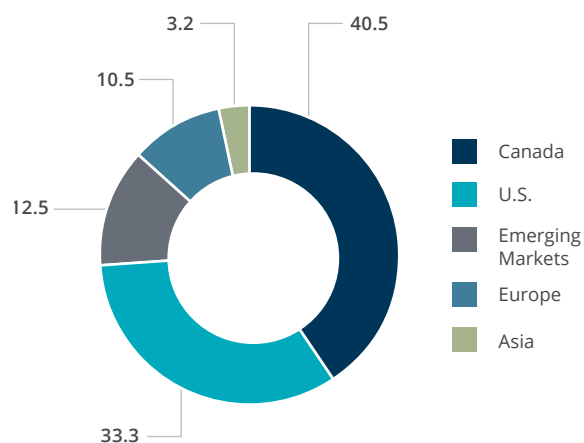
TOTAL NET ASSETS UNDER MANAGEMENT (\$ BILLION)

For the year ended March 31



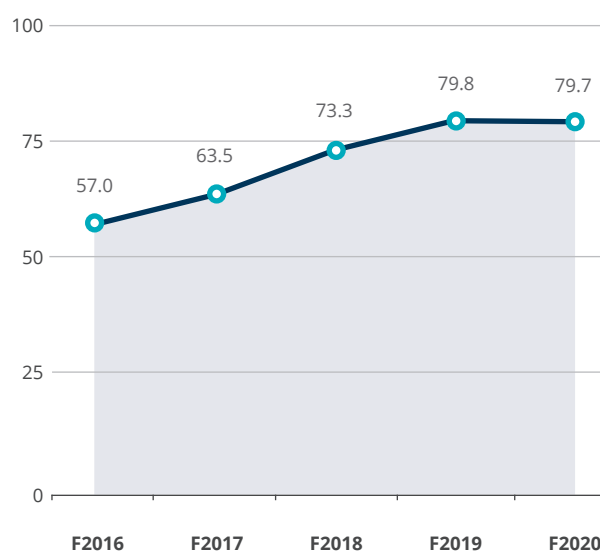
REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT (%)

As at March 31, 2020



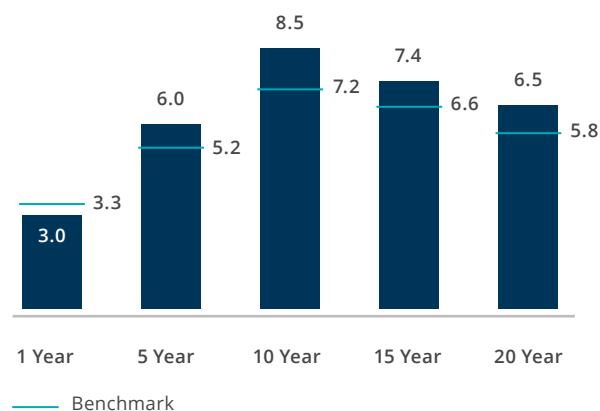
ASSETS MANAGED IN-HOUSE (%)

For the periods ended March 31

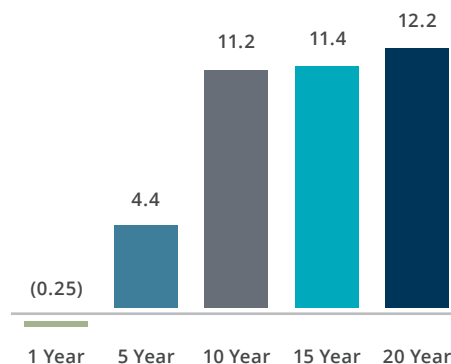


BCI ANNUALIZED PENSION RETURNS¹ (%)

For the periods ended March 31, 2020

**CUMULATIVE VALUE ADDED¹ BY BCI (\$ BILLION)**

For the periods ended March 31, 2020



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.

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.

ASSETS UNDER MANAGEMENT

For the year ended March 31, 2020

	\$ BILLION	%
PUBLIC MARKETS		
Fixed Income	57.1	33.4
Public Equities	55.7	32.5
Other Strategies ²	(9.7)	(5.7)
PRIVATE MARKETS		
Infrastructure & Renewable Resources ³	18.3	10.7
Private Equity	17.9	10.4
QUADREAL PROPERTY GROUP		
Real Estate	25.5	14.9
Mortgages	6.5	3.8
NET ASSETS UNDER MANAGEMENT	171.3	100.0

² Other Strategies includes leverage liabilities.

³ On January 1, 2020, the infrastructure and renewable resource programs were consolidated into the infrastructure & renewable resources program (I&RR). The AUM for fiscal 2020 are combined under the new I&RR program.



Message from the Chair

These are unprecedented times. The COVID-19 pandemic has presented one of the most extraordinary financial and humanitarian challenges we have seen in generations. Its effect has been universal as entire countries went into lockdown and economic activity ground to a near halt.

The pandemic's full impact and scope of challenges ahead remain unclear. While not able to predict the catalyst, the board helped ensure BCI and its stakeholders were prepared for an inevitable downturn, and that business operations would not be materially impacted in the event of crisis or natural disaster.

During the year, we focused on crisis management, enterprise risk management, and communication to better understand the measures and protocols BCI had in place in the event of a crisis or natural disaster. In addition to reviewing the framework, we participated with management in a table-top exercise and role-played a crisis. The board also provided input into the approaches BCI would follow to engage with multiple and varied stakeholders during a crisis, recognizing that regular interactions and timely communication are essential.

A stylized, handwritten signature in dark ink, consisting of several fluid, overlapping strokes.

Peter Milburn
Chair of the BCI Board of Directors

We also encouraged and supported management's initiatives to proactively communicate the anticipation of a downturn, despite not knowing the trigger nor the timing. During this COVID-19 period, BCI deliberately increased the amount and frequency of communication with clients, staff, the provincial government, and third parties. The true strength of an organization is demonstrated during adversity. As a board, we fully endorse BCI's corporate response, communication and stakeholder engagement activity, and investment performance during this challenging time. It is a testament to the level of talent and commitment at BCI and the underlying performance culture.

We recognize that collective resilience through COVID-19 has been supported by a robust business continuity plan that was seamlessly executed by BCI's competent and cohesive team of employees. BCI's operations have remained stable and effective through the pandemic, and lessons learned will help the board support BCI as it refines continuity and crisis management plans.

BCI's success during the pandemic and the long-term depends on the skill and talent of its team. We have supported BCI's transformation to an active investment management model that is knowledge-intensive, sophisticated, and requires a cohesive team that combines skills across various disciplines. We have senior industry professionals with global

experience and first-hand knowledge on how to navigate market dislocations. They have used their expertise to build portfolios and develop strategies to help mitigate the impact of market volatility. BCI continues to actively recruit those with highly specialized skills and extensive relevant experience. Managing, leveraging, and retaining such talent is critical. The corporation introduced a rigorous and in-depth recruiting and performance management process in 2015 and invests in training and development programs to ensure staff continually expand their expertise and remain at the forefront of their professions.

“The true strength of an organization is demonstrated during adversity.”

The board and the executive team are active proponents of creating stronger diversity and inclusion within BCI, especially gender diversity in investment roles. We believe diverse perspectives help us manage risk better and improve returns, and inclusive cultures help attract, engage, and retain expertise. In 2018, BCI established the Diversity & Inclusion Council to help leverage diversity and invoke change while supporting efforts to become more inclusive. Together with the executive management team, we were proud to see BCI recognized as one of Canada's and BC's Top Employers. While many years in the making, we view this recognition as a reflection of our collective commitment to ensuring BCI can attract and retain the best talent in the industry. We aspire to build a progressive and engaged culture that sets the bar for investment organizations.

The board has remained resolute and steadfast in our governance role of overseeing BCI's operations and ensuring proper reporting and accountability to our clients. We provided continued oversight on risk

management to ensure funds under management are protected, operations are sound, and trust in BCI remains unwavering. Over recent years, the investment risk framework for managing, monitoring, and reporting on risks has greatly evolved, while roles and responsibilities have advanced. The board approved amendments to the investment risk management policy that clarifies the structures, mechanisms, and principles that strengthen the governance of investment risks.

The board also recognizes and congratulates management on the completion of a multi-year project to introduce an investment management platform aligned with the requirements of an active investment manager with a diversified global portfolio. This platform went live during COVID-19, a considerable feat overcoming both a global crisis and transition to a remote working environment.

This year has not only been momentous but a milestone, one that marks the 20th anniversary of BCI. As a long-term investor playing a critical role in the financial futures of many British Columbians, BCI must continue to position itself for the future, especially since capital markets are evolving rapidly. BCI developed a longer-term vision supported by the board that integrates our clients' views. The vision will be translated into actionable strategies and incorporated into future business plans.

On behalf of the board, I extend my gratitude to BCI's executive management team and the nearly 550 employees who adapted to a remote work environment while maintaining investment operations and increasing their interactions with our clients. Our primary concern is the health and safety of BCI staff, but we also recognize their equal measure agility, flexibility, and dedication in meeting BCI's fiduciary duty during this pandemic.

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



Report from the CEO/CIO

The events that shaped the beginning of 2020 were unlike any we have experienced in our lifetime. The world was seized by a public health crisis that transformed our social routines in the concerted effort to limit the spread of the COVID-19 virus. Global economies experienced an equally dramatic shock as business activity across industries and countries saw significant disruptions.

Like other institutional investors, we could not have predicted the severity and rapidity of the market decline which occurred during the fourth quarter of our fiscal year, nor can we provide 100 per cent immunity from the aftermath both now and in an unknown future. Against this extraordinary backdrop, BCI has two clear priorities: protecting the health of our employees and safeguarding our clients' assets.

We had close to 550 staff working remotely and navigating uncharted territory in their professional and private lives. Our preparations for a disruption caused by a natural disaster allowed BCI to quickly adjust to a business model that required different ways of interacting and collaborating. We significantly increased the frequency of engagement with clients and stakeholders as events unfolded to highlight the impact of COVID-19 and BCI's actions.

STRATEGY

BCI began transforming our strategic direction six years ago, moving to an active, in-house asset manager and bringing more of the investment decisions back to BCI for greater control and lower costs. As a result, our team has grown, control systems have improved, and we have added a range of new investment products for our clients.

Many of our clients are using the strong financial health of their funds as an opportunity to update their strategic asset allocations and take advantage of this expanded product shelf to further diversify their portfolios. Generally, our clients improved the diversification of their portfolios by reducing their exposure to public equities and increasing their allocations to bonds, private markets, and credit. And a select number of clients started using leverage at the total portfolio level, enabling them to further diversify their asset mixes.

Portfolio liquidity is essential to ensure no forced sales of assets are required to raise cash. We took steps over two years ago to prepare for an eventual market correction, establishing bank lines, where permitted, negotiating foreign exchange hedging contracts without margin requirements, and increasing our liquidity monitoring and reporting.

Gordon J. Fyfe
Chief Executive Officer /
Chief Investment Officer

As a result, BCI faced no liquidity squeeze during the early, panic-ridden phase of the COVID-19 sell-off and continues to have ample liquidity.

Our public market portfolios were defensively positioned with a quality bias toward non-cyclical, large companies and a structural underweight to the energy sector to mitigate the full impact of the market downturn. BCI also avoided any material exposure to some of the worst hit economic sectors like hotels, retail, long-term care homes, and airports. This has allowed our investment teams to focus on the future and opportunities coming out of the chaos.

PERFORMANCE

The best measure of our performance are our long-term results. From our inception, we have focused on diversification across a wide range of asset classes aligned with our clients' long-term return objectives and risk requirements.

“The best measure of our performance are our long-term results.”

BCI's assets under management grew by \$17.8 billion in fiscal 2020, reflecting investment gains of \$4.0 billion and \$13.8 billion of client net contributions. Despite the extraordinary societal and financial circumstances faced during the fourth quarter due to the COVID-19 global pandemic, our annualized return for the year stands in positive territory at 3.0 per cent, net of all fees. For the year, all asset classes contributed positively to the combined pension plan portfolio absolute return except for public equities, which were the most impacted by the recent downturn in the fourth quarter of BCI's fiscal year as financial markets experienced one of the worst, and fastest, peak-to-trough declines in history. Our public markets program was defensively positioned heading into the pandemic: public equities were underweighted; and fixed income was overweighted.

On a relative basis, most of BCI's investment strategies beat their benchmarks during fiscal 2020, while a very strong 16.2 per cent performance in private equity lagged its benchmark this year due to unhedged foreign currency exposure in the portfolio, after having outperformed the same benchmark by 15.8 per cent last year. Overall, our combined pension plan clients'

returns slightly lagged the benchmark by 0.25 per cent this fiscal year. This represents a \$253 million relative underperformance for the year, compared to a \$2.0 billion outperformance last year, and a \$4.4 billion outperformance over five years.

Since inception 20 years ago, BCI has generated an annualized return of 6.5 per cent. BCI's longer-term return exceeds the required actuarial rates of return for most of our major pension plan clients — currently ranging from 5.65 to 6.75 per cent. As a result, our clients' most recent funding ratios vary from 103 per cent to 129 per cent. Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.2 billion of value-added activity.

In late fiscal 2020, QuadReal Property Group (QuadReal), our real estate manager, marked down the value of the domestic real estate portfolio by 1.4 per cent to reflect more conservative valuations given the uncertainty in the Canadian market at that time. With this adjustment, QuadReal continued to reduce potential risk in the portfolio while maximizing diversity and liquidity on behalf of BCI and our clients.

During the year, we welcomed the Insurance Corporation of British Columbia (ICBC) as a new client. After conducting extensive due diligence, we were chosen to manage two mandates for ICBC, an insurance fund and a pension fund. The majority of the fund's public and private assets are already managed by BCI, with the transition of the pension fund completed in early fiscal 2021. BCI's selection supports ICBC's goal of long-term sustainability of the funds and speaks to the alignment of our investment strategies with the dynamics of today's global capital markets.

PROGRAM OVERVIEW

Our on-going priority is to increase the internal management of our clients' assets and investment programs.

While a large percentage of our assets under management remain in public markets, which includes fixed income and public equities, we committed \$11.5 billion to the private markets and expanded our direct investments and diversified our global exposure. By year end, 79.7 per cent of the assets were managed by the BCI team, up sharply from 57.0 per cent when we started the transition in 2015.

Our private equity program committed \$5.3 billion in new capital this year. In selecting our portfolio companies, we look for a sustainable competitive advantage, value-added products and services, and talented management teams. Direct investments such as Press Ganey Associates, a U.S. healthcare patient experience survey company and BMS Group, a U.K. independent specialty wholesale insurance brokerage platform, allowed BCI to further diversify the portfolio's geographical and sector allocation. We also completed our first direct infrastructure investment in Central and Eastern Europe. We partnered with leading investors to acquire Czech Grid Holdings, the largest regulated gas distribution network in the Czech Republic, highlighting our growing global footprint.

"Talent and experience are central to our in-house active investment approach."

In 2019, BCI transitioned the responsibility for managing the mortgages program to QuadReal to leverage its research, experience, and relationship management across all opportunities and markets. As part of BCI's larger multi-year strategy to streamline pooled funds to ensure efficiencies, QuadReal also consolidated its domestic and global real estate programs in April 2019. The consolidation aligns benchmarks, unifies ownership of all real estate assets, reduces costs, and provides the opportunity for greater returns. The real estate portfolio increased year-over-year to \$25.5 billion from \$24.3 billion. QuadReal sold \$2.4 billion in Canadian assets in fiscal 2020, highlighted by the first tranche of planned partial interest dispositions of 42 assets to RBC Global Asset Management Inc. (\$1.5 billion) for the benefit of its long-term 50/50 partnership with BCI. In addition to preserving ownership of valuable assets, it allows QuadReal to re-deploy into more value-adding assets or developments in Canada and extend its reach in international markets.

