



# BCI's Climate Action Plan and Approach to the TCFD Recommendations



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; mortgages; public and private equity; real estate; infrastructure; and renewable resources.



# A Message from the CEO/CIO



Our clients are invested for the long term, and as their investment manager, BCI must look beyond today.

At British Columbia Investment Management Corporation (BCI), we work diligently to generate investment returns to help British Columbia's public sector build financially secure futures. We have a global outlook and seek investment opportunities that meet our clients' risk and return requirements over time.

BCI's responsible investing strategies are evolving to ensure we invest our clients' funds in their best financial interest. Along with the majority of our clients, we believe that taking environmental, social, and governance (ESG) matters into account enables investors to better understand, manage, and mitigate risks associated with long-term investments; and companies that employ robust ESG practices are better positioned to generate long-term value for investors than companies with less-favourable practices.

In December 2015 at the Conference of the Parties in Paris, over 190 countries recognized climate change risks and agreed on the need to restrict the global temperature increase to below two degrees Celsius. The agreement also acknowledges the requirement for a just transition of the workforce to ensure an acceptable standard of work and quality jobs persist in a transition period.

Climate change is increasingly becoming a focus of both long-term investment risk and opportunity at BCI. To continue to protect and grow the value of our clients' funds, we need to be aware of the financial repercussions of climate change, including a shift in investment 'winners and losers'. 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. Regardless of the scenario, we will need to manage the effects of climate change.

As a global institutional investor and asset manager, we signed declarations on climate-related financial risks, including a statement supporting the work of the Financial Stability Board's (FSB) Task Force on Financial Disclosures (TCFD). And building on over a decade of climate-related work, BCI focused efforts to formalize our own Climate Action Plan (CAP). Our plan includes new tools and metrics, and maps out our strategy for identifying opportunities and managing the risks of climate change on our clients' investments.

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

Gordon J. Fyfe

Chief Executive Officer /  
Chief Investment Officer

## PART ONE

# BCI's Climate Action Plan



# BCI's Climate Action Plan

BCI's approach to managing the long-term risks and opportunities brought on by climate change is informed by scientific consensus.

The widely accepted research indicates that restricting global warming to less than two degrees Celsius relative to the pre-industrial era would reduce both the negative impacts to society and the environment.

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.

This plan builds on the climate-related work that BCI started developing since becoming a founding member to the Principles for Responsible Investment (PRI) in 2006. We are committed to continuously improving and adjusting our approach to managing climate change in order to make the best investment decisions for our clients.

## Our Four-part Climate Action Plan





## Manage Risks

To manage risk, we focus on quantifying BCI's and clients' specific climate change risks and monitoring changes in expected outcomes.

We consider the diverse types of climate change risks across asset classes and align with best practices to understand, quantify, and report. BCI examines possible climate change paths and tracks signposts that may lead to further analysis of our asset mix or specific investments. This helps ensure that our strategies are appropriately positioned relative to the new information presented.

### What are Some of BCI's Signposts?

Signposts are a combination of macro-level data, as well as asset- and sector-specific information that signals when and how the expected climate scenario may change. Examples of signposts BCI will include:

- carbon pricing and regulation;
- global energy supply and demand mix;
- cost of energy from various sources (coal, natural gas, wind, solar, etc.) across global markets; and
- commercialization rates of disruptive technologies.

"BCI's climate action plan is grounded in our approach to risk management. This means measuring our exposure to climate-related risks, monitoring market trends, and managing investments along the path of expected returns."

Stefan Dunatov,  
Senior Vice President,  
Investment Strategy & Risk

By measuring and then managing these risks, we strive to limit wealth erosion due to all forms of climate risk.

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**OUR CURRENT ACTIVITIES INCLUDE:**

- completing climate change scenario analysis for our clients' long-term strategic asset allocations; and
- measuring BCI's public equity carbon footprint, including our external managers.

