2020

ESG

ANNUAL REPORT

Delivering
Long-term
Sustainable
Returns

British Columbia Investment
Management Corporation

BCI

ESG

ESG refers to any environmental, social, or governance (ESG) factor that could positively or negatively affect the risk or return of an investment, sector, or fund. These factors can be company-specific, like board independence, or systemic, like climate change. For this report, we consider ESG to be synonymous with responsible investing and sustainable investing.

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ABOUT BCI

With $171.3 billion of managed assets, British Columbia Investment Management Corporation (BCI) is the 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. This compels us to integrate long-term ESG matters into our investment decisions and activities. We offer investment options across a range of asset classes: fixed income; public and private equity; infrastructure and renewable resources; real estate and mortgages.

2020 Highlights

Achieved **best-ever PRI[1] results,** receiving **A or A+ ratings** in every category and outperforming global signatories in most categories

Completed **16 detailed ESG risk reviews** for private equity and infrastructure & renewable resources, and **210 company ESG reviews** in public markets

Continued to **lead, co-lead or support engagement with 10 North American companies as part of Climate Action 100+**; nearly half of the 167 focus companies have now set a net-zero by 2050 target or ambition

QuadReal Property Group (QuadReal)[2] was ranked first in Canada, **first in North America,** and second globally by the **Global Real Estate Sustainability Benchmark** (GRESB)

BCI's public markets ESG team participated in **seven collaborative engagements,** covering 633 companies on ESG-related matters

Expanding our carbon footprint reporting to include **all asset classes**, adding private markets to our calculations for fixed income, real estate, and public equities.

Along with APG, AustralianSuper and PGGM, established the **Sustainable Development Investments Asset Owner Platform,** to provide a globally consistent framework and standard for investing in the UN Sustainable Development Goals

[1] The PRI assessment methodology, BCI's full assessment report, and our transparency report are available on our website at **BCI.ca/principles-responsible-investing**
[2] QuadReal, a company owned by BCI, actively manages our clients' real estate and mortgage investment portfolios

To Our Clients

BCI exists to deliver the long-term returns our clients require to fulfill their mandates. Factoring environmental, social, and governance (ESG) into our investment decisions across all asset classes is an integral part of helping meet those goals.

The disruption brought on by the global pandemic has only strengthened our commitment to companies and partners that have a clearly defined vision for sustainable growth.

Over the past six years, BCI transformed into an active asset manager and increased the capabilities of our in-house team. We evolved our ESG strategy into a coordinated and consistent approach that integrates ESG across all private and public market assets.

The benefits of our corporate-wide strategy were evident over the past year. As the pandemic struck Asia and started to impact Europe earlier than North America, our relationships with investment companies and general partners in those regions became an important source of information on ESG-related matters.

We shared this knowledge across our portfolio management teams and developed best practices. We used the information to engage with companies in which we invest to provide clarity about our expectations regarding their COVID-19 response. This work also assisted our portfolio companies in prioritizing employee health and safety to continue essential services or, in some cases, pivot to respond to the pandemic.

BCI continues to expand our ESG focus from a predominantly risk-mitigation approach to one that includes ESG as a source of value creation across all asset classes. Global sustainable debt financing surpassed US$1 trillion in 2020[1] and this structural shift within the markets presents longer-term opportunities for our clients.

As we are actively sourcing opportunities in sustainable bonds issued by companies and governments, BCI increased our cumulative historical participation to $888 million. We are tracking participation in new issuances on the primary market and supporting the growth of this market by encouraging qualified issuers to consider these financing mechanisms.

Under our existing strategies, we anticipate reaching a cumulative historical participation of $5 billion in sustainable bonds by 2025.

Looking to the future, BCI will continue to develop investment strategies that create sustainable value in a changing world. This includes broadening our perspective on ESG considerations and proactively using ESG across all asset classes to create value while managing risk.

Gordon J. Fyfe
Chief Executive Officer /
Chief Investment Officer

[1]Bloomberg/Scotiabank

Who We Are

Clients are at the core of everything we do. BCI's clients include 12 public sector pension plans, helping secure the pensions of more than 630,000 plan members in our six largest pension plans alone. We also support the investment objectives of three insurance funds that provide coverage for more than 2.5 million workers and 249,000 employers, as well as three million Autoplan policies, and various special purpose funds.

Our clients have obligations that extend beyond 70 years, and our outlook, strategies, and approach are driven by long-term considerations. Assessing and managing ESG investment opportunity and risk is an integral part of our responsibility to our clients.

BCI invests in all major asset classes, which we group broadly as public markets, private markets and QuadReal. More information about BCI's portfolio can be found at **BCI.ca/portfolio**

PUBLIC MARKETS

Our public markets program manages a portfolio of fixed income and public equity investments representing $112.8 billion[1] and 66 per cent of BCI's assets under management. We invest in Canada, the U.S. and internationally in developed and emerging markets using index and active management strategies.

$55.7 BILLION
PUBLIC EQUITIES

$57.1 BILLION
FIXED INCOME

[1] BCI's AUM (as at March 31, 2020) of $171.3 billion includes $(9.7) billion of leverage liabilities

PRIVATE MARKETS

Our private markets program includes direct ownership through our infrastructure and renewable resources and private equity portfolios, accounting for $36.2 billion[1] and 21 per cent of BCI's assets under management. Our investments are diversified by sector, geography, and other factors, and are managed both in-house and by external managers.

$18.3 BILLION
INFRASTRUCTURE AND RENEWABLE RESOURCES

$17.9 BILLION
PRIVATE EQUITY

QUADREAL

QuadReal is owned by BCI and manages our real estate portfolio and mortgage program, representing $32 billion[1] (net) and 19 per cent of BCI's assets under management. It oversees a diversified real estate portfolio with assets in 23 cities across 17 countries. The mortgage portfolio is concentrated in Canada and the U.S.

$25.5 BILLION (NET)
REAL ESTATE

$6.5 BILLION
MORTGAGES

Our ESG Approach

As a long-term investor, incorporating ESG considerations into our approach is an essential part of who we are and what we do. Whether it's called responsible investing or sustainable investing, our clients share our belief that companies employing robust ESG practices are better positioned to generate long-term value. We have built the responsibilities for ESG oversight, evaluation, and integration into multiple levels of the corporation through our **ESG Governance Policy**.

All aspects of our **ESG Strategy** are guided by our **investment beliefs** and our **ESG Principles**, which together create consistency across asset classes and act as a compass. Together, the strategy's four key components — Integrate, Influence, Insight, Invest — represent all ESG activities taking place at BCI. Our approach addresses issues most material to our clients' investments. More information about BCI's approach to ESG can be found at **BCI.ca/esg**

Investment Belief: ESG Matters Make a Difference

- Taking ESG matters into account enables investors to better understand, manage and mitigate risks and take advantage of opportunities associated with long-term investments.
- Companies that employ robust ESG practices are better positioned to generate long-term value for investors than similar companies with less favourable practices.
- Improving the sustainability and integrity of global capital markets creates favourable economic conditions that benefit investors over the long term.

BCI's ESG Principles

- The investment objectives of our clients are always at the forefront of our ESG activities.
- We apply consistent principles across the corporation while adapting our approaches to what is best for each asset type.
- We manage ESG risks and seek opportunities across all time horizons, while focusing on those ESG matters that are most material to our clients' portfolios and individual investments.
- We use our position as a universal owner to engage with companies, partners, and policymakers in aligning interests with long-term investors and to advance responsible investing globally.
- We collaborate with like-minded investors and organizations on ESG matters where our objectives are aligned.
- We act with the same level of integrity and transparency that we expect from our partners and invested companies.
- We adapt our ESG strategy and approaches and continuously improve based on our experiences and evolving responsible investing standards.

ESG Strategy

INTEGRATE

We integrate 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, we apply our influence on companies in which we invest, our partners, and other participants in capital markets.

INVEST

We actively seek opportunities to invest in 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 insights that help us continuously adapt and improve our strategies, processes and approaches.

PRI Reporting and Assessment

BCI is a founding signatory of the **Principles for Responsible Investment** (PRI). The PRI provides a set of principles for its global network of institutional investors and acts in the long-term interests of its signatories, the financial markets, and the economies in which they operate. It is the largest global reporting project on responsible investment.

As a signatory, BCI is committed to reporting our responsible investing activities through participation in the annual assessment of progress. A standardized methodology is applied, and each signatory receives transparency and assessment reports. This allows BCI to benchmark our practices and live our corporate values of transparency and accountability. Our complete **PRI Assessment Report** and our **RI Transparency Report** are available and linked to the assessment methodology on our website, **BCI.ca/principles-responsible-investing**

BCI received our best scores to date in the 2020 PRI assessment results, reflecting 2019 activities, and we continue to outperform our global peers in most assessment areas. Notably, BCI's scores improved in five categories since the 2019 reporting cycle.

"BCI's commitment to continuous improvement in our ESG practices is validated by these strong results. It's encouraging to see a respected global organization such as PRI recognize our efforts to coordinate our ESG approach across all asset classes."

Jennifer Coulson, Vice President, ESG, Public Markets

BCI's 2020 PRI Scorecard

Module	Category	BCI's Scores	Median Peer Scores
	Strategy & Governance	A+	A
Internally Managed (Direct)	Listed Equity — Incorporation	A+	A
	Listed Equity — Active Ownership	A+	B
	Fixed Income — SSA[1]	A	B
	Fixed Income — Corporate Financial	A	B
	Fixed Income — Corporate Non-Financial	A	B
	Private Equity	A	A
	Property	A	B
	Infrastructure	A+	A
Externally Managed (Indirect)	Listed Equity	A+	A
	Fixed Income — Corporate Non-Financial	A+	A
	Private Equity	A	A
	Property	A	A
	Infrastructure	A	A

BCI's Scores | Median Peer Scores

[1] SSA = Sovereign, Supranational and Agency

CURRENT PRI INVOLVEMENT

Since the PRI's founding in 2006, BCI has actively participated in PRI committees and working groups. Our involvement allows us to collaborate with other PRI signatories to influence positive change and fulfill our fiduciary duty to act in the best long-term interests of our clients.

Corporate Reporting Reference Group

Our Role Member
Term 2019–present

This group seeks to improve the quality of ESG reporting, stimulate convergence in reporting standards, and contribute to the development of a standard measurement for the UN Sustainable Development Goals through engagement with policymakers and regulators.

Western North America PRI Network Advisory Committee

Our Role Member
Term 2019–present

This committee includes PRI signatories from across the western U.S. and Canada. It guides the PRI on issues and topics of interest to network members and assists in bringing together regional signatories for education, collaboration and implementation support on ESG issues.

Climate Action

BCI always works in the best financial interests of our clients. Assessing and managing the opportunities and risks presented by climate change is core to that responsibility. We recognize the role institutional investors around the world can play in promoting sustainable, inclusive, and long-term growth.

In 2020, BCI made additional progress on the priorities identified in our 2018 **Climate Action Plan**. More information about BCI's climate-related initiatives can be found at **BCI.ca/climate**

Climate Action Plan

Our **Climate Action Plan** outlines four activities to manage the effects of climate change across the total portfolio. They are: manage risks, integrate climate considerations, seek opportunities, and engage and advocate.

The action plan helps position BCI to capitalize on investment opportunities from the long-term transition to a low carbon economy, while protecting client portfolios from undue physical and transition risks.

Manage Risk

By quantifying BCI's and clients' specific climate change risks and monitoring changes in expected outcomes.

ACTIVITY	2020 PROGRESS
Integrating climate change scenario analysis into risk processes across client portfolios and BCI asset classes.	BCI internalized climate change scenario analysis and has developed in-house climate scenario modelling capabilities. We use these to test total portfolio impacts and asset specific impacts from climate change.
Measuring and reporting on the carbon footprint of the BCI portfolio.	We expanded our portfolio carbon footprinting to reflect all asset classes, adding private markets to our calculations for fixed income, real estate, and public equities.
Conducting physical climate change risk assessments for private investments.	BCI began collaborating with several other Canadian pension plans to develop a total portfolio physical climate risk tool that will enable financial impact analysis of physical risk across the total portfolio. QuadReal measures physical climate change risks for all real estate assets and potential investments.

Integrate

By employing climate analysis in investment decision-making at the asset, pool, and total client portfolio levels.

ACTIVITY	2020 PROGRESS
Integrating climate change indicators in active equity mandates based on the Sustainability Accounting Standards Board (SASB) framework, and developing climate materiality assessments across all asset classes.	BCI conducted climate change materiality assessments for all investments and climate risks were evaluated and integrated in all investment risk reviews where material. For material risks, we factored the potential impacts into our investment decisions and active management of portfolio companies.
Testing carbon pricing model in certain private asset valuations.	We completed a detailed carbon pricing impact assessment for a private asset. We continue to conduct carbon pricing and regulatory assessments for new investments where material.
Strengthening our external manager evaluation process.	BCI established a consistent process to evaluate external managers on ESG management across all asset classes, including questions on climate change among other ESG priority areas.

Seek Opportunities

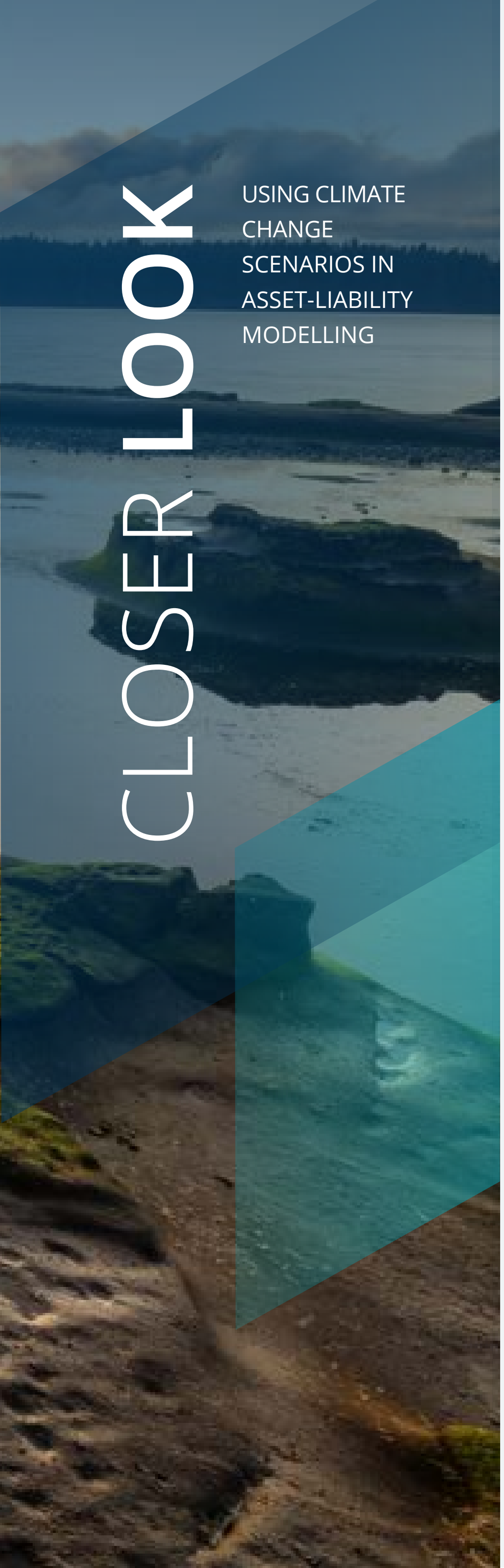
By investing in beneficiaries of the transition to a low carbon economy, where it makes financial sense.

ACTIVITY	2020 PROGRESS
Increasing total portfolio exposure to climate-related investment opportunities.	We increased our historical participation in sustainable bonds to $888 million at December 31, 2020. We expanded the Thematic Public Equity Fund, a concentrated portfolio, which has a low-carbon component, to $4.7 billion at December 31, 2020.
Measuring and reporting on the total value of assets invested in climate-related investment opportunities through our annual Task Force on Climate-related Financial Disclosures (TCFD) submissions.	Our measured exposure to investments that will benefit from the transition to a low carbon economy was approximately $3 billion at December 31, 2020, compared to $2.1 billion at December 31, 2019.

Engage and Advocate

By encouraging climate-related disclosure and strategy, with investment companies, industry peers, policymakers, and other stakeholders.

ACTIVITY	2020 PROGRESS
Completing climate-related policy and advocacy submissions with provincial, federal, and international policymakers and other stakeholder groups.	BCI completed seven policy and advocacy submissions, in addition to other surveys and standards development responses, that include climate-related content. BCI continues to assess and respond to climate and other ESG-related policy and advocacy submissions.
Encouraging greater disclosure aligned with the TCFD recommendations across all our investments.	BCI joined other Canadian pension peers in calling for better consistency and alignment of company disclosures with TCFD and SASB. BCI also engaged with policy makers in Canada, the U.S. and the U.K. to advocate for alignment with the TCFD.
Executing the Climate Action 100+ collaborative engagement to target the largest global greenhouse gas (GHG) emitters.	BCI continues to lead or co-lead engagement with four companies and support engagements with six other companies. Almost half of the focus companies included in Climate Action 100+ have set net-zero targets.



CLOSER LOOK

USING CLIMATE CHANGE SCENARIOS IN ASSET-LIABILITY MODELLING

As the main determinant of overall risk and return, asset allocation is the most important decision that BCI's clients make.