Talent and experience are central to our in-house active investment approach. One of our transformation goals was to create an engaged culture dedicated to excellence. And starting in 2015, we've replaced our hiring and performance review processes, strengthened training and development, broadened our co-op and intern programs, and introduced forward-looking human resources policies and programs. This year, BCI was recognized as one of Canada's and BC's Top Employers. While many years in the making, we view the recognition as a reflection of our commitment to ensuring we can attract and retain the best talent in the industry. We have not only created an organization that is rewarding for employees, but one that provides high value for our clients. And we are continuing to build and develop our world-class team of investment and leadership professionals and forge new partnerships around the globe, with a view to achieving the high-calibre performance and sustainable returns required to fulfill our mandate.

Our focus on people also extends to the community most of us call home. In March, we donated \$75,000 to the Rapid Relief Fund, established to provide emergency assistance to those in need in the Greater Victoria area during the COVID-19 pandemic. BCI encourages staff to spend one business day each year to work with a worthy cause of their choice. And with our employees working remotely and unable to contribute their time, BCI's donation allowed us to fulfill our obligation to our community. The executive management team contributed a further \$50,000, while BCI employees made individual donations.

THANK YOU

I value the partnerships we have with our clients, some that extend more than 20 years and I thank them for placing their continued trust in the BCI team. I would also like to extend gratitude to our board, whose support and guidance during this period have been invaluable. As well, our employees who have gone above and beyond in meeting our objectives and ensuring business continuity during a remarkable time. Together, our board, executive management team and employees have shown great collaboration and spirit in meeting the singular goal of delivering on our clients' return objectives.



Management's Discussion and Analysis

BCI in Brief

OUR INVESTMENT DISCIPLINE

We are legally and contractually required to invest our clients' funds in their best financial interest — it 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 over the long term. We are an active, in-house asset manager that uses 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, investment strategies, and 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 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 make 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 INVESTMENT FUNDS

Investing is intrinsically dynamic. Capital markets continually evolve, and as an active, in-house asset manager, we adapt our product line to ensure clients benefit from new investment opportunities. Our product line is diversified by asset class. Each fund is expected to provide a different investment outcome. 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. We remain agile. Each year, we may introduce, consolidate, and suspend funds to ensure optimal investment performance.

This fiscal year, we suspended the Indexed Global ESG Equity Fund and the Canadian Real Return Bond Fund due to restructuring. BCI's board approved investment policies for two new funds: the Leveraged Bond Fund, an actively managed pooled fund leveraging assets as collateral so clients can self-finance and increase diversification in their total portfolio, benchmarked against the FTSE Canada Universe All Government Bond index; and the Global Quantitative ESG Equity Fund, giving participating clients greater exposure to equities with higher ESG ratings relative to sector peers, benchmarked against the Morgan Stanley Capital International (MSCI) World ex-Canada Net index.

We consolidate funds where there are opportunities to reduce complexity, streamline investment accounting and reporting processes, and ultimately increase returns. During the year, we consolidated the Realpool Investment Fund and Realpool Global Fund into the Realpool Program and combined the infrastructure and renewable resource programs.

OPERATING COSTS

Meeting our clients' return expectations is our key objective. 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 insurance fund clients, accounting for 98.0 per cent of total assets managed, require long-term actuarial rates of return. To continue generating returns for our clients, we focus on private markets and global equities, while securing greater direct control over investment activities.

Illiquid assets, by nature, are more expensive to manage than publicly traded stocks and bonds. In addition, our active, in-house asset management model requires robust systems and processes, and a growing complement of specialized expertise. However, cost advantages arise from the economies of scale of managing \$171.3 billion, pooling assets, and managing 79.7 per cent of assets in-house.

This fiscal year, our total costs were \$1.3 billion or 79.0 cents per \$100 of assets under management (2018– 2019: \$873.2 million or 58.4 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 over which BCI has direct control and include salaries, rent, technology, and consulting fees. They represent 19.1 per cent (15.0 cents per \$100) of costs. External direct and external indirect costs are incurred when BCI utilizes outside partners to execute specific investment strategies. Commonly, outside partners earn performance fees when their investment decisions outperform pre-established benchmarks, so while returns are better we also pay higher performance fees. External direct costs are investment management and performance 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 28.2 per cent (22.0 cents per \$100) for the fiscal year. External indirect costs comprise of investment management and performance fees incurred on our behalf by BCI pooled investment portfolios to general partners, who have discretion over the buy and sell decision of a specific asset. These costs are disclosed for transparency based on underlying reports provided by these third parties and are 52.7 per cent (42.0 cents per \$100) of costs.

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 and mortgages programs are managed by QuadReal, an independently operated company owned by BCI and created in 2016.

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 Clients

BCI began operations under the *Public Sector Pension Plans Act* in 2000 to provide investment services to British Columbia's public sector. One of BCI's core values is **Clients First**, and we work in our clients' best financial interests at all times. Our clients are not mandated to use BCI and have voluntarily chosen us as their investment manager.

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 our clients' investment objectives, liability profile, liquidity needs, and investment horizon. BCI assists with developing strategies that take into account our clients' investment objective, risk appetite, and investment beliefs.

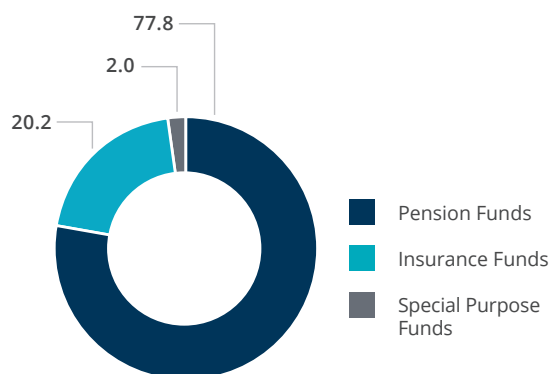
During the past fiscal year, BCI welcomed the Insurance Corporation of British Columbia (ICBC) as a new client. ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. BCI's selection as the investment manager for two mandates supports ICBC's goal of long-term sustainability of the funds and speaks to the alignment of our investment strategies with the dynamics of today's global capital markets. ICBC and BCI are working together to ensure a seamless transition of funds and responsibilities.

As of March 31, 2020, BCI has 31 clients grouped into three separate classifications:

- Pension Funds
- Insurance Funds
- Special Purpose Funds

CLIENT PROFILE (%)

As at March 31, 2020¹



¹ Percentages based on net assets.

PENSION FUNDS

We invest on behalf of 11 public sector pensions plans. As our largest client group, this accounts for approximately 77.8 per cent (\$133.2 billion) of the assets under management. BCI's investment activities help our clients secure the pensions of nearly 630,000 plan members in our six largest pension plans alone. Clients establish the investment framework and set the performance target for their pension fund. They also define their personalized long-term strategic asset allocation based on their unique characteristics, circumstances, objectives, and risk tolerances.

The objective is to manage risks and 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 activities.

INSURANCE FUNDS

We invest on behalf of three insurance funds that account for 20.2 per cent (\$34.6 billion) of our assets. Our purpose is to help ensure the long-term financial sustainability of these funds.

Our two major insurance funds clients are:

- **WorkSafeBC** is a provincial statutory agency that serves approximately 2.5 million workers and 249,000 registered employers in B.C. The WorkSafeBC Accident Fund, an investment fund, provides compensation to workers in their recovery, rehabilitation, and safe return to work. It also allows WorkSafeBC to engage with workers and employers in injury and disease prevention through education, consultation, and enforcement.
- **ICBC** is a provincial Crown corporation that provides universal auto insurance, driver licensing, and vehicle licensing and registration to B.C. motorists. They currently provide more than three million Autoplan insurance policies each year. ICBC's investment income helps to reduce the amount of premiums needed from policyholders.

SPECIAL PURPOSE FUNDS

Special purpose funds include public trusts, endowments, and government bodies who have funds and investments requiring professional management, representing 2.0 per cent (\$3.5 billion) of our assets.

Investment returns help provide financing required for maintaining government initiatives such as:

- a fund to promote sustainable economic development in Northwestern British Columbia
- a fund to support the creation, development, or presentation of works of art at events or venues to provide significant exposure
- a fund to help students complete their training programs when original training providers are unable to complete delivery of the courses

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, investment insight visits to BCI's portfolio companies, multi-day training sessions, as well as an annual conference.

SIX LARGEST PENSION PLANS

The **Municipal Pension Plan** has nearly 350,000 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 more than 132,000 active, inactive, and retired plan members from B.C.'s public sector, including the provincial government, transportation, health care, and others.

The **Teachers' Pension Plan** has more than 98,800 active, inactive, and retired plan members, including teachers, vice-principals, principals, and superintendents from school boards across the province.

The **College Pension Plan** has about 30,000 active, inactive, and retired plan members, including employees and senior administrators at 23 public post-secondary institutions across B.C.

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

The **WorkSafeBC Pension Plan** is a single-employer plan that serves eligible employees of WorkSafeBC. The plan has more than 6,000 active, inactive, and retired members.

Key Corporate Accomplishments | 2019–2020

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

- ✓ Introduced the Leverage Bond Fund and funding desk capability in fiscal 2020 to manage and optimize BCI's internal liquidity and provide direct access to the wholesale funding market.

Consolidate the domestic and global real estate pooled funds to reduce complexity and streamline investment accounting and reporting processes

- ✓ Merged the domestic and global real estate programs to form a consolidated Realpool program.

Formalize and implement the board-approved ESG Policy

- ✓ Introduced an updated ESG strategy to ensure that ESG considerations are consistently integrated and applied across the corporation. Continued work on a related ESG Governance Policy with board approval deferred to early fiscal 2021.

Develop and diversify ESG risk and capabilities for the total portfolio

- ✓ Further integrated ESG considerations into our active investment decision-making processes. Expanded ESG analysis capabilities by exploring and adopting new data sources and automating the ESG data collection process.

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

Develop board-approved investment risk governance policy

- ✓ Approved by the board of directors, our investment risk management policy establishes the risk governance and risk management frameworks, and related roles and responsibilities.

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

- ✓ Added to the management investment committee's mandate and governance by including an enhanced rebalancing framework. This allows for assessment of risk and opportunities as inputs into various total fund activities, which are multi-year corporate projects.

Align technology, systems, and process with the industry

- ✓ Implemented a new asset liability management system that will allow the investment consulting team to strengthen investment strategy advice, aligning with the clients' short- and long-term objectives.

Continue work on the multi-year program to replace the investment management platform to reduce operational risk and increase efficiency

- ✓ Completed the multi-year program to replace the investment management platform. The new platform allows for changes in business processes that increase efficiency and reduce operational risk. It also increases our capability to process trades, streamline, automate, and reduce complexities, provide deeper insight into our portfolios; and produce improved reports.

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 in absolute return strategies through the Global Partnership Fund

- ✓ Launched the Global Partnership Fund to deploy active risk in more diversified strategies within less crowded markets to meet our clients' long-term investment objectives.

Launch Global Fundamental and U.S. Small Cap Equity funds

- ✓ Introduced the Global Fundamental portfolio with a core mandate to create a defensive portfolio by investing in quality companies that have well-established competitive advantages.
- ✓ Established the Active Internal U.S. Small Cap portfolio, which employs a high-quality screening process and is designed to enable clients to generate stronger returns at a similar risk profile to existing passive exposure in U.S. large-cap equities.

Deploy capital via internal, active public equity strategies such as Canadian Small Cap, Thematic, and active ESG Equity funds

- ✓ Increased internally managed active equities by over \$3.0 billion.

Move towards objective of 40.0 per cent direct investment for Private Equity

- ✓ Increased the ratio of direct investments to total assets under management to 38.0 per cent from 32.0 per cent the year previous.

Key Corporate Objectives | 2020–2021

Manage BCI through a market downturn and global pandemic

Guide BCI, our employees, and our clients' portfolios through a global pandemic and unprecedented market volatility

- Ensure the health and safety of all employees and equip them to perform in a remote work environment
- Increase communication with key stakeholders to provide a clear and consistent flow of information about BCI's activities during the crisis
- Focus on liquidity management to ensure that BCI has additional capacity to respond to either market stresses or opportunities and, if required, to support our portfolio companies

Expanding and diversifying investment strategies

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

- Expand funding desk and liquidity management capabilities to additional clients
- Strengthen our investment risk capability including frequency and clarity of reporting
- Obtain board approval for the ESG policy and continue implementation of the ESG strategy

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

- Work towards implementing a new order management system to enhance BCI's portfolio management capabilities, investment operations and compliance workflows
- Expand diversity and inclusion awareness and training across BCI
- Finalize and launch a client portal to provide a secure, central resource for all clients to access information

Internalizing asset management

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

- Continue to expand actively managed public equity funds such as the Global Fundamental and the U.S. Small Cap funds
- Work towards the multi-year objective of increasing direct investment for private equity

Investment Returns

BCI's assets under management grew by \$17.8 billion in fiscal 2020, reflecting investment gains of \$4.0 billion and \$13.8 billion of client net contributions.

Despite the extraordinary societal and financial circumstances faced during the fourth quarter due to the COVID-19 global pandemic, our annualized return for the combined pension plan clients stands in positive territory at 3.0 per cent, net of all fees, slightly lagging the benchmark by 0.25 per cent.

For the year, all asset classes contributed positively to the combined pension plan portfolio absolute return except for public equities, which were the most impacted by the recent downturn in the fourth quarter of BCI's fiscal year as financial markets experienced one of the worst, and fastest, peak-to-trough declines in history. Our public markets program was defensively positioned heading into the pandemic: public equities were underweighted; and fixed income was overweighted.

On a relative basis, most of BCI's investment strategies beat their benchmarks during fiscal 2020, while a very strong 16.2 per cent performance in private equity lagged its benchmark this year due to unhedged

foreign currency exposure in the portfolio, after having outperformed the same benchmark by 15.8 per cent last year. Overall, BCI's combined pension client one-year return represents a \$253 million relative underperformance for the year, compared to a \$2.0 billion outperformance last year.

Since inception 20 years ago, BCI has generated an annualized return of 6.5 per cent. BCI's longer-term return exceeds the required actuarial rates of return for most of our major pension plan clients — currently ranging from 5.65 to 6.75 per cent. As a result, our clients' most recent funding ratios vary from 103 per cent to 129 per cent. Over our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.2 billion of value-added activity. Over the 10-year period, the combined pension plan has an annualized rate of return of 8.5 per cent compared to a benchmark of 7.2 per cent, representing \$11.2 billion in added value. Over the five-year period, BCI generated an annualized rate of return of 6.0 per cent against a benchmark of 5.2 per cent, representing \$4.4 billion in added value.

ASSETS UNDER MANAGEMENT

A comparison of the combined pension plan clients¹ AUM vs BCI's total AUM for the year ended March 31, 2020

	COMBINED PENSION (\$ BILLION)	BCI TOTAL (\$ BILLION)
PUBLIC MARKETS		
Public Equities	44.2	55.7
Fixed Income	39.9	57.1
Other Strategies ²	(9.7)	(9.7)
PRIVATE MARKETS		
Private Equity	16.2	17.9
Infrastructure & Renewable Resources ³	15.7	18.3
QUADREAL PROPERTY GROUP		
Real Estate	20.7	25.5
Mortgages	5.1	6.6
TOTAL	132.1	171.3

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

² Other Strategies includes leverage liabilities.

³ On January 1, 2020, the infrastructure and renewable resource programs were consolidated into the infrastructure & renewable resources program (I&RR). The AUM for fiscal 2020 are combined under the new I&RR program.