**OUR FUTURE PLANS INCLUDE:**

- integrating climate change scenario analysis into risk processes across client portfolios and BCI asset classes;
- expanding BCI's carbon footprint to cover fixed income;
- measuring and reporting on our public equities carbon footprint via commitment to *Montreal Carbon Pledge*<sup>1</sup>; and
- conducting physical climate change risk assessments for all direct private investments.

<sup>1</sup> The *Montreal Carbon Pledge* (the Pledge) was launched in 2014 and is supported by the Principles for Responsible Investment. By signing the Pledge, investors commit to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis. BCI signed the Pledge in 2018.



## Integrate

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.

By providing relevant and timely climate information across BCI, we can make more informed decisions, leading to improved long-term investment outcomes.

### OUR CURRENT ACTIVITIES INCLUDE:

- integrating climate change indicators into our active equity mandates based on the Sustainability Standards Board (SASB)<sup>2</sup> framework;
- encouraging fixed income credit ratings agencies to incorporate climate analysis;
- including a green spread credit analysis<sup>3</sup> during due diligence in our mortgages program; and
- reviewing reports on legal, environmental, regulatory, and other climate factors during due diligence in private equity, infrastructure, and renewable resources transactions.

### OUR FUTURE PLANS INCLUDE:

- developing a climate materiality assessment<sup>4</sup> in illiquid asset classes, using SASB as a reference;
- testing a carbon pricing model for valuations of privately-held assets; and
- strengthening our external manager evaluation process by adding climate-related questions and oversight.

<sup>2</sup> SASB is an independent, private-sector standards setting organization dedicated to improving the efficiency of the capital markets by fostering high-quality disclosure of sustainability information that meets investor need. BCI has been a member of the investor advisory group since 2016.

<sup>3</sup> In 2013, BCI integrated a "green credit spread process" into our pre-investment analysis to measure and quantify ratings assigned to environmental features of our mortgage investments.

<sup>4</sup> An assessment to differentiate the relative importance of climate-related risks and opportunities to which BCI's individual investments are exposed. This leads to a better understanding of the potential impact that climate change poses to the financial performance of those assets.



## Seek Opportunities

The transition to a low carbon economy offers a variety of new investment opportunities.

Some of the key areas we believe will benefit from the transition to a lower carbon future are: alternative energy; energy efficiency; green buildings; sustainable water; and pollution prevention.

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### OUR CURRENT ACTIVITIES INCLUDE:

- investing approximately \$1.8 billion in climate-related opportunities across all asset classes as of March 31, 2017; and
- managing a Global ESG fund with a carbon footprint of 80.4 tons of CO<sub>2</sub> against a global benchmark of 110.9 based on holdings as of March 31, 2017.

### OUR FUTURE PLANS INCLUDE:

- building upon our current exposure to climate-related investment opportunities, where it makes financial sense; and
- measuring and reporting our exposure to climate-related investments.



## Engage & Advocate

As an active investor working on behalf of our clients, we take our ownership rights and responsibilities seriously.

We engage with portfolio companies to understand how they manage climate risks to their businesses and encourage the adoption of best practices. BCI advocates for climate action policies that will limit the rise in global average temperatures to below two degrees Celsius and participates in global initiatives on climate risk reporting and transparency. This strategy promotes a stable, transparent, and improved investment environment.

### OUR CURRENT ACTIVITIES INCLUDE:

- establishing metrics to measure climate-related engagement in BCI's public markets department by:
  - increasing CDP<sup>5</sup> response rates, average score, and number of top ranking companies by CDP; and
  - increasing the number of companies that disclose greenhouse gas emissions, reduction targets, and internal carbon price; and
- submitting 13 climate-related policy submissions with provincial, federal, and international regulatory bodies from 2007 to 2017.

