



# Responsible Investing

Annual Report  
2018

**BCi**

British Columbia Investment Management Corporation

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## ABOUT BCI

British Columbia Investment Management Corporation (BCI) provides investment management services to British Columbia's public sector. Our role is to generate investment returns that will help our institutional clients build a financially secure future. With our global outlook, we seek investment opportunities that will meet our clients' risk and return requirements over time. This compels us to integrate long-term environmental, social, and governance (ESG) matters into our investment decisions and activities. We offer investment options across a range of asset classes: fixed income; mortgage; public and private equity; real estate; infrastructure; and renewable resource.

# 2018 Highlights

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For the third year in a row **BCI ACHIEVED AN A+ RATING FROM THE PRI** for our responsible investing strategy and governance approach

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**PUBLISHED OUR CLIMATE ACTION PLAN** and disclosed BCI's approach to the Task Force on Climate-related Financial Disclosure Recommendations

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Submitted

**17 POLICY SUBMISSIONS TO INFLUENCE THE REGULATORY FRAMEWORK** which included direct and collaborative responses

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Partnered with like-minded investors to participate in

**8 COLLABORATIVE INITIATIVES** targeting 392 companies

**4 FILED SHAREHOLDER PROPOSALS** where engagement did not get the desired results

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Directly engaged with

**273 COMPANIES OF WHICH 26 WERE AT A COMPREHENSIVE LEVEL**

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QuadReal Property Group set a target of

**80% CARBON REDUCTION** of the Canadian real estate portfolio by 2050

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In 2018, ENERGY STAR® expanded its certification to include commercial buildings in Canada and

**50%** of the designations in Canada were in **BCI's REAL ESTATE PORTFOLIO**

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## To Our Clients

Long-term financial sustainability is the driving force behind our approach to responsible investing. Our fundamental purpose is to build financially meaningful futures for our clients for generations to come; everything we do must support this.

Environmental, social, and governance (ESG) factors that we face today will affect the returns of tomorrow. To generate sustainable, long-term returns far into the future, our investment activities must focus on strong performance, effective risk mitigation, and active management. Responsible investing goes hand-in-hand with active ownership.

With our clients increasingly allocating their funds into illiquid investments, we are becoming more invested in the long-term success of our portfolio companies. As direct owners, their risks, and their opportunities, become ours. It is our responsibility to increase the value of these long-term investments through board representation and shareholder rights, influencing strategy and ensuring that operations align with our expectations.

Part of our role as a long-term owner is to consider the risks and opportunities that global ESG factors present to our portfolio. According to the World Economic Forum<sup>1</sup>, three of the top five global risks are linked to the physical or transition risks of climate change. The potential effects of climate change are complex and will strongly influence economic drivers, regulatory bodies, and shifting public opinion.

BCI's *Climate Action Plan* helps position our clients' assets to both capitalize on investment opportunities from the long-term transition to a lower carbon economy and protect them from undue physical and transition risks. We believe the most effective way to manage these potential impacts is to integrate climate considerations into every investment decision at the asset, pool, and total client portfolio levels.

As our investment portfolio becomes more sophisticated and diverse, our ESG strategy must evolve to keep pace. Over the course of 2019, BCI's asset classes will collaborate on a cross-portfolio approach to ESG. We will be actively engaging with clients, seeking to understand their perspectives on responsible investing.



Gordon J. Fyfe

Chief Executive Officer /  
Chief Investment Officer

<sup>1</sup>World Economic Forum. (2019). *The Global Risks Report 2019 14th Edition*. Retrieved February 26, 2019 from World Economic Forum [http://www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2019.pdf](http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf)

## BCI and Responsible Investing

Our clients share our belief that companies that employ robust environmental, social, and governance (ESG) practices are better positioned to generate long-term value than similar companies with less-favourable practices.

BCI manages funds on behalf of 31 clients and our primary mandate is to create long-term client wealth. The majority of the funds we manage have long-term investment horizons. Assessing and managing investment risk is an integral part of how we meet our clients' expected returns.

When investors take ESG matters into account, they can better understand, manage, and mitigate risks associated with long-term investments.

Responsible investing is integrated into our investment analysis and decision-making processes. Our investment outlook, combined with our philosophy of active ownership, allows for the alignment of interests with the companies in which we invest — this alignment is an essential part of responsible investing.

**Our approach to responsible investing is based on three core activities:**



Further details about our approach and activities are included in *An Overview of BCI's Approach to Responsible Investing*.

**The Principles for Responsible Investment (PRI) provides a set of principles for institutional investors to consider and through our endorsement, BCI is committed to:**

- 1 Integrating responsible investment** into investment analysis and decision-making processes
- 2 Being an active owner** and incorporating ESG issues into our ownership policies and practices
- 3 Seeking appropriate disclosure** on ESG issues by the entities in which we invest
- 4 Promoting acceptance and implementation** of the principles within the investment industry
- 5 Collaborating with like-minded investors and organizations** to enhance effectiveness in implementing the principles
- 6 Reporting** on our responsible investing activities

# BCI's Responsible Investing Principles

As a founding signatory to the PRI, BCI is committed to integrating ESG factors into our processes and analysis, ownership activities, and interactions with other long-term investors.

We have established a set of eight principles to guide our approach.



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# Climate Action

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

As governing bodies and public opinion shift in response to scientific consensus, we anticipate transition risks from changes in government policies, technological innovation and adoption, and altered consumer behaviour. If global temperatures rise past the agreed-upon threshold, we must then prepare for physical risks to our clients' assets brought about by rising sea levels, more frequent and severe weather conditions, and other environmental impacts.





# Climate Action Plan

In 2018, we published our *Climate Action Plan*, which helps position our clients' assets to both capitalize on investment opportunities from the long-term transition to a lower carbon economy and protect them from undue physical and transition risk. Motivated by our clients' desire to better understand their exposure to climate change risk and opportunity, the plan outlines four core activities:

**Managing Risk:** We are focused on quantifying current risks and monitoring changes in expected outcomes. We have completed a climate change scenario analysis for our clients' long-term strategic allocations and plan to integrate the process into ongoing and future risk processes.

**Integration:** We believe the most effective way to manage climate investment impacts is to integrate climate considerations into every investment decision at the asset, pool, and total client portfolio levels. We currently integrate climate change indicators into our active equity mandates based on the Sustainability Accounting Standards Board (SASB) framework and plan to develop a climate materiality assessment in private markets using SASB as a reference.

**Seek Opportunities:** The transition to a low carbon economy offers new investment prospects and we plan to build upon our current exposure to climate-related investment opportunities, where it makes financial sense.

**Engage & Advocate:** As an active asset manager, we have created metrics to measure our level of engagement on climate-related issues. We intend to encourage greater disclosure, in line with guidance from the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD).

## BCI'S APPROACH TO THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

BCI believes that meaningful disclosure of ESG risks, strategies, practices, and performance helps institutional investors to make the best decisions for their clients. We collaborate with like-minded investors and organizations to raise awareness of the need for reliable and consistent disclosure.

We are committed to incorporating the TCFD recommendations into our reporting and disclosure practices. In 2018 we publicly disclosed our alignment in our *Climate Action Plan* and each year we will provide updates to the quantitative metrics included in our disclosure.

The following page discloses our 2018 operational emissions, as well as our portfolio carbon footprint. The decrease in the equity portfolio's emissions intensity is due to a change in the composition of its holdings within the utility sector. This is based on a review of the portfolio's largest emitters. The climate change opportunity exposure did not significantly change in 2018.

## 2018 TCFD Updates — Metrics & Targets

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

**BCI's Alignment:** Based on MSCI's Sustainable Impact Research<sup>1</sup> and considering the United Nations Sustainable Development Goals, the value of all BCI assets invested in climate-related opportunities was about \$1.8 billion as at March 31, 2017.

**Update:** As at March 31, 2018, using the same methodology, our exposure is about \$1.82 billion.

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

**BCI's Alignment:** BCI measured our operational GHG emissions for the calendar year ended December 31, 2017 (reviewed by Zerofootprint) as per the below table. Note that this does not represent or include the carbon intensity of BCI's investments.

**Update:** GHG emissions as at December 31, 2018 are included in the table below.

BCI OPERATIONAL GREENHOUSE GAS (GHG) EMISSIONS	2017 (TCO <sub>2</sub> e) <sup>2</sup>	2018 (TCO <sub>2</sub> e)
Scope 1: Direct carbon dioxide (CO <sub>2</sub> ) emissions	56.5	37.4
Scope 2: Indirect emissions	18.2	21.1
Scope 3: All other indirect emissions	1944.0	2114.6
<b>Total Emissions Generated</b>	<b>2018.7</b>	<b>2173.2</b>
<b>Offsets Purchased</b>	<b>2018.7</b>	<b>2173.2</b>
<b>Net Emissions</b>	<b>0.0</b>	<b>0.0</b>

**Portfolio Carbon Footprint: we calculate our portfolio carbon footprint as an intensity measure of the GHG emissions relative to the percentage of holdings.**

### IN 2017

We measured our **PUBLIC EQUITIES** carbon footprint as

**135.2** TONS OF CO<sub>2</sub> PER MILLION INVESTED AS AT MARCH 31, 2017

compared to a benchmark<sup>3</sup> of

**137.1** TONS OF CO<sub>2</sub> PER MILLION

### IN 2018

We measured our **PUBLIC EQUITIES** carbon footprint as

**106.9** TONS OF CO<sub>2</sub> PER MILLION INVESTED AS AT MARCH 31, 2018

compared to a benchmark<sup>3</sup> of

**122.8** TONS OF CO<sub>2</sub> PER MILLION

We measured our **FIXED INCOME** carbon footprint as

**74.3** TONS OF CO<sub>2</sub> PER MILLION INVESTED AS AT MARCH 31, 2018

compared to a benchmark<sup>3</sup> of

**78.9** TONS OF CO<sub>2</sub> PER MILLION

<sup>1</sup> MSCI Research is introducing tools and data designed to help institutional investors measure their alignment with the United Nations Sustainable Development Goals (SDGs).