Return Summary for the Combined Pension Plan Clients¹

ANNUALIZED RETURNS (%)				
	1 YEAR	5 YEAR	10 YEAR	15 YEAR
PUBLIC MARKETS				
Public Equities				
Canadian Public Equity	(13.9)	0.8	4.3	5.3
Benchmark	(14.2)	0.9	3.9	5.1
Global Public Equity	(4.0)	6.1	10.6	7.0
Benchmark	(4.3)	5.8	10.5	7.1
Emerging Markets Public Equity	(11.2)	1.4	4.7	-
Benchmark	(12.3)	2.0	4.2	-
Fixed Income				
Short-Term	5.1	1.9	2.1	2.6
Benchmark	2.8	1.2	1.1	1.7
Nominal Bonds	4.9	3.1	4.7	5.0
Benchmark	3.7	2.5	4.3	4.7
Private Debt ²	(2.3)	-	-	-
Benchmark	(6.3)	-	-	-
Other Strategies	9.2	-	-	-
PRIVATE MARKETS				
Private Equity³	16.2	17.2	16.5	13.3
Benchmark	22.2	12.9	13.5	13.5
Infrastructure³	8.6	9.8	10.4	10.5
Benchmark	7.0	7.2	7.6	7.7
Renewable Resource³	(2.6)	7.6	-	-
Benchmark	7.0	7.0	-	-
QUADREAL PROPERTY GROUP				
Mortgages	5.0	4.1	4.9	5.4
Benchmark	4.7	2.7	3.4	4.1
Real Estate^{3,4}	8.5	-	-	-
Benchmark	6.3	-	-	-
Domestic Real Estate ⁵	7.6	6.4	7.8	9.5
Benchmark	5.9	5.6	5.7	5.8
Global Real Estate ⁶	12.2	11.5	7.1	7.9
Benchmark	6.0	5.7	5.6	5.7

Except as otherwise indicated, returns are time-weighted rates of return (TWRR) as at March 31, 2020. All returns are net of all costs and fees.

Investments are reported by program within the asset classes as set out in the clients' Statement of Investment Policies & Procedures (SIPP).

Benchmarks represent a weighted combination of multiple indices as specified in the clients' SIPP. The indices may vary over time.

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 Includes a combination of both public and private assets.

³ An internal rate of return methodology (IRR) is used to calculate returns for private equity, infrastructure, renewable resources, and real estate assets. The assets and benchmarks are as at December 31, 2019. Benchmarks are presented on a TWRR basis.

⁴ The domestic and global real estate programs were consolidated into the Realpool program as at April 1, 2019.

⁵ Historical returns for the domestic real estate program are as at March 31, 2019 and are presented on a TWRR basis.

⁶ Historical returns for the global real estate program are as at December 31, 2018. Assets are presented on an IRR basis. Benchmarks are presented on a TWRR basis.

Capital Markets Overview

Fiscal year
April 1, 2019 – March 31, 2020

Over the course of the first half of the year, elevated uncertainty related to the U.S./China trade dispute factored heavily on markets. Uncertainty not only weighed on asset prices, but also posed a risk to lower economic growth. In response, the U.S. Federal Reserve cut rates by 75 basis points to a range of 1.5 per cent to 1.75 per cent over the first seven months of the year.

Uncertainty was lifted in the fall when the U.S. and China agreed to phase one of a trade deal. As a result, global equity markets rallied through the middle of January. Global economic activity also began to show signs of reacting positively to the trade deal.

In early 2020, reports emerged that a new virus, COVID-19, was spreading in China. Chinese authorities responded with strict non-pharmaceutical interventions (NPI), including stay-at-home orders and physical distancing. In March, as cases outside of China accelerated, developed countries imposed NPIs to slow the spread of the disease. These public health measures negatively impacted economic activity and created one of the fastest equity market downturns in history. The global economy also faced an additional negative shock in early March as the inability of OPEC and Russia to agree on production cuts resulted in West Texas Intermediate benchmark oil prices to fall approximately 60.0 per cent.

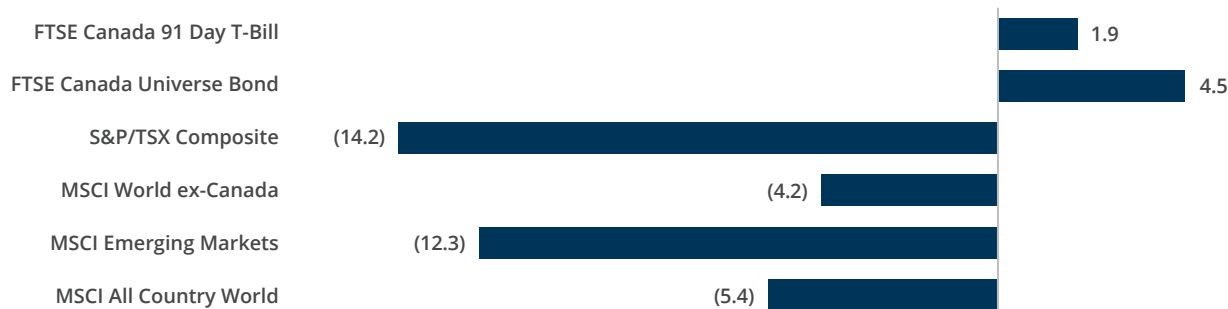
Unprecedented actions by global central banks included rate cuts and measures to ensure the functioning of markets. The fiscal responses in most developed nations were both swift and large to minimize the risk of permanent job losses.

The measures taken by central banks and governments helped support a rebound in equity markets.

During the year, capital market turmoil meant:

- The MSCI World ex-Canada Index fell only 4.2 per cent despite heightened volatility, as declines in February and early March were paired by the late-March global rally and weakness in the Canadian dollar.
- The MSCI Emerging Markets Index lost 12.3 per cent as emerging markets underperformed for most of the year due to uncertainty from trade wars, weak commodity prices, and concerns about their ability to manage COVID-19.
- The S&P/TSX dropped 14.2 per cent, underperforming other developed markets due to the combination of COVID-19 fears and the sharp decline in oil prices. The S&P/TSX energy group fell 37.1 per cent for the fiscal year.
- Government of Canada 10-year bond yields fell to a record low and ended the year down 100 basis points to 0.7 per cent due to heightened risk aversion as global equity markets sold off. Most of the decline in 10-year yields was due to a sharp decline in inflation expectations, while real yields continued to trade just above zero. The FTSE Canada Universe Bond Index gained 4.5 per cent over the course of the year.
- The Canadian dollar spent most of the year trading in a tight range but in March the combination of aggressive Bank of Canada rate cuts and lower oil prices applied downward pressure. Over the course of the year, the Canadian dollar fell 6.1 per cent versus the U.S. dollar.

CAPITAL MARKET INDEX RETURNS (%)





Public Markets

The public markets program manages a portfolio of fixed income and public equity investments representing \$112.8 billion and totalling 65.9 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.

The first half of the fiscal year was marked by downside risks, including the U.S./China trade dispute. The U.S. Federal Reserve responded by reducing interest rates by 75 basis points to a range of 1.5 per cent to 1.75 per cent. This action supported and stabilized equity markets, offsetting negative trade dispute headlines.

Markets rallied in late 2019, as a phase one trade deal reached between the U.S. and China pushed U.S. equity valuations to historically high levels.

In the final quarter of the fiscal year, the global economy was shocked by the COVID-19 pandemic. During February and March, equity markets experienced one of the fastest drawdowns in history. Markets were also negatively impacted by a steep decline in oil prices after OPEC and Russia disagreed on production cuts. Long-term bond yields in Canada and the U.S. dropped to their lowest levels in history, as inflation expectations fell sharply due to a significant decline in oil prices. Real yields collapsed on growth and risk concerns.

Global central banks moved with unprecedented speed and size to support the functioning of financial markets. These actions, coupled with large fiscal support, helped lift public equity markets in the latter half of March. New central bank programs aimed at credit markets caused high-yield credit spreads to fall 220 basis points in the last two weeks of the fiscal year. These programs reduced systemic risks to the financial system.

The Canadian dollar weakened significantly in March as the dual impact of lower oil prices and a slowing global economy put unusual pressure on the currency. By the end of the month, with the Bank of Canada and U.S. Federal Reserve lowering policy rates and oil price declines settling, depreciation pressures on the Canadian dollar eased.

Fixed Income

Diversified exposure to bonds and global private credit opportunities

Total program assets are \$57.1 billion

OUR APPROACH BCI's fixed income program invests in public and private market debt and manages our exposure to foreign currencies. We offer our clients a diverse range of fixed income products, including government and corporate bonds, and private credit. The program provides exposure to private credit opportunities in Canada, the U.S. and Europe through our partnership with top-tier private debt managers and investing directly. Our strategies include yield curve positioning, duration timing, and sector and security selection. Issuers within our pools are assessed and reviewed regularly for default and credit risk. We use internally and externally produced credit ratings to assess investment risk. Our private debt portfolio is highly diversified with over 200 unique borrowers and no single name exposure over 3.0 per cent.

PERFORMANCE ANALYSIS The Canadian Universe Bond Fund invests in high-quality Canadian government and corporate debt. The fund returned 2.9 per cent against a five-year benchmark of 2.7 per cent; and 4.6 per cent compared to a 10-year benchmark of 4.3 per cent. Duration and credit positioning remain key long-term value drivers. Despite the past year's volatility in both interest rates and the credit markets, the fund outperformed its benchmark returning 4.6 per cent against a benchmark of 4.5 per cent.

To provide clients with the opportunity to capture superior risk-adjusted fixed income returns, BCI

continued to expand its suite of credit products. Two years after the launch of the private debt fund and introduction of investment-grade U.S. corporate debt, BCI has added \$3.7 billion to these credit mandates.

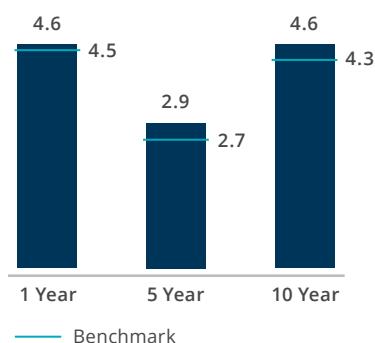
The Corporate Bond Fund, which focuses on investment grade and high yield debt, posted another year of strong performance. We defensively positioned the fund with a bias toward higher quality and shorter duration debt. This was particularly beneficial as the COVID-19 crisis drove the repricing of risk assets. The fund returned 1.2 per cent against a benchmark of (1.8) per cent over a one-year period.

The Principal Credit Fund (PCF) returned 4.4 per cent over the one-year period, exceeding its benchmark of 1.1 per cent. The PCF, of which 56.0 per cent is internally managed, was well positioned for the downturn with limited exposure to cyclical credits and 95.0 per cent of the loan portfolio invested in secured first lien loans. There were no realized loan losses during the year. However, illiquid market conditions in March resulted in markdowns of several loans in the portfolio. As of March 31, 2020, the PCF has \$4.2 billion in assets and deployed \$1.9 billion during the fiscal year.

The 13.6 per cent year-over-year increase in AUM is largely due to the addition of the Leveraged Bond Fund, the first of its kind among Canada's major public pension funds, as well as bringing on the management of additional assets from a new client.

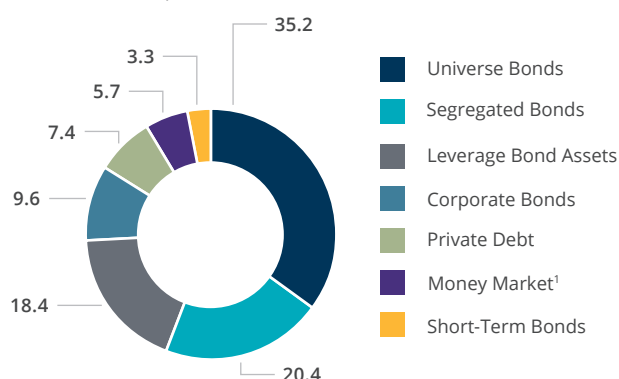
UNIVERSE BOND FUND PERFORMANCE (%)

Annualized returns for the periods ended March 31, 2020



FIXED INCOME PORTFOLIO ASSETS (%)

As at March 31, 2020



¹ The values presented above do not reflect certain pool funds held within other asset classes. As at March 31, 2020 this amounted to approximately 0.9 billion in money market funds and 27.6 billion in floating rate funds.

Public Equities

Diverse investment and risk management strategies with a long-term investment horizon

Total program assets are \$55.7 billion

OUR APPROACH We invest in developed and emerging markets to capitalize on global opportunities. Our internally managed programs include high-quality, cost-effective indexing strategies, and actively managed portfolios. We continue to strengthen our internal asset management, focusing on opportunities to invest directly in public companies and cost-effective indexing programs. We use external managers where appropriate. Our diverse investment and risk management strategies and long-term investment horizon provide us the flexibility to take advantage of opportunities as they present themselves in volatile markets.

PERFORMANCE ANALYSIS The Thematic Public Equity Fund outperformed, delivering an annualized return of 7.3 per cent over five years, compared to a benchmark of 5.9 per cent. For the year, the fund returned 2.2 per cent against a benchmark of (4.2) per cent. Both stock selection and sector allocation positively contributed to returns. On a sector level, the portfolio benefited from being underweight to oil companies, and from investing in themes such as aging, digital society, and renewable energy.

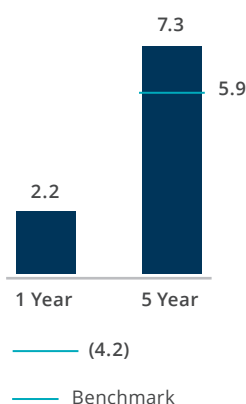
The Active Emerging Markets Fund generated an annualized excess return of 0.9 per cent over a 10-year period, returning 5.1 per cent against a benchmark of 4.2 per cent. For the year, the fund returned (8.7) per cent against a benchmark of (12.3) per cent. The fund's performance was driven by an overweight to Chinese markets which experienced significantly less volatility than other emerging markets.

The Active Global Equity Fund delivered an annualized return of 7.7 per cent over a five-year period against a benchmark of 5.9 per cent. Overperformance is attributed to the fund's focus on durable, high-quality names. The fund returned 2.6 per cent for the year, exceeding its benchmark of (4.2) per cent.

Our quantitative portfolios underperformed for the year. The Canadian Quantitative Active Equity Fund returned (17.0) per cent for the year against a benchmark of (14.2) per cent. Performance over the 10-year period returned 3.7 per cent against a benchmark of 3.9 per cent. The Global Quantitative Active Equity Fund returned (9.9) per cent for the year compared to its benchmark of (4.2) per cent with exposure to value and size key detractors from performance. Longer term, the fund returned 4.6 per cent over the 5-year period compared to a benchmark of 5.9 per cent.

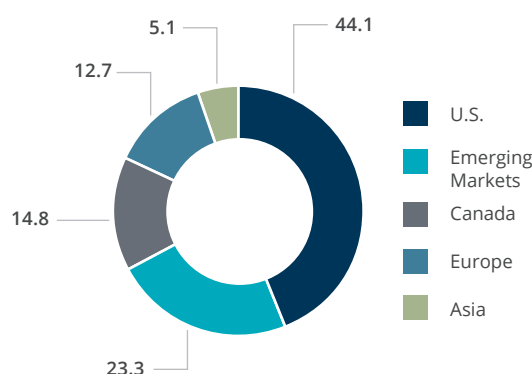
THEMATIC PUBLIC EQUITY FUND (%)

Annualized returns for the periods ended March 31, 2020



REGIONAL ALLOCATION OF PUBLIC EQUITIES (%)

As at March 31, 2020



Private Markets

To meet our clients' investment objectives, we continue to increase exposure to private assets that are longer term in nature.

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

BCI's private market programs — including infrastructure, private equity, renewable resources, mortgages, and real estate — account for \$68.2 billion or 39.8 per cent of total assets under management. Our real estate and mortgages programs, are now both actively managed by QuadReal and reported separately (see page 28).

BCI's outlook, strategies, and approach are driven by long-term considerations. Our investments are diversified by style, duration, and region. We favour direct investments as they allow for a closer alignment of interests with our outlook and those of our clients.

Global private equity activity remained at a record level in 2019. High demand from institutional investors continued, leading to a significant total of undrawn commitments to the asset class. Buyout deals posted another strong year both by deal value and count. Debt markets continued to accommodate increased prices for quality private assets. The number of public-to-private deals rose to its highest level since 2007.

For infrastructure, investors continued to dedicate significant capital, exerting pressure to find quality investments at attractive prices. The heavily contested market for core infrastructure assets and related compression in returns have resulted in many investors seeking opportunities in higher-risk sectors and geographies. Challenges were further compounded by protectionist stances taken by many governments, market volatility, and currency fluctuations.