Long-term sustainability is the driving force behind our investment approach, and it starts with the evaluation of relevant ESG issues for the asset-liability modelling (ALM) reviews we conduct with our clients.

The purpose of an ALM is to determine the asset mix most likely to meet the client's investment objectives.

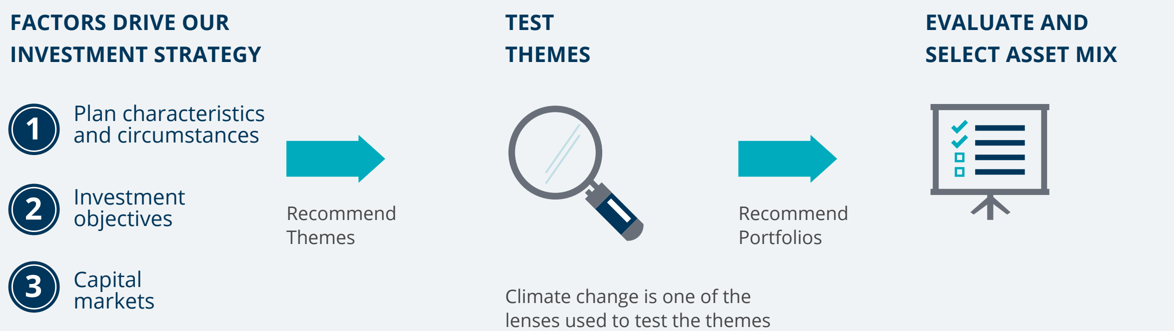
With the release of BCI's Climate Action Plan in 2018, we began incorporating ESG in to the ALM process. We conducted climate change scenario analysis to identify macro-economic climate-related opportunities and risks that could impact our clients' investment returns.

We use the following steps:

- Integrate climate scenarios into the ALM starting with a model based on Mercer's Climate Change Risk Assessment Research Package and moving to in-house climate change scenarios
- Customize the ALM to measure climate change impacts on private market holdings, to better reflect the unique geographic and sector exposures of those portfolios
- Educate clients on climate change science, economic impacts, and what each climate scenario describes
- Align with the TCFD recommendations and educate clients on the TCFD framework

We revise and update climate change scenarios in our evaluations as new information becomes available. We will also refine and develop new capabilities to test alternative climate change scenarios.

> "Evaluating the potential impacts from systemic risks like climate change provides a critical lens for long-term investors to apply in their asset-liability modelling and ensures the investment strategy is informed by a holistic understanding of the most pressing global sustainability risks."
>
> **Adam Goehner, Manager, ESG Strategy and Risk**



Climate Action 100+

Climate Action 100+ is the largest investor-led engagement initiative on climate change. It brings together 545 signatories in 32 countries, representing US$52 trillion in assets under management, to ensure the world's largest GHG emitters take action on climate change.

The initiative engages with 167 companies representing more than 80 per cent of global industrial GHG emissions. Climate Action 100+ recognizes that the decarbonization of the global economy is complex and will require unique strategies and approaches across different businesses, regions, and sectors.

BCI actively participates in the efforts to encourage the world's largest GHG emitters — companies that are critical to the net-zero emissions transition — to meet the objectives of the 2015 Paris Agreement.

Climate Action 100+ Key Goals

Signatories seek commitments from boards and senior management of target companies to:

- Improve governance of climate risks and opportunities
- Reduce GHG emissions in line with the goals of the Paris Agreement
- Provide enhanced disclosure aligned with the TCFD recommendations

BCI's Role

- As part of Climate Action 100+, BCI leads or co-leads engagements with four North American companies in the oil and gas and mining industries, and supports engagements with six other companies in the oil and gas industry and utilities sector

Climate Action 100+ 2020 Progress Report

Climate change remained firmly on companies' and investors' agendas as an urgent issue in 2020, despite the significant global challenges posed by the COVID-19 pandemic.

The **2020 Progress Report** shows that nearly half (43 per cent) of the focus companies had set a net-zero by 2050 target or ambition in some form, which Climate Action 100+ identifies as an important signal to investors that companies understand the transition and are preparing accordingly. The report points out that only 10 per cent of focus companies have net-zero targets that explicitly cover their most material Scope 3[1] emissions.

Climate Action 100+ Net-Zero Company Benchmark

In 2020, the Climate Action 100+ initiative developed the Net-Zero Company Benchmark. It is designed to clarify specific disclosures and targets for companies, and be a useful tool for investors to assess and compare company performance. Disclosure indicators include:

- Net-zero by 2050 ambition
- Targets and goals for GHG emissions reduction in the short, medium, and long term and whether targets align with 1.5 degrees Celsius climate scenario
- Decarbonization strategy
- Capital allocation alignment
- Climate policy engagement
- Governance, including executive remuneration linked to climate targets
- Just transition (impacts on workers and communities)
- TCFD reporting, including scenario analysis

The first company scorecards were released in 2021.

[1]Scope 1: All direct emissions from the activities of an organization or under their control, including on-site fuel combustion such as gas boilers, fleet vehicles, and air-conditioning leaks; Scope 2: Indirect emissions from electricity purchased and used by the organization. Emissions are created during the production of the energy and eventually used by the organization; Scope 3: All other indirect emissions from activities of the organization occurring from sources they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with the use of solid products, business travel, procurement, waste, and water.

Engagement with Teck Resources Yields Progress

BCI jointly leads the Climate Action 100+ engagement with Teck Resources Limited (TSX: TECK.B), Canada's largest diversified mining company, headquartered in Vancouver, British Columbia.

Along with the Shareholder Association for Research and Education (SHARE) and three collaborating investors, BCI has participated in four meetings with the company's senior management and independent board directors since the initiative started in 2017. BCI has also interacted individually with Teck to reinforce expectations.

Engagement Priorities

- Supporting the company's post-2020 emissions target-setting process, which included highlighting the importance of a long-term net-zero emissions goal with interim milestones
- Asking for enhanced climate scenario analysis, including additional disclosure of climate considerations associated with Teck's existing energy portfolio and its proposed Frontier oil sands mining project (since cancelled)
- Advocating for the company to reconcile its internal climate positions with the lobbying activities of its respective industry associations
- Emphasizing the importance of linking executive compensation and incentive structures to climate strategy

Teck's Progress to Date

- Committed to net-zero emissions by 2050 in its operations (Scope 1 and 2; see page 12 footnote for Scope definitions) and announced an intensity emissions reduction target of 33 per cent by 2030
- Achieved its alternative energy generation target for 2030 ahead of schedule and set a clean energy target of 100 per cent for its Chile operations
- Agreed to provide enhanced climate scenarios disclosure
- Formally supported the TCFD since September 2018 and published two TCFD-aligned reports
- Withdrew the regulatory application for the Frontier oil sands project from federal review and wrote off associated costs
- Withdrew its membership in a major Canadian energy industry association as part of a cost-cutting drive, substantially addressing investors' concerns on climate lobbying

BCI continues to engage with Teck to discuss opportunities and challenges of capturing some Scope 3 emissions in future target-setting exercises, and its approach to creating incentives for executives and employees to achieve its climate targets.

CLIMATE ACTION 100+ ENGAGES WITH 167 FOCUS COMPANIES. OF THIS GROUP:

78% have disclosed clear evidence of board or board committee oversight of climate change risks

51% have short-term (2020-2025) emissions reduction targets

43% have goals or commitments for net-zero emissions by 2050 or sooner in some form

38% have a medium-term (2026-2035) emissions reduction target

These public commitments reinforce BCI's belief that engagement is a more effective strategy for managing climate risk than divesting.

Source: **Climate Action 100+ 2020 Progress Report**

Beyond Net Zero at Puget Sound Energy

Puget Sound Energy (PSE) is the largest utility in the U.S. state of Washington, serving more than 1.1 million electric and nearly 850,000 natural gas customers in a service area spanning over 15,500 square kilometres. PSE owns and operates three wind farms, making it the Pacific Northwest's largest utility producer of renewable energy. BCI has held an equity interest in Puget Energy since 2009 alongside other institutional investors. Puget Energy's core business is PSE. It is held within our infrastructure & renewable resources program.

In January 2021, PSE announced its target to be a "beyond net-zero carbon" energy company by 2045. BCI, as a shareholder with representatives on Puget's board, worked closely with the company and outside consultants throughout 2020 to support this target and participated in the development of climate change policy in Washington State. PSE has released a set of commitments and aspirational goals that aim to:

- Reduce emissions from PSE electric and gas operations and electric supply to net-zero by 2030
- Reach net-zero carbon emissions for natural gas sales by 2045 — customer use in homes and businesses — with an interim target of a 30 per cent reduction in emissions by 2030
- Go beyond PSE's own emissions to partner with customers and industry to reduce carbon emissions in the region

As an owner, we support PSE's pledge to be the clean energy provider of choice for its customers and to balance its climate objectives with safety, reliability, and affordability.

Puget Sound Energy

Hopkins Ridge Wind Facility was PSE's first wind facility in Washington State, U.S.

> "Puget has assumed a leadership role among North American utilities by aspiring to net-zero carbon by 2045. It has committed to work with stakeholders on policy changes, explore new technologies and leverage its infrastructure footprint as a long-term climate change solution, while also meeting the needs of customers and shareholders."
>
> **Grant Hodgkins, Portfolio Manager, Infrastructure & Renewable Resources**

Carbon Reduction at QuadReal

QuadReal continues to champion energy efficiency and low carbon intensity within its portfolio and for all new development projects

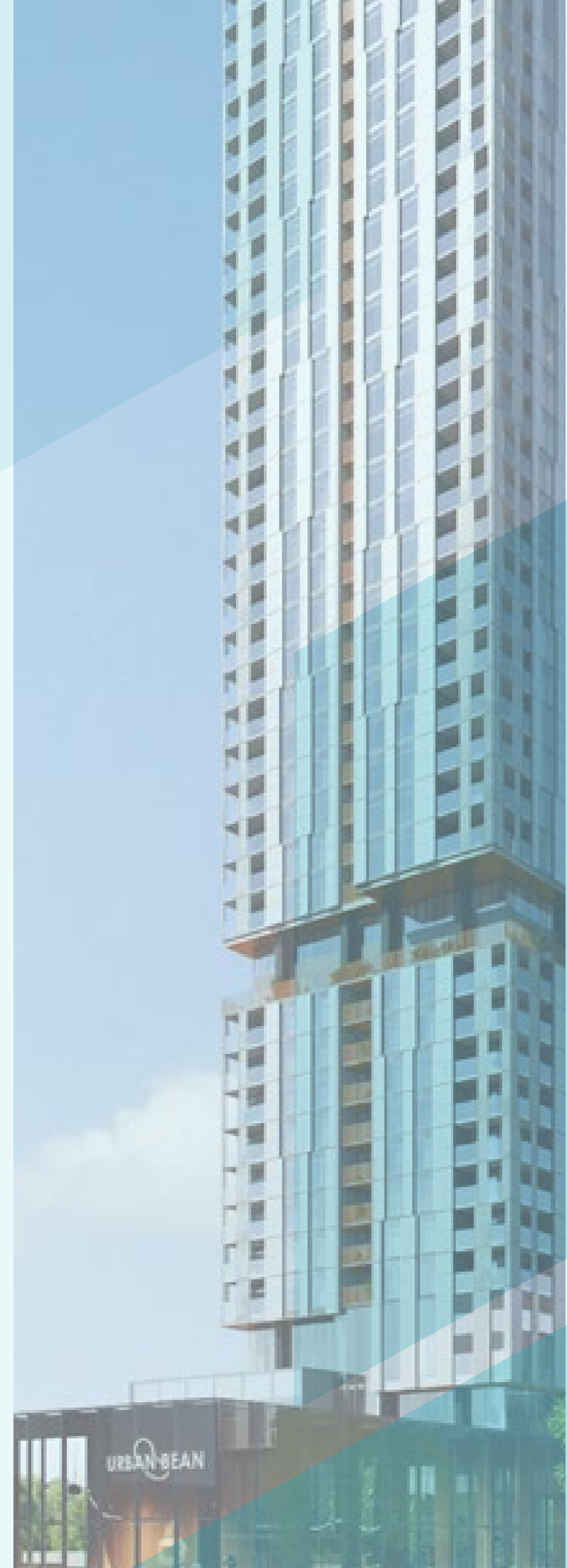
QuadReal's Nose Creek Business Park, Rocky View County, Alberta, features a sustainable and energy efficient design

Carbon reduction begins with using less energy. On average, QuadReal office buildings are using 25 per cent less energy than a decade ago. QuadReal is aiming for more than 25 per cent energy savings on residential buildings this decade.

In 2019, QuadReal began to purchase renewable energy credits for its Alberta portfolio and, in 2020, began purchasing carbon offsets for all natural gas used in the Canadian portfolio. Together these changes led to QuadReal achieving an 80 per cent carbon reduction from its 2007 baseline in 2020.

QuadReal's four carbon priorities are to:

- Reduce the use of offsets by finding opportunities to replace natural gas using equipment, such as boilers, with electricity-based equipment
- Continue to improve energy efficiency, primarily through more digitally-enabled buildings and building systems
- Issue green bonds to finance carbon-reduction projects
- Innovate in its developments in order to use heating sources such as district energy and geothermal



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.

A Consistent Approach

Integrating material ESG data and information throughout our investment processes ensures that all relevant opportunities and risks are factored into each decision.

We made progress expanding our ESG assessment methodology, aligning review processes across asset classes, evaluating external managers with the same lens we use for our in-house investments, and building a framework to track ESG opportunity and risk at the total portfolio level.

Integrating ESG Reviews into the Investment Process

BCI continued to bring assets in-house as part of our key strategy to strengthen our clients' returns. Part of that strategy includes integration of fundamental financial analysis with ESG reviews.

ESG integration applies to direct investments, co-investments, funds, and equity investments. The purpose of integration is to incorporate material ESG information into investment decisions. Each investment decision requires unique analysis to effectively integrate ESG considerations and the relevant context. For individual investment decisions, we integrate ESG into all stages of the investment process.

COMPLETED **16 DETAILED ESG RISK REVIEWS FOR PRIVATE MARKETS,** REPRESENTING **100 PER CENT OF TRANSACTIONS** THAT WENT TO INVESTMENT DECISION IN 2020

COMPLETED **210 ESG ASSESSMENTS WITHIN PUBLIC MARKETS** IN 2020, REPRESENTING A **21 PER CENT INCREASE** OVER 2019

ESG IN THE INVESTMENT PROCESS

1 **Pre-Investment Analysis**
Material ESG information is factored into the development of investment strategies, deal sourcing and market reviews. An ESG risk and opportunity review is prepared alongside financial analysis to support the investment due diligence.

2 **Investment Decision**
Every investment memo that is delivered to our management investment committee includes an ESG risk summary and details of the material ESG information that was considered when making the decision to invest.

3 **Asset Management**
After investments are made, we monitor and track ESG information within the portfolios and develop engagement plans to ensure ESG risks and opportunities are being managed throughout the portfolio.

Due Diligence on Summit Digitel

Summit Digitel Infrastructure (Summit Digitel) is BCI's first direct investment in India. In 2020, BCI alongside Brookfield Infrastructure Partners L.P. and its institutional partners acquired a 100 per cent stake in a telecommunication towers company from Reliance Industrial Investments and Holdings Limited, a wholly-owned subsidiary of Reliance Industries Limited.

With the best-in-class infrastructure of approximately 136,000 towers, the second largest in the world – Summit Digitel is geared to transform India's telecommunication space.

The newly built towers are strategically located for pan-India 4G coverage. These towers are well-positioned from a competitive perspective as they are largely connected by fibre backhaul, which provides a unique platform to capitalize on the rollout of 5G and future technologies. Jio is an anchor tenant of the tower portfolio under a 30-year master services agreement, providing a secure source of revenue for the tower company.

In advance of the acquisition, due diligence involved retaining technical, legal and ESG advisors. This work allowed us to ascertain such issues as whether the towers were constructed to be safe and resilient; that their construction did not involve any incidents or allegation of bribery or other improprieties; that employment standards were upheld; and that relations with local communities and governments are conducted with integrity and respect. Through this process, we did not uncover any concerning issues, but have identified areas where we can further our commitment to world-class ESG.

Since the acquisition, the ESG journey has advanced at Summit Digitel as it independently manages the operations. This includes recruiting corporate and regional teams dedicated to operational health and safety, as well as risk management; conducting employee safety training; holding a driver safety program reaching employees, contractors, and local communities; and formalizing ESG reporting in board meetings.

We recognize our environmental responsibility. Summit Digitel is looking to increase the use of solar panels and batteries to replace diesel-fuelled generators as a backup power source.