### OUR FUTURE PLANS INCLUDE:

- encouraging greater disclosure aligned with the TCFD recommendations across all our investments; and
- executing on the five-year Global Climate Action 100+<sup>6</sup> collaborative engagement to target the world's largest emitters.

"We don't see divestment as a practical solution for large institutional shareholders. Engagement, on the other hand, is a long-standing commitment to work with companies to tackle the concerns that often don't come with easy solutions. Change requires active, persistent, and challenging conversations that do create long-term, effective results."

Daniel Garant,  
Senior Vice President,  
Public Markets

<sup>5</sup> CDP, Carbon Disclosure Project, is an organization that supports companies and cities to disclose the environmental impact of major corporations. BCI is a signatory to their climate change program since 2006; a signatory to their water program since 2009; and an investor member since 2016.

<sup>6</sup> BCI, along with 256 other investors, signed the Climate Action 100+ which was launched at the One Planet Summit in Paris in 2017.

## What are BCI's Views on Divestment?

We do not believe that divestment is an effective strategy for addressing long-term and persistent ESG risks. Ownership gives an investor the right to raise concerns and influence a company on matters relating to corporate governance, as well as its environmental and social practices. Engagement is our preference — we believe divestment

eliminates our rights as a shareholder to engage with management and raise awareness of long-term risks and encourage change of practices. It does not encourage companies to amend their policies and practices; and it may compromise our investment strategy, increase risks and costs, and impact our clients' investment returns.

PART TWO

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BCI's Approach to the  
TCFD Recommendations



# Aligning with the TCFD Recommendations

BCI is a global asset manager and we rely on well-functioning capital markets powered by quality information. We work with like-minded investors and organizations to bring awareness for the need of reliable and consistent disclosure.

Our activities include aligning our disclosure practices with the voluntary climate-related financial risk disclosures recommendations outlined by the Financial Stability Board's (FSB's) Task Force on Climate-related Financial Disclosures (TCFD).

BCI contributed by commenting on the draft recommendations and officially signed a statement supporting the work of the TCFD in June 2017. We also signed the CFO Statement

of Support in collaboration with the Prince of Wales' Accounting for Sustainability Project (A4S) in November 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 Recommended Climate-Related Financial Disclosures



“As a responsible investor, we believe greater levels of disclosure allow for a deeper understanding of climate-related risks when evaluating investment opportunities for our clients.”

Lawrence E. Davis,  
Senior Vice President,  
Finance



## Governance

BCI's governance around climate-related risks and opportunities

### TCFD RECOMMENDATION

Describe Board oversight of 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.

### 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 risks and opportunities on BCI's operations, strategy, and financial planning

### TCFD RECOMMENDATION

Describe the climate-related risks and opportunities identified over the **short, medium, and long term**.

### BCI'S ALIGNMENT

Rapid changes in policy and regulation to limit greenhouse gas (GHG) emissions is the most prominent risk to our **short-term** total portfolio's performance. This could lead to additional costs to investments exposed to carbon-intensive energy and supply chains, and impact the business models of several sectors in the broader economy. Opportunities exist as technologies and industries that benefit from low carbon economy alignment increase in scale and value.

Over the **medium term**, we expect transition risks and physical risks to materialize. We will explore opportunities that are aligned with our investment approach and meet our requirements as an investor of BCI's scale. Although physical impacts of climate change are not expected to be widespread over the medium term, certain regions may be affected and asset valuations will reflect the trajectory of climate change. Each climate scenario will pose different implications for companies and sectors. Some will face costs as they adapt and transition to a lower carbon model; while others may seize opportunities to expand and grow their businesses.