In renewable resources, the U.S./China trade dispute, global growth slowdown, and unfavourable weather conditions remained important themes to monitor in 2019. Slower economic growth in China and fear of a U.S. recession exerted downward pressure on demand and pricing for lumber products across all major markets. In the agriculture space, softer commodity prices negatively impacted margins.

Effective January 1, 2020, we consolidated our infrastructure and renewable resource investment funds into one program (the infrastructure & renewable resources program). The consolidation aligns with an initiative to rationalize BCI's existing pool offerings. Our infrastructure and renewable resources investments have similar risk/return characteristics. The consolidation also provides an overall asset class return and streamlines reporting. As the year-end for both programs was December 31, 2019, their activities are reported separately on the following pages.

Infrastructure

Managing a \$15.1 billion portfolio diversified by geographic region and sector

A year-over-year increase of \$2.3 billion

OUR APPROACH The infrastructure program invests globally in asset-intensive businesses that have favourable risk and return characteristics, providing an attractive match to our clients' inflation-sensitive liabilities. Our program is well diversified, both by geographic regions and sectors. Our portfolio includes regulated utilities in the water, electricity, gas, and wastewater sectors; transportation, including roads, rail, bridges and port terminals; and telecommunications. We focus on meaningful equity positions that allow us to adopt an active governance approach. This approach to governance enables the team to actively manage the assets with the view of increasing long-term value and aligning with the interests of BCI, the portfolio companies, and our clients.

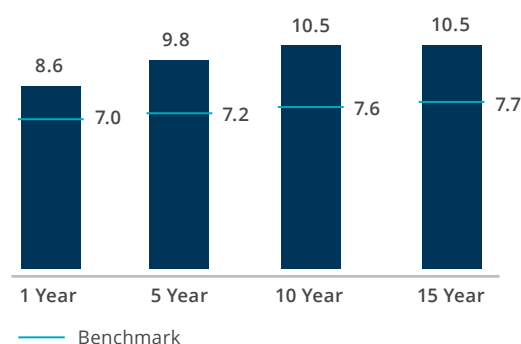
PERFORMANCE ANALYSIS The program continues to deliver strong performance over the long-term with a five-year return of 9.8 per cent¹ against a benchmark of 7.2 per cent, and a 10-year return of 10.5 per cent against a benchmark of 7.6 per cent. For the year, the program returned 8.6 per cent, outperforming its benchmark of 7.0 per cent. Performance was mainly driven by strong cash yields and meaningful valuation gains, partly offset by unfavourable foreign exchange movements, net of hedging.

At year-end, the program was valued at \$15.1 billion, a \$2.3 billion increase compared to the year previous, attributable to \$1.3 billion in capital deployment and \$800 million of valuation increases. During the year, BCI received regulatory approvals to make follow-on investments in Puget Sound Energy, a Washington State-based multi-utility business; and Cleco Corporation, a Louisiana-based regulated electric utility. Additionally, we closed on our first direct investment in the Czech Republic. BCI partnered with like-minded global institutional investors, to own Czech Grid Holdings (CGH), the largest regulated gas distribution network in the Czech Republic. CGH is the program's first direct investment in Central and Eastern Europe and aligns with our strategy to increase our global diversification.

We continued to build strategic alliances with select external managers to increase diversification of our existing portfolio. During the year, we initiated a new partnership with a global infrastructure fund manager focused on developing markets. The partnership is expected to provide exposure to new geographies and sectors. Additionally, we committed to a new externally-managed fund from an existing relationship. The fund is focused on core infrastructure assets in North and South America, Europe, and Asia Pacific. This commitment gives us exposure to new growth markets, including India and China, and investment opportunities in renewable power and data infrastructure.

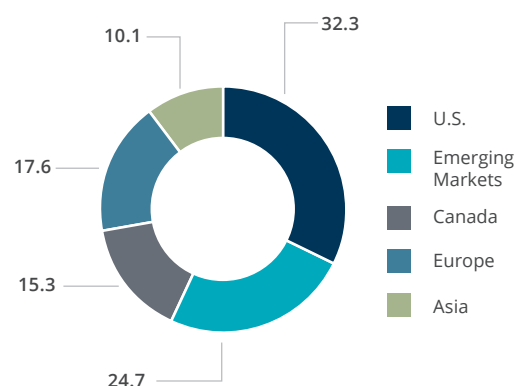
INFRASTRUCTURE PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2019¹



REGIONAL DISTRIBUTION OF INFRASTRUCTURE PROGRAM (%)

As at December 31, 2019¹



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

Private Equity

Investing long-term capital in high-quality growth equity opportunities

Committed \$5.3 billion for the year ended December 31, 2019

OUR APPROACH Our commitment is to the highest risk-adjusted net return for our clients over the long-term. We invest directly in private companies, primarily with strategic partners and indirectly through private equity funds. Our partners have proven performance track records and deep sector expertise. BCI's significant private 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. In selecting our portfolio companies, we look for a sustainable competitive advantage, value-added products and services, and talented management teams. BCI's activities are driven by our sector focus — investing globally in the industrial, healthcare, financial and business services, technology, and consumer sectors.

PERFORMANCE ANALYSIS We continue to execute on our active, in-house management strategy by increasing our weighting to direct investments, as they typically outperform fund returns over the long term. The ratio of direct investments to total assets under management has grown to 38.0 per cent from 32.0 per cent compared to the previous year.

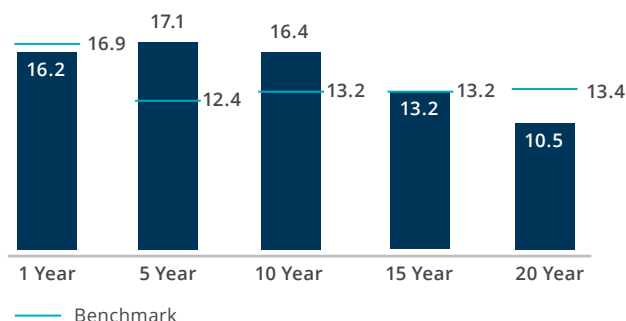
The program committed a total of \$1.6 billion to eight direct investments, diversified by both sector and geography. Notable investments included Press Ganey Associates, a U.S. healthcare patient experience survey company; and BMS Group, a U.K. independent specialty wholesale insurance brokerage platform. The program also committed \$3.7 billion to 18 funds, reinforcing strategic relationships with existing core partners, as well as seeding new partners with capital to invest as the economic cycle changes and opportunities arise.

During the year, we completed 10 private equity fund sales for total proceeds of \$800 million. The decision to sell is based on the fundamental analysis of underlying portfolio companies, holding periods, and expected realization values.

As a long-term asset class, private equity results are more meaningful over a longer time frame. On a five-year basis, the private equity program returned 17.1¹ per cent against a benchmark of 12.4 per cent. Outperformance was attributed to robust distribution and valuation gains. For the year, a strong performance was overshadowed by the even stronger performance in public markets, which impacted private market benchmarks. The program returned 16.2 per cent, underperforming the benchmark of 16.9 per cent due to unhedged foreign currency exposure in the portfolio.

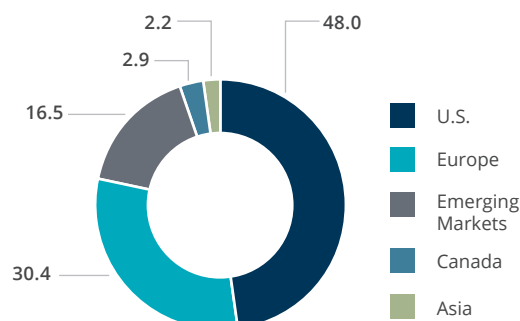
PRIVATE EQUITY PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2019¹



REGIONAL DISTRIBUTION OF PRIVATE EQUITY PROGRAM (%)

As at December 31, 2019¹



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

Renewable Resources

Long-life assets essential to global growth

Managing a portfolio of \$3.2 billion

OUR APPROACH BCI invests in long-life renewable resources 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 greater growth potential. The renewable resources program primarily targets investments in timberlands and agri-businesses. Our strategy is to acquire meaningful ownership positions coupled with strong governance rights. We adopt a governance approach that permits us to actively manage our investments with the view of increasing long-term value and align the interest of BCI, the portfolio companies, and those of our clients.

PERFORMANCE ANALYSIS The program outperformed over a five-year period returning 7.5 per cent¹ against a benchmark of 7.0 per cent, and an inception-to-date return of 8.7 per cent against a benchmark of 7.0 per cent. Strong cash yields and modest capital appreciation were the primary drivers of performance over this longer-term horizon.

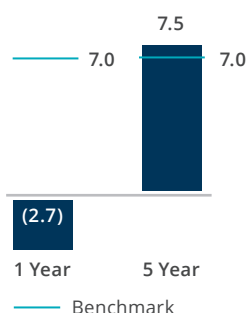
For the year ended December 31, 2019, the program returned (2.7) per cent, underperforming its benchmark of 7.0 per cent. Performance was impacted by softer commodity prices and a lacklustre outlook in housing markets globally. Weakness in the U.S. dollar also adversely impacted the program; net of hedging, the U.S. dollar depreciation resulted in a loss of 2.7 per cent.

Underperformance in our timberlands portfolio was mainly attributed to the weakness in demand for exports driven by slower economic growth in China. Additionally, concerns of a recession in the U.S. contributed to the decrease in demand for lumber products, lowering overall pricing. Softer commodity prices negatively impacted the agricultural space. Overall, activity in the agriculture markets globally remained limited.

During the year, the program initiated a new strategic partnership with Paine Schwartz, an investment management firm specializing in sustainable food chain investing with extensive experience in Organization for Economic Co-Operation and Development countries. Our commitment satisfies a key component of BCI's agriculture strategy, specifically: forming key relationships with top-quartile agriculture funds to strengthen our network, improve knowledge of various subsectors, and gain access to co-investment opportunities.

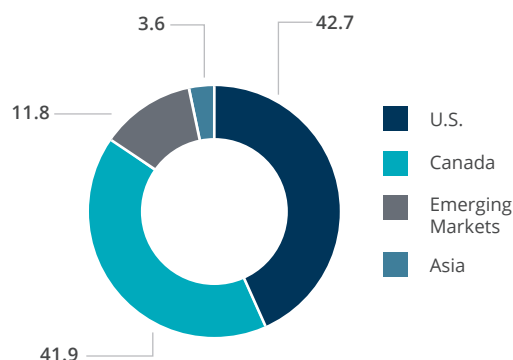
RENEWABLE RESOURCES PROGRAM PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2019¹



REGIONAL DISTRIBUTION OF RENEWABLE RESOURCES PROGRAM (%)

As at December 31, 2019¹



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

QuadReal Property Group

Our clients' real estate portfolio is actively managed by QuadReal Property Group (QuadReal), a company owned by BCI and created in 2016. QuadReal is a Canadian investment, development, and management company operating on a global scale with a mandate to deliver prudent growth and strong investment returns for our clients. QuadReal's investment approach focuses on global diversification in developed countries.

In fiscal 2020, QuadReal began managing BCI's mortgages programs. The company's global networks and relationships provide greater access to commercial financing opportunities and accelerate the deployment of capital to meet our client's allocation targets. Further benefits include increased scale and purchasing power, along with greater flexibility to invest using equity or debt. It also allows QuadReal to combine research, experience, and relationship management across all opportunities and markets.

The real estate and mortgages programs represent \$32.0 billion or 18.7 per cent of total assets under management.

The company has a multi-property type real estate portfolio consisting of residential, office, industrial, and retail — weighted to industrial, data centres, and residential. QuadReal has allocations to select mixed-use and centrally located office buildings in global cities, as well as developments with appropriate risk-adjusted returns.

For real estate, healthy economic growth continued to fuel strong overall leasing activity in the U.S. However, investment activity for commercial real estate was down over the first nine months of 2019, relative to 2018. A similar trend existed in Europe, while investment volumes in the Asia Pacific region increased by 10.0 per cent compared to the year previous — driven primarily by activity in China.

For mortgages, the market was highly competitive in 2019 as Canadian and U.S. fundamentals remained strong. Robust economic results and expectations, capital availability, and demand for mortgage investments resulted in competitive pricing, and relatively narrow and stable spreads.

By the end of fiscal 2020, real estate and mortgage markets in North America, Europe, and Asia-Pacific faced considerable headwinds due to the COVID-19 pandemic. QuadReal continues to exercise caution in pursuing and managing additional investments, taking into consideration the risks and opportunities as a result of the economic implications of the pandemic.

Mortgages

Creating greater exposure to strong-yielding financing opportunities in Canada and the U.S.

Commitments totalled \$2.4 billion for the year ended March 31, 2020¹

OUR APPROACH QuadReal began managing and servicing BCI's mortgages program in fiscal 2020. As a significant lender to the commercial real estate industry, QuadReal 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 greater focus on multi-family residential, office, and industrial. QuadReal continues to build on a strong Canadian program, as well as provide our clients with greater geographical diversification through ongoing expansion into the U.S. QuadReal's mortgages investment portfolio targets fixed term, construction, and mezzanine borrowers in Canada and the U.S. It also has in-house mortgage servicing experience and capabilities.

PERFORMANCE ANALYSIS The Fixed Term Mortgage Fund provides first secured financing for income-producing commercial real estate. Over a 20-year period, the fund returned 5.6 per cent, outperforming its benchmark of 5.2 per cent. Over the one year period the fund returned 2.9 per cent against a benchmark of 6.1 per cent.

The Construction Mortgage Fund finances commercial and multi-residential developments. The fund exceeded its 20-year benchmark, returning 5.5 per cent against a

benchmark of 3.7 per cent. Over a one-year period, the fund returned 3.2 per cent against a benchmark of 4.0 per cent.

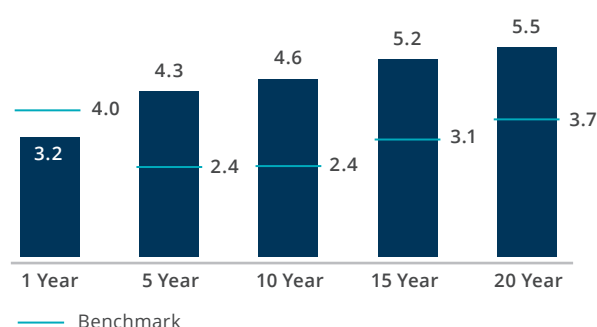
The Mezzanine Mortgage Fund finances high loan-to-value loans offered to commercial developers and property owners. The fund returned 9.2 per cent against a 20-year benchmark of 5.3 per cent and 5.4 per cent against a one-year benchmark of 7.4 per cent.

The Construction and Mezzanine Funds provide for relatively higher returns than the Fixed Term Mortgage Fund due to the higher risk characteristics of these loans. Long-term outperformance for all three funds was due to above-market rates, floor interest rates, and fees. Underperformance for the year was partly attributed to increased benchmarks, as well as the impact of the global pandemic in early 2020 as valuations were adjusted to reflect an increased risk of potential losses.

The U.S. Mortgage Opportunity Fund finances commercial and multi-residential properties in the U.S. and provides clients the opportunity to strengthen and diversify their portfolio. QuadReal committed \$1.7 billion through direct investments. The fund returned 3.9² per cent against a one-year benchmark of 0.3 per cent. The outperformance was attributed to initially weighting the portfolio with higher-yielding loans with construction, bridge, and mezzanine characteristics, including direct and debt fund investments.