<sup>2</sup> 2017 operational emissions were recalculated using updated emission factors. All emissions were offset in both years.

<sup>3</sup> The benchmark is a weighted combination of multiple indices as specified in our clients' Statement of Investment Policies & Procedure.

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# Public Markets

The Public Markets program manages a portfolio of fixed income and equity investments. We invest in Canada, the U.S., and internationally in both the developed and emerging markets, using index and active management strategies. Responsible investing has always been an essential part of the investment beliefs shared by BCI and many of our clients. As we grow and diversify our asset mix, we will continue to integrate ESG factors into our investment analysis, decision-making, and processes.





# Public Equities

BCI is a large-scale global investor and an active participant in the capital markets. We encourage the companies that we invest in to identify practical and realistic solutions to ESG risks.

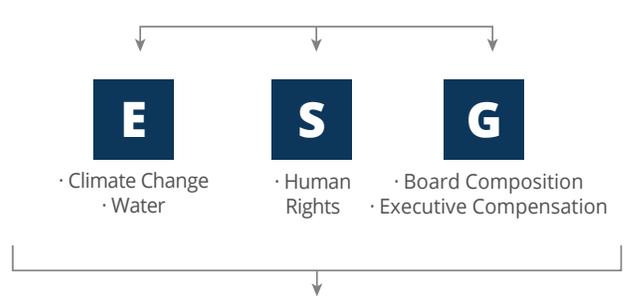
We aim to address systemic risks with the expectation that our efforts will lead to improved disclosures and performance, result in better risk-adjusted returns for our clients, and strengthen the financial system. Our activities include: proxy voting; company engagements; collaboration with like-minded peers and organizations; and, advocacy with regulators, industry associations, and standard-setting bodies.

## ESTABLISHING PRIORITIES

BCI manages investment risks and pursues activities that are expected to have the greatest material impact on our portfolio. Bearing in mind the size of the public markets portfolio and our limited resources, BCI chooses to be selective, specific and pragmatic. Therefore, we establish and focus our efforts on our stated ESG priorities: climate change and water; human rights; and board composition and executive compensation.

Our choice of engagement priorities is based on our assessment of the materiality of risk; our ability to influence; research and data; and country and sector-level exposure. Based on our criteria, we have chosen areas that can present long-term, widespread business challenges and, therefore, are a natural fit for an investor with a horizon that stretches forward many decades.

## OUR ENGAGEMENT PRIORITIES



## ENGAGEMENT ACTIVITIES



## 40 KEY PERFORMANCE INDICATORS

## MEASURING OUTCOMES

Tracking key performance indicators (KPIs) helps us understand the long-term outcomes from our ESG engagement activities and allows us to communicate the results to our clients.

In 2017 we began collecting and assessing data for more than 40 KPIs grouped across seven major categories. We used multiple sources to create reliable data sets that, where possible, date back as far as 2011. The results illustrate the impact of our efforts and help determine where we should focus our engagement activities going forward.

The following pages provide a closer look at some of our noteworthy engagement activities for 2018 and select KPIs.

# E Environmental

## ENGAGEMENT PRIORITIES: CLIMATE CHANGE AND WATER

We consider diverse types of climate change risks to better understand our clients' exposure and take advantage of climate-related risks and opportunities. As climate change is one of the biggest social and economic risks the world faces today, it is a key engagement priority.



### ENGAGEMENT ACTIVITIES — CLIMATE CHANGE

#### Engaging with Chevron Corporation (NYSE:CVX) on Climate Risk

**Objective:** In 2018, BCI joined a collaborative engagement with Chevron aimed at encouraging the company to improve their climate change approach.

**Action:** Chevron is one of the largest oil companies in the world and it will play a critical role in the transition to a low-carbon economy. We have engaged with Chevron for a number of years, most recently on their disclosure around climate change and on the use of scenario analysis to assess the company's strategy in a low-carbon economy; on the adoption of emissions reduction targets; and enhanced governance of climate risk. We have supported many shareholder proposals on these issues over several years in addition to meeting directly with the company.

**Outcome:** Chevron disclosed plans to set GHG emissions reduction targets, aiming for reductions in methane and flaring intensity of 25 per cent and 30 per cent, respectively, by 2023. Chevron will also tie a portion of the incentive pay of tens of thousands of employees, including executives, to the achievement of these targets. While we acknowledge this is a positive step, we recognize that further change is needed as the world transitions to a low carbon economy. We will continue to engage with Chevron.

#### Proxy Voting — Shareholder Proposals on Climate Change at Kinder Morgan Inc. (NYSE:KMI) and Anadarko Petroleum (NYSE:APC)

**Objective:** Improve disclosure to help investors better understand and assess the effects of environmental risks on the companies' activities and longer-term financial results.

**Action:** BCI voted in favour of proposals calling for these two companies to publish an assessment of climate change scenarios where global warming is limited to two degrees Celsius or below and the impacts these scenarios would have to their portfolios.

**Outcome:** Both proposals passed with a majority of shareholders voting in favour: the proposal at Kinder Morgan received 59.7 per cent support, while the Anadarko Petroleum proposal received 53.5 per cent support. Anadarko Petroleum proceeded to publish its first climate report, and Kinder Morgan committed to assessing its business strategy under a two degrees Celsius scenario.

Momentum continues to build behind proposals that call on companies to report on the resiliency of their portfolios under the two degrees scenario. In fact, many similar proposals were withdrawn in 2018 after the targeted companies proactively committed to improving their disclosures. This shows that companies are beginning to realize the importance that investors place on this issue.

**Our Voting Guideline:** We typically support proposals that seek additional reporting when there is increasing regulatory pressure and when the proposed actions are likely to enhance a company's reputation as a market leader and its long-term ability to operate.



## ENGAGEMENT ACTIVITIES — GHG EMISSIONS AND WATER DISCLOSURE

### Promoting Disclosure Aligned with the CDP

**Objective:** CDP, formerly the Carbon Disclosure Project, provides a global disclosure framework and platform for companies to manage environmental impacts and provide data used for investment decisions. We encourage publicly-traded companies to respond to CDP's annual questionnaire on climate change, as well as the CDP's water questionnaire, when water risk is relevant. Consistent data allows investors to make more informed decisions.

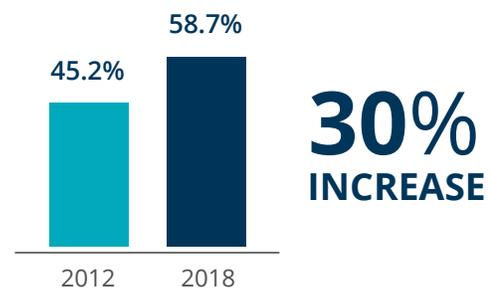
**Action:**

- ▶ We voted against board chairs or chairs of relevant committees at 34 companies for not disclosing GHG emissions. We then reached out to 32 of those companies to encourage disclosure through CDP. Four of these companies have since responded to the CDP questionnaire on climate change and five have published their first sustainability reports in 2018, which include disclosure of relevant GHG emissions data.
- ▶ BCI provided the investor perspective during a CDP webinar to help companies understand the importance of disclosing GHG emissions and related data through the CDP platform, and BCI shared how it uses CDP data to inform investment decisions.
- ▶ We spoke at the CDP Energy Roundtable event in Calgary, Canada on BCI's *Climate Action Plan*.
- ▶ BCI supported 15 out of 17 shareholder proposals related to GHG emissions reporting and adoption of emissions reduction targets.
- ▶ We voted in support of three out of four shareholder proposals addressing water risk management.

**Outcome:** The number of respondents to the CDP water questionnaire has climbed from 305 in 2013 to 760 in 2018 — an increase of 149 per cent.

We are seeing positive trends in the adoption of emissions reduction targets and the setting of an internal price on carbon, which helps companies to estimate impacts from carbon-related regulation.

**KPI: Proportion of Canadian respondents to CDP with GHG emissions reduction targets:**



Source: CDP



**Climate Action 100+**

BCI, with over 300 other investors, joined the Climate Action 100+ initiative. This global five-year engagement aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, and commits investor signatories to work with over 150 companies to ensure they: take action to reduce greenhouse gas emissions, consistent with the goal of the Paris Agreement; provide enhanced corporate disclosure in line with the TCFD's recommendations and sector specific expectations on climate change guidance; and implement a strong governance framework that clearly articulates the company board's accountability and oversight of climate change. Each company is assigned an engagement leader; BCI is leading on three and supporting on seven companies.

# S Social

## ENGAGEMENT PRIORITY: HUMAN RIGHTS

Businesses exist within a complex network of stakeholders that include shareholders, suppliers, customers, communities, governments, and employees — in some cases spanning multiple countries and diverse operating environments. As an active investor, it is our responsibility to interact with, encourage and, where appropriate, challenge companies about their policies and activities.