Aligned with the Morgan Stanley Capital International (MSCI's) Sustainable Impact<sup>7</sup> research and considering the United Nations Sustainable Development Goals (SDG)<sup>8</sup>, the following are key areas we believe could present investment opportunities over the medium-to-long term in the transition to a lower carbon economy:

- **Alternative Energy:** Products, services or infrastructure projects supporting the development or delivery of renewable energy and alternative fuels.
- **Energy Efficiency:** Products, services, infrastructure or technologies that proactively address the growing global demand for energy while minimizing effects on the environment.
- **Green Building:** Design, construction, redevelopment, retrofitting or acquisition of 'green' certified properties (subject to local green building criteria).
- **Sustainable Water:** Products, services and projects that attempt to resolve water scarcity and water quality issues, including minimizing and monitoring current water use and demand increases, improving the quality of water supply and improving the availability and reliability of water.

<sup>7</sup> BCI uses the MSCI ESG Sustainable Impact Metrics tool.

<sup>8</sup> The United Nations Sustainable Development Goals are a collection of 17 global goals that cover a broad range of social and development issues including energy, sanitation, social justice, and climate change. For more information, visit <https://sustainabledevelopment.un.org>.

- **Pollution Prevention:** Products, services or projects that support pollution prevention, waste minimization or recycling as a means of alleviating the burden of unsustainable waste generation.

In the **long term**, if the world warms past two degrees Celsius, physical impacts of climate change will become

more acute, more frequent and more intense. This will disrupt regional and global economies and will negatively impact capital markets. If global temperatures are limited to two degrees Celsius or less, the physical risks are minimized and there are significant opportunities for capital deployment and growth in low-carbon aligned investments.

## TCFD RECOMMENDATION

Describe the impact of climate-related risks and opportunities 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 manage climate-related risks and identify opportunities.



**Manage Risks** by quantifying BCI's and clients' specific climate change risks and monitoring changes in expected climate outcomes.



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



**Seek Opportunities** to invest in beneficiaries of the transition to a low carbon economy, where it makes financial sense.



**Engage and Advocate** for climate-related disclosure and strategy with investment companies, peers, policymakers, and industry associations.

### 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. Each asset class requires distinct considerations, and BCI currently employs or is in the process of building the following tools for identifying and assessing climate-related risks:

- ESG company fact sheets that include greenhouse gas emissions, energy efficiency policies, and consideration of climate change in business strategies;
- climate change scenario analysis to help prioritize areas of the portfolio that require further analysis or management;
- asset-specific sensitivity analysis for active investments in industries highly susceptible to climate policy changes;
- physical climate risk assessment to quantify physical risks of climate change on direct physical assets; and
- external manager surveys that include climate strategy in the due diligence and monitoring processes.

BCI continues exploring options for establishing a consistent approach to integrating climate considerations across all assets, both internally and externally managed.

## TCFD RECOMMENDATION

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

### BCI'S ALIGNMENT

BCI assesses potential expected returns under multiple climate scenarios using a model based on *Mercer's Climate Change Risk Assessment Research Package*<sup>9</sup>.

Outside of the three-degree global warming scenario where impacts were not expected to be material on an aggregate total fund level, we evaluate our clients' potential long-term return impacts under both a:

- **Two-degree global warming scenario**, where the transition to a lower carbon economy occurs faster than expected and creates elevated levels of transition risk for certain assets, while resulting in less risk of the physical impacts brought on by climate change;
- **Four-degree global warming scenario**, where climate action policies, technological advancements, and sentiment are largely insufficient, resulting in less transition risk but experiencing significant increases in physical impacts on certain assets.

Using client long-term strategic asset allocation targets, we found that the two- and four-degree climate scenarios would create an expected drag of 0.14 per cent and 0.16 per cent in average annual returns respectively over the 15-year forecast horizon, relative to the base case scenario.

Beneath the total fund aggregate impacts, asset class performance varies significantly depending on which scenario unfolds. In the four-degree scenario, real assets are more likely to suffer from the rising risk of physical impacts. In contrast, in a two-degree scenario, the performance of developed market public equities is expected to be impacted as companies exposed to traditional energy assets, such as oil, would likely experience valuation adjustment.