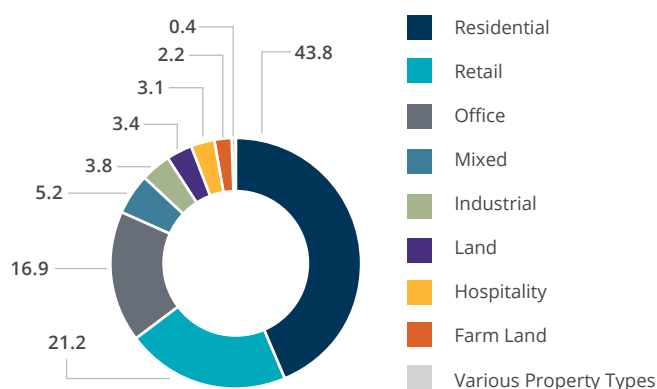
CONSTRUCTION MORTGAGE FUND PERFORMANCE (%)

Annualized returns for the periods ended March 31, 2020



MORTGAGE HOLDINGS BY PROPERTY TYPE (%)

As at March 31, 2020



¹ Reflects the domestic and U.S. commitments made in fiscal 2019–2020.

² The U.S. Mortgage Opportunity Fund returns are reported on an internal rate of return basis as at December 31, 2019.

Real Estate

A global real estate portfolio spanning 23 cities across 17 countries

Committed \$2.5 billion to global real estate

OUR APPROACH QuadReal actively manages our clients' real estate program, which includes 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. QuadReal focuses on best-in-class partnerships and providing high-quality service to tenants and residents. QuadReal continues to focus on prudent capital deployment in global growth markets, liquidation of non-core-to-strategy investments, and more direct management of the portfolio.

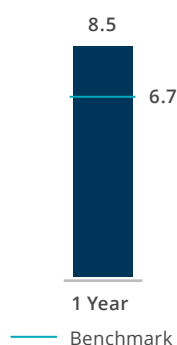
PERFORMANCE ANALYSIS QuadReal consolidated the domestic (Realpool Investment Fund) and global (Realpool Global Fund) real estate programs in April 2019. The consolidation aligned benchmarks, unified ownership of all real estate assets, reduced costs,

and provided the opportunity for greater returns. In line with industry practice, QuadReal adopted the internal rate of return as its measurement methodology for the combined program. The historical returns (see charts on next page) reflect the methodology used previously to report the domestic and global programs separately.

The portfolio increased to \$25.5 billion from \$24.3 billion the year previous. Domestic and international assets accounted for \$16.8 billion and \$8.7 billion, respectively. Growth in Canada was driven by robust capital appreciation in industrial and residential sectors. However, the portfolio's largest increases were attributable to the Americas and Europe, owing to strong capital growth and continued capitalization rate compression in U.S. industrial and residential real estate, and European office and residential. For the year ended December 31, 2019, QuadReal committed \$2.5 billion to the global program. Commitments included \$2.4 billion

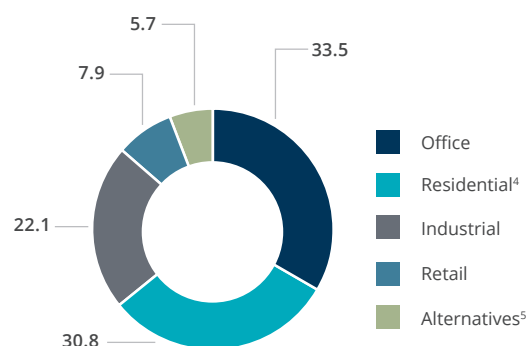
REALPOOL FUND PERFORMANCE (%)

Annualized returns for the periods ended December 31, 2019^{1,2}



REALPOOL REAL ESTATE ASSETS BY PROPERTY TYPE (%)

As at December 31, 2019³



¹ Assets in the combined real estate program are valued annually at December 31 and are measured on an internal rate of return basis.

² The benchmark is a blend of the individual program benchmarks from January to March 2019, and nominal 6.8% from April to December 2019. Benchmarks are presented on a time weighted rate of return basis.

³ Based on gross asset value.

⁴ Residential includes multi-family, student housing, and condominiums for sale.

⁵ Alternative includes manufactured housing/land lease communities, data centres, hotels, and other.

in direct investments, and \$142 million in fund investments. QuadReal's portfolio allocation has shifted to 34.0 per cent invested outside of Canada, compared to 28.4 per cent the year previous. The objective is to achieve a 50/50 balance between domestic and international by 2023.

On a one-year basis, real estate delivered an annualized return of 8.5¹ per cent, outperforming the 2019 transitional benchmark of 6.7² per cent.

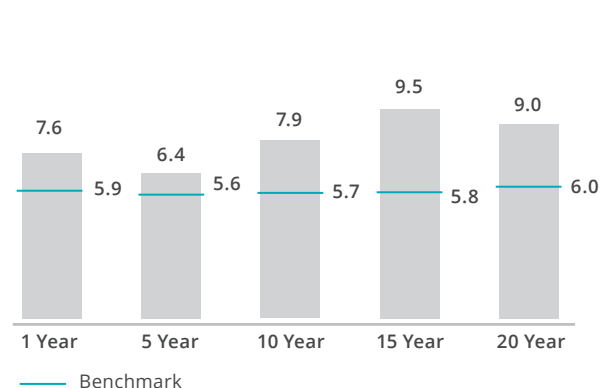
In late fiscal 2019, BCI and QuadReal entered into an agreement on a \$7.0 billion partnership with RBC Global Asset Management Inc. (RBC GAM). The partnership involved QuadReal, with BCI's support, selling a 50.0 per cent equity stake in 44 properties from our domestic real estate portfolio. The sale of the assets is planned to take place over four tranches, with

RBC GAM closing on the first equity tranche in November 2019, raising \$1.25 billion for their RBC Canadian Core Real Estate Fund. As per the agreement, BCI continues to own a 50.0 per cent stake in each property sold and QuadReal will remain the asset and property manager for the entire portfolio. The partnership allows QuadReal to maintain a significant presence in Canada while maximizing diversity and liquidity on behalf of BCI and its clients.

QuadReal continued to reduce potential risk in the portfolio through the divestment of assets deemed non-core to strategy. They included the monetization of \$2.4 billion in Canadian asset sales (including RBC GAM), the liquidation of \$369.0 million in international legacy investments, as well as additional non-core asset sales of \$26.0 million.

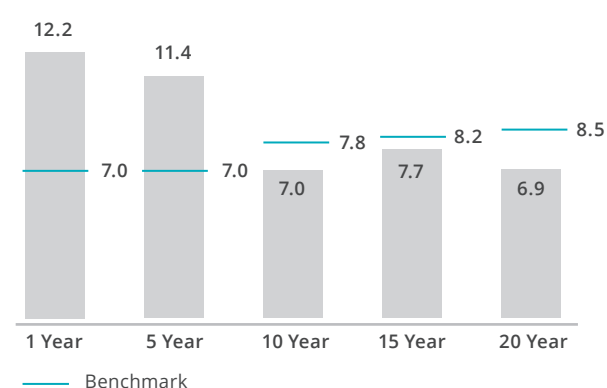
HISTORICAL DOMESTIC REAL ESTATE RETURNS (%)

Annualized returns for the periods ended March 31, 2019³



HISTORICAL REALPOOL GLOBAL RETURNS (%)

Annualized returns for the periods ended December 31, 2018⁴



¹ Assets in the combined real estate program are valued annually at December 31 and are measured on an internal rate of return basis.

² The benchmark is a blend of the individual program benchmarks from January to March 2019, and nominal 6.8% from April to December 2019. Benchmarks are presented on a time weighted rate of return (TWRR) basis.

³ Historical returns for the domestic real estate program are presented on a time weighted rate of return basis. Returns presented are final audited.

⁴ Historical assets for the global real estate program are presented on an IRR basis. Benchmarks are presented on a TWRR basis. Returns presented are final audited.

Risk Management

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

Risk management is a framework by which BCI identifies, evaluates, measures, monitors, and communicates the risks and opportunities associated with our operations and investments.

This allows us 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 steadfast

INTEGRATED RISK GOVERNANCE

BCI's integrated risk governance framework, completed in fiscal 2020, formalizes the roles and responsibilities of the enterprise risk management and investment risk committees. To ensure the integration of risk between the two committees, mandatory members of both committees include the chief operating officer and the executive 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 have evolved with our investment strategies to maximize long-term, risk-adjusted returns and preserve our clients' capital.

The investment risk management framework focuses on our support and advisory role in alignment with our independent investment risk oversight role. Our framework also ensures the CEO/CIO and board fulfill their governance and oversight responsibilities as required by the *Public Sector Pension Plans Act* and through the board's mandate.

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 evaluates and monitors ESG risk in all stages of the investment process. We conduct ESG risk analysis prior to making investment decisions and actively track and manage identified risks throughout the portfolio.
- **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 (at BCI total fund and specific client levels) and the minimum thresholds set by the investment risk committee for various term horizons. A liquidity contingency plan is also in place to ensure 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 (hypothetical 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.

- **Leverage:** The creation of exposure greater than the capital invested. Leverage amplifies the sensitivity to market returns either through borrowing, investing proceeds from short sales and repurchase agreements, or using derivatives. There are three general sources of leverage: financial, economic, and embedded. Depending on the source of leverage, additional market, counterparty, and/or liquidity risk may also be taken on. To capture risks associated with the use of leverage, multiple measures are used in conjunction with the current frameworks for measuring and monitoring market, counterparty, and liquidity risks.

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 investment risk management.

Developments in the past fiscal year include:

- **Investment risk management policy:** We updated the investment risk management policy to provide the board with clearer oversight and to clarify the investment risk function at BCI. The updates include incorporating the Three Lines of Defense model (in which investment risk management falls under the Second Line of Defense), providing insight into the investment risk function's mandate, enhancing the investment risk management framework, and introducing governance around the use of leverage.
- **Completing the build of our investment risk function:** We continued to build our investment risk function to reach a near steady-state. It has evolved through three pathways: recruitment, governance, and analytics and advisory efforts. The culmination of four years of development, it has resulted in a function that uses leading practices and world-class approaches to identify, monitor, measure, and manage investment risk.

ENTERPRISE RISK MANAGEMENT

The enterprise risk management (ERM) program supports better decision making by understanding risks and their likely impact to our non-investment activities. ERM is embedded in all strategic planning, operational management, project, and internal control decisions. By providing an objective and forward-looking assessment of challenges and opportunities we face, we make certain we take the right amount of non-investment risk. This corporate-wide view ensures we allocate resources in the areas of highest risk, opportunity or corporate priority.

The goals of the ERM program are:

- ensuring a strategic view of risk, informed by both external and internal perspectives, is being incorporated
- bridging organizational silos by embedding risk into strategic planning processes and initiatives
- advocating for risk-based conversations and facilitating strategic and informed decision making among executives
- adopting risk-based decision-making approaches, applied to strategy setting and execution, as well as through ongoing monitoring of existing, new and emerging risks
- educating staff with consistent terms, approaches, and tools to identify, manage and monitor risks

The five principles of BCI's ERM framework are:

- **Risk Governance and Culture:** The foundation for all components of ERM. The ERM committee ensures appropriate governance, management, measurement, and reporting processes are in place to adequately manage non-investment risk.
- **Risk, Strategy, and Objective-Setting:** BCI integrates ERM into the process of setting strategy and business objectives.
- **Risk in Execution:** BCI identifies and assesses non-investment risks that may affect our ability to achieve our strategic objectives.

- **Risk Information, Communication, and Reporting:** BCI leverages information systems to capture, process, and manage risk data and information.
- **Monitoring performance:** 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.

Business continuity planning serves to ensure that BCI has effective risk management and resilience programs to recover operations in the event of a business disruption.

The business continuity program will:

- ensure the welfare of all staff and visitors on site
- maintain communications with staff during operational disruption
- reduce the frequency and impact of significant operational disruptions
- continue to deliver key services during operational disruption
- maintain public and customer confidence and BCI's reputation

Each department maintains a plan setting out the methods by which they will resume critical operations following a business disruption or event. ERM develops and maintains a business continuity plan on behalf of BCI, which is reviewed and updated at least annually and as warranted.

Benchmarks and Performance Objectives

A transparent framework for setting investment and compensation benchmarks and performance objectives

During the fiscal year, the board implemented and strengthened BCI's benchmarking framework. Risk-adjusted excess return objectives were fully integrated into the public markets program to better capture the risk utilization by BCI's public markets portfolio managers. The revised framework created more transparency into asset class risk and performance through increased reporting of value-at-risk and calculation of intra-year performance objectives. The framework for private markets internal risk ratings was strengthened to allow for closer monitoring of risk fluctuations and potential benchmark changes.

The board's benchmark governance policy, approved in 2018, focused on developing a transparent, objective, and structured framework for setting investment and compensation benchmarks and performance objectives, including excess returns and risk-adjusted excess returns. The policy follows a principle-based approach to asset class and portfolio benchmark selection, and the board ensures it is aligned with current industry best practices. The 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 any investment strategy. Excess returns and risk-adjusted excess returns measure the size, difficulty, and persistence of this success. Benchmarks and performance objectives 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 suboptimal investment choices and excessive risk taking. In that regard, the policy has specific risk-control mechanisms: risk-adjusted performance for public markets and internal risk ratings for private asset classes.

The benchmarking framework has been a multi-year focus for our board starting in late 2017. The board undertook a comprehensive review of the governance framework around setting investment measures of success. Accountability, delegations of authorities, and responsibilities of all parties involved in determining the benchmarks and performance objectives were explicitly defined to ensure comprehensive oversight of the implementation of the framework and that the investment mandates and their constraints were adequately reflected.

All benchmark and performance objectives-related 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 executive 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. To support readiness, BCI successfully integrated and automated the benchmark and performance objectives processes within its investment strategy and risk, investment performance, and human resources departments. A formal and transparent annual review process was also approved.

The benchmark governance policy is scheduled to be reviewed and updated next fiscal year, subject to board approval.

Environmental, Social, and Governance

Integrating long-term environmental, social, and governance (ESG) matters into our investment decisions is one of the fundamental principles that underlines our duty to deliver sustainable and meaningful financial futures for our clients. We understand the positive relationship between investments that consider ESG factors and long-term returns; the challenges we face today are also the investment opportunities of tomorrow.

ESG 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 ESG matters into account enables investors to better understand, manage, and mitigate risks associated with long-term investments.

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 overarching framework for effective management of risks. During the fiscal year, we finalized and introduced a new corporate-wide ESG strategy. It brings a unified approach that clearly and consistently integrates ESG across the corporation and at every stage of the investment process.

The strategy was created in close collaboration with BCI's asset classes and included active engagement with our clients. It comprises four key pillars: integrate, influence, invest, and insight.

- **Integrate:** BCI integrates ESG analysis and risk management in all investment processes, from supporting clients' asset allocation decisions to individual investment decisions within our portfolios.
- **Influence:** Through engagement and advocacy, BCI applies its influence on companies in which we invest, our partners, and other participants in capital markets. We do this to increase transparency surrounding ESG risks, improve companies' long-term performance, and promote the stability and integrity of capital markets.

Considering environmental, social, and governance matters at all stages of an investment in the best long-term financial interests of our clients

- **Invest:** BCI actively seeks opportunities to invest in those ESG-themed investments that contribute to improved long-term outcomes for clients and reinforce our investment beliefs.
- **Insight:** We use our learnings across all ESG activities, as well as our understanding of emerging trends, to generate and communicate insights that help us continuously adapt and improve our strategies, processes, and approaches.

Climate change is also a focus of both long-term investment risk and opportunity at BCI. We are committed to seeing our clients benefit from investment opportunities in the shift to a lower-carbon economy while staying protected from undue physical and transition risks associated with climate change. We continue to make progress on meeting the stated goals of our 2018 *Climate Action Plan* and *Approach to the TCFD Recommendations*, including incorporating climate change materiality assessments in all ESG reviews. The plan also discloses our alignment with the recommendations put forth by the Financial Stability Board's Task Force on Climate-related Financial Disclosures. We believe that greater disclosure leads to improved transparency and helps investors make more informed investment decisions.

We collaborate with like-minded investors and organizations to strengthen our collective leadership. In March 2020, BCI joined the Government Pension Investment Fund (Japan), California State Teachers' Retirement Scheme, and the Universities Superannuation Scheme (UK) in co-signing a letter on the importance of driving sustainable growth in the capital markets. BCI is the first Canadian investor to join the Our Partnership on Sustainable Capital Markets statement. It outlines our collective responsibility to build financially meaningful futures for our clients and the risks of ignoring long-term disruptions, such as climate change, in the pursuit of short-term growth.