### ENGAGEMENT ACTIVITIES — HUMAN RIGHTS IN EXTRACTIVE SECTORS

#### Engaging with Extractive Companies via the PRI

**Objective:** Improve the implementation of the United Nations Guiding Principles on Business and Human Rights by extractive companies and increase the disclosure of human rights policies and practices.

**Action:**

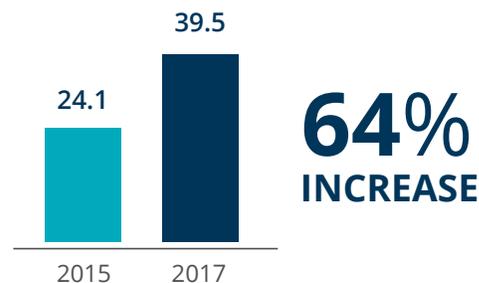
- ▶ Through the PRI's collaborative human rights engagement with the global extractive sector, which BCI joined in 2015, we supported 12 and led two engagements. The PRI published the engagement's findings in 2018 in *Digging Deeper: Human Rights and the Extractives Sector*.
- ▶ We monitor Canadian companies via the Mining Association of Canada's Toward Sustainable Mining (MAC-TSM) Framework to support our engagement.

**Outcome:** The MAC-TSM Framework demonstrated improvement in companies achieving "Level A" or higher across all four areas:

- Stakeholder identification;
- Stakeholder engagement;
- Response and grievance mechanisms; and,
- Reporting.

The PRI engagement significantly improved the overall disclosure scores — representing enhanced human rights due diligence — from 24.1 in 2015 to 39.5 in 2017 as seen in the chart below.

**KPI: Average overall score on human rights due diligence processes for targeted companies in the global extractive sector:**



Source: Principles for Responsible Investment (PRI)

## Governance

### ENGAGEMENT PRIORITIES: BOARD COMPOSITION AND EXECUTIVE COMPENSATION

A high-performing board of directors and good governance are the foundation of effective company management and long-term success. We raise awareness about best practices in corporate governance and the role of boards as a way of managing investment risk. Diverse perspectives on a company's board of directors leads to better decision-making and strengthens a company's long-term performance. We advocate for executive compensation programs that align with the strategic priorities of the company and ensure that a pay for performance link exists.



#### ENGAGEMENT ACTIVITIES — GENDER DIVERSITY

##### Engaging with AGNC Investment Corporation (NASDAQ:AGNC) on Diversity

**Objective:** Encourage AGNC Investment Corporation (AGNC) to enhance board composition.

**Action:** BCI pursued an extensive engagement campaign to follow up on our 2018 proxy voting activity. We engaged with AGNC, a real estate investment firm, and expressed our concerns over its lack of board diversity.

**Outcome:** Through our engagement, we learned that AGNC had initiated a search for female directors using a board skills matrix to identify specific areas of expertise that it was seeking in candidates. Following our engagement, the board appointed a female director with a strong financial background.

##### Proxy Voting — Shareholder Proposal on Workforce Diversity at Starbucks Corporation (NASDAQ:SBUX)

**Objective:** Improve understanding of Starbucks Corporation's (Starbucks) diversity policies and how it aims to increase diversity at the company.

**Action:** BCI voted in favour of a proposal calling for Starbucks to publish an annual diversity report to shareholders, which would detail the policies and programs that the company has in place to increase gender and racial diversity in the workplace. We believed such a report would provide greater clarity on the steps that Starbucks is taking to achieve this, as well as identify any related risks to the company.

**Outcome:** Although the proposal failed to pass, 34.7 per cent of shareholders voted in favour. The significant level of support signals that shareholders seek increased transparency regarding the company's efforts to enhance workplace diversity. In response, Starbucks published data in 2018 on the gender and minority status of all employees, as well as its diversity goals and company initiatives to increase representation throughout the workforce.

**Our Voting Guideline:** We typically support proposals that seek additional company reporting when we believe such disclosure will enhance our ability to assess the related risks.

## Policy Submissions — Board Gender Diversity

**Objective:** Engage with securities regulators and advocate for stronger diversity disclosure requirements for boards and senior management.

**Action:**

- ▶ Responded to the British Columbia Securities Commission (BCSC) consultation on disclosure requirements and met with the BCSC. BCI conveyed our disappointment that the BCSC is one of only two jurisdictions in Canada that has not adopted the gender disclosure requirements for boards and senior management.
- ▶ Commented on the Ontario Securities Commission (OSC) Statement of Priorities for 2018–2019.
- ▶ Expressed concern with the quality of diversity disclosure, with many companies relying on boilerplate responses to explain the lack of a diversity policy or targets for female representation.
- ▶ Underscored that securities regulators could increase transparency and improve the quality of disclosure by requiring companies to have a diversity policy and set targets and, in the absence of these, the company would have to explain why such an approach was not in place.
- ▶ Advocated for corporate boards to have policies and processes in place to identify a wider pool of candidates that goes beyond traditional and informal networks.

**Outcome:**

- ▶ While the BCSC has not yet reported on their consultation, we remain optimistic that they will join other Canadian securities regulators in adopting these disclosure requirements. We will continue to engage them on these issues.
- ▶ The disclosure requirements introduced by certain Canadian securities regulators have led to a historic low of only six all-male boards within the TSX Composite Index.

## Advocating for 30 Per Cent Representation

**Objective:** Advocate for companies to set diversity targets.

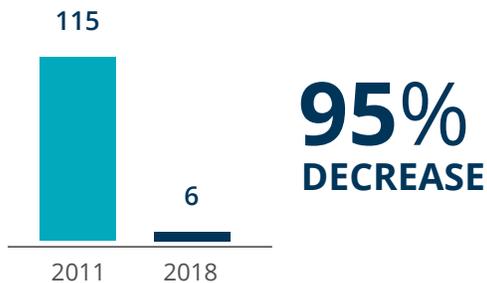
**Action:**

- ▶ Collaborated with our peers and engaged with 18 TSX Composite Index companies on gender diversity. We led seven of those engagements where companies had low female representation on their boards.

- ▶ Implemented a new proxy voting guideline in 2015 to vote against chairs of nominating committees where boards lack any female representation and do not provide explanations or plans to address the issue. In 2018, we increased the threshold to a minimum of three female directors, or 25 per cent of the board.

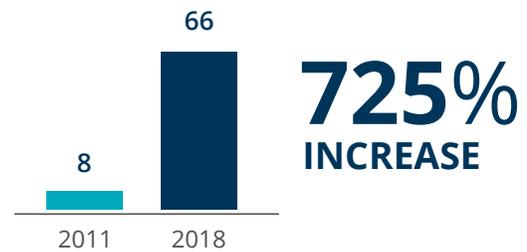
**Outcome:** Although we see steady progress across all indicators, we continue to engage and advocate for more rapid change.

**KPI: The number of TSX composite companies that have no women on the board of directors:**



Source: Institutional Shareholder Services Inc.

**KPI: The number of TSX composite companies with at least 30 per cent women on the board of directors:**



Source: Institutional Shareholder Services Inc.



## ENGAGEMENT ACTIVITIES — BOARD COMPOSITION

### Policy Submission — Board Independence in Canada

**Objective:** BCI sought to maintain the Canadian Securities Administrators' (CSA) current approach for determining director and audit committee member independence.

**Action:**

- ▶ Responded to the CSA consultation on the effectiveness of their current approach to director and audit committee independence.
- ▶ Advised the CSA that the current, well-established approach to determining director and audit committee member independence should remain the same. We believe that the approach provides certainty, consistency, and predictability. The process, introduced in 2004, is well understood and embedded in corporate culture. Canada's current approach is similar to the bright line model used in the U.S. The number of cross-listings between the two countries necessitates a complementary process.
- ▶ Encouraged the CSA to revisit their approach to board term limits. The current approach has resulted in a low proportion of companies adopting term limits and provides little motivation for them to do so, resulting in ad hoc board refreshment and few opportunities to increase diversity levels. Term limits ensure that underperforming directors are not able to remain in place for an excessive period of time.

**Outcome:** In July 2018, the CSA provided a market update on the consultation regarding director and audit committee independence and, in line with our recommendations, they concluded that it was appropriate to maintain the current approach.

### Advocating for Board Independence in Japan

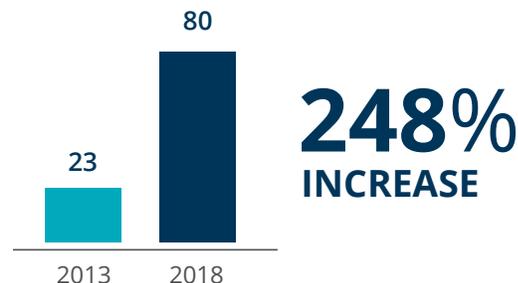
**Objective:** Japan is one of the top five markets in the world and, as a global investor, BCI is exposed to the country through our global equity program. Due to Japan's historically low board independence levels, BCI has been advocating for greater independence through direct engagement with companies, proxy voting, submissions to regulators, and collaborative engagement via the Asian Corporate Governance Association (ACGA).

**Action:**

- ▶ Voted against non-independent directors or executives at 202 companies where board independence was below one-third.
- ▶ Participated in ACGA member meetings on corporate governance changes in key Asian markets: China, Japan, Hong Kong, and South Korea among others. The meetings also provided a forum for feedback and discussion of key learnings from the ACGA's 2018 report on China titled, *Awakening Governance: The Evolution of Corporate Governance in China*.

**Outcome:** We have seen an increase in the number of companies with at least one-third board independence, and we will continue to urge companies and regulators to raise the bar when it comes to independence.