<sup>9</sup> *The Mercer's Climate Change Risk Assessment Research Package* estimates how the long-term returns of various asset types, in various geographies, may be impacted under different global warming outcomes. The scenarios consider the economic cost of emissions, physical damage, and policy developments. The four climate risk factors included in the model are technology, resource availability, physical impact, and regulatory impact.



# Risk Management

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

## TCFD RECOMMENDATION

Describe the processes 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 of areas in the portfolios that require more detailed assessment.

Each asset class currently identifies material climate change risks on a deal-by-deal basis. We are developing processes to assess climate change materiality and performance in a consistent way across the firm.

Additionally, we are developing processes to effectively measure and determine material climate change risks and opportunities across the total portfolio. These tools will build on insights generated by carbon footprint metrics by introducing further fundamental research and analysis; as well as developing evaluations of the resiliency of specific assets to climate-related risks in the long term. The tools are intended to help us understand specific investments in our portfolio that may be at risk or will benefit in the context of climate change.

### Engagement Activity

Climate change has been a top engagement priority for BCI for over ten years. We engage with company

management, regulators, and standard-setting bodies via four main activities:

- **Proxy Voting**, in which we have supported about 70 per cent of all climate-related shareholder proposals and recently introduced a policy<sup>10</sup> to vote against appropriate board directors at companies that fail to disclose adequate climate-related data.
- **Direct Engagement**, in which we focus on achieving better climate change disclosure from invested companies.
- **Collaborative Engagement**, in which we work with our peers globally to improve practices related to hydraulic fracturing and methane, as well as asking companies to take action to reduce greenhouse gas emissions.
- **Policy Advocacy**, in which we advocate for policy changes that will improve the investing environment for long-term investors, including at least 13 climate-related policy submissions with provincial, federal, and international policymakers between 2007–2017.

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

<sup>10</sup>Refer to BCI's 2017 *Proxy Voting Guidelines* on our website (<https://www.bci.ca/approach/responsible-investing>)

## TCFD RECOMMENDATION

Describe the processes for managing climate-related risks.

### BCI'S ALIGNMENT

BCI is continuously refining our approach to appropriately manage climate change risks across the portfolio. This starts with our ESG integration team and our investment strategy & risk department providing outputs from the climate change scenarios and carbon footprinting to our clients, portfolio managers, the executive management team, and our board; and integrating all available climate change related information into our investment decision-making processes.

We also examine possible climate change outcomes and are developing a framework of indicators that can signal changing market conditions and potential re-examination of strategies and assumptions.

By managing these risks, we strive to limit wealth erosion due to unexpected climate risks.

### Product Risk Management

In our **public market investments**, climate change indicators are integrated in 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**, our teams within the mortgages, real estate, private equity, infrastructure, and renewable resources programs commission and review reports on legal, environmental, regulatory, and other climate factors in direct private asset due diligence. As a next step, BCI will develop a climate materiality assessment in illiquid asset classes, based on SASB. We will also conduct physical climate change risk assessments for all direct private investments.

## 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. 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.

At times, climate-related risks may warrant further analysis and action, and ad hoc recommendations are brought to senior management and/or asset class staff as they arise.

Where appropriate, portfolio managers consider climate-related risks during asset-level due diligence of other investment risks. In public markets, this assessment is supported by the ESG integration team.



## Metrics & Targets

The metrics and targets BCI uses to assess and manage relevant climate-related risks and opportunities

### TCFD RECOMMENDATION

Describe the metrics used to assess climate-related risks and opportunities 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;
- public equities investment carbon footprint;
- capital invested in climate-related opportunities; and
- BCI's operational carbon footprint.

Based on the MSCI's Sustainable Impact research and considering the United Nations SDG, BCI determined the value of all assets invested in climate-related opportunities as about \$1.8 billion as at March 31, 2017.

In addition, BCI is currently developing a framework of indicators to act as signposts to signal when and how the expected climate scenario may change for the trajectory of climate action, risks, and opportunities in global markets.