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

Stakeholder Engagement

Long-term performance aligned with client-focused service

Our fiduciary duty centers on serving our clients' long-term investment objectives. Core to achieving this goal is maintaining long-term relationships built on trust, transparency, and client service.

We continually adapt our asset allocations when appropriate to ensure clients benefit from opportunities to achieve their return objectives. In fiscal 2020, BCI made 13 asset mix transitions to align with our clients' policy asset mixes.

Stakeholder engagement is paramount as BCI actively manages our clients' mandates. Our objective is to continually strengthen timely reporting and client service through innovative solutions.

In addition to regular engagement with clients, BCI developed and prepared to launch The Exchange, our new client portal. The site provides a secure, central resource for clients to access information and reports specific to their investments, receive BCI news and announcements, and learn more about BCI's investment strategies.

BCI continued to provide communiqués informing clients and stakeholders of investments, transactions, operational updates, and issues management. This is one way in which BCI maintains open lines of communication, provides transparency, and addresses matters that are top of mind for clients. We also assist with responding to queries from plan partners and plan members.

We committed to a variety of client education and engagement activities during the year, including:

- **Annual Investment Literacy Programs:** BCI held two client education programs during the year, focusing on fundamentals of asset management and financial concepts, and a deeper look at BCI's investment strategies, benchmarking, and integration of ESG considerations.
- **BC Public Sector Pension Conference:** We collaborated with our pension plan clients on a two-day conference to give trustees a better understanding of industry trends and best practices that support their investment decisions.
- **Province of BC Investment Workshop:** We held a half day engagement session to provide clients with insight into BCI's investment strategies and client reporting.
- **Investment Insight Tours:** BCI arranged on-site visits to provide clients with a first-hand understanding of company investments in their portfolios.
- **Investor Day:** We organized this inaugural event providing insight on how BCI is planning for the future to ensure long-term investment objectives are met and aligned with client goals.
- **Trustee Orientation:** We hosted orientation sessions for new pension plan trustees to provide an introduction to BCI and our investment management services. We also held a variety of workshops covering our Climate Action Plan, investment committee responsibilities, private equity, and our public equity trading desk.

BCI engaged a third-party to conduct our biennial client satisfaction survey assessing overall perception of BCI and our investment, advisory, and communication services. Results from the survey include high overall satisfaction with the quality of service and value for fees. Clients also rated BCI "excellent" for our level of integrity and professionalism. Our service-related attributes earned us a ranking of second amongst leading asset managers, both nationally and globally.

BCI continued to strengthen engagement with other stakeholders through a wide variety of activities.

Areas of focus include:

- **Government relations:** Increase understanding and trust in BCI's capabilities through a strategy that seeks to deepen relationships with government stakeholders.
- **Social media:** Tell BCI's story and engage with stakeholders, including prospective hires and industry professionals, by building on our LinkedIn presence.
- **Public profile:** Raise public awareness about BCI through increased speaking engagements by BCI employees to demonstrate thought leadership, as well as more active media engagement.

BCI's reputation is critical to attracting talent and accessing investment opportunities for our clients. We committed to further exploring how our various stakeholders perceive BCI to develop a continued understanding of our areas of strength and opportunities for improvement.

Our People

A diverse and engaged workplace culture driven to deliver



As an active, in-house investment manager, we rely on our people to meet our clients' investment goals.

We are focused on cultivating a workplace that attracts and retains top talent, empowers employees in the continuous pursuit of excellence, and achieves sustainable success for our clients. Our core values, people practices, and workplace environment underpin this culture.

We continue to add skills to strengthen our internal capabilities and expertise. As of March 31, 2020, BCI's employee complement was 545, a net increase of 58 employees from the previous year. Although increasing bench strength adds internal costs, employees who provide leadership in a complex investment environment support our active, in-house management model, which significantly lowers external manager fees and is a more cost-effective approach over the longer term.

In September 2019, we announced the official opening of our Vancouver technology office as part of our strategy to allow BCI to tap into the largest technology talent market in British Columbia.

During the year, BCI was recognized as one of Canada's Top 100 Employers, Top Family-Friendly Employers, and as one of B.C.'s Top Employers by Mediacorp Canada. The honours further highlight BCI's commitment to creating a people-driven culture and a work environment that supports excellence.

TALENT MANAGEMENT AND TRAINING

Our investment performance is measured and set to benchmarks; so, too, is employee performance. Individual scorecards clearly define expectations and goals that support BCI's strategic objectives. Ongoing performance meetings between employees and managers ensure deliverables are on track. Performance is evaluated by scorecard deliverable results, which drive compensation, incentive pay, development opportunities, and promotions.

We provide a variety of educational opportunities focused on professional development, workplace culture, wellness, and meeting our strategic objectives. During the year, we provided a number of workshops dedicated to culture and values, management and leadership development, change management, team effectiveness, and mental health. We also launched a new learning management system to support employee training and development.

DIVERSITY AND INCLUSION

We created a Diversity & Inclusion Council to strengthen and drive a culture of inclusivity that celebrates and accepts all forms of diversity. The council established BCI's diversity beliefs and principles, which are:

- diversity of thought improves returns
- diverse perspectives help us manage risk better
- inclusive cultures help attract, engage, and retain talent

During the year, BCI rolled out compulsory training on unconscious bias for all employees.

We also became a member of the CFA Institute Diversity and Inclusion Experimental Partners Program, which challenges firms to foster a more inclusive investment profession. BCI is a partner sponsor of Women in Capital Markets and a member of the 30% Club Canada, organizations that advocate for stronger gender diversity.

CO-OP/INTERNSHIP PROGRAM

This program serves to enhance workplace diversity, identify up-and-coming industry professionals, and contribute to corporate citizenship through supporting post-secondary institutions. We welcomed nearly 100 students this year from across Canada. Students are hired year-round, typically for four-month work terms. Students enrolled in an undergraduate or graduate program as well as new graduates can apply to our co-op and internship opportunities.

Corporate Social Responsibility

Giving back to our community is important to us. BCI has a significant presence within the Greater Victoria and Vancouver communities. We believe in the importance of supporting our employees in making a positive impact—one that aligns with the values of our corporation. We encourage our employees to contribute by offering up to one day of paid time off each calendar year to support a non-profit organization of their choice.

With the onset of the global pandemic, BCI employees were no longer able to contribute their time. In lieu, BCI contributed \$75,000 to the Rapid Relief Fund created by the Victoria Foundation along with the Times Colonist and the Jawl family in response to the impacts of COVID-19 throughout Greater Victoria. BCI's employees also individually contributed, and in recognition of their generosity, the executive management team donated an additional \$50,000 of their own funds.

Over many years, we have built a strong relationship with the United Way of Greater Victoria. In 2019, BCI employees raised over \$42,000 for the organization. BCI's United Way Campaign committee organized numerous workplace events to raise awareness and money. Funds raised go towards addressing long-term

Making a positive impact for our clients and communities alike

issues and sustaining a vital network of services for individuals, families, seniors, children, and youth. Over the years, BCI employees have raised more than \$1.0 million, earning a "Thanks a Million" award in 2019.

Other community outreach activities include:

- **Partners for Life:** A national program, run by Canadian Blood Services, that allows corporate organizations to donate blood as a team. BCI encourages staff participation and coordinates transportation to and from the donation site a number of times throughout the year during working hours.
- **Junior Achievement of British Columbia:** As a corporate sponsor, members of our public markets team share their professional experiences and knowledge of financial literacy with youth.
- **Charity Golf Tournament:** Each year, BCI organizes a golf tournament and reception to raise money for a select charity. Recent beneficiaries of the BCI Annual Charity Golf Classic have included The United Way of Greater Victoria, BC Cancer Foundation, and organizations targeting youth suicide prevention.



Corporate Governance



From left to right Gayle Gorrill, Peter Milburn, Donna Lommer, Ken Tannar, Sheila Taylor, Karen Maynes, and Paul Finch

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
- 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 pension plan clients appoint a member to the board, as required under the Act.

The Public Service Pension Plan Board of Trustees appointed Paul Finch as a new director effective April 1, 2019, replacing Ron McEachern whose term ended March 31, 2019.

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 responsible for the BC Transportation Finance Authority. Peter has a degree in Civil Engineering from the University of British Columbia.

BCI BOARD AND COMMITTEE APPOINTMENTS			2019 – 2020 ATTENDANCE		
<ul style="list-style-type: none">• Director since December 31, 2016• Current term to December 31, 2020• Appointed by B.C.'s Minister of Finance• Independent	Chair, BCI Board of Directors (2016 – Present)		4.75/5	95%	
BCI DIRECTOR REMUNERATION 2019 – 2020	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$32,682	\$8,158	–	–	\$44,903 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.

PAUL FINCH | VANCOUVER, BRITISH COLUMBIA

Paul was elected treasurer and chief financial and administrative officer of the British Columbia Government and Service Employees' Union (BCGEU) in 2014, and re-elected in 2017. He is responsible for the BCGEU's investment and shareholder engagement program, and policy on housing affordability and land economics. Prior to this, Paul served as the BCGEU's executive vice president for three years. Paul is a plan partner representative for the public service and college pension plans, and a trustee on the Public Service Pension Plan Board of Trustees. Paul completed the Directors Education Program at the University of Toronto's Rotman School of Management in 2019.

BCI BOARD AND COMMITTEE APPOINTMENTS			2019–2020 ATTENDANCE		
<ul style="list-style-type: none">• Director since April 1, 2019• Current term to March 31, 2022• Appointed by the Public Service Pension Board of Trustees• Independent	Director, BCI Board of Directors	5/5	100%		
	Member, Human Resources and Governance Committee (2019–Present)	3/3	100%		
	Guest, Project Oversight Committee	1/1	100%		
BCI DIRECTOR REMUNERATION 2019–2020	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$16,340	\$8,158	–	\$2,868	\$30,210 ¹
OTHER BOARD DIRECTORSHIPS/ TRUSTEESHIPS DURING THE LAST FIVE YEARS	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS	
Public Service Pension Plan Board of Trustees (Trustee)	2014–Present	N		Communications, Benefits	
BC Target Benefit Pension Plan (Chair)	2014–Present	Y	2017–Present		
National Union of Public and General Employees	2014–Present	N			
BC Federation of Labour	2014–Present	N			
BCGEU	2011–Present				
BC College and Public Service Pension Plans Plan Partner Representative BCGEU	2014–Present				
Solidarity Holdings Ltd.	2011–Present				

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				2019–2020 ATTENDANCE	
<ul style="list-style-type: none">• Director since June 18, 2018• Current term to June 18, 2022• Appointed by B.C.’s Minister of Finance• Independent	Director, BCI Board of Directors		5/5	100%	
	Member, Audit Committee (2018–Present)		4/4	100%	
	Co-Chair, Project Oversight Committee (2018–Present)		5/5	100%	
	Guest, Human Resources and Governance Committee		1/1	100%	
BCI DIRECTOR REMUNERATION 2019–2020	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
50 per cent of the meeting fees are paid to the University of Victoria	\$16,340	\$8,158	\$2,723	\$7,345.04	\$36,192 ¹
OTHER BOARD DIRECTORSHIPS/ TRUSTEESHIPS DURING THE LAST FIVE YEARS	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS	
University of Victoria (Vice President)	2006–Present	N			
BCNet (Chair)	2015–Present	Y	2019–Present	Governance & HR Committee Finance Committee	
University of Victoria Properties Investments Inc. (Vice Chair)	2006–Present	N			
Heritage Realty Properties	2006–Present	N			
University of Victoria Foundation	2006–Present	N			
Ocean Networks Canada	2008–Present	N		Finance and Audit Committee Governance and Human Resources Committee	
Canadian Association of University Business Officers	2011–2019	Y	2016–2017		

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				2019 – 2020 ATTENDANCE	
<ul style="list-style-type: none"> • 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		4.75/5	95%	
	Member, Audit Committee (2019–Present)		4/4	100%	
BCI DIRECTOR REMUNERATION 2019–2020	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	\$16,340	\$8,158	–	\$3,251	\$27,749 ¹
OTHER BOARD DIRECTORSHIPS/ TRUSTEESHIPS DURING THE LAST FIVE YEARS	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS	
Municipal Pension Plan (Trustee)	2017–Present	N	–	Benefits Committee	
Healthcare Benefits Trust (Trustee)	2014–2019	N	–	Audit Committee Finance Committee	

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 2005 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				2019 – 2020 ATTENDANCE	
<ul style="list-style-type: none"> • Director since September 18, 2014 • Current term to August 31, 2022 • Appointed by the College Pension Board of Trustees • Independent 	Director, BCI Board of Directors		5/5	100%	
	Chair, Audit Committee (2018–Present)		4/4	100%	
	Guest, Human Resources and Governance Committee		1/1	100%	
BCI DIRECTOR REMUNERATION 2019–2020	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$16,340	\$8,158	\$5,447	\$3,251	\$33,195 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.

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				2019 – 2020 ATTENDANCE		
<ul style="list-style-type: none">• 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		4.5/5	90%		
	Member, Human Resources and Governance Committee (2015–Present)		3/3	100%		
	Member, Audit Committee (2018–Present)		3/4	75%		
BCI DIRECTOR REMUNERATION 2019 – 2020	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	AUDIT COMMITTEE PREPARATION FEE	TOTAL
	\$16,340	\$8,158	–	\$4,079	\$813	\$29,390 ¹
OTHER BOARD DIRECTORSHIPS/ TRUSTEESHIPS DURING THE LAST FIVE YEARS	TERM	BOARD CHAIR & TERM		COMMITTEE APPOINTMENTS		
BC Teachers’ Federation	2005–Present	N	–	Pensions Committee (Past Chair) Teachers’ Pension Plan Advisory Committee (Past Chair)		
Teachers’ Pension Plan (Vice Chair)	2008–Present	Y	2018–Present	Benefits and Communications Committee (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				2019–2020 ATTENDANCE	
<ul style="list-style-type: none">• 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		5/5	100%	
	Chair, Human Resources and Governance Committee (2019–Present)		3/3	100%	
	Member, Human Resources and Governance Committee (2018–2019)		-	-	
	Member, Audit Committee (2018–2019)		1/1	100%	
	Co-Chair, Project Oversight Committee (2018–Present)		5/5	100%	
BCI DIRECTOR REMUNERATION 2019–2020	ANNUAL RETAINER	BOARD MEETING FEE	COMMITTEE CHAIR FEE	COMMITTEE MEETING FEE	TOTAL
	\$16,340	\$8,158	\$8,170	\$5,720	\$40,420 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 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 (BCI.ca).

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 two directors, meets at least three times a year and oversees the audit programs, financial management controls, financial reporting, and compliance matters
- the human resources and governance committee (HRGC), consisting of a minimum of two directors, meets at least 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 project oversight committee, formerly called the investment management platform (IMP) program committee, consisting of two directors, provides oversight over specific corporate projects.

The CEO/CIO attends all board and HRGC meetings and the COO attends all audit committee and project oversight 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, four; the HRGC, three; and the project oversight committee, five. 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 2019-2020. Details for individual directors are included in their profiles on pages 42 to 45.

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.

DIRECTOR COMPETENCIES, SKILLS AND EDUCATION MATRIX

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

DIRECTOR 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 the fiscal year, total remuneration for the board was \$242,057.44 (2018–2019: \$235,083.06). Details for individual directors are included in their profiles.

DIRECTOR CODE OF CONDUCT

The *Code of Conduct for Directors* (last updated April 2018 and available on our website BCI.ca) 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 with BCI or matter affecting BCI. 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, the strategic retreat, and board dinners to enrich the board's knowledge of the business.