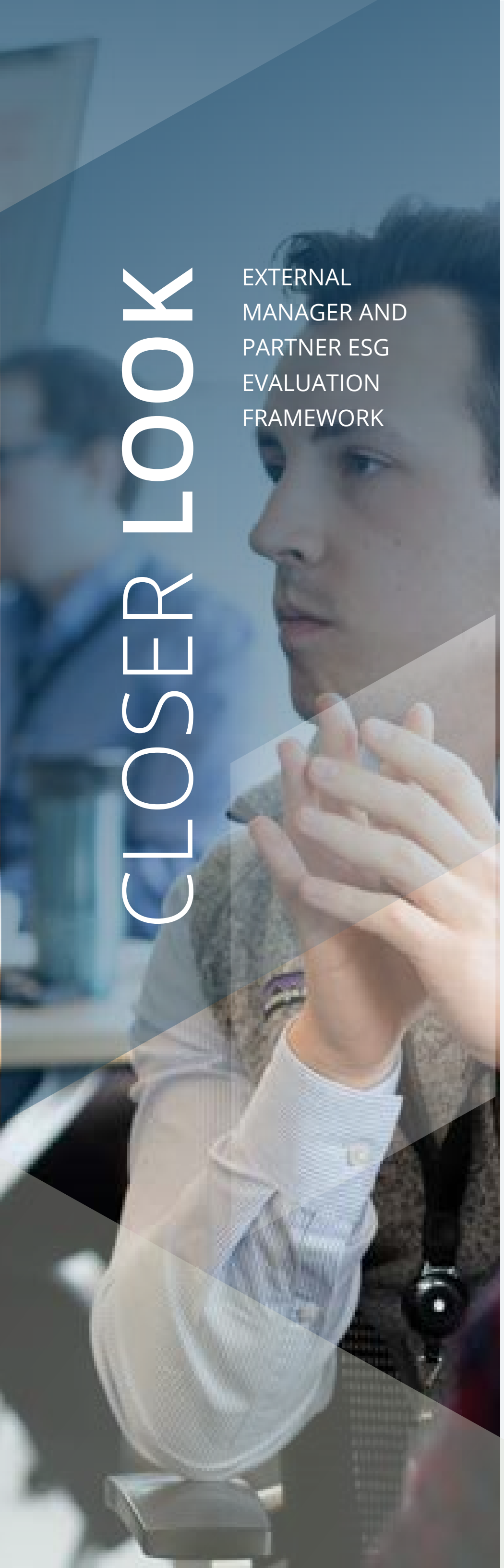
Data services are increasingly critical to societies and economies in today's world – promoting opportunity for individuals and communities – and telecom towers are the vital infrastructure that enables this. We are still in our first year of ownership and are pleased with the early results and steps towards ensuring Summit Digitel's success and sustainability.


Summit Digitel

Summit Digitel management promotes health & safety culture and commitment to a sustainable environment

SUMMIT DIGITEL OWNS APPROXIMATELY **136,000** TOWERS THAT PROVIDE NETWORK COVERAGE ACROSS **99**% OF INDIA'S POPULATION.

Source: Summit Digitel



CLOSER LOOK

EXTERNAL MANAGER AND PARTNER ESG EVALUATION FRAMEWORK

The External Manager and Partner ESG Evaluation Framework aligns our evaluation process across asset classes, which is one of the key goals of our ESG strategy.

The framework is divided into five distinct yet related categories that enable consistent, comprehensive ESG assessments. We grade a partner or external manager after we review the following categories.

Policy

We ask whether there is an ESG policy, if the firm is a signatory to the PRI or organizations promoting sustainable investing, and if there is a code of conduct. Further, we identify policies promoting diversity and inclusion, and preventing discrimination, harassment, bribery, and corruption.

Accountability and Oversight

We examine who is accountable for ESG oversight, who implements ESG policies, and how ESG risks and opportunities are communicated and acted upon.

Evidence of ESG Integration in Processes

We identify if ESG considerations are systematically incorporated into investment, asset management and exit decisions, as well as whether the firm uses reporting frameworks or other initiatives that promote responsible investment practices, such as SASB materiality mapping.

Dedication of Resources and Tools

We assess the kind of ESG training, assistance, or external resources available to staff and/or board nominees, and determine if there are plans to develop or improve the approach to ESG management.

Stewardship/BCI Engagement Activities

We review whether the firm has an engagement program or strategy, and if it encourages best practices in BCI's priority ESG areas, including:

- Climate Change
- Water Management
- Data Security and Privacy
- Human Capital Management
- Diversity and Inclusion

Overall Assessment

Our overall assessment of an organization's stated ESG practices includes a grade of weak/average/strong, based on our findings in the categories above. We document any ESG-related concerns with an external manager, as well as any recommendations or requests for improvements.

Systemic ESG Risks and Opportunities for the Total Portfolio

ESG matters such as climate change can play a significant role in the trajectory of long-term investment value creation.

BCI developed an in-house total portfolio ESG Risk and Opportunity Framework to measure and monitor the potential implications of systemic ESG risks and opportunities at the total portfolio level. We use it to understand the current exposure to systemic ESG risks and opportunities in the portfolio, and monitor how this exposure changes as investment strategies and new investment decisions are considered. By measuring and analyzing the systemic ESG risks and opportunities across BCI's portfolios, we can make more informed investment and policy decisions that will benefit our clients in the long-term.

With a consistent process and a transparent methodology, the framework also allows BCI to assess portfolio resilience. We can analyze ESG scenarios as part of individual investment risk reviews, and to identify opportunities associated with potential long-term ESG tailwinds.

The framework provides quantitative financial impact risk measurements that can be used alongside other investment risk measurements. By testing the sensitivity of industries and the portfolio holdings to the systemic risks, we can identify areas of opportunity that stand to benefit in different scenarios and can be targeted for further evaluation. The framework is built to easily allow modifications as new information or approaches become available.

WHAT ARE SYSTEMIC ESG RISKS AND OPPORTUNITIES?

Changes to the macro-economic environment and market dynamics that have the potential to impact the overall total portfolio value over the long term.

Systemic Water Risk Report

Water scarcity is forecast to be a key systemic ESG risk due to rising demand and the changing availability of fresh water in many parts of the world. The World Economic Forum named water crises as a top global risk by impact every year from 2012 to 2020.

Employing the ESG Risk and Opportunity Framework and data from the World Resources Institute that provides global water stress scenarios, BCI developed scenarios that examine the potential impact of water risk on our portfolio.

We translate water stress forecasts into water-intensity prices for each sub-industry modelled. With the resulting water use costs, we estimate future changes to company expenses. We then estimate changes to market value for each scenario. The results are used to monitor the portfolio exposure to water risk over time. This analysis can be adapted to better understand this risk when considering new investments, and to further focus engagement efforts where companies are exposed to this risk.

ESG RISK AND OPPORTUNITY FRAMEWORK

1 MATERIALITY

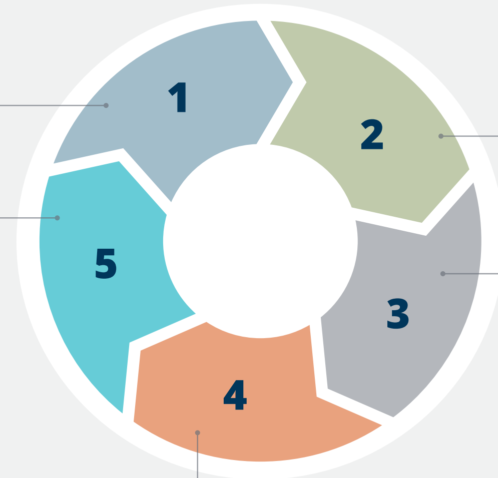
Identify materially relevant ESG risks and opportunities, such as water scarcity, that have the potential to impact a large percentage of assets under management

Informed by internal expertise and external risk reports

2 SCENARIOS

Multiple scenarios are developed for each material systemic ESG risk

Scenario outputs are translated into sub-industry specific business drivers



3 SENSITIVITY TOOL

Financial models are driven by scenario outputs that impact future cash flows

The tool shows the potential financial impacts of ESG scenarios on the market value of specifics sub-industries

4 RISK QUANTIFICATION

Portfolio stress tests measure potential financial impacts of scenarios on BCI's current portfolio

Ranges of potential impacts are generated for each set of scenarios to understand the impacts over time

5 DASHBOARDS

Results are presented in dashboards that depict the potential impact relevant to each stakeholder

Context is provided about the nature of the risk measured

Pre-Screening Mortgages at QuadReal

QuadReal's pilot program to include mortgage acquisitions in its climate risk pre-screening process was made permanent in 2020.

Each new potential mortgage now undergoes an initial climate risk assessment for the underlying property, including screening for potential flooding, hurricanes, sea-level rise, wildfires, and drought.

The climate model, developed by a third-party specialist, projects risks to the year 2040 and provides relative risk rankings. If a mortgage crosses the risk threshold on a particular category, QuadReal does a deeper investigation to understand and consider additional risk mitigation options for elements of the development.

Climate Risk Pre-Screening Process

- Underlying assets of any new mortgage are assessed for flood, hurricane, sea-level rise risk, wildfires, and drought
- A climate risk score is determined based on future climate scenario models and consideration of historical climatic events
- The score is one risk factor used when deciding whether to proceed with a mortgage at the rate offered

Pre-Screening Prompts Hurricane Barrier

In 2020, QuadReal was evaluating whether to offer a mortgage to a developer considering the construction of two, 22-storey towers consisting of 435 multi-family units overlooking Long Island Sound in the U.S. state of Connecticut. The property showed sea-level rise and flood risk associated with the site in QuadReal's pre-screening process. During the deeper dive, to mitigate this risk, the borrower built an 5.67-metre hurricane barrier, which surrounds the entire Harbor Point area. All multi-family units, as well as all roads surrounding the site, are at the level of the hurricane barrier, while the lowest garage level is more than two metres above sea level. The assessment process considered the underlying climate risk and the developer put appropriate mitigations in place.

QuadReal Integrates Health and Wellness with Fitwel

Promoting positive health and wellbeing outcomes in QuadReal's buildings is a long-term investment.

This commitment to creating and managing healthy spaces has led the QuadReal team on a process of research, knowledge-sharing and building certification with a valued partner.

Fitwel, operated by the Center for Active Design (CfAD), is a certification system that is used by property teams to optimize their buildings in order to support healthier workplace environments. Fitwel-certified buildings must exhibit:

- Positive impacts on community health
- Reduction of morbidity and absenteeism
- Social equity for vulnerable populations
- Feelings of well-being
- Healthy food options
- Promotion of occupant safety
- Increase in physical activity of tenants and residents

Eleven QuadReal office properties in Canada are Fitwel certified or pursuing Fitwel certification, with an additional 31 properties benchmarked in preparation for future certification, representing 75 per cent of QuadReal's Canadian office portfolio. The company incorporates Fitwel strategies into new residential developments and international partnerships. These assessments provide a benchmark and identify areas for enhancement.

Beyond certification, QuadReal has been actively involved in promoting broader standards, including the development of the **Office Guide to Building Health**, a free Fitwel resource to promote health and well-being within buildings through practical and impactful design and operational strategies. Since its publication in fall 2019, QuadReal has distributed the guide to tenants and at industry events. Posted on the QuadReal and CfAD websites, it has been downloaded thousands of times and used by many large organizations. This is a testament to the growing focus on health and wellness in the built environment.

QuadReal Recognized for Advancing the Healthy Building Movement

The Best in Building Health™ is a CfAD recognition program that identifies the leading firms increasing human health via Fitwel. QuadReal was one of two firms in 2020 to receive Fitwel's distinguished Industry Leadership award, which honours companies demonstrating innovation in advancing Fitwel's commitment to building health for all.

QuadReal Adopts Practices to Combat Infectious Spread

The COVID-19 pandemic highlighted how well-managed buildings can mitigate the spread of infectious disease.

Fitwel developed the **Viral Response Module** of evidence-based operational policies and best practices to combat the spread of infectious respiratory diseases in buildings. Developed in coordination with public health experts and real estate companies, including QuadReal, the tool was available to property owners and operators to address COVID-19 challenges and build trust among tenants and occupants. Fitwel established key strategies for companies by setting minimum requirements needed to mitigate viral transmission, while providing sample policies to ensure an efficient and consistent industry approach. Using the viral response module helped QuadReal to identify areas for enhanced service, such as more frequent and detailed indoor air quality testing.

QuadReal was recognized as one of the first companies to certify its policies using the Viral Response Module.

> "The COVID-19 pandemic shone a spotlight on the role our buildings can play in mitigating the spread of infectious disease. The Viral Response Module was critical in helping us identify areas for improvement and in tailoring a policy specific to our needs."
>
> **Jamie Gray-Donald, Senior Vice President, Sustainability and Environmental, Health and Safety, QuadReal**

Influence

Through engagement and advocacy, BCI applies our influence on companies in which we invest, our partners, and other participants in capital markets.

Encouraging Transparency and Best Practices

We use our influence to increase transparency of ESG risks, improve long-term performance, and promote the stability and integrity of capital markets.

Whether through voting rights, direct and collaborative engagement, policy submissions, or board seats, BCI can positively affect market and corporate behaviour. This leads to better value and outcomes for our clients.

We encourage transparency, good governance and operational practices, and consensus on key issues. The COVID-19 pandemic exposed vulnerabilities, such as human capital management, that required additional attention and presented unique challenges. We prioritized these issues throughout the year.

BCI's Influence Priorities

Each asset class has focus areas that are unique to the sectors and companies in which they invest. There are also systemic ESG issues relevant to the entire portfolio, and these corporate-wide engagement priorities guide our activities.

OUR CORPORATE ESG INFLUENCE PRIORITIES

Climate Change
Encourage transparency in climate-related disclosures, and consideration of the physical, regulatory, and transition risks related to climate change in business strategy.

Water Management
Encourage transparency and consideration of physical and regulatory risks related to operations in water stressed regions, impacts on water quality, and poor water stewardship in business strategy.

Data Security & Privacy
Encourage adoption of best practices to manage risk of financial losses, disruption, and reputation damage resulting from failures of IT systems or failures in collection, handling and storing of data.

Human Capital Management
Encourage policies and procedures that ensure worker health and safety, the protection of human rights, and alignment with labour standards.

Diversity & Inclusion
Encourage best practices to ensure fair treatment and equal access to opportunity. Encourage improved diversity on corporate boards and in senior management.

Direct and Collaborative Engagement

BCI seeks to directly engage with companies in constructive dialogue to encourage improvements.

We also collaborate with like-minded investors to increase our capacity to influence companies and learn about best practices across industries. In 2020, BCI's public markets team took part in seven collaborative engagement initiatives, covering 633 companies on ESG-related matters.

Through our asset management activities with private companies, we use our influence to ensure management teams are monitoring and managing ESG opportunities and risks.

Amazon Human Capital Engagement

BCI began to engage with Amazon (NASDAQ: AMZN) in 2019, focusing on its disclosures and commitments on environmental matters and human capital issues.

We noted that the company lagged peers in disclosing social data on its workforce health and safety, turnover and other key human capital indicators. The COVID-19 pandemic heightened the need for such disclosures. In September 2020, BCI met with Amazon to discuss health and safety practices after several workers made allegations about weak safety protocols and mistreatment.

In our view, the company failed to provide robust disclosures addressing these allegations, although it has since added some COVID-19-related disclosures. The company also emphasized extensive hiring of health and safety personnel over the past two years. Its COVID-19-specific responses included: provisions of face masks the day after the CDC recommended them; paid sick leave that included quarantine; staggered start times for warehouse workers; suspension of productivity targets, and elimination of clocking in and out, among other process changes.

Amazon has started to provide disclosures and commitments with time-bound targets on environmental impacts in the past two years. Based on recent environmental and sustainability disclosures, we are hopeful the company will provide the social disclosures BCI is seeking.

Refresco Makes Progress on Sustainable Development


Refresco

Refresco's production platform covers over 60 manufacturing sites in Europe, the U.S., Canada and Mexico.

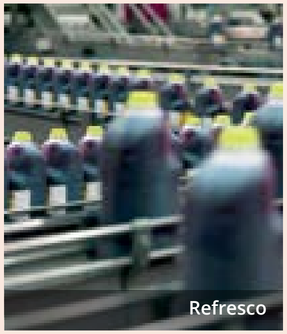
Refresco Group B.V. (Refresco) is the world's largest independent bottler for retailers and branded beverage companies, with a production network of over 60 manufacturing sites in Europe and North America. BCI and PAI Partners, a global private equity firm with expertise in the food and beverage sector, acquired Refresco in 2018. BCI representatives sit on Refresco's Supervisory Board, which oversees the Executive Board and its policies, as well as the general affairs of the company and its affiliates. Refresco is held in BCI's private equity portfolio.

We believe strengthening ESG and sustainability translates to better financial performance. By leveraging our board-level participation, our direct relationship with management, and active governance, we have been able to work with Refresco to shape the business to better drive value through ESG.

EXAMPLES OF THE MANY SUSTAINABILITY INITIATIVES AT REFRESCO

	OBJECTIVE	TARGET	ACTION PLAN
Processes	**Manage water usage**	**1.9** litres for every litre of produced beverage	Implement sustainable approaches, such as rinsing polyethylene terephthalate (PET) bottles and cans with air rather than water and switch to more water-efficient equipment.
Products	**Promote sustainable packaging**	**50%** recycled content in PET bottles by 2025	Increase the share of recycled content in PET bottles, always in line with customer demand. Promote the adoption of Deposit Return Systems, continuously make packaging lighter through value engineering which results in less materials being used, and actively scout new technologies such as sustainable bottle packaging from bio-based materials.
Partnerships	**Increase sustainability of juice supply**	**75%** sustainably sourced juice by 2025	Refresco is a co-founder of the Sustainable Juice Covenant led by the IDH Sustainable Trade Initiative to make sourcing, production, and trade of juices 100 per cent sustainable by 2030. Sustainability is defined according to requirements set out at each level of the supply chain.
People and communities	**Create a safer place to work**	**< 1** lost-time-accident per year for every 100 employees	Implement best practices, proactively prevent accidents, introduce safety programs, and measure safety performance.