**KPI: The number of companies with at least one-third board independence in Japan from the Nikkei 225 index:**



Source: Institutional Shareholder Services Inc.



## ENGAGEMENT ACTIVITIES— EXECUTIVE COMPENSATION

### Advocating for Pay for Performance Alignment

**Objective:** Vote against compensation plans that fail to incentivize executives to focus on the long-term performance of the business and do not meet our proxy voting guidelines.

**Action:**

- ▶ BCI voted against 49.6 per cent of say-on-pay votes, as many compensation plans failed to meet our expectations of sound compensation plan design.
- ▶ Since 2012, we have engaged with hundreds of companies where we did not support say-on-pay votes, explaining our concerns and requesting improved disclosure or changes to their pay plans.

### Advocating for Say-On-Pay

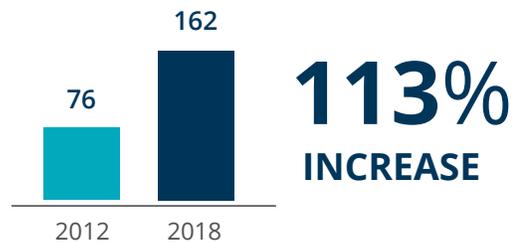
**Objective:** Increase adoption of say-on-pay votes at Canadian companies.

**Action:**

- ▶ We continued to encourage regulators and securities commissions to mandate advisory votes on executive compensation (say-on-pay).
- ▶ Along with a number of our Canadian peers, we engaged with several companies that lacked a say-on-pay vote to encourage voluntary adoption.

**Outcome:** Of those companies that we directly engaged with, nine adopted say-on-pay votes in 2018. Our direct and collaborative engagements are increasing adoption rates among TSX composite companies.

**KPI: The number of TSX composite companies adopting say-on-pay votes:**



Source: Institutional Shareholder Services Inc.

### Engaging on Executive Compensation with Winpak Ltd (TSX:WPK)

**Objective:** To express our disappointment with Winpak's lack of an advisory vote on executive compensation on the ballot at its annual general meeting.

**Action:**

- ▶ BCI urges companies to voluntarily adopt say-on-pay in lieu of any mandatory requirements. As Winpak did not voluntarily offer shareholders a vote on executive compensation, we voted against the chair of the governance committee at the 2018 annual general meeting and targeted the company in our collaborative engagement with peers.

**Outcome:** Our recent efforts resulted in Winpak, along with five other companies, committing to voluntarily adopt say-on-pay votes in 2019.

## Proxy Voting — Management Proposal on Executive Compensation at Wynn Resorts Ltd (NASDAQ:WYNN)

**Objective:** To express our discontent with the executive compensation arrangements at Wynn Resorts.

**Action:**

- ▶ Since 2014, BCI has voted against either the triennial advisory vote on executive compensation or the election of compensation committee members at Wynn Resorts.
- ▶ Despite a change in 2018 to an annual say-on-pay vote, BCI voted against the advisory vote on executive compensation and withheld votes on two directors. We felt that the proposed compensation plan did not adequately align pay with performance, lacked sufficient disclosure, and contained features that we do not consider to be in line with best practice.
- ▶ Following the AGM, we wrote to the board to detail our concerns.

**Outcome:** There was a high level of dissent with 80 per cent of shareholders voting against the proposal. Ahead of the annual general meeting, several directors resigned from the board, resulting in 60 per cent refreshment of the board members who were serving at the beginning of 2018.

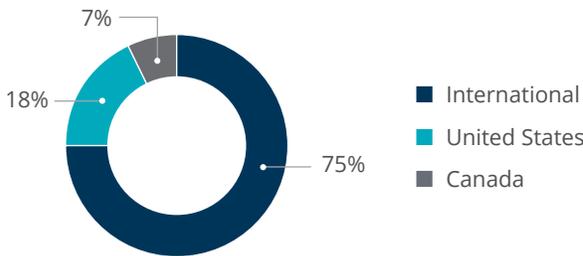
**Our Voting Guideline:** Our primary focus is on pay for performance, basing an executive's overall compensation on specific measurable incentives that motivate and reward improved long-term performance while discouraging undue risk taking.

## PROXY VOTING

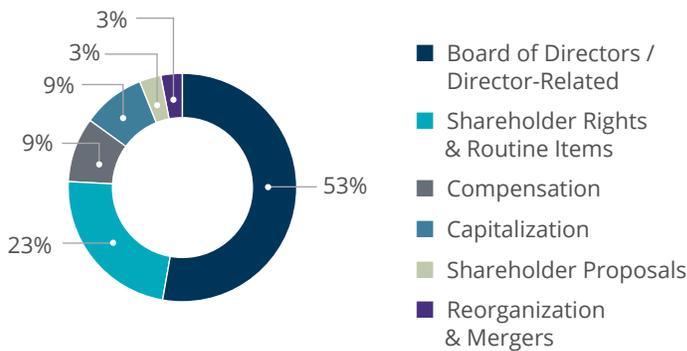
As an active owner, we consider informed voting an important component of our commitment to engagement. It fosters good corporate governance and accountability. We conduct all proxy voting activities in-house and now vote almost all of our holdings.

This year, we expanded voting to cover all global holdings, where practical, as BCI adopted a custom voting policy in 2018, which gave us the capacity to significantly increase our voting activities.

### Proposals voted by geography



### Proposals voted by category



### MEETINGS VOTED

**3,967**

**87%** INCREASE FROM LAST YEAR

**372%** YEAR-OVER-YEAR CHANGE IN INTERNATIONAL MEETINGS VOTED

COUNTRIES VOTED IN: **61**

### PROPOSALS AND AGENDA ITEMS ASSESSED

**44,003**

**82.6%** INCREASE FROM LAST YEAR

### OF WHICH WE VOTED

#### MANAGEMENT PROPOSALS

**29%** AGAINST  
Total proposals 42,839

#### DIRECTOR NOMINEE PROPOSALS

**37%** AGAINST / WITHHELD  
Assessed 19,090 management proposals

#### SAY-ON-PAY / REMUNERATION REPORT PROPOSALS

**50%** AGAINST  
Assessed 1,556 management proposals

#### SHAREHOLDER PROPOSALS

**60%** SUPPORTED  
Total proposals 1,164

**E** 48% total 90      **S** 75% total 103      **G** 60% total 971

# Fixed Income

Governance and broader environmental and social factors play a role in credit ratings and practices, all of which influence how we invest within our fixed income program.

Fixed income, a mix between sovereign and corporate bonds, is a foundational part of our overall portfolio. Pension funds will always have exposure to fixed income because it is a secure and diverse asset class. As a significant portion of our total portfolio, fixed income's investment process integrates ESG factors, providing us with a deeper insight into the creditworthiness of issuers.

## PRINCIPAL CREDIT FUND

We are operating in a low return environment. In order to manage the probability of meeting our clients' expected returns, our investment strategies must evolve. Public markets are competitive and some market players — banks and insurance companies, for instance — face changing regulatory and structural constraints that create market opportunities for institutional investors like BCI.

In 2018, BCI created the Principal Credit Fund, targeting credit investments which cannot be easily sold in public markets. The illiquid nature of these investments means that our clients are compensated with a premium return relative to traditional fixed

income investments. The borrower is typically a privately-owned company that seeks financing. The loans are usually three to seven years, have floating interest rates, and are often secured by the company's assets. In the past, these loans were mostly provided by banks; they are now increasingly provided by institutional investors like BCI.

These markets are highly specialized and compel BCI to work with external managers who have strong relationships and networks that we can leverage to gain access to these investment opportunities.

**Assessing External Managers:** It is important to ensure that our external managers are well equipped to assess ESG issues, employing robust practices and providing transparency. When we selected our external managers, they were assessed on:

- ① **Strength of ESG Policy**
- ② **Accountability and Oversight**
- ③ **Evidence of ESG Integration in Process**
- ④ **Dedication of Resources and Tools**

### Assessing investment opportunities in private debt markets:



## PRI ADVISORY COMMITTEE ON CREDIT RATINGS

Institutional investors like BCI rely on credit rating agencies (CRAs) to provide comprehensive data that we use to assess investment opportunities in fixed income.

Credit risk analysis is evolving and the global fixed income community is increasingly seeking ways to factor in sustainability considerations when allocating capital and managing risks. As a first step, we must ensure that ESG factors are appropriately reflected in credit risk analysis.

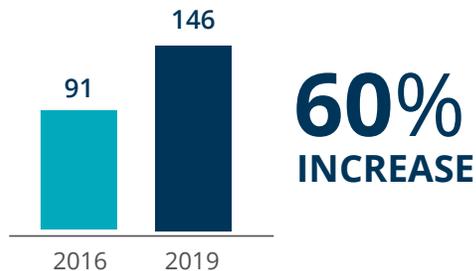
In 2016, BCI became a member of the PRI Advisory Committee on Credit Ratings (ACCR) and signed the ESG in Credit Ratings Statement.

The ACCR's objectives include the following: advise the PRI on its program to promote more systematic and transparent incorporation of ESG in credit ratings; support outreach and awareness-raising efforts for this initiative; and further understanding of the links between ESG factors and issuer creditworthiness.

As a result of the committee's work, the ACCR has released three reports: *Shifting Perceptions: ESG, Credit Risk and Ratings Part 1: The State of Play (2017)*; *Part 2: Exploring the Disconnects (2018)*; and *Part 3: From Disconnects to Action Areas (2019)*.