AS OF JANUARY 1 - DECEMBER 31, 2019			AS OF JANUARY 1, 2020 ¹	
POSITION	ANNUAL RETAINER	Per Diem	Annual Retainer	Per Diem
Board Chair	32,524.89	812.63	33,152.62	828.31
Director	16,261.93	812.63	16,575.79	828.31
Audit Committee Chair	5,420.65	812.63	5,525.27	828.31
HRGC Chair	5,420.65	812.63	5,525.27	828.31
Project Oversight Chair ²	5,420.65	812.63	5,525.27	828.31
Committee Member		812.63		828.31

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, Public Service Pension Plan, and Teachers' Pension Plan (our four largest pension plan clients).

² Formerly the IMP committee.



Compensation Discussion and Analysis

Compensation Discussion and Analysis

Aligning employee pay-for-performance with our clients' expectations

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.

As an in-house asset manager, BCI recruits and retains talented and motivated employees with the skills and expertise to provide leadership in a dynamic investment environment to meet our clients' investment objectives. In competition with Canadian peers for the required expertise, BCI offers rewarding work opportunities, supports continued professional development, and pays competitive base salaries and incentive pay.

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 BCI retains a highly effective and engaged team, and that human resource practices align employee performance with client expectations.

The HRGC monitors and makes recommendations to the board on the following areas:

- 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. Sheila Taylor is chair (appointed April 1, 2019); Paul Finch, appointed April 1, 2019, and Ken Tannar are committee members. Other directors may also attend committee meetings as guests. The CEO/CIO and executive vice president, human resources attend the meetings. The HRGC meets at least twice a year. In fiscal 2020, 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 years 2016 and

2020. This survey included BC Assessment Authority, BC Hydro, BC Lottery Corporation, BC Transit, Insurance Corporation of British Columbia, 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.

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 new triennial review and assessment of BCI's compensation, philosophy, and structure began in fiscal 2020. The board retained Willis Towers Watson to conduct the in-depth review of market comparison of compensation levels and the job classification system. No structural changes to compensation design were made at this time.

COMPENSATION PHILOSOPHY

BCI's compensation philosophy 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 aligns 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 multiyear timeframe for department and portfolio returns. ETCC reviews all benchmark and excess return recommendations, including the overall investment return absolute return benchmark, 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 executive 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. 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 influence 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.

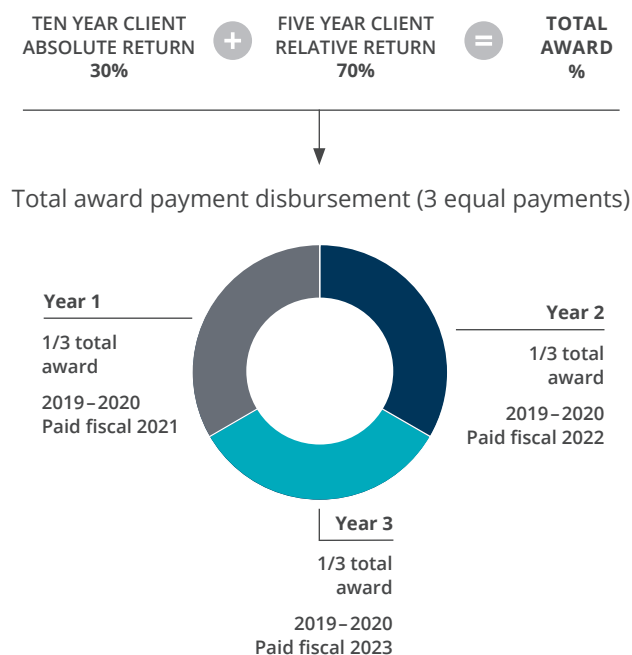
Driver 2, Individual Contribution: The employee's performance is measured against the accountabilities assigned to their role as outlined in their individual scorecards. This is intended to encourage and reward high performance.

Driver 3, Investment Department Performance:

Performance is measured against the asset class's respective market benchmarks with a 75 per cent weighting on multiyear 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.

LONG-TERM INCENTIVE PLAN CALCULATION

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.

BENCHMARKS AND COMPENSATION

BCI pursues a principle-based approach to asset class and portfolio benchmark selection. All benchmarks for fiscal 2020, 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 2019–2020

BCI's assets under management grew by \$17.8 billion in fiscal 2020, reflecting investment gains of \$4.0 billion and \$13.8 billion of client net contributions.

Despite the extraordinary societal and financial circumstances faced during the fourth quarter due to the COVID-19 global pandemic, our annualized return for the combined pension plan clients stands in positive territory at 3.0 per cent, net of all fees, slightly lagging the benchmark by 0.25 per cent.

All asset classes contributed positively to the combined pension plan portfolio absolute return except for public equities, which were the most impacted by the recent downturn in the fourth quarter of BCI's fiscal year as financial markets experienced one of the worst, and fastest, peak-to-trough declines in history. Our public markets program was defensively positioned heading into the pandemic: public equities were underweighted; and fixed income was overweighted. As a result, our portfolios broadly outperformed their benchmarks through the market downturn.

On a relative basis, most of BCI's investment strategies beat their benchmarks during fiscal 2020, while a very strong 16.2 per cent performance in private equity lagged its benchmark for the year due to unhedged foreign currency exposure in the portfolio, after having outperformed the same benchmark by 15.8 per cent last year. Overall, BCI's combined pension client one-year

return represents a \$253 million relative underperformance for the year, compared to a \$2.0 billion outperformance in fiscal 2019.

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 our 20-year history, through market downturns and material disruptions, BCI has outperformed the benchmark by 0.7 per cent on average per year, which represents \$12.2 billion of value added. Over the 10-year period, the combined pension plan has an annualized rate of return of 8.5 per cent compared to a benchmark of 7.2 per cent, representing \$11.2 billion in added value. Over the five-year period, BCI generated an annualized rate of return of 6.0 per cent against a benchmark of 5.2 per cent, representing \$4.4 billion in added value.

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 2015 to March 2020 period, BCI's investment performance added value in four out of the past five years. This performance generated a total award for 2019–2020 of 84.9 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%)
2015–2016	\$133.0 million	90.1
2016–2017	\$688.0 million	84.9
2017–2018	\$1.9 billion	91.5 ¹
2018–2019	\$2.0 billion	91.5
2019–2020	(\$253.0) million	84.9

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

Based on the performance delivered over the five- and 10-year periods, LTIP payments for 2019–2020 reflect 84.9 per cent of the maximum opportunity. Over the five-year period, BCI generated over \$4.4 billion in cumulative value-add. Over a 10-year period, we have generated \$11.2 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 2018–2019 and 2017–2018, is disclosed in the Summary Compensation Table on page 54.

The AIP and LTIP payments for the chief executive officer/chief investment officer and the other named executive officers reflect investment performance for the fiscal year. These payments also recognize their department's contribution to performance, as well as their individual contribution. Total compensation for BCI's named executive officers was \$13.3 million in 2019–2020 (\$10.1 million in 2018–2019).

TOTAL COMPENSATION

Total cost of salaries and benefits for our entire employee complement was \$141.1 million in 2019–2020 (8.7 cents per \$100 of net assets under management) compared to \$119.5 million in 2018–2019 (8.0 cents per \$100 of net assets under management).

As of March 31, 2020, BCI's employee complement was 545 compared to 487 at the end of fiscal 2019. We continued to build our expertise in the areas of portfolio management, asset management, internal audit and risk management, information security and information technology, and corporate and investor relations. The depth of 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	2019 – 2020	\$598,564	\$1,346,466	\$1,313,966	\$61,857	\$181,757	\$3,502,610
	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
Daniel Garant Executive Vice President & Global Head, Public Markets	2019 – 2020	\$462,320	\$893,672	\$672,666	\$48,701	\$79,305	\$2,156,664
	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
Lincoln Webb Executive Vice President & Global Head, Infrastructure & Renewable Resources	2019 – 2020	\$389,808	\$715,702	\$562,064	\$41,294	\$96,077	\$1,804,945
	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
Jim Pittman Executive Vice President & Global Head, Private Equity	2019 – 2020	\$389,808	\$732,888	\$562,064	\$41,294	\$71,184	\$1,797,238
	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
Stefan Dunatov Executive Vice President, Investment Strategy & Risk	2019 – 2020	\$339,519	\$594,660	\$407,896	\$36,341	\$58,220	\$1,436,636
	2018 – 2019	\$314,904	\$571,725	\$249,133	\$33,767	\$49,230	\$1,218,759
	2017 – 2018 ⁷	\$174,077	\$299,780	\$90,609	\$22,517	\$79,469	\$666,452

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.

⁷ Stefan Dunatov joined BCI on September 1, 2017.

See Erratum here, for amended compensation values for 2019-2020



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.

A handwritten signature in black ink, appearing to read "Gordon J. Fyfe".

Gordon J. Fyfe
Chief Executive Officer /
Chief Investment Officer

June 26, 2020

A handwritten signature in black ink, appearing to read "Lawrence E. Davis".

Lawrence E. Davis
Senior Vice President, Finance

Independent Auditors' Report



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, 2020
- 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, 2020, 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.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the Corporate Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Corporate Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

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.



Chartered Professional Accountants
Vancouver, Canada
June 26, 2020

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Statement of Financial Position

(Expressed in thousands of dollars)

As at March 31, 2020, with comparative information for 2019

ASSETS	NOTES	2020	2019
Current assets:			
Cash and cash equivalents	5	\$ 56,715	\$ 54,210
Trade and other receivables	6	235,822	210,738
Prepaid expenses		5,185	4,772
Lease receivables	7(b)	2,026	-
Total current assets		299,748	269,720
Premises and equipment	8	115,858	25,734
Lease receivables	7(b)	8,405	-
Total assets		\$ 424,011	\$ 295,454
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities:			
Trade and other payables	6	\$ 214,650	\$ 196,365
Employee benefits	9	61,034	51,882
Term loan facility	10	1,911	1,864
Contract liabilities	11	10,949	13,659
Lease liabilities	7(a)	5,474	-
Total current liabilities		294,018	263,770
Trade and other payables	6	1,569	2,412
Employee benefits	9	15,284	14,289
Term loan facility	10	13,072	14,983
Lease liabilities	7(a)	100,068	-
Total non-current liabilities		129,993	31,684
Total liabilities		424,011	295,454
Shareholder's equity:			
Retained earnings		-	-
Total equity		-	-
Total liabilities and shareholder's equity		\$ 424,011	\$ 295,454
Commitments	12		
Derivatives	13		
Subsequent event	19		

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:


Peter Milburn,
Chair, Board of Directors

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, 2020, with comparative information for 2019

REVENUE	NOTES	2020	2019
Recoveries of costs	6	\$ 605,761	\$ 446,717
Investment income		1,172	870
		606,933	447,587
EXPENSES			
Internal:			
Salaries and benefits	6, 14	141,053	119,545
Professional services		38,343	37,573
Information systems	6	33,759	23,019
Depreciation	8	9,130	3,928
Office and business	6	7,926	6,381
Recruitment and training		6,986	6,754
Premises operations		5,195	12,335
Financing interest		3,255	456
External:			
Investment management		311,472	186,639
Professional services		44,693	44,406
Custodial		5,121	6,551
		606,933	447,587
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, 2020, with comparative information for 2019

	RETAINED EARNINGS		TOTAL EQUITY	
Balance, March 31, 2018	\$	-	\$	-
Net income and comprehensive income		-		-
Balance, March 31, 2019		-		-
Net income and comprehensive income		-		-
Balance, March 31, 2020	\$	-	\$	-

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, 2020, with comparative information for 2019

	NOTES	2020	2019
Cash flows provided by (used in):			
Operations:			
Net income and comprehensive income		\$ -	\$ -
Items not involving cash:			
Depreciation		9,130	3,928
		9,130	3,928
Changes in non-cash items:			
Trade receivables		(25,084)	(12,584)
Prepaid expenses		(413)	(26)
Trade payables and employee benefits		27,589	22,629
Contract liabilities		(2,710)	(1,955)
Net cash provided by operating activities		8,512	11,992
Investments:			
Premises and equipment additions		(4,126)	(128)
Net cash used in investing activities		(4,126)	(128)
Financing:			
Repayment of term loan facility		(1,864)	(1,819)
Proceeds from lease liabilities		3,167	-
Repayment of lease liabilities		(3,184)	-
Net cash used in financing activities		(1,881)	(1,819)
Increase in cash and cash equivalents		2,505	10,045
Cash and cash equivalents, beginning of year		54,210	44,165
Cash and cash equivalents, end of year	5	\$ 56,715	\$ 54,210

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, 2020

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, 2020 was \$171 billion (2019 - \$153 billion). Of that, approximately \$133 billion (2019 - \$130 billion) is invested on behalf of pension funds and \$38 billion (2019 - \$23 billion) on behalf of various publicly-administered trust funds and clients. These assets are held by BCI as an agent for investment for its clients and may consist of units in one or more pooled investment portfolios whose assets are held in trust by BCI. BCI annually prepares separate audited financial statements for each pooled investment portfolio with more than one unitholder. Neither assets held 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 June 26, 2020.
- (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 accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(C) FINANCIAL INSTRUMENTS (CONTINUED):

(i) Recognition and measurement (continued): 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 expired. 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 of the following conditions:

- it is held within a business model whose 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 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, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) PREMISES AND EQUIPMENT INCLUDING RIGHT-OF-USE ASSETS (NOTE 3(H)):

- (i) Measurement:** Items of premises and equipment, including right-of-use assets, 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 the statement of income and comprehensive income.

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

Depreciation is recognized in the statement of income and comprehensive income 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:

Buildings	10-25 years
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 the statement of income and comprehensive income in the period when the performance obligations have been satisfied.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(F) REVENUE (CONTINUED):

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

(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% 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) LEASES:

- (i) Policy applicable after April 1, 2019:** When the Corporation is a lessee, at the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(H) LEASES (CONTINUED):

(i) Policy applicable after April 1, 2019 (continued):

- the supplier has a substantive substitution right;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period; and
- the Corporation has the right to direct the use of the asset. The Corporation has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

For contracts that contain a lease the Corporation recognizes a right-of-use asset, presented under premises and equipment in the consolidated statement of financial position, and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of premises and equipment.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, when there is a change in future lease payments arising from a change in a rate used to determine those payments, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. The Corporation recognizes interest expense, using the effective interest rate method, as financing interest.

The Corporation does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Corporation is a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of investment income.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, if this is the case, the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(H) LEASES (CONTINUED):

(i) Policy applicable after April 1, 2019 (continued): When the Corporation is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Corporation applies the exemption described above, then it classifies the sub-lease as an operating lease.

(ii) Policy applicable before April 1, 2019:

Classification: For contracts entered into before April 1, 2019, the Corporation classified its leases according to whether the leases transferred substantially all the risks and benefits of ownership in the asset. The Corporation did not have any leases classified as finance leases where it assumed substantially all the risks and rewards of ownership. The Corporation only had operating leases and they were not recognized in the statement of financial position.

Lease payments: Payments made under operating leases were 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: The Corporation is an agent of the government of British Columbia, and is, accordingly, immune from income taxes.

4. CHANGE IN ACCOUNTING POLICY:

The Corporation adopted IFRS 16 effective April 1, 2019. The standard introduces a single lessee accounting model that 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.

The Corporation applied the following practical expedients on initial application:

- use of the modified retrospective approach with no restatement of prior periods whereby the effect of initial application is recognized in retained earnings. For contracts previously classified as operating leases, the Corporation has elected for the right-of-use asset to equal the lease liability, adjusted for any prepaid amount;
- electing to not recognize leases for which the underlying asset is of low value; and
- contracts executed prior to April 1, 2019 that were not deemed to be, or contain, a lease under IAS 17 Leases were not reassessed unless the contract was amended after April 1, 2019.

The Corporation's assessment of non-cancellable operating lease commitments indicated that four arrangements met the definition of a lease under IFRS 16. The Corporation has sub-leased two of these arrangements related to its former location at Jutland Road effective April 2018.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

4. CHANGE IN ACCOUNTING POLICY (CONTINUED):

The Corporation recognized \$95.1 million as a right-of-use asset, \$12.2 million as a receivable and \$107.3 million as a corresponding liability in respect of these leases at April 1, 2019.