RECOGNIZED FOR INDUSTRY-LEADING PRACTICES IN EUROPE


Refresco

Refresco Europe was awarded the first-ever European Lean & Green Star in 2020 for its European transport operations. Established in 2008 by a Dutch non-profit network, Lean & Green promotes sustainable transportation and is comprised of companies committed to reducing logistics-related CO_2 emissions

The award recognizes Refresco for achieving transport emissions 20 per cent lower than the industry benchmark. Since 2018, the company has implemented a number of projects and initiatives aimed at increasing efficiency and reducing emissions, including driving with fully loaded trucks as much as possible, entering into strategic partnerships with transport companies and suppliers, and optimizing the production footprint, reducing the distance from production location to customer sites.

During 2020, to further support and endorse the company's sustainability efforts and ambitions, the Supervisory Board installed an ESG committee. The ESG committee is composed of six members, including Jim Pittman, BCI's executive vice president and global head of private equity.

Refresco's executive committee, which runs the business, is responsible for setting the company's sustainable development strategy and targets, and ensuring sustainability is embedded in the business strategy.

Nearly three years into our investment period, BCI continues to see progress in terms of financial and non-financial results. We remain committed to our strategy of partnership and active ownership.

Refresco U.K.'s Community Involvement Refreshes Essential Workers across Country

Refresco's Great Place To Work approach includes community involvement across all of its business units. Refresco UK delivered multiple batches of drinks and other refreshments from all their locations to the National Health Services (NHS), hospices and other people in need in their local communities, to show their support and appreciation for the fantastic work they have been doing. One example was the donation of two trucks filled with drinks to a hospital in London, as part of the NHS One Million Meals campaign, which is dedicated to feeding key workers on the frontline as they continue to fight against COVID-19 and save lives.

Verifone Puts ESG Review into Practice

Verifone Systems, Inc. (Verifone) is a U.S.-based multinational and leading technology provider of electronic payment transactions and point-of-sale services. BCI, as part of an investor group led by Francisco Partners, a leading technology-focused private equity firm, acquired Verifone in 2018. The investment is held in BCI's private equity portfolio.

As an active asset owner, we want to ensure ESG risk is managed and value creation opportunities are targeted. In the case of Verifone, we conducted an ESG review of the company in 2019 for consideration in 2020. BCI offered guidance regarding ESG improvements that could prepare Verifone for future growth and value creation plans. BCI is supporting the company as it considers and assesses which steps are materially relevant to its business and can be effectively implemented.

In 2020, Verifone made the following progress:

- Established a dedicated ESG resource
- Developed a centralized ESG framework
- Identified five sustainability focus areas, with objectives and targets
- Developed a communication plan to ensure reporting and transparency


Verifone

Verifone is a global platform providing customers a seamless payment experience with any payment method

VERIFONE PRODUCTS ARE USED IN MORE THAN **150 COUNTRIES** WORLDWIDE

Source: Verifone

The company also committed to:

- The principles of honesty, integrity, and ethical dealings
- Support efforts to implement sustainable practices and minimize the environmental impact of its products, operations, and supply chain
- Promote diversity, uphold fair labour practices, and respect worker rights

BCI will continue to explore specific ESG issues and best practices in ongoing discussions with Verifone.

CCR SA Board Independence

BCI joined forces with a few international institutional investors that shared concerns over governance and operational practices at Brazilian transportation company CCR SA (BVMF: CCR03). The investor group agreed that nominating another independent director could improve the board's performance in overseeing management and agreed that the mostly-male board could benefit from greater gender diversity.

The independent candidate for whom the group secured a nomination won election to the board, increasing board independence from 25 per cent to 31 per cent and boosting female representation from 8 per cent to 15 per cent. After her election, the investor group met with her to convey concerns about the company's governance and operations, providing practical suggestions for improving long-term value creation.

Investor Mining and Tailings Safety Initiative

BCI continued to participate in the Investor Mining and Tailings Safety Initiative in 2020. The engagement convenes institutional investors active in extractive industries, including major asset owners and asset managers.

Tailings waste is a by-product of the mineral recovery process. The dams built to hold tailings are some of the largest constructions in the world.

A coalition of more than 110 investors representing over US$20 trillion in assets advocated for a global industry safety standard to drive best practices for tailings dam management and develop a global database of tailings facilities.

A Global Tailings Review was co-convened by the United Nations Environment Programme, the PRI, and the International Council on Mining and Metals (ICMM). BCI submitted comments on the review's draft standards.

In August 2020, that work culminated in the release of a global industry standard on tailings management. With the goal of zero harm to people and the environment, the standard covers the entire tailings facility lifecycle – from site selection, design, and construction, through management and monitoring, to closure and post-closure. It elevates accountability to the highest organizational levels and adds requirements for independent oversight and disclosure. An independent body will support the implementation of the standard.

In December 2020, the Investor Mining and Tailing Safety Initiative sent letters to approximately 350 mining companies asking them to confirm their support for the standard, along with a timeline for implementation. This information will be shared on the global database of tailings facilities to guide investor engagement.

COMMITMENT FROM ICMM MEMBERS

The International Council on Mining and Metals (ICMM) brings together 27 of the world's top mining and metal companies to improve environmental and social performance. Members have committed to implementing the global industry standard on tailings management. All tailings facilities operated by members deemed to have "extreme" or "very high" potential consequences to people and the environment will conform with the standard by August 2023, with all other tailings facilities operated by members conforming within five years.

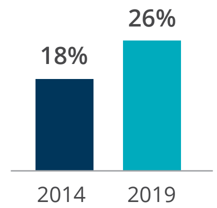
PRI Collaborative Engagement with Vale

In 2020, BCI continued to participate in a PRI-led collaborative engagement with Vale (NYSE: VALE) comprising 90 investors. Dialogue with Vale included group calls and ESG webinars in July and October. The group also spoke with community representatives in Brazil affected by tailings dam failures.

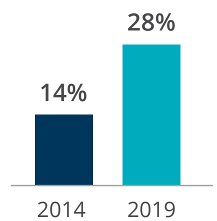
In response, Vale introduced several changes including a first, second and third line of defence to address dam safety. Notably, the Safety and Operational Excellence Office, which reports to the CEO, is responsible for reviewing the tailings management system.

Vale is also committed to supporting the new global industry standard on tailings management and expects to be fully compliant in 2021.

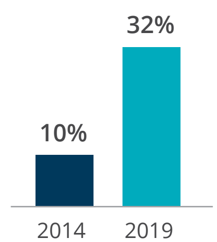
WE HAVE SEEN AN INCREASE IN THE PROPORTION OF COMPANIES' MINING FACILITIES EARNING AAA PERFORMANCE LEVEL FOR REPORTING ON THREE TSM[1] TAILINGS INDICATORS



44%
INCREASE
Assigned Accountability and Responsibility



100%
INCREASE
Annual Tailings Management Review



220%
INCREASE
Operation, Maintenance and Surveillance (OMS) Manual

[1] Towards Sustainable Mining (TSM) is the Mining Association of Canada's (MAC) commitment to responsible mining. Source captures partial MAC TSM 2019 reporting to date

Peer Collaboration

BCI joins global peers in advocating for advances on important investment-related issues.

ESG Disclosure

BCI and seven other leading Canadian pension plan investment managers, representing approximately $1.6 trillion in assets under management, joined forces in November to call for consistent and complete ESG information.

The joint statement, **Companies and investors must put sustainability and inclusive growth at the centre of economic recovery**, asks companies to disclose performance on material, industry-relevant ESG factors by adopting the SASB standards and TCFD framework. Standardized information allows investors to better assess companies and manage ESG risk exposures.

Diversity & Inclusion

BCI, together with Canadian institutional investors managing more than $2.3 trillion in assets, signed the **Canadian Investor Statement on Diversity & Inclusion** in October, an initiative coordinated by the **Responsible Investment Association**. Signatories acknowledge the existence of systemic racism and collectively stated an expectation for Canadian public companies to disclose more diversity data. It also calls for the adoption of policies, targets, and timelines to improve diversity on boards and in senior management, and to consider more diverse candidates in the recruitment process.

Sustainable Capital Markets

In April, BCI joined Japan's Government Pension Investment Fund, the California State Teachers' Retirement Scheme, and the U.K.'s Universities Superannuation Scheme to promote sustainable capital markets. The **Our Partnership on Sustainable Capital Markets** statement outlines a collective responsibility to build financially meaningful futures for pension fund clients and notes the risks of ignoring long-term disruptions, such as climate change, in the pursuit of short-term growth. BCI was the first Canadian investor to sign the statement.

Policy Advocacy

BCI selectively engages at the policy or market level. We use our influence to advocate for or support policy and regulatory changes that incorporate ESG principles and improve the investment environment for our clients.

Canada: Modernizing Capital Markets in Ontario

In 2020, Ontario's Minister of Finance formed the Capital Markets Modernization Taskforce to review market practices and recommend steps for modernizing capital markets in the province. BCI submitted comments to the taskforce in the fall and it released its final report in early 2021. The report made more than 70 wide-ranging recommendations, covering company reporting, selling and trading, corporate governance and proxy voting, enforcement, investor protection, and ESG disclosure. Many of the final recommendations aligned with BCI's submission to the taskforce, including:

- The provision of an annual advisory vote on executive compensation
- Mandatory disclosure of material ESG information aligned with the TCFD framework
- Requiring issuers to set gender and racial diversity policies and targets for the board and executive management

- The adoption of director term limits to drive board renewal and support increased diversity

The Ontario Ministry of Finance is reviewing the recommendations.

United States: Improving Disclosure on Human Capital

In 2019, the U.S. Securities and Exchange Commission (SEC) consulted on potential changes to Regulation S-K to modernize and streamline certain aspects of public company reporting.

BCI provided a comment letter emphasizing our need for consistent and comparable ESG data to inform our investment decisions, and voicing support for frameworks like SASB and TCFD. We strongly encouraged the SEC to mandate certain disclosures on human capital management, including details on the company's workforce, training and development budgets, and turnover rates.

While the SEC has not yet mandated specific disclosures, it added human capital management as a required amendment to Regulation S-K. As of November 2020, companies must provide a description of human capital resources as well as any related measures or objectives for managing this aspect of the business. Companies have discretion in terms of disclosure; however, this development signals the growing importance of better information about human capital.

United Kingdom: Mandating Climate Reporting Standards

In 2020, the U.K. announced plans to mandate TCFD disclosure for companies over the next five years. The government laid out a roadmap for implementation and will provide companies and investors time to adapt to the new reporting requirements.

BCI engages with U.K. regulators, primarily through the Financial Reporting Council (FRC). The FRC is part of the U.K. government taskforce that developed the recommendation to mandate TCFD disclosure. In recent years, we have stressed the need for consistent reporting and expressed our support for the TCFD. We have also commented on the development of FRC resources and tools by highlighting best practices in climate-related reporting.

Proxy Voting

As an active owner, we consider informed voting an essential component of engagement. It fosters good corporate governance and accountability. We regularly update the voting guidelines that help direct our decisions.

Our **voting guidelines** are available on our website and advise investee companies of our expectations related to ESG matters. We have disclosed our proxy votes ahead of a publicly traded company's annual general meeting for more than five years. A **searchable database** on our **website** provides an account of our voting, including our rationale when we vote against a management proposal and when we vote on shareholder proposals.

2020 Proxy Voting Highlights

Chevron

BCI supported a climate lobbying proposal at Chevron Corporation (NYSE: CVX), which asked for a report on the company's lobbying efforts and if or how they align with the Paris Agreement's goal of limiting average global warming to below 2 degrees Celsius. BCI believes that such an evaluation would help investors to assess related risks and opportunities. The proposal passed with 53.5 per cent support.

The Chevron 2020 Climate Lobbying Report, released in early 2021, outlined the company's commitment to compliance, transparency, and accountability in its lobbying activities. It states that Chevron's climate lobbying activities are designed to help advance the global energy transition.

We supported a separate shareholder proposal that called for a report on petrochemical risk and severe weather events. This proposal received 46 per cent support.

JPMorgan Chase

BCI supported a shareholder proposal at JPMorgan Chase & Co. (NYSE: JPM) asking the bank to publish a report on how it plans to reduce GHG emissions linked to its lending portfolio in alignment with the goals of the Paris Agreement.

While the company opposed the resolution, it nearly passed with 48.6 per cent of votes cast in favour. In late 2020, the company said it was developing emissions targets for its lending portfolio.

BHP

BCI voted for a shareholder proposal asking for several steps to ensure Indigenous cultural heritage protections by BHP Group Limited (ASX/LSE: BHP), an Australian mining company. This proposal was withdrawn by the Australasian Centre for Corporate Responsibility (ACCR) prior to BHP's 2020 annual meetings after a major new agreement was negotiated between BHP and the First Nations Heritage Protection Alliance. The proposal received widespread attention after another mining company apologized for the destruction of two 46,000-year-old Indigenous caves, which are heritage sites, at a mine in western Australia.

O'Reilly Automotive

BCI supported a shareholder proposal asking O'Reilly Automotive Inc. (NASDAQ: ORLY) to disclose human capital management information using the SASB standards for this industry sector.

BCI is an active member of SASB's Investor Advisory Group, and believes the standards identify ESG issues most relevant to financial performance.

The proposal passed with the support of 65 per cent of shareholders.

Boeing

BCI supported a shareholder proposal asking that Boeing Company (NYSE: BA) separate the CEO and chair roles.

Two of Boeing's new 737 Max 8 aircraft crashed in late 2018 and early 2019, resulting in 346 deaths. The CEO's handling of the subsequent crisis led to calls for his dismissal. The board stripped the CEO of his chair role in October 2019 and removed him as CEO two months later.

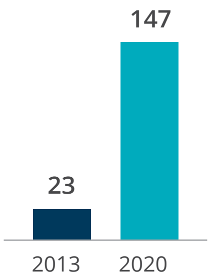
The importance of having an independent chair in hiring or firing a CEO and to lead the board is a key governance principle supported by BCI. In the Boeing case, the shareholder proposal passed with 53.5 per cent support. After the vote, Boeing published corporate governance principles stating that its chair would be elected from among the independent directors.

Improving Board Independence in Japan

We paid increased attention to independence on Japanese boards in recent years because the country lagged other markets. Our proxy voting activities held company presidents and board chairs accountable for weak independence, which we classified as boards where less than one-third of directors are independent.

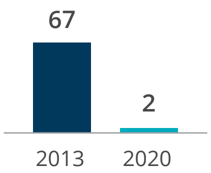
BCI has seen progress over time. Average board independence on the Nikkei 225 index rose to 34.7 per cent in 2020 from 14 per cent in 2013.

Given the success of investor pressure and regulatory reforms, as well as shifting priorities within our public markets program, BCI will no longer track Japanese board independence as a key indicator.



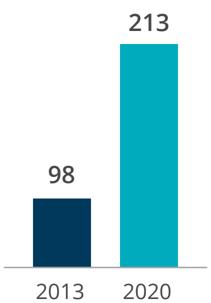
539%
INCREASE in Nikkei 225 companies with at least one-third independence

Source: Institutional Shareholder Services Inc.



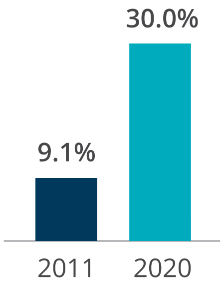
97%
DECREASE in Nikkei 225 companies with no independent directors

Source: Institutional Shareholder Services Inc.



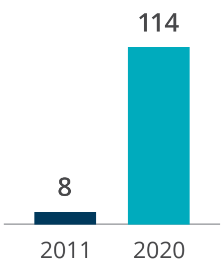
117%
INCREASE in Nikkei 225 companies with at least two independent directors

Source: Institutional Shareholder Services Inc.



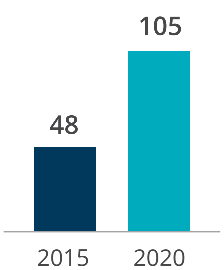
230%
INCREASE in average female representation on the boards of TSX Composite Index companies

Source: Institutional Shareholder Services Inc.



1325%
INCREASE in TSX Composite Index company boards with at least 30 per cent female representation

Source: Institutional Shareholder Services Inc.



119%
INCREASE in TSX Composite Index company boards with a gender diversity target

Source: Institutional Shareholder Services Inc.

New Proxy Voting Guidelines

In late 2020, BCI updated our **Proxy Voting Guidelines** for use in 2021. The guidelines advise public companies of our expectations related to ESG matters.

Updated every two years, the latest edition of our guidelines spells out our expectations on increasing board diversity, addressing climate change risk, and reviewing executive compensation in the context of COVID-19 and its impact on employees and communities.

Diversity

- BCI expects women directors to comprise at least 30 per cent of a company's board of directors

Company leaders have an important role to play in promoting diversity and inclusion. We expect boards to adopt and disclose a formal diversity policy that includes targets and timelines to increase diversity at the board and senior management level. BCI will vote against the chair of a board's nominating/governance committee if a board lacks adequate female representation.

Climate Change

- BCI will consider supporting more prescriptive shareholder proposals on climate change to publicly signal our expectation that companies must act immediately
- BCI will target directors for weak responses to climate change risk

BCI expects directors to oversee management's efforts to manage climate change-related risk. While In the past we generally voted against highly prescriptive climate change proposals, BCI will consider supporting such proposals, including those asking companies to align emission reduction targets with best practices.