These will include:

- carbon pricing and regulation;
- global energy supply and demand mix;
- cost of energy from various sources (coal, natural gas, wind, solar, etc.) across global markets; and
- commercialization rates of disruptive technologies.

## 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 (third party verified<sup>11</sup>) as per the below table. Note that this does not represent or include the carbon intensity of BCI's investments.

BCI 2017 GREENHOUSE GAS (GHG) EMISSIONS	TON OF CO <sub>2</sub> e (TCO <sub>2</sub> e)
<b>Scope 1: Direct carbon dioxide (CO<sub>2</sub>) emissions</b> from sources owned or controlled by the organization (e.g. GHG emissions from natural gas combustion during chemical production in owned or controlled process equipment).	56.5
<b>Scope 2: Indirect emissions</b> from the consumption of purchased energy (electricity, steam, etc.) generated upstream, when the energy is manufactured, from the organization.	18.2
<b>Scope 3: All other indirect emissions</b> that are not included in Scope 2. Emissions that result from the operations of an organization, but not directly controlled by the organization (e.g. employees commuting to work, business travel, waste, and production of purchased goods). Does not include any financed emissions related to BCI portfolio companies.	1,994.8
<b>Total Emissions Generated</b>	<b>2,069.5</b>
<b>Offsets Purchased</b>	<b>2,069.5</b>
<b>Net 2017 Emissions</b>	<b>0.0</b>

### Carbon Footprint

Fiscal 2017 was the first year we calculated our public equity program's carbon footprint, an intensity measure of the GHG emissions relative to the percentage of holdings. The level of emissions measured at 135.2 tons of CO<sub>2</sub> per million invested as at March 31, 2017. This falls slightly below our aggregate public equities benchmark<sup>12</sup> of 137.1 tons of CO<sub>2</sub> per million.

At the fund level, our analysis suggests that our internal actively-managed funds have significantly lower carbon footprints than their respective benchmarks. For instance, BCI's Active Canada Small Cap Equity and Global Thematic Equity portfolios had about one third of the carbon footprint compared to their respective benchmarks — the TSX Composite and MSCI ACWI as at March 31, 2017.

<sup>11</sup> Zerofootprint

<sup>12</sup> The benchmark is a weighted combination of multiple indices as specified in our clients' Statement of Investment Policies & Procedure.

## TCFD RECOMMENDATION

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

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### 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; and
  - percentage of index constituents reporting Scope 1 GHG emissions.
- We also commit to disclosing our public markets carbon footprint annually in line with the expectations of the *Montreal Carbon Pledge* and intend to expand the carbon footprint tool to include our fixed income holdings as at March 31, 2018. Next steps involve developing carbon footprints for all asset classes in the future.

# Driving Effective Disclosure

The TCFD recognizes that as understanding and developing approaches to climate-related issues evolve, so too will reporting on these issues.

Ultimately the TCFD's goal is for organizations to produce disclosures that are consistent, comparable, reliable, clear, and efficient. With that in mind, the TCFD established a set of principles to help guide current and future developments in climate-related financial reporting. The principles are intended to

connect climate-related issues with an organization's governance, strategy, risk management, and metrics and targets. As part of integrating the TCFD recommendations into our reporting, BCI is committed to using these principles going forward to guide our own approach to disclosure.

## TCFD's Seven Principles

Climate-related financial disclosures should:

- 1 Present relevant information
- 2 Be specific and complete
- 3 Be clear, balanced, and understandable
- 4 Be consistent over time
- 5 Be comparable among organizations within a sector, industry, or portfolio
- 6 Be reliable, verifiable, and objective
- 7 Be provided on a timely basis



**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

750 Pandora Ave, Victoria BC V8W 0E4 CANADA / **BCI.ca**

778 410 7310 | [communication@bci.ca](mailto:communication@bci.ca)

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