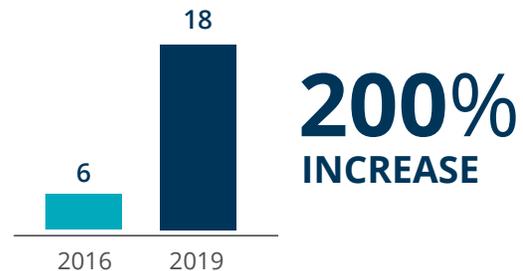
The final report includes a list of action areas aimed at improving the process and output of ESG consideration in credit risk analysis. One outcome of this collaborative work between the PRI, investors, and CRAs is an undertaking by CRAs to transparently and consistently convey both the relevance and materiality of ESG factors in credit rating decisions. In 2018, S&P Global Ratings created a new ESG Evaluation analytic approach and in 2019, Fitch Ratings introduced a system to show how ESG factors affect the agency's individual credit rating decisions.

### Increase in number of investor signatories to the ESG in Credit Ratings Statement:



Source: Principles for Responsible Investment (PRI).

### Increase in the number of CRA signatories to the ESG in Credit Ratings Statement:



Source: Principles for Responsible Investment (PRI).

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# Private Markets

As many clients do not have an immediate need for cash to pay for pensions, they are allocating funds into illiquid investments. Direct ownership — via private market investments — allows BCI to negotiate governance rights and secure positions on boards of directors in line with our increased equity ownership. As an active asset manager, we can use our position as shareholder and board director to influence the company's strategic direction, appoint executive management, and align operations and practices with our expectations — all with the view of driving capital value and strengthening cash flows.

Active ownership depends on a robust approach to managing risk. We seek to reduce risk and capture value by integrating ESG factors over the lifetime of an investment.





# Mortgage

BCI is a significant lender in the Canadian and U.S. commercial real estate industry and we focus on loans with attractive risk-return profiles that align with our clients' requirements.

At December 31, 2018, we had active commitments of approximately \$1.8 billion on properties that exhibit "green" features. This represents about 20 per cent of our committed mortgage program in Canada and the U.S.

We acknowledge that lenders do not have controlling interests over their mortgaged properties and are unable to directly influence ESG matters. However, BCI looks for opportunities to provide financing to like-minded borrowers that allow us to integrate ESG considerations into our mortgage investments.

**BCI believes properties that contain "green" features have:**



## THE TOWERS AT HARBOR POINT

STAMFORD, U.S.

BCI committed US\$135 million over five years towards the construction of the Towers at Harbor Point project, with \$31.6 million funded in 2018.

The Towers at Harbor Point is a 435-unit multifamily rental building with 391 market rental units and 44 affordable rental units. The Towers are part of a larger land development at Harbor Point, which was formerly contaminated manufacturing properties. Remedial actions included:

- ▶ Excavation and off-site disposal of more than 200,000 cubic yards of polluted soil;
- ▶ Installation of more than 50 acres of geomembrane liners to protect the land;
- ▶ Construction of vapour barriers and mitigation systems; and,
- ▶ Reuse of more than 100,000 cubic yards of crushed concrete and recycled stone.

### The Towers at Harbor Point are Gold-certified LEED for Neighbourhood Development

What does this mean?

#### Leadership in Energy and Environmental Design (LEED):

Based on the number of points achieved across several categories (Location & Transportation, Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environmental Quality, Innovation, and more), a project earns one of four LEED rating levels: Certified, Silver, Gold or Platinum.

**Gold-certified for Neighbourhood Development** means that Harbor Point is helping to create better, more sustainable, well-connected neighbourhoods.



## Real Estate



QuadReal Property Group (QuadReal) manages our clients' real estate assets; its mandate is to grow and manage the portfolio, both globally and within Canada. Its active management approach helps build a resilient real estate program that drives sustainable value and aligns with our clients' risk-return expectations.

QuadReal manages real estate investments with these guiding values:

- ▶ Develop properties that anticipate demographic and market conditions;
- ▶ Leverage an approach that is respectful of local communities and neighbourhoods; and,
- ▶ Partner with organizations that have a collaborative and team-based approach and value long-term relationships above all else.

### CLIMATE CHANGE AND CARBON REDUCTION

QuadReal and BCI are aligned in our approach to climate change risk. We are focused on ensuring the viability of our clients' properties over the long term through projects related to waste management, retrofits, and tenant engagement. QuadReal recognizes the value of upgrading properties and has deep experience improving operational efficiencies and mitigating environmental risks.

Taking steps to curb greenhouse gas emissions is one way of managing environmental risk. QuadReal manages a significant real estate portfolio and many of these assets are office buildings. The largest contributor to the portfolio's annual carbon footprint is energy use in the commercial portfolio; office buildings account for 60 per cent of its footprint.

Starting in 2007, BCI required its real estate managers to collect and report the carbon emissions from the operations of its buildings; with this information we established a baseline from which to improve. When QuadReal was established in 2016, it set an 80 per cent absolute carbon reduction of the Canadian real estate portfolio by 2050. This target aligns with Canada's climate change commitment and, to achieve this, QuadReal's management team focuses on:

- ▶ Low-carbon operations for new developments;
- ▶ Continuing our efforts to improve the energy efficiency of existing buildings;
- ▶ Using renewable energy and less carbon intensive fuels; and,
- ▶ Assisting tenants and peers to meet their own carbon goals.

This commitment to developing and maintaining low-carbon, energy-efficient buildings is why so many of the commercial buildings in QuadReal's portfolio received their ENERGY STAR® certification in 2018.

## ENERGY STAR®

ENERGY STAR is a program run by the Government of Canada. It is an internationally recognized and trusted mark indicating high efficiency in appliances, homes, buildings, or industrial facilities. In 2018, this certification was expanded to include commercial buildings in Canada. It recognizes energy-efficient buildings, which are rated according to their energy performance on a scale from 0 to 100. An ENERGY STAR certified building has a score of 75 or higher.

The average score for QuadReal's office buildings is 81, meaning that they are more efficient than 81 per cent of their peers. When the ENERGY STAR certification launched in Canada in 2018, half of the designations were properties in the QuadReal portfolio.



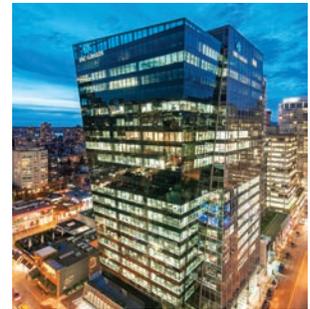
The ENERGY STAR program originally launched in the United States in 1999, where it has helped over 200,000 buildings benchmark their energy performance and more than 12,600 have earned their ENERGY STAR certification.

### Here are three examples of our ENERGY STAR buildings:

#### 745 THURLOW | VANCOUVER, CANADA

**98** ENERGY STAR SCORE

**What we did:** Energy efficiency was a priority when developing 745 Thurlow. We focused on high-efficiency systems; green roofs on the third floor and top levels; triple-paned windows; and an improved tenant experience.



#### BP CENTRE (DOWNTOWN CALGARY OFFICE) | CALGARY, CANADA

**94** ENERGY STAR SCORE

**What we did:** With BP Centre we focused on energy-efficient retrofits. We completed lighting upgrades in parkade, stairwells, and tenant lighting. Operational improvements were introduced, such as schedule optimization of heating, ventilation, and air conditioning (HVAC) systems. A new electrical submeter system was brought in to charge tenants based on actual consumption.

#### WORLD EXCHANGE PLAZA | OTTAWA, CANADA

**93** ENERGY STAR SCORE

**What we did:** A lighting retrofit throughout the building and the replacement of existing boilers with high efficiency ones resulted in significant natural gas savings and over 40 per cent energy use reduction from 2007 baseline.





## Infrastructure & Renewable Resource

Direct investments account for approximately 82 per cent of our portfolio and are made with a very long-term outlook — sometimes up to 20 years.

We focus on direct investments with significant equity positions and actively manage assets by exercising our governance rights through board representation. Our active ownership ensures effective consideration of ESG factors.

As ESG issues often present material, non-traditional risk, it is important to identify these risks at an early stage in an investment so that investment returns are optimized from a risk-adjusted perspective.

In 2017, we prioritized responsible investing as a focus area and began formalizing our approach for our direct investments. We held E, S, and G working groups to define the framework that would work best for the program and our clients. Wanting to align with industry best practices, we spoke with advisors and conducted a comprehensive peer review and analysis.

In 2018, BCI developed a framework and tools that integrate ESG analysis across the lifecycle of an investment. From the early sourcing stage through to asset management and active ownership, the goal is to proactively add value for clients through the application of ESG principles.

Our industry is data and results driven — quality information allows for more informed investment decisions. As ESG matters can impact long-term returns, it is important to BCI, our clients, and their beneficiaries that we have early prioritization and sustained access to information that helps us to identify and mitigate ESG risk.

### ESG analysis over the lifetime of an investment:



✓ **LONG-TERM OBJECTIVE:** develop ESG reporting across standardized metrics



## Private Equity

Within the private equity portfolio, we continue to increase our direct investments in private companies and, over time, the ratio of fund to direct investments will shift from approximately 70/30 to a model that is equally allocated between platform companies, co-investments, and funds.

While our investment approach is evolving, the majority of our program remains invested in funds, managed by best-in-class managers with sector and regional expertise. As we will continue to have some exposure to funds for the foreseeable future, it is important that our managers integrate ESG considerations into their legal agreements, investment activities, as well as their processes and reporting.

