

Credit Rating Report

British Columbia Investment Management Corporation

Morningstar DBRS

October 2, 2024

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Credit Ratings

Issuer	Obligation	Credit Rating	Credit Rating Action	Trend
British Columbia Investment Management Corporation	Issuer Rating	AAA	Confirmed Sept. '24	Stable
British Columbia Investment Management Corporation	Medium Term Notes	AAA	Confirmed Sept. '24	Stable

Note: A complete list of credit ratings can be found on page 15 of the Rating Report.

Credit Rating Drivers

Factors With Negative Credit Rating Implications

DBRS Limited (Morningstar DBRS) would downgrade the credit ratings if British Columbia Investment Management Corporation (BCI or the Corporation) were to experience a material change in its legislative framework. The credit ratings would also be downgraded if BCI delivered weak investment returns consistently below benchmarks over time or caused a material decline in assets under management (AUM).

Credit Rating Considerations

Legislative Framework (AAA)

The Public Sector Pension Plan Act (PSPPA) mandates BCI to provide investment management services to public sector clients in the Province of British Columbia (BC or the Province). While there is no explicit legislation requiring its clients have their assets managed only by BCI, there are several mitigating factors that lock in clients. Moreover, given the historical investment performance that is outperforming longer term benchmarks, Morningstar DBRS considers any wholesale change in the Corporation's role as the provincial public-sector asset manager a remote possibility.

Plan Sponsors and Demographics of a Plan's Membership (AAA)

The Province of British Columbia (rated AA (high)), employer associations, and employees are the joint sponsors of the four largest pension plans whose funds are managed by BCI, which provides considerable stability and certainty of cash flows. The Corporation's plans have good demographic profiles with the active to retired members ratio in the range of 1.23 times (x) to 1.94x, and a stable basic account contribution rate of 14.2% with no expected increase in the short term.

Management Framework (AAA)

The Corporation operates under a dual accountability model. BCI is accountable to its clients and to the BCI board. The chief investment officer /chief executive officer (CIO/CEO) is accountable for all investment decisions on behalf of the Corporation's clients. BCI is exposed to various investment risks that it manages within its risk framework with considerable amount of expertise and sophistication. Strong liquidity coverage of 20 months provides ample cushion against market stress events.

Financial Resources (AAA)

BCI ended F2024 with gross AUM and net AUM (gross AUM less financial leverage from repurchase agreements (repos) and unsecured debt funding) of \$250.4 billion and \$229.5 billion, respectively. During the year, net AUM grew by \$14.5 billion from \$215.0 billion previously, reflecting investment gains of \$16.5 billion and client net withdrawals of \$2.1 billion. Positively, the annual return of 7.5% exceeded its clients' actuarial discount rate.

Funding Status (AAA)

The Corporation is not responsible for its clients' pension liabilities. However, BCI's latest actuarial valuations indicate that plans are well funded, in the 103.2% to 133.8% range.

Liabilities (AAA)

BCI's financial leverage (consisting of repos and unsecured debt) at 9.1% of net AUM and unsecured debt leverage of 0.8% of adjusted Combined Funds are both conservative and well within BCI's internal guidelines.

Financial Information

(CAD billions)	As of December 31				
	2023	2022	2021	2020	2019
Combined Funds ¹	156.8	145.5	158.5	139.7	125.0
Recourse debt ²	1.3	n/a	n/a	n/a	n/a
As a share of adjusted Combined Funds (%) ³	0.8	n/a	n/a	n/a	n/a

1. All the pooled investment portfolios, excluding pooled real estate and real estate debt investments managed by BCI's wholly owned real estate arm, QuadReal Property Group Limited Partnership and QuadReal Finance LP (together, QuadReal; the Combined Funds or Recourse AUM)

2. Fair Value

3. For the purposes of the ratio calculation, Combined Funds are adjusted by adding back recourse debt. Estimated recourse debt as a percentage of adjusted Combined Funds after initial MTN issuance of \$1.3 billion on December 31, 2023, is 0.8%.