LEASE RECEIVABLES

Sub-lease commitment as at March 31, 2019 as disclosed in the Corporation's consolidated financial statements	\$	22,382
Non-lease components included within operating sub-lease receivables		(9,314)
Discounted using incremental borrowing rate at April 1, 2019		(859)
Lease receivable recognized at April 1, 2019 (note 7(b))	\$	12,209

The current portion of lease receivables at April 1, 2019 is \$1.8 million.

LEASE LIABILITIES

Operating lease commitment as at March 31, 2019 as disclosed in the Corporation's consolidated financial statements	\$	247,514
Non-lease components included within operating lease commitments		(110,997)
Effect of discounting using incremental borrowing rate at April 1, 2019		(29,180)
Lease liabilities recognized at April 1, 2019 (note 7(a))	\$	107,337

The current portion of lease liabilities recognized at April 1, 2019 is \$4.8 million.

When measuring new lease liabilities and receivables, the Corporation discounted lease payments using the incremental borrowing rate at April 1, 2019. The weighted-average rate applied is 2.68%.

5. CASH AND CASH EQUIVALENTS:

2020	CANADIAN	US	TOTAL
Cash in bank	\$ 7,544	\$ 1,509	\$ 9,053
Short-term money market instruments	45,833	1,829	47,662
	\$ 53,377	\$ 3,338	\$ 56,715
2019	CANADIAN	US	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

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 US Money Market Fund ST3.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

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:

	2020	2019
Recoveries of costs	\$ 938	\$ 416
Salaries and benefits	14	38
Information systems expenses	149	245
Office and business expenses	6	3
Trade and other payables	11	81

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, 2020, the Corporation received \$1,029,294 (2019 - \$1,721,206) 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 and mortgage 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:

	2020	2019
Recoveries of costs	\$ 21,421	\$ 2,585
Investment management	233,406	60,219
Trade and other receivables	10,756	2,322

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

6. RELATED PARTY TRANSACTIONS (CONTINUED):

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

	2020	2019
Base salary	\$ 3,132	\$ 3,368
Annual incentive plan	5,373	5,526
Long-term incentive plan	3,765	3,476
Other short-term benefits	676	682
Post-employment benefits — pension contributions	335	358
	\$ 13,281	\$ 13,410

7. LEASES:**(A) LEASES AS A LESSEE:**

The Corporation leases office space under various 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, BC. The lease took effect in March 2018, following completion of construction of the new building.

Subsequent to the execution of the lease, bcIMC Realty Corporation invested in the 750 Pandora Avenue office development project, becoming a 50% co-owner. bcIMC Realty Corporation 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.

The Corporation discounted lease payments related to the office leases using the incremental borrowing rate determined for each lease. At March 31, 2020, the weighted average rate applied is 2.67%.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

7. LEASES (CONTINUED):**(A) LEASES AS A LESSEE (CONTINUED):**

Continuity of liabilities arising from leases:

	2020
Balance, March 31, 2019	\$ -
Impact of adoption of IFRS 16 (note 4)	107,337
Balance, April 1, 2019	107,337
Additions	3,167
Payments	(4,962)
Balance, March 31, 2020	105,542
Current	5,474
Non-current	100,068
Balance, March 31, 2020	\$ 105,542

Lease liabilities are payable as follows:

	2020
Less than 1 year	\$ 8,206
Between 1 and 5 years	33,858
More than 5 years	89,909
Total undiscounted lease liabilities	131,973
Less future interest expense	(26,431)
Total lease liabilities	\$ 105,542

During the year ended March 31, 2020, the Corporation recognized \$2,854,829 (2019 – nil) of interest expense related to lease liabilities.

(B) LEASES AS A LESSOR: The Corporation has three signed agreements to sub-lease the vacated office space on Jutland Road that took effect in April 2018.

The Corporation discounted lease payments receivable from sub-leases using the interest rate implicit in the lease of 2.33%.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

7. LEASES (CONTINUED):**(B) LEASES AS A LESSOR (CONTINUED):**

Continuity of receivables arising from sub-leases:

	2020
Balance, March 31, 2019	\$ -
Impact of adoption of IFRS 16 (note 4)	12,209
Balance, April 1, 2019	12,209
Additions	-
Receipts	(1,778)
Balance, March 31, 2020	10,431
Current	2,026
Non-current	8,405
Balance, March 31, 2020	\$ 10,431

Sub-lease assets are receivable as follows:

	2020
Less than 1 year	\$ 2,243
Between 1 and 5 years	8,785
More than 5 years	-
Total undiscounted lease receivables	11,028
Less unearned interest income	(597)
Total lease receivables	\$ 10,431

During the year ended March 31, 2020, the Corporation recognized \$261,791 (2019–nil) of interest income related to lease receivables.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

8. PREMISES AND EQUIPMENT:

	FURNITURE AND EQUIPMENT	COMPUTER AND RELATED SOFTWARE	LEASEHOLD IMPROVEMENTS AND INTERESTS	RIGHT-OF USE ASSETS - BUILDINGS	TOTAL
Cost:					
Balance, March 31, 2018	\$ 5,594	\$ 8,061	\$ 19,851	\$ -	\$ 33,506
Additions	-	142	123	-	265
Rebates	(137)	-	-	-	(137)
Balance, March 31, 2019	5,457	8,203	19,974	-	33,634
Recognition of Right-of-use assets on initial application of IFRS 16 (note 4)	-	-	-	95,128	95,128
Adjusted balance, April 1, 2019	5,457	8,203	19,974	95,128	128,762
Additions	346	311	352	3,167	4,176
Rebates	(50)	-	-	-	(50)
Balance, March 31, 2020	\$ 5,753	\$ 8,514	\$ 20,326	\$ 98,295	\$ 132,888
Accumulated depreciation:					
Balance, March 31, 2018	\$ 310	\$ 3,662	\$ -	\$ -	\$ 3,972
Depreciation for the year	554	1,373	2,001	-	3,928
Balance, March 31, 2019	864	5,035	2,001	-	7,900
Recognition of Right-of-use assets on initial application of IFRS 16 (note 4)	-	-	-	-	-
Adjusted balance, April 1, 2019	864	5,035	2,001	-	7,900
Depreciation for the year	563	1,252	2,022	5,293	9,130
Balance, March 31, 2020	\$ 1,427	\$ 6,287	\$ 4,023	\$ 5,293	\$ 17,030
Carrying amounts:					
March 31, 2019	\$ 4,593	\$ 3,168	\$ 17,973	\$ -	\$ 25,734
April 1, 2019	4,593	3,168	17,973	95,128	120,862
March 31, 2020	4,326	2,227	16,303	93,002	115,858

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

9. EMPLOYEE BENEFITS:**CURRENT:**

	2020	2019
Employee benefits	\$ 7,508	\$ 5,755
Annual incentive plan (AIP)	39,902	34,898
Long term incentive plan (LTIP)	13,520	10,986
Long service retiring allowance (LSRA)	104	243
	\$ 61,034	\$ 51,882

NON-CURRENT:

	2020	2019
Long term incentive plan (LTIP)	\$ 14,576	\$ 13,445
Long service retiring allowance (LSRA)	708	844
	\$ 15,284	\$ 14,289

10. 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, BC.

Interest is charged at a fixed rate of 2.5% 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, 2020, the fair value of the term loan facility is \$15,548,666 (2019 - \$16,920,504). 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:

	2020	2019
Carrying amount, beginning of year	\$ 16,847	\$ 18,666
Repayment	(1,864)	(1,819)
Carrying amount, end of year	14,983	16,847
Current portion	1,911	1,864
Non-current portion	\$ 13,072	\$ 14,983

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

11. CONTRACT LIABILITIES:

	2020	2019
Balance, beginning of year	\$ 13,659	\$ 15,614
Performance of services in the period	(2,710)	(1,955)
Balance, end of year	\$ 10,949	\$ 13,659

12. COMMITMENTS:

PREMISES: Future minimum payments for operating costs which are variable in nature, based on total rentable area of the lease agreements for office space, are as follows:

	2020	2019
Less than 1 year	\$ 5,641	\$ 5,292
Between 1 and 5 years	24,211	23,442
More than 5 years	78,331	82,263
	\$ 108,183	\$ 110,997

The Corporation has sub-leased its former location effective April 2018, resulting in the following net future payments for operating costs:

2020	GROSS	ASSIGNED	NET
Less than 1 year	\$ 5,641	\$ 1,547	\$ 4,094
Between 1 and 5 years	24,211	6,239	17,972
More than 5 years	78,331	-	78,331
	\$ 108,183	\$ 7,786	\$ 100,397

2019	GROSS	ASSIGNED	NET
Less than 1 year	\$ 5,292	\$ 1,528	\$ 3,764
Between 1 and 5 years	23,442	6,299	17,143
More than 5 years	82,263	1,487	80,776
	\$ 110,997	\$ 9,314	\$ 101,683

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

12. COMMITMENTS (CONTINUED):

SOFTWARE AGREEMENT: 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:

	2020	2019
Less than 1 year	\$ 3,708	\$ 3,126
Between 1 and 5 years	12,872	14,513
More than 5 years	-	1,754
	\$ 16,580	\$ 19,393

13. 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, 2020, the various forward currency, equity and fixed income contracts entered into on behalf of clients or pooled investment portfolios had an unrealized loss of \$5,020,925,356 on a notional value of \$96,865,101,189 (2019 - an unrealized gain of \$696,067,861 on a notional value of \$54,503,382,078).

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

13. DERIVATIVES (CONTINUED):

Notional values under the current agreements are as follows:

	2020	2019
Equity derivatives:		
Listed:		
Futures	\$ 10,585	\$ 12,442
OTC:		
Swaps	38,217,859	21,535,292
Options	2,845,863	37,990
Currency derivatives:		
OTC:		
Forwards:		
US dollar	25,087,003	16,465,625
British pound	1,985,631	1,634,055
Australian dollar	1,291,450	1,236,271
Euro	1,505,017	1,226,018
Other currencies	1,379,785	224,241
Japanese yen	111,396	39,989
Options:		
Euro	-	(135,411)
Interest rate derivatives:		
Listed:		
Futures	737,596	91,870
OTC:		
Swaps	23,692,916	12,135,000
Total	\$ 96,865,101	\$ 54,503,382

There were no OTC-cleared contracts outstanding at March 31, 2020 or March 31, 2019.

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 sixteen (2019 - fifteen) counterparties. The terms of the agreements provide for right of offset with each counterparty. Net counterparty receivables and payables at March 31 are:

	2020	2019
Receivables	\$ 12,892	\$ 940,685
Payables	(5,033,817)	(244,618)
	\$ (5,020,925)	\$ 696,067

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

13. DERIVATIVES (CONTINUED):

The Corporation posted collateral of \$3,658,267 (2019 - \$778,829,918) to secure the payable position. The counterparties for swap contracts are limited to those with at least an "A-" credit rating.

14. SALARIES AND BENEFITS:

	2020	2019
Salaries	\$ 71,079	\$ 59,030
Annual incentive plan	39,902	34,977
Long term incentive plan	14,549	13,737
Benefits:		
Health	5,973	2,741
Pension	6,192	5,421
Insurance and other	3,358	3,639
	\$ 141,053	\$ 119,545

15. 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 10.

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.

16. 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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

16. FINANCIAL RISK MANAGEMENT (CONTINUED):

(A) CREDIT RISK (CONTINUED): The Corporation's cash and 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 and 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.

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

MARCH 31, 2020	WITHIN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	TOTAL
Trade and other payables	\$ 214,650	\$ 1,569	\$ -	\$ -	\$ 216,219
Employee benefits	7,508	-	-	-	7,508
AIP /LTIP	53,422	14,576	-	-	67,998
LSRA	104	261	281	166	812
Term loan facility	1,911	10,294	2,778	-	14,983
Contract liabilities	10,949	-	-	-	10,949
Lease liabilities	5,474	24,416	19,684	55,968	105,542
	\$ 294,018	\$ 51,116	\$ 22,743	\$ 56,134	\$ 424,011

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
Employee benefits	5,755	-	-	-	5,755
AIP /LTIP	45,884	13,445	-	-	59,329
LSRA	243	252	356	236	1,087
Term loan facility	1,864	10,043	4,940	-	16,847
Contract liabilities	13,659	-	-	-	13,659
Lease liabilities	-	-	-	-	-
	\$ 263,770	\$ 26,152	\$ 5,296	\$ 236	\$ 295,454

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2020

16. FINANCIAL RISK MANAGEMENT (CONTINUED):

(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.

17. 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.

18. COMPARATIVE INFORMATION:

During the fiscal year ended March 31, 2020, management determined it to be more relevant for financing interest to be presented in a separate line on the statement of income and comprehensive income. Prior year comparatives as at March 31, 2019 have been restated by reclassifying \$455,515 from office and business to financing interest.

19. SUBSEQUENT EVENT:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak.

Given the extent of the crisis, it is difficult to reasonably estimate its impact on the assets and operations of the Corporation.

Our External Managers and Partners

As at March 31, 2020

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 Capital
ArcLight Capital Partners, LLC
Azimuth Capital Management
Bonnefield Financial Inc.
Brookfield Asset Management Inc.
Energy Capital Partners
First Reserve Corporation
Macquarie Infrastructure and Real Assets
Oaktree Capital Management
Paine Schwartz Partners
TIAA CREF Financial Services

MORTGAGE

QuadReal Property Group

PRIVATE EQUITY

Adams Street Partners, LLC
Advent International Corporation
AEA Investors LP
Affinity Equity Partners
Apax Partners
Apollo Global Management, Inc.
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 Asset Management

Baring Private Equity Asia
BC Partners
BCMC Capital LP
BGH Capital
Birch Hill Equity Partners Management Inc.
Blackstone Group
Bridgepoint Capital Ltd.
Brookfield Asset Management Inc.
CAI Capital Partners
Canaan Partners
Cartesian Capital Group, LLC
Castik Capital Partners
Castlelake, L.P.
Celtic House Venture Partners Inc.
Cinven Limited
Clearstream Capital LLC
Corsair Capital
CVC Capital Partners
FountainVest Partners
Francisco Partners, L.P.
Gamut Capital Management
Glenmount International
Greenstone Venture Partners
GTCR, LLC
H&Q Asia Pacific
HarbourVest Partners, LLC
Hayfin Capital Management LLP
Hellman & Friedman LLC
Hg Capital
IK Investment Partners
Jasper Ridge Partners
Leonard Green & Partners, L.P.
Lone Star Funds
MBK Partners
McLean Watson Capital Inc.
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.
PAI Partners SAS
Pantheon Ventures (UK) LLP

Penfund Management Limited
PineBridge Investments Partners LLC
Polaris Partners
Preservation Capital Partners
Richardson Capital Limited
RRJ Capital
Searchlight Capital Partners
Spring Lane Management, LLC
TA Associates Management, L.P.
Thomas H. Lee Company
TorQuest Partners
TPG Capital
TriWest Capital Partners
True North Managers LLP
Turkven
Vanedge Capital
Ventures West Capital Ltd.
Wayzata Investment Partners
Yaletown Venture Partners

PUBLIC EQUITIES

Acadian Asset Management Inc.
APS Asset Management Pte. Ltd.
ARGA Investment Management LP
Fidelity Investments Canada ULC
Green Court Capital Management Limited
GQG Partners LLC
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 Berkomp and Associates Inc.
Walter Scott & Partners Limited
Wasatch Advisors Limited

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

Stefan Dunatov

Executive Vice President, Investment Strategy & Risk

Daniel Garant

Executive Vice President & Global Head, Public Markets

Norine Hale

Executive Vice President, Human Resources

David Morhart

Executive Vice President, Corporate & Investor Relations

Jim Pittman

Executive Vice President & Global Head, Private Equity

Lincoln Webb

Executive Vice President & Global Head, Infrastructure & Renewable Resources

We welcome your comments and suggestions on our report.

Please contact: Ben O'Hara-Byrne

Manager, External Communication

Tel: 778-410-7310 | Email: communication@bci.ca

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BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

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