Executive Compensation

- BCI will escalate votes against company directors for poor compensation practices as part of a more holistic review of compensation considering the impact of the COVID-19 pandemic

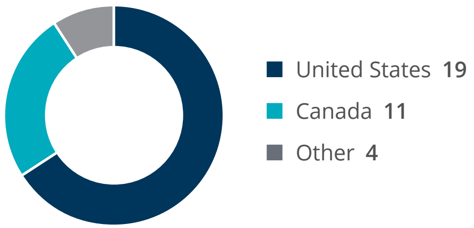
BCI believes pay decisions are one of the most direct and visible ways for shareholders to assess the performance of the board of directors. Compensation plans must align with pay for performance and be sensitive to the broader workforce and societal context.

Virtual Annual General Meetings

- We may vote against the chair of the governance committee if a company does not provide a fully interactive virtual shareholder meeting when one cannot be held in-person

As a result of the COVID-19 pandemic, BCI adopted an ad hoc proxy voting guideline on virtual shareholder meetings. Our approach, formalized in the 2021 guidelines, requires virtual shareholder meetings to have interactive capabilities such as voting functionality, and the ability for shareholders to present proposals.

VOTES AGAINST DIRECTORS FOR FAILING TO HOLD VIRTUAL-ONLY SHAREHOLDER MEETINGS IN 2020



CLOSER LOOK

THE RISE OF VIRTUAL SHAREHOLDER MEETINGS

Health and safety concerns during the COVID-19 pandemic prompted a seismic shift to virtual shareholder meetings for the 2020 proxy voting season. The number of online-only meetings jumped to more than 2,300 by the end of June for U.S. companies alone, compared with just 318 in all of 2019 and 266 in 2018.[1]

We expect the trend to continue based on improvements in technology and affordability, although our preference outside of pandemic conditions is to have a hybrid meeting, which combines a physical meeting with virtual access. Some challenges with remote shareholder meetings include novel legal compliance issues and logistical hurdles.

BCI joined a working group of investor and public company representatives in 2020 to produce practical guidance for virtual shareholder meetings. A steering committee made up of corporate governance leaders and the largest shareholder meeting service providers provided input.

Released in December, the **Report of the 2020 Multi-Stakeholder Working Group of Practices for Virtual Shareholder Meetings** outlines evolving practices and updates a 2018 report from a similar industry committee.

According to the report:

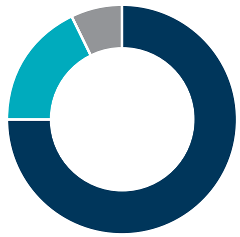
- Companies should value and encourage broad investor participation in annual meetings
- Shareholder meetings should promote equitable and equal treatment of investor participants
- Issuers should communicate the benefits of virtual meetings to shareholders
- Virtual meetings should provide meaningful open dialogue between shareholders and companies

The report also encourages companies to experiment with innovative practices and different types of digital communication to strengthen the experience for all shareholders.

[1] Based on data provided by Alliance Advisors, Broadridge, Computershare, Equinity, and Mediant, for U.S. companies only. Based on meetings through June 30, 2020.

2020 Proxy Voting Highlights

PROPOSALS VOTED BY GEOGRAPHY (%)



PROPOSALS VOTED BY CATEGORY (%)

3,861 MEETINGS VOTED

IN **58** COUNTRIES

44,735 AGENDA ITEMS ASSESSED

OF WHICH WE VOTED

MANAGEMENT PROPOSALS

25% **AGAINST**
Total proposals 43,557

DIRECTOR NOMINEE PROPOSALS

33% **AGAINST / WITHHELD**
Assessed 18,369

SAY-ON-PAY / REMUNERATION REPORT PROPOSALS

31% **AGAINST**
Assessed 1,755

SHAREHOLDER PROPOSALS

55% **SUPPORTED**
Total proposals 1,178

E	S	G
40%	**72%**	**54%**
total 82	total 138	total 958

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.

Finding Opportunity

ESG products are a growth area with increasing amounts of capital and funds raised in both public and private markets. This means we have more options for ESG-focused investments and can capture value from opportunities presented by the market.

We continue to track and identify new opportunities that align with our clients' investment return requirements. We built on existing ESG-related products and investment strategies across all asset classes, such as sustainable bonds.

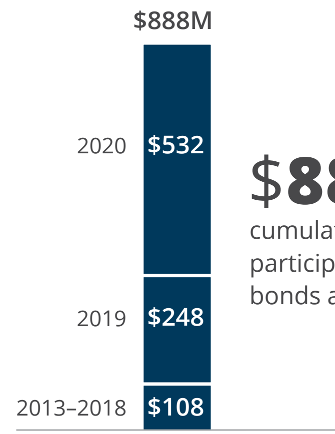
Investing in Sustainable Bonds

BCI looks for opportunities to invest in the fast-growing market for sustainable bonds. These bonds — labelled green, social, sustainable, or sustainability-linked — provide our clients with investment returns and exposure to positive environmental and social outcomes, including climate mitigation strategies.

BCI's strategies in fixed income will lead to an estimated cumulative participation of $5 billion in sustainable bonds by 2025. We continue to track participation in new issuances by governmental and corporate issuers on the primary market and support market growth by encouraging qualified issuers to consider these financing mechanisms as part of their sustainability strategies. Our activities align with best practices on financing the transition to a net-zero economy. It will support issuers who are leading the way in addressing climate and other ESG risks.

We continue to strengthen relationships with lead arranging banks and issuers. We also engage with policymakers and standard setters, including the **International Capital Market Association** Green Bond Principles (GBP) and Social Bond Principles (SBP). Our collaboration with like-minded organizations helps us develop our understanding and adhere to internationally recognized best practices and standards.

BCI responded to a GBP/SBP consultation on priority topics and possible updates to the principles, which helped inform the **Sustainability-Linked Bond Principles** and the **Climate Transition Finance Handbook**, both published in 2020.



$**888** million
cumulative historical participation in sustainable bonds as at December 31, 2020

18%
of our estimated cumulative participation of $5 billion in sustainable bonds by 2025

GREEN, SOCIAL, SUSTAINABLE, AND SUSTAINABILITY-LINKED BONDS

GREEN BONDS

Earmarked to raise capital for new and existing projects with environmental benefits.

SOCIAL BONDS

Use-of-proceeds bonds that raise funds for new and existing projects with positive social outcomes.

SUSTAINABLE BONDS

Proceeds are applied exclusively to finance and refinance a combination of both green and social projects.

SUSTAINABILITY-LINKED BONDS

Gives the issuer incentives to achieve material, pre-determined, and externally verified ESG objectives through key performance indicators and targets.

Use of Proceeds

Historically, BCI has subscribed to 26 sustainable bonds, representing $888 million in initial participation in support of 20 issuing entities (as at Dec. 31, 2020). Some examples of our investments are below.

TYPE	REGION	ISSUER	YEAR*	DESCRIPTION
Green Bond	British Columbia, Canada	TransLink	2019	TransLink's Green Bond Program helps finance capital spending with a focus on clean transportation, energy efficiency and conservation, and renewable energy. Capital raised has been used to fund portions of the Millennium Line Evergreen extension, SkyTrain station and rail network upgrades, new higher-capacity rail cars, new battery electric buses, and more.
Green Bond	Ontario, Canada	Government of Ontario	2014 2020 2021	The Province of Ontario's Green Bond Program helps fund projects with specific environmental benefits, including clean transportation; energy efficiency and conservation; clean energy and technology; forestry, agriculture, and land management; and climate adaptation and resilience.
Social Bond	United States	Morgan Stanley	2020	Morgan Stanley's US$1 billion social bond issuance in 2020 supports affordable housing projects, which aim to provide housing at affordable rates to low- or moderate-income individuals and families.
Sustainable Bond	United States	Bank of America	2020	Bank of America's US$2 billion Equality Progress Sustainability Bond is designed to advance racial equality, economic opportunity, and environmental sustainability. The social portion of the use of proceeds is dedicated to the financial empowerment of Black and Hispanic-Latino communities.

* BCI's participation

QuadReal Releases Green Bond Framework and Closes Inaugural Green Bond Offering

QuadReal released its Green Bond Framework in 2020, which paved the way for investors to support solutions to further reduce energy consumption, carbon emissions, pollution, and waste at QuadReal properties.

The framework provides the transparency, disclosure, reporting, and integrity expected from an issuer in the green bond market. **Sustainalytics**, a global leader in ESG research and analysis, provided an opinion confirming that QuadReal's Green Bond Framework is credible and aligns with the **International Capital Market Association Green Bond Principles 2018.**

Under the framework, 100 per cent of net green bond proceeds can be used for eligible green projects in categories such as green buildings, clean transportation, and climate change adaptation.

Proceeds can be allocated to eligible investments:

- Up to 36 months prior to the date of issuance, or in the case of green buildings, where costs were incurred prior to green building certification, if the certification was obtained within the previous 36 months
- Within 24 months following the date of issuance

QuadReal closed its $350 million inaugural green bond senior note offering in July 2020, in line with the Green Bond Framework. The issuance was well received, broadly distributed to 57 investors, with over 70 per cent of the issuance attributable to investors with a green mandate who were specifically seeking green bonds.

QuadReal has a green bond steering committee with representatives from its sustainability, finance, portfolio management, and treasury and capital markets departments. They review market trends and make recommendations about possible future green bond offerings.

The Post in Vancouver, British Columbia, is a historic building being revitalized with sustainable elements

> "On the back of a successful inaugural issuance, our green bond platform provides additional capital to support QuadReal's industry-leading sustainability practices and initiatives. We have the team and experience to drive innovative solutions to reduce energy consumption, pollution and waste in our portfolio."
>
> **Tamara Lawson,**
> **Chief Financial Officer, QuadReal**

1.62%

EXCESS RETURN in 2020 on **BCI's Global Quantitative ESG Equity Fund** relative to its benchmark, the **MSCI World ex Canada Index**

Benchmark

BCI's Global Quantitative ESG Equity Fund Outperforms

BCI launched the Global Quantitative ESG Equity Fund in November 2019 to hold a diversified portfolio of stocks that has exposure to desirable ESG characteristics and can add value over the performance of a broad developed markets benchmark.

Developed by BCI's quantitative equity team in consultation with our clients, the fund's quantitative stock selection model uses a blend of ESG measures from four different data vendors to identify the attractiveness of securities from an ESG perspective.

We combine subjective evaluations of ESG issues with a new source that uses artificial intelligence techniques to capture ESG-related sentiment from thousands of textual sources to produce an aggregate score for every stock in the investment universe: the stocks in the MSCI World ex Canada Index. The portfolio is then constructed with an objective of maximizing risk-adjusted returns while accounting for transaction costs.

Q&A with Shafiq Ebrahim, Senior Portfolio Manager, Public Markets

Q Why did BCI create the Global Quantitative ESG Equity Fund?

A Our clients were asking for a product providing direct exposure to global developed market equities with desirable ESG characteristics. After reviewing the performance and operations of the predecessor, an internal indexed ESG fund, we found a solution that we felt would position the fund to excel.

Q How does this fund benefit BCI's clients?

A The fund offers our clients the benefit of a strategy that was internally designed and customized to their needs, as compared to indexed or managed externally. Our previous indexed fund was based on the ESG ratings and methodology of a single data provider, while this fund systematically combines ESG information from several sources. It incorporates a diverse set of ESG factors based on company characteristics, as well as sentiment. The fund is managed internally by the quantitative equity team to achieve higher risk-adjusted expected returns at a lower cost than its predecessor.

Q Are you using these data sources anywhere else?

A The stock selection model for this fund is based exclusively on ESG-related signals. We have also incorporated some ESG factors into our Canadian and Global Quantitative Active Equity Funds alongside other traditional quantitative factors. We have found that such ESG factors are predictive of stock returns, and they also have low correlations with our existing factors.

CLOSER LOOK

FACILITATING INVESTMENT IN THE SUSTAINABLE DEVELOPMENT GOALS

BCI and other institutional investors increasingly consider the **UN Sustainable Development Goals** (SDGs) relevant to our investment strategies, asset allocations, investment decisions, and active ownership.

However, a lack of quality, standardized data presents a significant challenge in identifying company-level contributions to the SDGs. We set out with global peers to bridge that gap.

BCI and our partners, APG (Netherlands), AustralianSuper (Australia) and Stichting Pensioenfonds Zorg en Welzijn (PGGM, Netherlands), with combined assets under management of US$1 trillion, announced the establishment of the **Sustainable Development Investments Asset Owner Platform** (SDI AOP) in July 2020.

Using artificial-intelligence driven data, the SDI AOP sets a global standard for the classification of sustainable development investments (SDIs) and enables investors to assess companies on their contribution to the SDGs.

The platform is asset owner-led, ensuring the output meets the actual investment needs of investors. As the governance body of the initiative, the SDI AOP Design Authority independently and objectively maintains the taxonomy that defines which business activities contribute to the SDGs and determines the rules for identifying SDIs.

Using those rules, data science company Entis generates SDI classifications for almost 8,000 companies, including approximately 3,000 in North America.

Investors can then use the SDI classifications to assess their portfolios based on their contribution to the SDGs, and identify aggregate exposures, trends, and opportunities. Investors can report to their clients and external stakeholders using a common and auditable standard.

The platform will evolve based on feedback from asset owners and managers.

The SDI AOP aims to create a critical mass of investors who together define the meaning of investing in the SDGs. The SDI classifications are commercially available through distribution partner Qontigo. Learn more about the platform at **www.sdi-aop.org.**

> "Standardization of data is a major challenge in the ESG landscape. We are excited to be part of this asset-owner led initiative, which sets a global standard on SDG contributions for investors and brings consistency and comparability to company-level data. This is the type of quality data that BCI relies on when making investment decisions for our clients."
>
> **Jennifer Coulson, Vice President, ESG, Public Markets**

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 adapt and improve strategies, processes, and approaches.

Creating an ESG Culture

All investment staff support the commitments outlined in our ESG strategy. We will learn from each other to continuously improve and stay ahead of emerging and material ESG matters.

We continued our work to embed ESG expertise at all levels of the corporation. Our ESG Working Group accelerated knowledge-sharing and cross-functional collaboration across asset classes in response to the human capital impacts of the global pandemic. QuadReal was recognized for its continuous improvement and top ESG performance among peers in the global real estate sector.

BCI's ESG Working Group

ESG activities are led by professionals from all asset classes, as well as our investment strategy and risk team. Pooling and sharing of information make us accountable, allows us to learn from each other's experiences, and results in better outcomes.

BCI established a working group to contribute to the successful and consistent implementation of our ESG strategy across the corporation. The group meets at least quarterly to share perspectives, experiences, and knowledge regarding ESG risks, opportunities, and trends. In 2020, the group met nine times. Each year, the group assesses material ESG matters across BCI, develops and tracks corporate-wide research, and sets corresponding corporate ESG priorities. Beyond stewardship, the ESG Working Group provides a venue for cross-asset discussions and solving ESG challenges. It shares information with clients, BCI leadership and peers, as well as updates on how our ESG implementation is evolving.

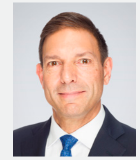
ESG leads are appointed by each asset class.

Membership

CHAIR

Jennifer Coulson
Vice President, ESG
Public Markets

MEMBERS



Blake Fizzard
Vice President, Private Equity
Private Markets

Adam Goehner
Manager, ESG Strategy and Risk
Investment Strategy and Risk

Susan Golyak
Senior Manager, ESG
Public Markets

Jenny Lee
Associate, Private Equity
Private Markets

Evan Mitchell
Associate Portfolio Manager, Fixed Income
Public Markets

Christy Pham
Senior Principal, Infrastructure & Renewable Resources
Private Markets

Marc Sheard
Portfolio Manager, Public Equities
Public Markets

Steve Turner
Senior Portfolio Manager, Infrastructure & Renewable Resources
Private Markets

HOW THE ESG WORKING GROUP SUPPORTS BCI'S ESG STRATEGY

INTEGRATE

Ensuring consistent application and proactive sharing of best practices for ESG integration

INFLUENCE

Determining corporate-wide material ESG matters and setting corresponding priorities

INVEST

Recommending approaches for broadening ESG investment opportunities

INSIGHT

Collaborating on emerging topics, education opportunities and issues management

Building a Deeper Understanding of Labour Principles

Each year, the ESG Working Group considers emerging ESG trends and topics to identify potential research areas. We prioritize topics that could:

- Have a material impact on the financial performance of investments (positive or negative)
- Affect a greater proportion of investments across all asset classes
- Represent a reputational risk to BCI and our clients
- Impact the overall integrity and sustainability of capital markets over the long term

In response to the COVID-19 pandemic and broader labour-related issues, the infrastructure & renewable resources team conducted research to obtain a deeper understanding of international labour principles. The team was well-positioned to lead the research due to the portfolio's active governance that includes direct dialogue with management teams and a patient investing approach, which promotes engaged and motivated work forces.

The research focused on BCI's commitment to international labour standards, and then was further narrowed to four specific categories of principles: wages and benefits; health and safety; responsible contractors; and automation.

This work supported the development of a framework of select labour principles that encourages investment professionals to honour the principles while advocating for a fair process, ultimately enabling optimal decision-making between management, labour groups, and affected employees or contractors.

The team then collaborated through the ESG Working Group to share the findings and adapt the resulting framework for use across BCI.