	For the year ended March 31				
	2024	2023	2022	2021	2020
Gross AUM	250.4	233.0	211.1	199.6	171.3
Portfolio return (%) ^{4,5}	7.5	3.5	7.4	16.5	2.9
BM return (%) ^{4,5}	11.6	0.3	4.6	17.1	3.3

4. Reflects the investments of BCI's six largest pension clients, namely: BC Hydro Pension Plan, College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, Teachers' Pension Plan, and WorkSafeBC Pension Plan.

5. Includes the impact of centralized currency management program, where set.

Issuer Description

BCI was created in 1999 under the PSPPA as an agent of the Province. On its creation, BCI assumed ownership and management of the investment assets held in pooled investment portfolios that formerly were held and managed by the Province's minister of finance. While the Corporation is established by provincial legislation to manage the assets of public sector pension plans and other public sector entities, BCI operates at arm's length from the government as the PSPPA precludes the Province from being involved in the Corporation's investment decisions and business operation. This provides BCI with a high degree of independence and control over the assets that it invests on behalf of 29 clients in BC's public sector. These clients include 10 public sector pension funds, three insurance funds, and 16 special-purpose funds comprising public trusts, endowments, and government bodies

Credit Rating Rationale

On September 10, 2024, Morningstar DBRS confirmed BCI's Issuer Rating and the credit rating on the Corporation's Medium Term Notes (MTN) at AAA. All trends are Stable.

The AAA credit ratings and Stable trends are supported by a substantial and stable asset base, low leverage, ample liquidity, and strong operating performance. Moreover, the Province of British Columbia is a plan employer partner of the four largest pension funds managed by BCI, which provides considerable stability and certainty of cash flows. Despite financial market volatility, the Corporation has demonstrated consistently good returns by maintaining a well-diversified portfolio consisting of quality assets. BCI provides investment management services to British Columbia's public sector and is not responsible for its clients' pensions or other liabilities. BCI's portfolio also includes a sizable portion of equity, real estate, and infrastructure, which can be riskier or less liquid but has higher return potential. Nonetheless, BCI maintains a right-sized liquidity position to make up for the illiquid nature of these investments as well as allow the Corporation the flexibility to allocate capital to new opportunities, portfolio companies, and investment funds.

Legislative Framework: AAA

BCI was established in 1999 under the PSPPA to provide investment management services to public sector pension and other clients in British Columbia. The PSPPA establishes the Corporation as an agent of the Province; sets out the parameters for qualification as a client of BCI; requires that BCI's sole share be held by the minister of finance on behalf of the Province; establishes the composition and responsibilities of BCI's board; delegates management of BCI, including investment decisions, to BCI's CIO/CEO; states that agreements entered into by the CIO/CEO are binding on BCI and on those funds on behalf of which the CIO/CEO is acting; and precludes BCI's board and the Province from being involved in BCI's investment decisions and business operations.

There is no explicit legislation requiring its clients to have their assets managed exclusively by BCI. The existing joint trust agreements for the four largest plans specify that the pension funds shall be managed by the Corporation and allows the pension trustees to use alternative asset management services if it is in the best interest of their plan members. Given the historical service and investment returns that BCI has delivered to its clients, Morningstar DBRS considers any material change in the Corporation's role as the preeminent provincial public-sector asset manager a remote possibility. Furthermore, while BCI's clients are entitled to request a withdrawal of some or all of their investments in the Combined Funds (i.e., the pooled funds backing the MTN debt program), that right of withdrawal is subject to certain limitations under the terms of the fund management agreements (FMAs) with each client and the Corporation's internal investment policies and product descriptions. BCI has the power and authority to withhold funds as required to ensure its ability to satisfy its obligations under the terms of the MTN program.

Overall, BCI's creation as an agent of the Province for the sole purpose of managing public sector assets generally results in considerable stability to its legislative framework, making the assets captive and the risk of any material adverse change to the legislation very remote.