### **WORKING WITH PARTNERS TO EFFICIENTLY DEVELOP AND DELIVER ESG VALUE**

In 2018, we expanded our ESG discussions with external managers to develop additional expertise and coordination across the portfolio. Working with ESG teams at our partner firms, and leveraging internal expertise, we coordinated engagement with investee companies to understand key risks and discuss mitigation measures.

This collaborative approach to engagement ensures that BCI, our co-investors, companies, external managers, and clients are aligned in our objectives of increasing value and managing ESG risk.

### **PAI PARTNERS**

PAI Partners is a private equity investor with a specialized understanding of European markets. Our strategic partner for almost a decade, BCI is invested in three of its private equity funds.

Both BCI and PAI are building out their ESG strategies and finding opportunities to leverage each other's knowledge to strengthen our approach to ESG. We have had many ESG-focused discussions with PAI. BCI shared our work on climate change through our *Climate Action Plan*, and we have taken insights from their ESG integration in directly held companies.

PAI has a comprehensive approach to managing ESG across its portfolio and looks for opportunities to foster collaboration between portfolio companies. This includes an annual Sustainability Club meeting that brings together the sustainability managers from all portfolio companies to share their knowledge and experience on specific topics and share best practices.

BCI and PAI are aligned in their efforts to take a leading position as responsible investors, improving investment sustainability in their portfolio companies and delivering strong returns.

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# Corporate Updates & Collaboration



# Corporate Reporting & Disclosure.

We report our activities to clients and publicly disclose our initiatives. BCI briefs clients on specific initiatives and responsible investing trends and assists them with their stakeholder communication.

## INFORMATION AVAILABLE ON OUR WEBSITE:

- ✓ Our *Climate Action Plan* published in 2018 where we disclosed BCI's approach to the TCFD Recommendations
- ✓ Our *Responsible Investing Newsletter: Board of Directors*
- ✓ Our Responsible Investing Annual Reports
- ✓ *An Overview of BCI's Approach to Responsible Investing*
- ✓ A video explaining our approach, principles, and expectations: *Responsible Investing Overview*
- ✓ *Proxy Voting Guidelines*, a document providing our rationale for voting on common issues. Updates to the 2019 Guidelines:
  - If a company does not have at least 25 per cent women on its board we will consider a vote against, unless the company has disclosed a diversity policy that includes a target level for female representation.
  - Strengthened our views on the separation of board and management positions and responsibilities.
  - Tightened restrictions on director overboarding as well as restrictions on auditors.
  - Articulated support for the disclosure frameworks and recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).
- ✓ We disclose our proxy votes ahead of a publicly-traded company's annual general meeting. The **searchable database** provides an account of our voting, including our rationale for when we voted against a proposal.
- ✓ *ESG Engagement: Public Equities Priorities & Processes*
- ✓ Our annual *PRI RI Transparency Report*

As a PRI signatory, we complete the annual PRI survey, a tool that benchmarks our responsible investing practices against our peers. Overall, we outperformed or scored in line with our peers in all asset classes. For the third year in a row, BCI achieved an A+ rating from the PRI for our responsible investing strategy and governance approach.

# BCI's PRI Involvement



As a founding signatory of the Principles for Responsible Investment (PRI), we promote acceptance and implementation of responsible investing within the industry.

Since the PRI's founding in 2006, BCI has actively participated on many committees, covering topics ranging from credit ratings, to human rights in the extractive sector, to methane emissions, and sustainable stock exchanges. Our involvement allows us to collaborate with other signatories, use our collective voice to influence positive change, and fulfil our fiduciary duty to act in the best long-term interests of our clients.

## ✓ ADVISORY COMMITTEE ON CREDIT RATINGS

**Mandate:** Advise PRI on its ESG in Credit Ratings initiative to promote systematic and transparent incorporation of ESG in credit ratings and assessment.

**Our Role:** Member

**Term:** 2016–2018

**Activities:** The committee released a total of three reports: *Shifting Perceptions: ESG, Credit Risk and Ratings Part 1: The State of Play (2017)*; *Part 2: Exploring the Disconnects (2018)*; and *Part 3: From Disconnects to Action Areas (2019)*. Part one provides an overview of ESG in credit risk analysis to better understand what investors and credit rating agencies (CRAs) are already doing. Part two highlights the results of roundtable discussions that focused on the four areas of disconnect between investors and CRAs. Part three focuses on the emerging solutions discussed during 15 forums between investors and CRAs. More information can be found on page 21.

## ✓ CYBER SECURITY COLLABORATIVE ENGAGEMENT

**Mandate:** Facilitate a better understanding of underlying cyber security risks and vulnerabilities, and encourage corporate disclosure on cyber risk governance amongst multinational companies in the healthcare, consumer, and financial sectors.

**Our Role:** Member

**Term:** 2017–present

**Activities:** The group has established lead investors for 62 companies — BCI was appointed the lead on one — and carried out over 40 engagement meetings in 2018.

## ✓ HUMAN RIGHTS IN THE EXTRACTIVE SECTOR

**Mandate:** Enhance disclosure of human rights policies and practices, and improve implementation of the UN Guiding Principles on Business and Human Rights by oil, gas, and mining companies, and relevant joint venture partners.

**Our Role:** Member of the steering committee

**Term:** 2015–2017

**Activities:** After engaging with 32 companies in 2017, in 2018 the PRI published the outcome of this collaborative engagement titled, *Digging Deeper: Human Rights and the Extractives Sector*.

#### ✓ INFRASTRUCTURE ADVISORY COMMITTEE

**Mandate:** Advise PRI on how to encourage private infrastructure equity and debt investors to consider ESG factors, as well as how to integrate responsible investing throughout the investment process for infrastructure assets.

**Our Role:** Member

**Term:** 2017–present

**Activities:** Participated in advisory calls and meetings and attended the PRI conference.

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#### ✓ METHANE ENGAGEMENT WORKING GROUP

**Mandate:** Strengthen investor understanding on methane risk exposure in global portfolios; transfer best practice learnings to companies; and encourage energy and utility companies to improve their management and reduction of methane emissions and enhance disclosure on their progress.

**Our Role:** Member

**Term:** 2017–present

**Activities:** The working group has engaged with 31 companies since 2017.

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#### ✓ PRIVATE EQUITY MONITORING AND REPORTING GUIDANCE WORKING GROUP

**Mandate:** Support the PRI in developing a guide for limited partners and general partners for reporting and monitoring ESG integration practices during the lifetime of a private equity fund.

**Our Role:** Member

**Term:** 2017–Present

**Activities:** Participated in a working group conference call and reviewed draft principles for monitoring and reporting on private equity ESG activities. Final guidelines were published in June 2018: *ESG Monitoring, Reporting and Dialogue in Private Equity*.

#### ✓ SUSTAINABLE STOCK EXCHANGES WORKING GROUP

**Mandate:** Encourage stock exchanges around the world to improve listing rules, advance regulatory initiatives, and disclose their sustainability strategies.

**Our Role:** Member

**Term:** 2011–present

**Activities:** As of 2018, 78 stock exchanges had committed to promoting sustainable and transparent markets by joining the Sustainable Stock Exchanges (SSE) initiative and 39 exchanges had provided written guidance on ESG reporting for corporate issuers.

# Collaboration

BCI works with like-minded investors and organizations to help deploy our resources and strengthen our voice. We have partnerships with:

Signatory of:



- ▶ Founding signatory in 2006
- ▶ Active member of steering committees and working groups



- ▶ Founding member in 2011
- ▶ Serve on board of directors
- ▶ Member of financial regulation committee



- ▶ Member since 2016: one of 271 Canadian chapter members
- ▶ Member of steering committee and Chair Investor Committee
- ▶ Advocate for companies to enhance gender diversity



- ▶ Member since 2015



- ▶ Member since May 2017



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



Asian Corporate Governance Association

- ▶ Member since 2005
- ▶ Contribute to and support regulatory efforts



- ▶ BCI, with over 300 other investors, signed the Climate Action 100+ Sign-on Statement in 2017



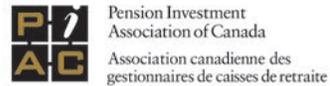
- ▶ Associate member since 2017



- ▶ Member since 2016



- ▶ Investor signatory since 2011



- ▶ Chair of the Investor Stewardship Committee



- ▶ Member since 2017



- ▶ Member since 2007



- ▶ Member since 2005



- ▶ Member of investor advisory group since 2016; joined the SASB Alliance in 2018
- ▶ Mandate is to promote industry-specific standards for sustainability reporting



- ▶ Member since 2002

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# Appendices



**APPENDIX 1****BCI's Policy Submissions****ADVANCING RESPONSIBLE INVESTING WITHIN THE INVESTMENT INDUSTRY**

1. Participated in The Expert Panel on Sustainable Finance roundtable to provide comments on the Panel's draft report. This roundtable was focused on the energy sector.
2. Responded to EU consultation on investor duties regarding sustainability.