ESG Orientation for New Employees

The orientation of a new staff member shapes their work experience from day one. New BCI employees receive a comprehensive introduction through first day and quarterly onboarding sessions that cover employee-specific information, as well as context about the broader corporation.

BCI has added ESG to the quarterly orientation agenda. The introduction of ESG as a stand-alone topic underscores the importance of our corporate-wide approach to ESG, and the need for a common understanding. It reinforces to all new employees that they must act in alignment with our ESG principles and investment beliefs.

Following orientation, employees receive regular ESG-related information through BCI's internal communication program and are supported to pursue additional training.

COVID-19 Lessons Learned and Shared in Private Equity

As the implications of a global pandemic began to set in, information about the impact and response became a valuable resource.

BCI's private equity portfolio is 15 per cent invested in Asia and nearly 30 per cent in Europe and includes several companies with operations in multiple countries. Relationships with these companies and general partners in those regions became an important source of information because they were hit by COVID-19 earlier than North America.

> "As COVID-19 struck Asia and started to impact Europe, we spoke with our Asian partners to understand the impact for some of our companies, and how others should prepare. With many supply chains already disrupted, we looked at how we could help our portfolio companies and general partners in other regions of the world."
>
> **Jim Pittman, Executive Vice President and Global Head of Private Equity**

The team recognized that specific industries would be disproportionately affected by the global health crisis, particularly due to reduced consumer demand and disruption to manufacturing operations. For companies unable to shift to a remote work environment, immediate priorities included protecting the health and safety of employees, and changing workflows and protocols, particularly for those deemed essential services.

Notably, the private equity team continuously shared what they were learning about the impact of COVID-19 with colleagues across BCI, including through the ESG Working Group.

Pilot Pivots to Support COVID-19 Response

Pilot Freight Services (Pilot) provides transportation and logistics services throughout North America and Western Europe, and has a presence in Asia-Pacific. In 2016, BCI acquired an equity stake in the privately held company, which is held in our private equity portfolio.

As the COVID-19 pandemic swept through the United States in the spring of 2020, Pilot began delivering critical medical supplies and equipment—ranging from surgical masks to life-saving ventilators—to destinations across the U.S.

Pilot quickly employed a safety-first "clean room" designed specifically to respond to changing needs during the pandemic. The site was set up in Pilot's New Jersey facility, where experts were able to inspect and clean patient monitoring equipment. It allowed medical equipment delivery to area hospitals within 24 hours of arriving at the Pilot facility.

> "In a rapidly changing environment, Pilot rose to the challenge of providing critical logistics and supply chain support. I am very proud of our drivers and field team for their hard work and ability to create solutions quickly in crucial moments."
>
> **John Hill, President and Chief Commercial Officer, Pilot**

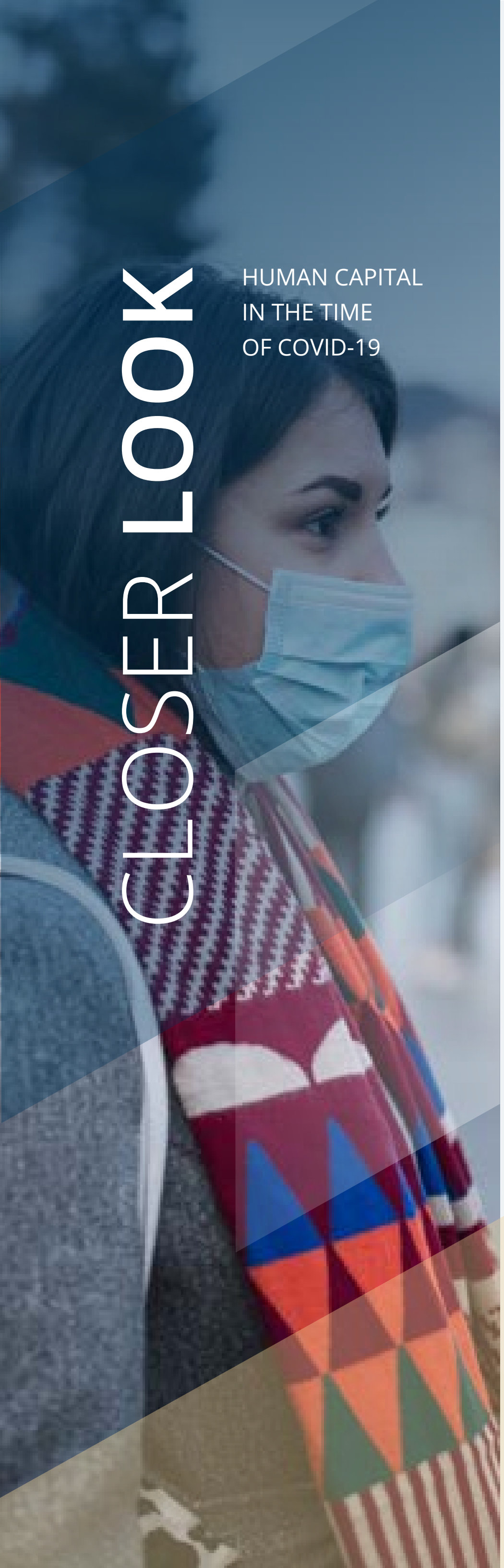
Pilot Freight Services

Pilot offers transportation and logistics services in 190 countries

Pilot also adapted its delivery protocols to meet rigorous safety standards to protect employees, client employees, and hospital staff. It continued to work with partners in Asia to ensure the shipment and delivery of much-needed medical supplies.

CLOSER LOOK

HUMAN CAPITAL IN THE TIME OF COVID-19



The impact of COVID-19 shone a spotlight on companies' operational resiliency and adaptability in difficult times. A focus for BCI and our clients has been human capital management and the impact of the pandemic on employees.

We communicated our general guidance to certain companies in which we invest to provide near-term clarity during the crisis, and to express our expectations for the long term as economies re-open.

We shared this approach internally and with our clients to strengthen our overall understanding of an emerging trend.

At a high level, our guidance to certain companies was to:

- Prioritize worker health and safety
- Provide flexibility for workers
- Assess alternatives for job losses
- Pay attention to mental health
- Assess your supply chain
- Think long term when making capital allocation decisions
- Consider the employee experience when making compensation decisions
- Be transparent with stakeholders

We understand that every company faces a unique set of circumstances and we expect all companies to make the best decisions for the long-term viability of the business. These expectations will guide our conversations with both public and private companies in the foreseeable future.

Aritzia Demonstrates Best Practices in Face of COVID-19

BCI is a long-time shareholder in Vancouver-based clothing retailer Aritzia (TSX: ATZ), which operates nearly 100 retail boutiques in Canada and the United States. The onset of the COVID-19 pandemic hit the company's sales and operations as stores were forced to close. It moved quickly to protect employee health and safety and took swift action to keep investors informed of efforts to preserve the strength of the company's balance sheet.

Aritzia took several steps, in line with best practices and BCI's expectations as a shareholder. The company:

- Temporarily closed all retail boutiques in Canada and the U.S. on March 16, just days after the World Health Organization declared a global pandemic
- Paid all retail employees their full salaries while stores remained closed through a combination of company support and, where applicable, government wage benefits

- Imposed stringent health and safety protocols at distribution centres, which remained in operation
- Formally endorsed the International Labour Organization's call to protect worker health, employment, and income

In addition, Aritzia provided 100,000 frontline healthcare workers in Canada and the U.S. with custom-designed clothing packages to support their fight against COVID-19.

Aritzia began a phased re-opening of its retail boutiques in May 2020. It implemented extensive health and safety measures designed to protect its people and clients.

Cleco Recognized for Leadership in D&I

Cleco Corporate Holdings LLC (Cleco), based in Louisiana, is a regional energy holding company with approximately 1,500 employees. BCI participated in a consortium of North American investors to acquire Cleco in 2016. BCI representatives sit on Cleco's board and actively help guide company strategy and activities.

Cleco launched a diversity and inclusion (D&I) strategy in 2018 to promote inclusive hiring and development practices. Its goals are to attract and retain a diverse workforce, create an inclusive environment where every employee feels welcomed and respected, value differences and embrace diverse perspectives, and broaden its networking partnerships in the communities it serves.

The company has said its D&I strategy should lead to better employee engagement, more innovation and higher customer satisfaction.

In 2020, Cleco's efforts were recognized by the Central Louisiana Chamber of Commerce. The company was the first recipient of the Proctor & Gamble Diversity Inclusion Award at the chamber's annual Bizzy Awards.

Normanique Preston, Cleco's Chief Human Resources and Diversity Officer, accepts diversity and inclusion award in November 2020

> "We support the efforts to promote greater diversity at Cleco and applaud this achievement. The companies in our portfolio often provide essential services to their communities, making it vital that those communities see themselves reflected in the leadership."
>
> **Lincoln Webb, Executive Vice President and Global Head, Infrastructure & Renewable Resources**

Improved Global Ranking for QuadReal in GRESB's 2020 Real Estate Assessment

QuadReal benchmarks its performance through **GRESB** (the Global Real Estate Sustainability Benchmark) to understand relative performance and identify opportunities for improvement.

For the second year, QuadReal's diversified portfolio of office, industrial, retail, and residential assets received top rankings in the GRESB assessment. It ranked first in both Canada and North America and second globally. The GRESB benchmarks cover over US$5 trillion in real estate value and are used by more than 100 institutional investors to make decisions that are leading to a more sustainable real estate industry.

WHAT IS GRESB?

The GRESB assessment is a global ESG benchmarking and reporting framework for listed property companies, private property funds, developers, and investors that invest directly in real estate. GRESB's methodology is consistent across regions, investment vehicles, and property types, and aligns with international reporting frameworks. The data is self-reported by the participants and subjected to a multi-layer validation process, after which it is scored and benchmarked, resulting in high-quality data that investors and participants can use in their investment, engagement, and decision-making processes.

Internationally, QuadReal's ranking moved to second from fourth out of 201 global investment managers in the real estate category. To achieve these high scores, QuadReal exhibited a depth of policies, procedures, and management practices, as well as continuous improvement in performance indicators and operational programs.

> "QuadReal is committed to having a positive impact on the people and communities we serve as well as on the environment. The fact that our diversified portfolio was ranked first in both Canada and North America according to the GRESB assessment is a testament to that multi-dimensional focus and to the continued support from BCI and its clients."
>
> **Remco Daal, President, Canadian Real Estate, QuadReal**

Sharing Sustainability Best Practices with International Partners

In 2017, QuadReal entered into a joint venture with CA Student Living (CASL), the student housing investment entity of CA Ventures LLC (CA) and vertically integrated owner and operator of student housing properties across the U.S.

QuadReal stipulated in the partnership agreement that CA report annually to GRESB and share the results. In its first year, CA worked with a consultant to review and measure its practices across the portfolio and received a lower-than-expected GRESB score. QuadReal and CA agreed that improvement was important and necessary and worked closely, leveraging QuadReal's experience, to prioritize actions. CA hired its first in-house employee dedicated to sustainability practices. As a result of this collaborative effort, CA's second GRESB score nearly doubled and placed the company above average. QuadReal's conviction to the partnership and sector was reinforced in 2020 when it acquired a 50 per cent equity interest in CASL's operating platform. The transaction formalized the conversion of QuadReal's existing student investments with CA to an ownership stake in the company.
The partners have now set a 2021 sustainability budget and priorities.

The Link Evanston located in Illinois, U.S., has amenities focused on well-being.

QuadReal invests in and shares insight with partners that are aligned with its approach to delivering additional value through ESG. CA has become an innovative partner in the student housing industry. It continues to evaluate future opportunities such as solar rooftops and healthy building certifications.

CA and QuadReal plan to continue to focus on opportunities in the development and acquisition of student housing communities with ESG top of mind.

BCI's Approach to the TCFD Recommendations

As a global asset manager, BCI relies on well-functioning capital markets powered by quality information. We collaborate with like-minded investors and organizations to raise awareness of the need for reliable and consistent disclosure.

TCFD TASK FORCE on CLIMATE-RELATED FINANCIAL DISCLOSURES

Aligning with the TCFD Recommendations

The Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

BCI's activities include aligning our disclosure practices with the TCFD's voluntary climate-related financial risk disclosure recommendations. BCI contributed by commenting on the draft recommendations and officially signed a statement supporting the work of the TCFD in 2017.

Along with encouraging other companies to follow the TCFD's recommendations, BCI is committed to incorporating them into our reporting and disclosure practices. Our responses align with the broader guidelines set out by the TCFD, as well as their supplemental guidance for asset managers.

Core Elements of TCFD Recommended Climate-related Financial Disclosures

Governance: BCI's governance around climate-related risks and opportunities

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

Risk Management: BCI's processes for identifying, assessing, and managing climate-related risks

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

Governance

BCI'S GOVERNANCE AROUND CLIMATE-RELATED OPPORTUNITIES AND RISKS

TCFD Recommendation: Describe the board and management's oversight and role for managing climate-related risks and opportunities.

BCI's Alignment: In accordance with the *Public Sector Pension Plans Act*, BCI's Board is not involved in making investment decisions. The Board oversees BCI's operations and ensures proper reporting and accountability to our clients. BCI provides status updates pertaining to changes to climate change risks, the effectiveness of our risk mitigation procedures, and the integrity of our risk management systems. We regularly report on our climate strategy and risk assessment, as well as inform the Board of revisions to our overall approach.

2020 Update: ESG Governance Policy

The BCI Board approved the **ESG Governance Policy** in 2020. It establishes the governance framework and articulates the general approach, and related roles and responsibilities at BCI regarding ESG. The Policy assists the BCI Board of Directors and the CEO/CIO to fulfill their respective responsibilities for the governance and oversight of ESG investment risk under the *Public Sector Pension Plans Act* and the Board of Directors Mandate. The ESG Governance Policy applies to all ESG issues, including climate change, a topic specifically addressed by the BCI Board and BCI executive committees.

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

BCI's Alignment: BCI's CEO/CIO reviews and approves our climate strategy and climate-related risk management approach as part of the same senior management committees that assess recommendations on all investment strategies and investment risk frameworks. With BCI's updated approach to climate strategy and risk management, the committees will oversee the state of climate-related risks on an ongoing basis within existing investment risk reporting. Climate-related investment opportunities may also be presented and approved at the CEO/CIO level, where authority has not been delegated to other senior executives within the corporation.

Strategy

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

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

BCI's Alignment: Climate change continues to present opportunities and risks across all timeframes, impacting markets and investments in which BCI invests.

Short term: Policymakers and regulators continue to commit to achieving a low-carbon economy through renewed carbon regulation and investments in low carbon infrastructure and technology. Large shifts in the level of climate ambition being discussed globally increase the likelihood of a more aligned, 2-degree outcome. Over 50 per cent of global GDP is now covered by net-zero commitments, which will continue to encourage emission reductions and climate change solutions. The short term impacts of these commitments will be to re-price future carbon costs for high-emission sectors and greater investment required in the short term for companies to adapt to a low-carbon business model. Companies and sectors that enable emissions reductions through energy efficiency, renewable energy, and sustainable business practices stand to benefit in the short term. The private sector is also increasingly recognizing and supporting climate action and TCFD adoption. With support continuing to grow globally, we expect more transparency and recognition of climate risks in company disclosures, which will benefit the integrity and sustainability of the market across all timeframes.

Medium term: Transition and physical risks will continue to be important to manage. Physical risks of climate change will increase in likelihood and severity under all scenarios and can impact real assets and supply chains. Through the use of new physical risk tools and data currently used in our real estate investments and soon to be expanded across all investments, we are beginning to understand and price in physical risks to ensure the portfolio is resilient over all time horizons. The transition to a low-carbon economy will continue to present opportunities in the medium and long term for investors such as BCI. We expect our long-term capital to grow and enable the transition through our investments in regulated electric transmission, distribution, and integrated utilities, which will become an enabler of a low-carbon electricity grid in many regions globally.

Long term: An orderly transition to a low carbon economy will ultimately benefit our clients and beneficiaries. We will continue to focus on integrating climate change risk assessments into investment reviews and portfolio monitoring. Along with a total portfolio view of the impact of climate change scenarios, we will ensure climate change is managed to take advantage of opportunities and mitigate risks. In the long term, a high warming outcome is expected to result in negative impacts across the portfolio as physical impacts negatively impact asset valuations.

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

BCI's Alignment: Based on our research and work in understanding the potential impacts of climate change on BCI's investments, we have implemented our Climate Action Plan (CAP) to identify climate-related opportunities and manage risks. The Plan comprises of four parts: Manage Risks; Integrate; Seek Opportunities; and Engage & Advocate.

Climate Integration

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

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

TCFD Recommendation: Describe the potential impact of different scenarios on operations, strategy, and financial planning.

BCI's Alignment: BCI has developed internal scenarios based on information from both the International Energy Agency (IEA) and the Network for the Greening of the Financial System (NGFS). These scenarios provide insight into direct transition impacts to the energy system and overall economic damages to form an in-house GDP Damages scenario. This provides an estimate of net economic impacts to growth-sensitive industries and the direct impacts to the energy and utilities sectors. These scenarios help guide the understanding of potential impacts from climate change across all asset types. We have implemented a Climate Action Plan (CAP), which puts specific action in place to manage these potential impacts. BCI is planning to update our CAP next year. We continue to measure the impacts of climate change for individual investments and evaluate both physical and transition risks across the scenarios.

2-degree scenario: We measured the direct impacts of transitioning the energy and utilities sectors to low-carbon aligned energy production and use along with indirect impacts of a disorderly transition. Industries with high emissions are impacted in the short term as increasing regulatory pressure to reduce emissions results in rising costs. As a result, we see decreased demand for carbon-intensive energy in this scenario. Over the long term, the negative impacts to utilities reverse and end up with positive overall performance as these assets grow and enable a transition to low-carbon energy sources. The impacts under this transition stress test cascade to all sectors based on the overall growth impacts in the economy. They show where additional vulnerability exists if the transition is not well coordinated and anticipated by all market participants, including companies, governments, and investors.

3-degree scenario: This creates a trajectory where immediate impacts to the energy system are less severe relative to the 2-degree damages scenario, but transition impacts still materialize. Negative impacts occur as we see transition risks happening alongside more pronounced impacts from physical risks. In the medium and long term, physical damages increase in severity and frequency and are anticipated to impact asset valuations and decrease economic growth potential.

4-degree scenario: This remains the most negative scenario over the long term as economic damages from climate change occur from direct physical damages and economic disruption across most asset types. The timing and exact amount of impact that is expected under the 4-degree scenarios is still quite uncertain. To improve the granularity of financial impact data across the entire portfolio, we are working with other Canadian pension peers and a leading physical risk data modeling firm to create a tool to allow asset-level analysis of physical risks across the total portfolio.

Risk Management

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

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

BCI's Alignment: BCI is currently using climate change scenario analysis to identify macro-economic climate-related risks and opportunities that could impact our clients' investment returns. The scenarios provide a directional indication to understand how the portfolios may be impacted under various scenarios and identify areas of the portfolio that may require more detailed assessment. These results are used to target further analysis for existing investments as well as new deals. Each asset class identifies, analyzes, and monitors material climate change risks and opportunities for new and existing investments. Climate risks are assessed during due diligence and throughout the investment life cycle to ensure climate change is an ongoing consideration in investment decisions, asset management, and stewardship activities.

2020 Update: Climate change scenario analysis

BCI developed an in-house ESG risk and opportunity framework to measure the potential impacts of systemic risks, including climate change, on the long-term performance of the market and our total portfolio. These scenarios are used to create portfolio stress tests and shock the portfolio value under different climate scenarios, including combining scenario data from the IEA, NGFS, and other data sources.

Engagement Activity:

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

- **Proxy Voting:** We have supported an average of 55 per cent of all climate-related shareholder proposals over the past five years. We generally support proposals seeking enhanced disclosure of climate-related information and have a policy to vote against appropriate board directors at companies that fail to disclose adequate climate-related data
- **Direct Engagement:** We focus on achieving better climate change disclosure from companies in which we invest
- **Collaborative Engagement:** We work with our peers globally to improve practices related to climate change, as well as ask companies to take action to reduce GHG emissions
- **Policy Advocacy:** We advocate for policy changes that will improve the investing environment for long-term investors, including at least 18 climate-related policy submissions or statements to provincial, federal, and international regulators and policymakers since 2014

This strategy promotes a stable, transparent, and, ultimately, an improved investment environment. While our efforts have historically focused primarily on public markets, BCI's largest asset class, we continue to expand our efforts across all investments.

2020 Update: Updated Proxy Voting Guidelines

BCI developed updated proxy voting guidelines that detail our evolving expectations regarding the governance practices of the publicly traded companies in which we invest. In addition, the new guidelines raise our expectations on addressing climate change risk and disclosure.

2020 Update: Collaborative engagement with Climate Change 100+

BCI joined Climate Action 100+ in 2017. The world's largest investor-led engagement initiative, Climate Action 100+ brings together 545 signatories in 32 countries representing US$52 trillion in assets under management and engages with 167 companies representing more than 80 per cent of global industrial GHG emissions.

BCI leads or co-leads on engagement with four North American companies in the oil and gas and mining industries and supports engagements with six other companies in the oil and gas industry and utilities sector.

The Climate Action 100+ 2020 Progress Report shows that 43 per cent of companies have set a net-zero by 2050 target or ambition in some form, identified as an important signal to investors that companies understand the transition to a low-carbon economy and are preparing accordingly.

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

BCI's Alignment: BCI is continuously refining our approach to managing climate change risks across the portfolio appropriately. The ESG teams in public markets and in investment strategy & risk provide outputs from climate change scenarios and measure our carbon exposure and carbon footprint to our clients, portfolio managers, the executive management team, and our board; We then integrate all available climate change-related information into our investment decision-making processes.

Product Risk Management

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

In our private market investments, we commission and review reports on legal, environmental, regulatory, and other climate factors in direct private asset due diligence. BCI has developed a climate materiality assessment for private markets based on SASB. We also conduct physical climate change risk assessments for all direct private investments where material.

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

BCI's Alignment: Climate-related risk management at the total portfolio level occurs within the investment strategy and risk department, and climate change scenarios are used to create portfolio stress tests. Individual investments that receive investment risk reviews are assessed for material climate change risks and, where material, are factored into the ESG risk assessment delivered to the investment committee. Climate risk is considered alongside all other investment risks, and impacts are integrated into all existing applicable investment risk processes. As per other investment risks, it is part of the ongoing investment risk monitoring discussed at the senior management committee level and with BCI's clients.

2020 Update: Physical climate change risk tool development

BCI partnered with some of our Canadian pension peers to work with a leading physical climate change expert on developing a physical climate change risk tool that will produce financial impact assessments and metrics for our total portfolio.

Metrics and Targets

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

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

BCI's Alignment: The climate-related metrics BCI currently measures and monitors are:

- Impact of climate scenarios on total expected returns
- Total portfolio investment carbon footprint
- Capital invested in climate-related opportunities
- BCI's operational carbon footprint

Climate Change Signposts including:

- Coverage of carbon emissions with pricing and regulation
- Global energy supply and demand mix
- Cost of energy from various sources (coal, natural gas, wind, solar, etc.) across global markets
- Commercialization rates of disruptive technologies
- Nationally determined contribution alignment with Paris Agreement

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

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

- Within our public markets department, BCI is committed to increasing the following key performance indicators (KPIs) for the Canadian, US, and global universes:
  - Percentage of companies responding to the CDP questionnaire; the average disclosure score received; and, companies receiving the highest CDP score placing them on the A-list
  - Percentage of respondents that have adopted reduction targets
  - Percentage of companies that have adopted an internal price on carbon
  - Percentage of index constituents reporting Scope 1 GHG emissions

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

BCI's Alignment: The climate-related metrics BCI currently measures and monitors are:

- Exposure to climate change opportunities
- Portfolio stress test impacts of client scenarios on the total portfolio
- BCI's operational carbon footprint
- Public equities Weighted Average Carbon Intensity (WACI)
- Portfolio carbon footprint for public markets, private markets, and real estate

Climate-related opportunity exposure

We calculated our exposure to climate-related opportunities by mapping our investments to a combination of sustainable impact research metrics, including data from the Sustainable Development Investments Asset Owner Platform and other third-party datasets. These include considerations for the UN Sustainable Development Goals definition of climate-related opportunities.

Our exposure was approximately $3 billion as at December 31, 2020, compared to $2.1 billion as at December 31, 2019.

BCI Operational GHG Emissions

We measured our operational GHG emissions for 2020. Due to travel restrictions and most of our employees working from home during the pandemic, our operational GHG emissions dropped sharply. Emissions related to employees working from home have been excluded. We will continue to offset all operational emissions.

BCI OPERATIONAL GHG EMISSIONS	2019 (tCO_2e)	2020 (tCO_2e)
Scope 1: Direct emissions	0	0
Scope 2: Indirect emissions	21	20
Scope 3: All other indirect emissions	3,339	461
Total Emissions Generated	**3,360**	**481**
Offsets Purchased	**3,360**	**481**

BCI's direct CO_2 emissions: We reported zero direct CO_2 emissions for the first time in 2019 and continued in 2020 due to the energy efficiency measures in place at the class AA LEED[1] Platinum building that houses our Victoria, British Columbia headquarters.

BCI's carbon offset purchases: We purchase carbon offsets to compensate for CO_2 emissions BCI makes elsewhere. The offsets help fund projects such as a landfill gas utilization facility on Vancouver Island that is reducing GHG emissions and air pollution. All emissions in 2020 were offset.

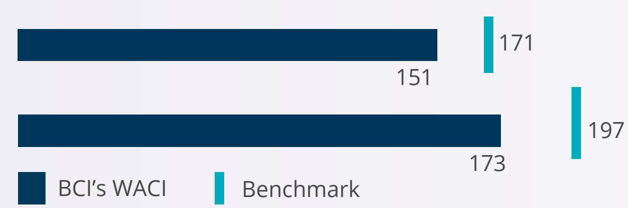
[1] Leadership in Energy and Environmental Design (LEED) Green Building Rating System.

PORTFOLIO CARBON EXPOSURE: WEIGHTED AVERAGE CARBON INTENSITY (WACI)

In 2020, BCI began disclosing the carbon exposure of the public equity program using the TCFD recommended Weighted Average Carbon Intensity (WACI) calculation. This metric describes the portfolio exposure to carbon-intensive companies expressed in tonnes of CO_2 per $M in revenue to obtain the carbon intensity of the holding relative to the value of the investment in the portfolio.

Our investment strategy and focus on integrating ESG into our active investment approach has allowed BCI to reduce the carbon exposure of the public equity program by 13 per cent in 2020, representing a change in the WACI from 173 in 2019 to 151 in 2020.

PUBLIC EQUITIES CARBON EXPOSURE (WACI)



We believe the continued execution of our strategy, including encouraging carbon-intensive companies to adapt to the low carbon economy as part of our engagement program, will lead to an overall decrease in carbon exposure for our equities portfolio of 30 per cent by 2025.

BCI portfolio carbon footprint metric

BCI began calculating the carbon footprint of the public equities portfolio in 2017. We have since expanded the calculation to include fixed income, real estate, and, in 2020, infrastructure & renewable resources and private equity. The carbon footprint is an intensity measure of GHG emissions relative to the percentage of our holdings. We are committed to disclosing our carbon footprint annually in line with the *Montreal Carbon Pledge*.

[1] 2019 metrics for the public equities and fixed income carbon footprints have been recalculated based on the availability of newer data. The previous calculations were derived from 2017 emissions data, while these stated calculations are derived from 2018 emissions data. 2020 metrics have been derived from 2019 emissions data.

[2] The benchmark is a weighted combination of multiple indices selected to measure performance that is appropriate for the portfolio.

[3] The fixed income carbon footprint includes public corporate bond exposures but excludes private debt, money market, and segregated assets.

[4] QuadReal emissions have been recalculated to reflect the location-based domestic real estate emissions rather than the market-based emissions which were reported previously. Renewable energy credits and verified emission reductions were acquired in the portfolio and will be disclosed in QuadReal reporting. The international portfolio emissions are currently excluded from the footprint. Emissions data is estimated based upon roughly 80 per cent data completeness. By the fourth quarter, QuadReal will publish final carbon emissions number with higher data completeness, quality control and external assurance.

[5] Private markets footprints are calculated using a combination of estimation methodologies most appropriate for the asset types and data availability. The approach is consistent with the TCFD recommendations and current industry best practices but is limited in accuracy due to data gaps and methodology limitations. BCI is working to improve private market quantification techniques and we expect that these results will change over time.

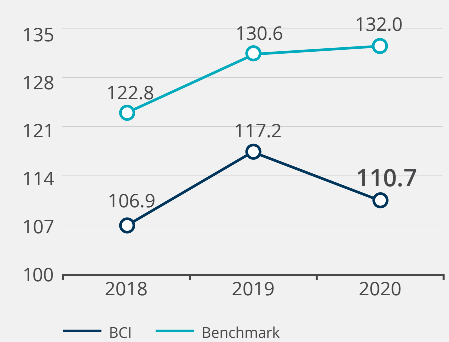
The complete carbon footprint methodology is included in the **Appendix**.

BCI Portfolio Carbon Footprint

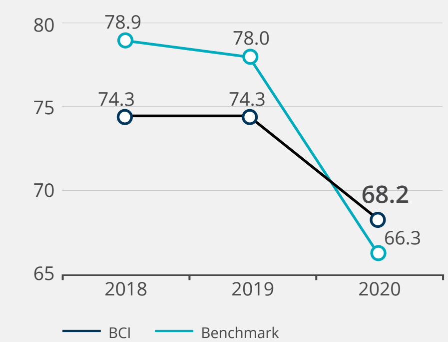
We calculate our portfolio carbon footprint as an intensity measure of GHG emissions relative to the percentage of our holdings.

WE MEASURED OUR PUBLIC MARKETS CARBON FOOTPRINT[1] IN TONNES OF CO_2 PER MILLION INVESTED AS AT MARCH 31, 2020 AND COMPARED THEM TO THEIR RESPECTIVE BENCHMARKS[2]

Public Equities



Fixed Income[3]



WE MEASURED OUR PRIVATE MARKETS CARBON FOOTPRINT IN TONNES OF CO_2 PER MILLION INVESTED AS AT MARCH 31, THESE ASSET CLASSES DO NOT HAVE BENCHMARKS

In 2020

We measured our **QuadReal Real Estate[4]** carbon footprint as

6.9 Tonnes of CO_2 per million invested as at March 31, 2020 compared with **10.4 in 2019**

In 2020

We measured our **Private Markets[5]** carbon footprint as

380 Tonnes of CO_2 per million invested as at March 31, 2020

Appendices

Policy Submissions

Capital Markets Stability

- Responded to the Government of Ontario's Capital Markets Modernization Taskforce's Consultation on Modernizing Ontario's Capital Markets
- Responded to U.S. Securities and Exchange Commission on Exemptions from Proxy Rules for Proxy Voting Advice
- Responded to U.S. Securities and Exchange Commission on Amendments to the Shareholder Proposal Process

Corporate Governance

- Responded to the Institutional Shareholder Services' Global Survey on proposed policy revisions
- Participated in an Institutional Shareholder Services' Policy Roundtable discussion on proposed changes to its Canadian benchmark voting policy
- Participated in multi-stakeholder group roundtable on virtual shareholder meetings and drafting document on best practices

Pension

- Provided feedback to the Canadian Association of Pension Supervisory Authorities on proposed Guidelines on the Integration of Environmental, Social and Governance Factors in Pension Plan Supervision

Reporting and Disclosure

- Responded to the European Commission's Consultation on the Revision of the Non-Financial Reporting Directive
- Responded to the Science-Based Target Initiative's 2020 survey
- Responded to the World Economic Forum's consultation on ESG Metrics and Disclosures
- Provided feedback to the U.K. Financial Reporting Council's consultation on climate-related reporting
- Responded to the International Financial Reporting Standards Foundation's consultation on sustainability reporting

Responsible Investing in the Industry

- Responded to the International Capital Market Association Green Bond Principles/Social Bond Principles' Climate Transition Finance Working Group consultation on Transition Bonds
- Responded to the Green Bond Principles/Social Bond Principles survey of existing GSS bond investors
- Responded to the PRI's survey on ESG Vendors' Tools and Services for Fixed Income Investors
- Responded to the PRI's consultation on its Five Year Agenda to Implement Respect for Human Rights across the Financial System
- Responded to the PRI's consultation on its Strategic Plan 2021-2024
- Participated in the CFA Institute's Sustainability Roundtable Discussion
- Participated in the CPA Investors Forum's Roundtable Discussion on the Canadian Energy Sector's Transition to Net Zero

Collaboration

BCI works with like-minded investors and organizations to help deploy resources that strengthen our collective influence. BCI employees also voluntarily take on leadership roles at some of the following:

Signatory of:

PRI – Principles for Responsible Investment

- Founding signatory in 2006
- Active member of advisory committees and working groups
- Western North America Advisory Committee member

30% Club – Growth Through Diversity

- Member since 2016; one of over 250 Canadian chapter members
- Member of the steering committee and Chair Investor Committee
- Advocate for companies to enhance gender diversity

A4S – Accounting for Sustainability

- Member since May 2017

ACGA

- Member since 2005
- Contribute to and support regulatory efforts

Canadian Bond Investors' Association / Association canadienne des investisseurs obligataires

- Founding member in 2011
- Member of the Member Services Committee

Canadian Fixed Income Forum

- Member since 2015

CDP Investor Signatory

- Former member of the CDP Canada advisory council
- Signatory to climate change program since 2006
- Signatory to water program since 2009
- Investor signatory since 2016

Climate Action 100+

- Signatory, alongside over 300 other investors, to the Climate Action 100+ Sign-on Statement in 2017
- Actively participate in efforts to encourage the world's largest corporate GHG emitters to act against climate change

Council of Institutional Investors® – The voice of corporate governance

- Associate member since 2017

Member since 2017

Member since 2015

Member since 2005

Member since 2002

Research partner since 2017

Member since 2016

- Chair of Investor Stewardship committee
- Chair of Risk Management committee
- Board of Directors member

Member since 2007

- Founding member of the investor advisory group in 2016 (57 members)
- Joined SASB Alliance in 2018 (205 members)

Events

We promote responsible investing within the industry by organizing, participating in, speaking, or moderating at conferences. Our activities for 2020 included:

1

2020 CIRI SENIOR IRO FORUM
January
Vancouver, BC
ESG Update and Q&A

2

CII PROXY SEASON PREVIEW
January
Virtual
Canadian Regulatory Changes Impact on Diversity Disclosures