**CORPORATE GOVERNANCE**

3. Responded to the British Columbia Securities Commission consultation on disclosure requirements relating to gender diversity on boards and senior management.
4. Responded to the Canadian Securities Administrators (CSA) consultation on its approach to director and audit committee independence.
5. Responded to the CSA consultation on the use of non-GAAP disclosure.
6. Responded to the UK Financial Reporting Council consultation on proposed revisions to the UK Corporate Governance Code.
7. Responded to the Hong Kong Exchanges and Clearing consultation on a proposed listing regime for companies from emerging and innovative sectors.
8. Signed on to a letter from the Principles for Responsible Investment (PRI) to the International Organization of Securities Commissions (IOSCO), calling on IOSCO: to endorse the Sustainable Stock Exchanges' Model Guidance on reporting ESG information to investors; engage the World Federation of Exchanges in their ongoing sustainability work; and endorse the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

9. Responded to a policy consultation by proxy advisor firm, Institutional Shareholder Services.
10. Participated in an Institutional Shareholder Services roundtable discussion on proposed changes to its Canadian benchmark voting policy.
11. Responded to the Monetary Authority of Singapore consultation on the recommendations of the Corporate Governance Council.
12. Responded to the MSCI consultation on the treatment of unequal voting structures.
13. Commented on the Ontario Securities Commission Statement of Priorities for 2018–2019, including reducing the regulatory burden on market participants, women on boards and in executive officer positions, systemic risk, and say-on-pay voting.
14. Responded to the Singapore Exchange consultation on the proposed listing framework for dual-class structures.

**REPORTING AND DISCLOSURE**

15. Provided feedback to the Ontario Securities Commission on the disclosure of business risks and opportunities, and potential financial impacts of climate.
16. Participated in a discussion with the Alberta Securities Commission on climate change disclosure.
17. Participated in a discussion with the British Columbia Securities Commission on climate change disclosure.

Our policy-related actions are guided by our priorities: climate change and water; human rights; board composition and executive compensation; as well as by areas of focus from regulators.

## APPENDIX 2

## Events

We promote responsible investing within the industry by organizing, speaking, or moderating at conferences. Our activities in 2018 included:

**2018  
BC PENSION  
SUMMIT**

February  
Vancouver, Canada

**TOPIC:**  
Just transition  
to a low carbon  
economy

**SASB  
ROUNDTABLE**

February  
Toronto, Canada

**TOPIC:**  
SASB roundtable  
on sustainability  
disclosures with  
companies

**CDP WEBINAR**

February  
Victoria, Canada

**TOPIC:**  
Investor need  
for companies  
to disclose GHG  
emissions to  
the CDP

**PRIVATE EQUITY  
INTERNATIONAL  
— RESPONSIBLE  
INVESTING FORUM**

March  
New York, U.S.

**TOPIC:**  
Create sustainable  
value in your private  
equity portfolio

**ARC ENERGY  
INVESTMENT  
FORUM**

May  
Calgary, Canada

**TOPIC:**  
Managing  
stakeholder  
expectations

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**SFU BEEDIE SCHOOL  
OF BUSINESS**

February  
Vancouver, Canada

**TOPIC:**  
Transition to a low  
carbon economy

**INSTITUTE OF  
CORPORATE  
DIRECTORS**

February  
Victoria, Canada

**TOPIC:**  
Board diversity

**GLOBE  
FORUM 2018**

March  
Vancouver, Canada

**TOPIC:**  
Sustainable business  
leadership and  
disrupting business  
as usual

**CUPE ANNUAL  
MEETING**

April  
Vancouver, Canada

**TOPIC:**  
Understanding ESG

**WESTERN NORTH AMERICA PRI NETWORK**

May  
Vancouver, Canada

**TOPIC:**  
ESG Integration  
in fixed income

10

**RIA CONFERENCE**

June  
Toronto, Canada

**TOPIC:**  
Engaging with  
global companies

12

**GOVERNANCE PROFESSIONALS OF CANADA CONFERENCE**

August  
Victoria, Canada

**TOPIC:**  
Best practices  
in shareholder  
engagement

14

**COUNCIL OF INSTITUTIONAL INVESTORS CONFERENCE**

October  
New York, U.S.

**TOPIC:**  
Climate change

16

**INSTITUTE OF CORPORATE DIRECTORS**

November  
Victoria, Canada

**TOPIC:**  
Corporate culture

18

**WESTERN NORTH AMERICA PRI NETWORK**

May  
Vancouver, Canada

**TOPIC:**  
Cyber security

11

**FUTURE-PROOFING INFRASTRUCTURE INVESTING — CANADA FORUM**

June  
Toronto, Canada

**TOPIC:**  
Future-proofing  
infrastructure  
investing

13

**RBC GAM RESPONSIBLE INVESTING PANEL**

September  
Vancouver, Canada

**TOPIC:**  
Responsible  
investing trends

15

**CDP ENERGY ROUNDTABLE**

November  
Calgary, Canada

**TOPIC:**  
BCI's Climate  
Action Plan

17

**CPA WEBINAR**

December  
Victoria, Canada

**TOPIC:**  
Investor trends  
and perspectives  
on TCFD  
recommendations

19

## APPENDIX 3

## Publicly-Listed Company Engagements

## JANUARY 1 TO DECEMBER 31, 2018

C = COMPREHENSIVE (DIRECT)

L = LEADING ROLE (COLLABORATIVE)

B = BASIC (DIRECT)

S = SUPPORTIVE ROLE (COLLABORATIVE)

GICS SECTOR / COMPANY <sup>1</sup>	COUNTRY <sup>2</sup>	E	S	G
COMMUNICATION SERVICES				
Alphabet Inc.	United States			B
Comcast Corporation	United States			B
Electronic Arts Inc.	United States			B
Facebook, Inc.	United States			B
IMAX Corporation	Canada			B
Liberty Global Plc	United Kingdom			B
Netflix, Inc.	United States			B
TELUS Corporation	Canada	C	C	
The Walt Disney Company	United States			B
CONSUMER DISCRETIONARY				
Amazon.com, Inc.	United States			B
Aramark Corporation	United States			B
Booking Holdings Inc.	United States			B
BRP Inc.	Canada			S+B
eBay Inc.	United States			B
Fox Factory Holding Corp.	United States			B
Gentherm Incorporated	United States			B
Gildan Activewear Inc.	Canada			B
Great Canadian Gaming Corporation	Canada			C
H&R Block, Inc.	United States			B
Hudson's Bay Company	Canada			B
Las Vegas Sands Corp.	United States			B
Leon's Furniture Ltd	Canada			B
Linamar Corporation	Canada			S+B
Marriott International, Inc.	United States			B
Martinrea International Inc.	Canada			B
Mattel, Inc.	United States			B
Monro, Inc.	United States			B
New Look Vision Group Inc.	Canada			B
NIKE, Inc.	United States	S	S	
Nordstrom, Inc.	United States			B

<sup>1</sup>Global Industry Classification Standard<sup>2</sup>Countries are sourced from Bloomberg. They represent the location of the companies' headquarters.