3

GLOBE 2020
February
Vancouver, BC
ESG Today and Tomorrow: Overcoming Challenges and Preparing for What's Next

4

CFA INSTITUTE SUSTAINABILITY ROUNDTABLE
July
Virtual
Future of Sustainability in Investment Management

5

P&I VIRTUAL CONFERENCE ON ESG INVESTING
July
Virtual
ESG as a Tool for Portfolio Resiliency and Risk Mitigation

6

SDI ASSET OWNER PLATFORM WEBINAR
September
Virtual
How to Invest in the UN Sustainable Development Goals

7

MANAGING CLIMATE RISKS FORUM
September
Virtual
Using AI to Standardize Impact Reporting

8

GOVERNANCE PROFESSIONALS OF CANADA
September
Virtual
Thought Leaders Panel

9

SASB INVESTOR ADVISORY GROUP CORPORATE INVESTOR DIALOGUE
September
Virtual
Sharing Corporate and Investor Views on ESG Issues

10
HOGAN LOVELLS SOVEREIGN INVESTOR CONFERENCE
October
Virtual
Sustainability Officers Panel

11
CPA INVESTORS FORUM
November
Virtual
Canadian Energy Sector's Transition to Net Zero

12
SHARE WORKSHOP
November
Virtual
A Healthy Profit: Investing and the COVID-19 Pandemic

13
TRUVALUE LABS ESG INVESTING FORUM 2020
November
Virtual
ESG Integration and Quantitative Investing

14
ASIAN VENTURE CAPITAL JOURNAL (AVCJ) ESG FORUM
November
Virtual
BCI's ESG Principles, Strategy and Influence

15
OMFIF GLOBAL PUBLIC PENSIONS 2020 LAUNCH
November
Virtual
Role of Pension Funds in the Post-COVID Recovery

16
PRI DIGITAL FORUM AMERICAS 2020
November
Virtual
Strategic Asset Allocation: The New Frontier for Responsible Investment

17
MINING ASSOCIATION OF CANADA (MAC) AND INVESTOR ROUNDTABLE
December
Virtual
MAC International Social Responsibility Committee Investor Dialogue – Workshop Session

18
QONTIGO INVESTMENT INTELLIGENCE SUMMIT
December
Virtual
Introducing the New Asset Owner Platform for Identifying SDG-Investments

Company Engagements

JANUARY 1 TO DECEMBER 31, 2020

C = COMPREHENSIVE (DIRECT)
B = BASIC (DIRECT)
L = LEADING ROLE (COLLABORATIVE)
S = SUPPORTING ROLE (COLLABORATIVE)

GICS SECTOR / COMPANY	COUNTRY	E	S	G
COMMUNICATION SERVICES				
Activision Blizzard, Inc.	U.S.			B
Charter Communications, Inc.	U.S.			B
DISH Network Corporation	U.S.			B
Iridium Communications Inc.	U.S.			B
Live Nation Entertainment, Inc.	U.S.			B
Sirius XM Holdings Inc.	U.S.		S	B
T-Mobile US, Inc.	U.S.			B
Verizon Communications Inc.**	U.S.	B		
CONSUMER DISCRETIONARY				
Acushnet Holdings Corp.	U.S.			B
Advance Auto Parts, Inc.	U.S.			B
Amazon.com, Inc.	U.S.	C	C	B
Aramark, Inc.	U.S.		S	
Autoliv, Inc.	Sweden			B
Bayerische Motoren Werke AG (BMW)	Germany		S	
Booking Holdings Inc.	U.S.		S	
BRP Inc	Canada			B
Camping World Holdings, Inc.	U.S.			B
Carnival Corporation	U.S.		S	
Chipotle Mexican Grill, Inc.	U.S.		S	
Dollar Tree, Inc.	U.S.			B
Dollarama Inc	Canada			B
Five Below, Inc.	U.S.			B
Freni Brembo SpA	Italy		S	
General Motors Co	U.S.		S	B
G-III Apparel Group, Ltd.	U.S.		S	
Great Canadian Gaming Corporation	Canada			S+C
H&M Hennes & Mauritz AB	Sweden		S	

*Note: These companies include public equities and fixed income related engagements | **Fixed income engagement*

GICS SECTOR / COMPANY	COUNTRY	E	S	G
JD Sports Fashion PLC	U.K.		S	
Las Vegas Sands Corp.	U.S.			B
Laureate Education, Inc.	U.S.			B
Lennar Corporation	U.S.			B
LVMH Moet Hennessy Louis Vuitton SE	France		S	
Marriott International, Inc.	U.S.		S	
McDonald's Corporation	U.S.		S	
MercadoLibre, Inc.	Argentina			B
Mohawk Industries, Inc.	U.S.			B
Nike Inc	U.S.		S+B	B
Ollie's Bargain Outlet Holdings, Inc.	U.S.			B
Pollard Banknote Ltd	Canada			B
Pool Corporation	U.S.			B
PulteGroup, Inc.	U.S.			B
Red Robin Gourmet Burgers, Inc.	U.S.		S	
Restaurant Brands International Inc.	Canada			S+B
Royal Caribbean Cruises Ltd.	U.S.		S	
Signet Jewelers Limited	Bermuda		S	
Sodexo SA	France		S	
Sonic Automotive, Inc.	U.S.		S	
Spin Master Corp	Canada	B	B	B
Starbucks Corp	U.S.		S	
TUI AG	Germany		S	
Yum China Holdings, Inc.	China			B
CONSUMER STAPLES				
Alimentation Couche-Tard Inc.	Canada		L	
China Mengniu Dairy Co., Ltd.	China		S	
Church & Dwight Co., Inc.	U.S.			B
Conagra Brands, Inc.	U.S.		S	
CP All Public Company Ltd.	Thailand			S
George Weston Limited	Canada		B	
J Sainsbury PLC	U.K.		S	
Kraft Heinz Company (Kraft Heinz)	U.S.			B
Molson Coors Brewing Company	U.S.			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Monster Beverage Corporation	U.S.			B
Raia Drogasil SA	Brazil		S	
Royal Ahold Delhaize N.V.	Netherlands		S	
Sundrug Co. Ltd.	Japan		S	
Sysco Corporation	U.S.		S	
Tesco PLC	U.K.		S	
The Kroger Co.	U.S.		S	
Tyson Foods, Inc.	U.S.		S	
Walmart Inc.	U.S.		S	
ENERGY				
Cabot Oil & Gas Corp	U.S.	B	B	B
Canadian Natural Resources Ltd	Canada	L+C	B	L
Cheniere Energy, Inc.	U.S.			B
Chevron Corp	U.S.	S+C		S
Concho Resources Inc	U.S.			B
Enbridge Inc	Canada	C	C	B
Exxon Mobil Corp	U.S.	S+C		S+C
Frontera Energy Corp	Canada			B
Gibson Energy Inc.	Canada			B
Hess Corporation	U.S.			B
HollyFrontier Corporation	U.S.			B
Husky Energy Inc.	Canada	B	B	B
Imperial Oil Ltd	Canada	S+C		S+C
Kinder Morgan Inc	U.S.			B
Marathon Petroleum Corp	U.S.	L	L	L+B
NOV Inc.	U.S.			B
Occidental Petroleum Corp	U.S.			B
ONEOK, Inc.	U.S.			B
Parex Resources Inc	Canada			C
Parkland Fuel Corp	Canada	C	B	B
Suncor Energy Inc	Canada	L+C	B	L+B
The Williams Companies, Inc.	U.S.			B
Valero Energy Corp	U.S.			B
Vermilion Energy Inc	Canada			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Whitecap Resources Inc	Canada	B	B	L
FINANCIALS				
Ameriprise Financial, Inc.	U.S.			B
Arthur J. Gallagher & Co.	U.S.			B
Charles Schwab Corp	U.S.			B
Cohen & Steers, Inc.	U.S.			B
Element Fleet Management Corp	Canada	C	C	
Loews Corporation	U.S.			B
Markel Corporation	U.S.			B
M&T Bank Corporation	U.S.			B
Moody's Corporation	U.S.	B	B	
RLI Corporation	U.S.			B
TMX Group Ltd	Canada	L	L	
Toronto-Dominion Bank	Canada	C	C	C
Virtu Financial, Inc.	U.S.			B
Western Alliance Bancorporation	U.S.			B
Zions Bancorporation	U.S.			B
HEALTH CARE				
Amgen Inc.	U.S.			B
BioMarin Pharmaceutical Inc.	U.S.			B
Chartwell Retirement Residences	Canada		B	
Chemed Corporation	U.S.			B
Cigna Corporation	U.S.			B
Dexcom, Inc.	U.S.			B
Globus Medical, Inc.	U.S.			B
HCA Healthcare, Inc.	U.S.			B
Humana Inc.	U.S.			B
Ionis Pharmaceuticals, Inc.	U.S.			B
IQVIA Holdings Inc.	U.S.			B
Johnson & Johnson	U.S.		B	B
Laboratory Corporation of America Holdings	U.S.			B
LHC Group, Inc.	U.S.			B
Pfizer Inc.	U.S.		B	B
Thermo Fisher Scientific Inc.	U.S.			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
UnitedHealth Group Incorporated	U.S.		L	C
Veeva Systems Inc.	U.S.			B
Viemed Healthcare Inc	U.S.			B
INDUSTRIALS				
A. O. Smith Corporation	U.S.			B
Ballard Power Systems Inc	Canada			B
Boyd Group Services Inc.	Canada			B
Cargojet Inc	Canada			B
CCR SA	Brazil			S
Central Japan Railway Company	Japan		S	
Delta Air Lines Inc	U.S.		S	B
Dover Corporation	U.S.			B
Downer EDI Ltd	Australia		S	
Fastenal Co	U.S.			B
FedEx Corporation	U.S.		S	
Hardwoods Distribution Inc.	Canada			C
HD Supply Holdings, Inc.	U.S.			B
HEICO Corporation	U.S.			B
IDEX Corporation	U.S.			B
Illinois Tool Works Inc.	U.S.			B
Kadant Inc.	U.S.			B
L3Harris Technologies Inc.	U.S.			B
Lincoln Electric Holdings Inc	U.S.			B
Masco Corporation	U.S.			B
Old Dominion Freight Line, Inc.	U.S.			B
Paccar Inc	U.S.			B
People Corp	Canada			B
Primoris Services Corporation	U.S.			B
REV Group, Inc.	U.S.			B
Rollins, Inc.	U.S.			B
Russel Metals Inc.	Canada			B
Snap-On, Inc.	U.S.			B
Stanley Black & Decker, Inc.	U.S.			B
Thomson Reuters Corp	Canada		S	B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
TransDigm Group Incorporated	U.S.			B
TransLink**	Canada	B		
Union Pacific Corporation	U.S.			B
Univar Solutions Inc.	U.S.			B
Vestas Wind Systems A/S	Denmark		S	
Watts Water Technologies, Inc.	U.S.			B
Westshore Terminals Investment Corporation	Canada			B
WSP Global Inc.	Canada		B	
XPO Logistics, Inc.	U.S.		S	
Xylem Inc.	U.S.			B
INFORMATION TECHNOLOGY				
Amphenol Corporation	U.S.			B
Analog Devices Inc	U.S.			B
Autodesk, Inc.	U.S.		S	
Black Knight, Inc.	U.S.			B
Cadence Design Systems, Inc.	U.S.			B
Citrix Systems, Inc.	U.S.			B
Constellation Software Inc.	Canada		L	
Enghouse Systems Limited	Canada			L+B
Envestnet, Inc.	U.S.			B
Euronet Worldwide, Inc.	U.S.			B
Fidelity National Information Services, Inc.	U.S.		L	
Five9 Inc.	U.S.			B
FLEETCOR Technologies, Inc.	U.S.			B
GoDaddy Inc.	U.S.			B
IPG Photonics Corporation	U.S.			B
Keysight Technologies, Inc.	U.S.			B
Kyocera Corporation	Japan		S	
Largan Precison Co Ltd	Taiwan		S	
Novanta Inc.	U.S.			B
NVIDIA Corporation	U.S.		S	
ON Semiconductor Corporation	U.S.			B
Paycom Software, Inc.	U.S.			B
Q2 Holdings, Inc.	U.S.			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Qualcomm Inc	U.S.			B
RealPage, Inc.	U.S.			B
RingCentral, Inc.	U.S.			B
Shopify Inc.	Canada		L	
Skyworks Solutions Inc.	U.S.			B
SS&C Technologies Holdings Inc.	U.S.			B
Synopsys Inc.	U.S.			B
The Western Union Company	U.S.			B
Tyler Technologies, Inc.	U.S.			B
MATERIALS				
Agnico Eagle Mines Ltd.	Canada	C	C	
Avery Dennison Corporation	U.S.			B
B2Gold Corp	Canada			L+B
Balchem Corporation	U.S.			B
Barrick Gold Corp	Canada			L+C
Canfor Corporation	Canada			L+B
Centerra Gold Inc	Canada			B
CF Industries Holdings, Inc.	U.S.			B
Crown Holdings, Inc.	U.S.			B
Ero Copper Corp	Canada			B
FMC Corporation	U.S.	C		B
Iamgold Corp	Canada			B
Lundin Mining Corp	Canada	C	C	
Nucor Corp	U.S.	B		B
OceanaGold Corp	Australia			B
Pan American Silver Corp.	Canada	B	B	B
Seabridge Gold Inc.	Canada			B
Steel Dynamics, Inc.	U.S.			B
Teck Resources Ltd	Canada	L+B	B	L+B
Teranga Gold Corporation	Canada			B
Vale SA	Brazil	S	S	S
Valvoline Inc.	U.S.			B
West Fraser Timber Co. Ltd.	Canada			B
Wheaton Precious Metals Corp	Canada			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
REAL ESTATE				
Alexandria Real Estate Equities, Inc.	U.S.			B
Americold Realty Trust	U.S.			B
AvalonBay Communities, Inc.	U.S.			B
Colliers International Group Inc.	Canada			B
Crown Castle International Corp.	U.S.			B
Extra Space Storage Inc.	U.S.			B
First Capital Realty Inc.	Canada			B
Mid-America Apartment Communities, Inc.	U.S.			B
Minto Apartment REIT	Canada	B	B	
Mirvac Group	Australia		S	
Monmouth Real Estate Investment Corporation	U.S.			B
National Storage Affiliates Trust	U.S.			B
Real Matters Inc.	Canada			B
RioCan Real Estate Investment Trust	Canada			C
W. P. Carey Inc.	U.S.			B
UTILITIES				
Algonquin Power & Utilities Corp	Canada	C	C	
American Electric Power Company, Inc.	U.S.	S		S
Atco Ltd	Canada	B	B	
Duke Energy Corp	U.S.	S		S
Fortis Inc	Canada	C	B	B
FortisBC Energy Inc.**	Canada	B		
Hydro One Ltd	Canada		B	
OGE Energy Corporation	U.S.			B
Ormat Technologies, Inc.	U.S.			B
PPL Corp	U.S.			B
Southern Company	U.S.	S	S	S+B
TransAlta Renewables Inc.	Canada			B
UGI Corporation	U.S.			B

Carbon Footprint Methodology

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

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

For our government bond holdings, we use country-wide emissions or estimations. Where data gaps exist or limited look-through to underlying assets is not currently possible, we employ a proxy approach using sub-industry average emission intensities to estimate emissions for parts of the portfolio.

Public markets: BCI used data provided by ISS ESG, the responsible investment arm of Institutional Shareholder Services ("ISS"), which provides climate data, analytics and advisory services to financial market participants. ISS ESG's comprehensive GHG emissions database includes reported emissions data and modelled estimations for non-disclosed emissions for those who report with a low trust metric (according to internal analysis). ISS ESG utilizes a sophisticated, proprietary approximation system to estimate emissions, which includes over 800 climate-relevant sector and subsector-specific models.

For our public equities portfolio, we have also calculated the Weighted Average Carbon Intensity (WACI), which measures the portfolio exposure to carbon-intensive holdings. WACI is the metric recommended within the TCFD framework for investors.

Private markets: We calculate the carbon footprint for BCI's private market portfolios using three different approaches dependant on the degree of data availability for each underlying investment. The primary method used company-specific carbon emissions data if disclosed. Where direct emissions data was not available, BCI sourced relevant company specific operating metrics and emission factors to calculate an estimated carbon footprint for assets. The third approach was to use a proxy approach where sub-industry average emissions intensities were applied to the portfolio exposure that had sub-industry classification data available. This three-step approach allowed BCI to maintain the highest degree of accuracy possible while allowing maximum portfolio coverage given the current data gaps present for this type of analysis.

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

Scope

The following asset classes and instrument types are included in BCI's portfolio carbon footprint metrics as at March 31, 2020.

Public equities: Includes all public equity positions, long-only externally managed investments, and exchange-traded funds (ETFs) where the ETF represents more than 20 per cent of a portfolio. Excludes ETFs that represent less than 20 per cent of a portfolio and derivative instruments.

Fixed income: Includes all corporate and government bonds and excludes segregated assets, cash, money market instruments, and private debt.

Real estate: Includes the domestic real estate portfolio. Excludes the international real estate and mortgage portfolio.

Private markets: Includes the majority of direct and fund investments in infrastructure & renewable resources and private equity. Excludes fund of funds and investments with limited data availability that made calculations impractical to estimate.

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