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Ollie's Bargain Outlet Holdings, Inc.	United States			B
Restaurant Brands International Inc.	Canada			B
Royal Caribbean Cruises Ltd.	United States			B
SeaWorld Entertainment, Inc.	United States			C
Sleep Country Canada Holdings Inc.	Canada			C
Spin Master Corp.	Canada			B
Target Corporation	United States			B
Tempur Sealy International, Inc.	United States			B
Tesla, Inc.	United States		C	
The Stars Group Inc.	Canada			B
The Williams Companies, Inc.	United States	B		B
Tiffany & Co.	United States			B
Transat A.T. Inc.	Canada			B
Ulta Beauty, Inc.	United States			B
Uni-Select Inc.	Canada			B
Whirlpool Corporation	United States			B
Wynn Resorts, Ltd	United States			B
<b>CONSUMER STAPLES</b>				
Cott Corporation	United States			B
Alimentation Couche-Tard Inc.	Canada			L
Constellation Brands, Inc.	United States			B
Diageo plc	United Kingdom	S	S	
General Mills, Inc.	United States			B
Kellogg Company	United States	S	S	
Loblaw Companies Limited	Canada		B	C
MAV Beauty Brands Inc.	Canada	C	C	C
Monster Beverage Corporation	United States			B
PepsiCo, Inc.	United States			B
Premium Brands Holdings Corporation	Canada			B
Saputo Inc.	Canada			S
<b>ENERGY</b>				
Advantage Oil & Gas Ltd.	Canada	B		B
Anadarko Petroleum Corporation	United States			B
Antero Resources Corporation	United States	B		B
Apache Corporation	United States			B
ARC Resources Ltd.	Canada	C	C	C
Birchcliff Energy Ltd.	Canada	B		B
Cabot Oil & Gas Corporation	United States	B		
Canadian Natural Resources Limited	Canada	L		L
CES Energy Solutions Corp.	Canada			B
Cheniere Energy, Inc.	United States	B		B
Chevron Corporation	United States	S		S+B
Cimarex Energy Co.	United States			B
Computer Modelling Group Ltd.	Canada			L
Concho Resources Inc.	United States	B		B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Continental Resources Inc.	United States	B		B
Crescent Point Energy Corp.	Canada	B	B	C
Diamondback Energy, Inc.	United States	B		B
EnCana Corporation	Canada			B
Enerflex Ltd.	Canada			B
Enerplus Corporation	Canada			B
Eni S.p.A.	Italy	S		
EOG Resources, Inc.	United States	S	S	S
EQT Corporation	United States	B		
Exxon Mobil Corporation	United States	S+C		S
Freehold Royalties Ltd.	Canada			L+B
Gibson Energy Inc.	Canada	B		B
Gran Tierra Energy Inc.	Canada	B		
Halliburton Company	United States			B
Helmerich & Payne, Inc.	United States	B		B
High Arctic Energy Services Inc	Canada			B
Husky Energy Inc.	Canada			B
Imperial Oil Limited	Canada	S		S
Kelt Exploration Ltd.	Canada			B
Kinder Morgan Canada Limited	Canada			B
Kinder Morgan, Inc.	United States	B		B
Marathon Petroleum Corporation	United States	L		L
MEG Energy Corp.	Canada			B
National Oilwell Varco, Inc.	United States	B		B
Newfield Exploration Company	United States	B		B
Noble Energy, Inc.	United States			B
NuVista Energy Ltd.	Canada			B
Paramount Resources Ltd.	Canada	B		B
Parex Resources Inc.	Canada	B	B	B
Parkland Fuel Corporation	Canada	B		B
Parsley Energy, Inc.	United States	B		B
Pason Systems Inc.	Canada			B
Pembina Pipeline Corporation	Canada	B		
Peyto Exploration & Development Corp.	Canada	B		B
Plains GP Holdings, L.P.	United States	B		B
PrairieSky Royalty Ltd.	Canada			B
Precision Drilling Corporation	Canada	C		B
Raging River Exploration Inc.	Canada	B		B
Schlumberger Limited	United States	B		B
Secure Energy Services Inc.	Canada			B
Seven Generations Energy Ltd.	Canada			B
ShawCor Ltd.	Canada			B
Suncor Energy Inc.	Canada	S+C	B	S+B
Targa Resources Corp.	United States	B		B
TORC Oil & Gas Ltd.	Canada	B	B	B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Tourmaline Oil Corp.	Canada			B
Trican Well Service Ltd.	Canada			B
Valero Energy Corporation	United States	B		
Vermilion Energy Inc.	Canada			B
Whitecap Resources Inc.	Canada	B	B	L+B
ZCL Composites Inc.	Canada			B
<b>FINANCIALS</b>				
AGNC Investment Corp.	United States			C
American Express Company	United States			B
American Financial Group, Inc.	United States			B
American International Group, Inc.	United States			B
BlackRock, Inc.	United States			B
Brookfield Asset Management Inc.	Canada			B
CI Financial Corp	Canada			B
ECN Capital Corp.	Canada			B
Fidelity National Financial, Inc.	United States			B
IGM Financial Inc.	Canada			B
Intact Financial Corporation	Canada			B
INTL FCStone Inc.	United States			B
Jefferies Financial Group Inc.	United States			B
JPMorgan Chase & Co.	United States			B
Manulife Financial Corporation	Canada			C
Morgan Stanley	United States			B
New York Community Bank	United States			B
Power Corporation of Canada	Canada			B
Power Financial Corporation	Canada			B
Sun Life Financial Inc.	Canada	B	B	
The Bank of Nova Scotia	Canada		B	
The Goldman Sachs Group, Inc.	United States			B
The Toronto-Dominion Bank	Canada	C	C	C
TMX Group Limited	Canada	L	L	B
<b>HEALTH CARE</b>				
ABIOMED, Inc.	United States			B
Alexion Pharmaceuticals, Inc.	United States			B
Allergan plc	Ireland			B
Bausch Health Companies Inc.	Canada			C
BioMarin Pharmaceutical Inc.	United States			B
Chartwell Retirement Residences	Canada			B
Hologic, Inc.	United States			B
Humana Inc.	United States			B
Incyte Corporation	United States			B
Intuitive Surgical, Inc.	United States			B
McKesson Corporation	United States		C	C
Mylan N.V.	United States			B
Nektar Therapeutics	United States			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Pfizer Inc.	United States		C	C
Seattle Genetics, Inc.	United States			B
Thermo Fisher Scientific Inc.	United States			B
UnitedHealth Group Incorporated	United States		B	B
Veeva Systems Inc.	United States			B
<b>INDUSTRIALS</b>				
ATS Automation Tooling Systems Inc.	Canada			B
Badger Daylighting Ltd.	Canada			L+B
Bombardier Inc.	Canada			B
C.H. Robinson Worldwide, Inc.	United States			B
Canadian Pacific Railway Limited	Canada		C	C
Cargojet Inc.	Canada			B
Cervus Equipment Corporation	Canada			B
CoStar Group, Inc.	United States			B
DXP Enterprises, Inc.	United States			B
Equifax Inc.	United States			B
Exchange Income Corporation	Canada			B
FedEx Corporation	United States			B
Finning International Inc.	Canada	C	C	C
GDI Integrated Facility Services Inc.	Canada			B
General Dynamics Corporation	United States			B
Hardwoods Distribution Inc.	Canada	B		B
Healthcare Services Group, Inc.	United States			B
Helios Technologies	United States			B
Huron Consulting Group Inc.	United States			B
Maxar Technologies Inc.	United States			B
Old Dominion Freight Line, Inc.	United States			B
PeopleFluent, Inc.	Canada			B
Richelieu Hardware Ltd.	Canada			B
Ritchie Bros. Auctioneers Incorporated	Canada			B
Stantec Inc.	Canada			B
TFI International Inc.	Canada			B
Thomson Reuters Corporation	Canada			B
Toromont Industries Ltd.	Canada			B
Transcontinental Inc.	Canada	B	B	L+B
TransDigm Group Incorporated	United States			B
Waste Connections, Inc.	United States			B
WestJet Airlines Ltd.	Canada			B
Westshore Terminals Investment Corporation	Canada			B
<b>INFORMATION TECHNOLOGY</b>				
Ambarella, Inc.	United States			B
Amphenol Corporation	United States			B
Apple Inc.	United States			B
Arista Networks, Inc.	United States			B
BlackBerry Limited	Canada			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Cardtronics plc	United States			B
Celestica Inc.	Canada			B
Constellation Software Inc.	Canada			S+B
Dell Technologies Inc.	United States			B
Enghouse Systems Limited	Canada			L+B
Fidelity National Information Services, Inc.	United States			B
First Data Corporation	United States			B
FleetCor Technologies, Inc.	United States			B
International Business Machines Corporation	United States			C
Kinaxis Inc.	Canada			B
MasterCard Incorporated	United States			B
Motorola Solutions, Inc.	United States			B
Qorvo, Inc.	United States			B
Qualcomm Incorporated	United States		L	
ServiceNow, Inc.	United States			B
Shopify Inc.	Canada			B
Sierra Wireless, Inc.	Canada			B
SS&C Technologies Holdings, Inc.	United States			B
Sylogist Ltd.	Canada			B
Texas Instruments Incorporated	United States			B
The Ultimate Software Group, Inc.	United States			B
Tyler Technologies, Inc.	United States			B
Vmware, Inc.	United States			B
Xerox Corporation	United States			B
<b>MATERIALS</b>				
Agnico Eagle Mines Limited	Canada			B
Alacer Gold Corp.	United States			B
Alamos Gold Inc.	Canada			B
B2Gold Corp.	Canada	B		L+B
Ball Corporation	United States			B
Barrick Gold Corporation	Canada			B
Canfor Corporation	Canada			L+C
Canfor Pulp Products Inc.	Canada			B
Centerra Gold Inc.	Canada			B
CF Industries Holdings, Inc.	United States			B
Eldorado Gold Corporation	Canada			C
Endeavour Mining Corporation	United Kingdom	B		B
First Quantum Minerals Ltd.	Canada			B
Fortuna Silver Mines Inc.	Canada			B
Franco-Nevada Corporation	Canada			B
Goldcorp Inc.	Canada	B	B	C
Guyana Goldfields Inc.	Canada			B
IAMGOLD Corporation	Canada			B
Interfor Corporation	Canada			B
Intertape Polymer Group Inc.	Canada			B

GICS SECTOR / COMPANY	COUNTRY	E	S	G
Kirkland Lake Gold Ltd.	Canada			L+B
Lundin Mining Corporation	Canada	B	B	B
MAG Silver Corp.	Canada			B
Major Drilling Group International Inc.	Canada			B
NovaGold Resources Inc.	Canada			B
Nucor Corporation	United States			B
OceanaGold Corporation	Australia			B
Silvercorp Metals Inc.	Canada			B
SSR Mining Inc.	Canada			B
Steel Dynamics, Inc.	United States			B
Stella-Jones Inc.	Canada	C	C	C
Teck Resources Limited	Canada	L+B	B	L
Teranga Gold Corporation	Canada			B
Torex Gold Resources Inc	Canada			B
Wheaton Precious Metals Corp.	Canada	B	B	B
Winpak Ltd.	Canada			S+B
Yamana Gold Inc.	Canada			B
<b>REAL ESTATE</b>				
Allied Properties Real Estate Investment Trust	Canada			B
Artis Real Estate Investment Trust	Canada			B
Dream Global Real Estate Investment Trust	Canada			B
FirstService Corporation	Canada			S
Granite Real Estate Investment Trust	Canada			B
H&R Real Estate Investment Trust	Canada			B
Jones Lang Lasalle Incorporated	United States	S	S	
NorthWest Healthcare Properties Real Estate Investment Trust	Canada			B
Prologis, Inc.	United States			B
SBA Communications Corporation	United States			B
SL Green Realty Corp.	United States			B
SmartCentres Real Estate Investment Trust	Canada			B
Tricon Capital Group Inc.	Canada			B
<b>UTILITIES</b>				
Algonquin Power & Utilities Corp.	Canada	L+C	L+C	
AltaGas Ltd.	Canada			B
American Electric Power Company, Inc.	United States	S		S
Capital Power Corporation	Canada	C	B	C
Duke Energy Corporation	United States	S		S+B
Superior Plus Corp.	Canada	B		B
The Southern Company	United States	S+B	B	S+B
TransAlta Corporation	Canada			B
TransAlta Renewables Inc.	Canada			B
UGI Corporation	United States			B

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We welcome your comments and suggestions on our report.

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