Plan Sponsors and Demographics of a Plan's Membership: AAA

The Province, employer associations, and employees are the joint sponsors of the four largest pension plans, namely Public Service Pension Plan, Municipal Pension Plan, Teachers' Pension Plan and College Pension Plan. Their funds are managed by BCI, which provides considerable stability and certainty of cash flows. With its AA (high) credit rating, the Province is well placed to manage the impact of any future potential increase in the contribution rates of these four plans. Joint sponsorship of the pension plans is also credit positive as it leads to greater engagement on the part of the sponsors, particularly employees, with respect to plan design and performance. The PSPPA establishes that contributions to these plans are mandatory and made jointly.

Exhibit 1 BCI's Major Plans Demographic

Pension Plan	Census Date	Demographics				
		Active	Inactive	Retired	Total	Active to Retired
Municipal Pension Plan	December 31, 2022	240,549	57,209	123,908	421,666	1.94
Public Service Pension Plan	March 31, 2023	70,780	24,163	55,267	150,210	1.28
Teachers' Pension Plan	December 31, 2022	50,553	13,131	41,242	104,926	1.23
College Pension Plan	August 31, 2023	17,249	8,198	10,662	36,109	1.62
WorkSafeBC Pension Plan	March 31, 2023	3,839	622	2,517	6,978	1.53

Source: Morningstar DBRS and Corporation Documents.

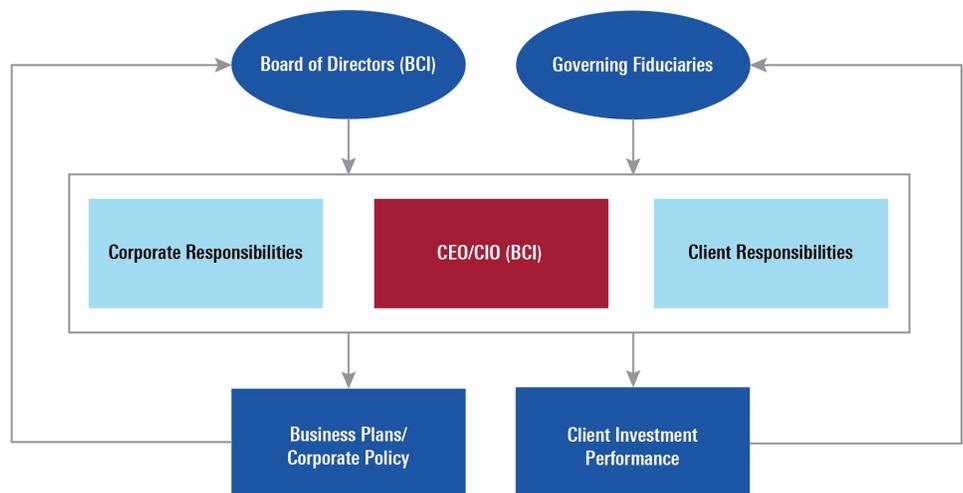
Based on the latest census reports, the active-to-retired ratio across large pension plans is in the range of 1.23x to 1.94x (Exhibit 1). Although there are currently more active members, the number of contributing members is declining in proportion to the number of retirees collecting pension benefits. This is consistent with Canada's demographic and pension trends. BCI's pension plan clients are, therefore, increasingly reliant on, and sensitive to, investment results generated by BCI to maintain stable member benefits and contribution levels. As of March 31, 2024 (F2024), BCI experienced net client withdrawals of \$2.1 billion, which was covered by generating an absolute annual return rate of 7.5%. BCI's return exceeded clients' nominal and real (inflation-adjusted) actuarial discount rates. Further, given the well-funded status of large pension plans, BCI does not expect any near-term increase in contribution rates for its clients.

Management Framework: AAA

Governance Framework

The Corporation operates under a dual accountability model, as set out in the PSPPA. BCI is accountable to their clients and to the BCI board. The CIO/CEO is accountable to each client for their investment returns and the management of their funds (Exhibit 2).

Exhibit 2 BCI's Dual Accountability Model



Source: Morningstar DBRS and Corporation Documents

BCI's corporate governance structure includes a code of conduct with conflict of interest guidelines, an organizational structure that provides for appropriate segregation of duties and accountability for performance, an enterprise-wide risk management framework, and board-approved fund policies and client-approved investment mandates.

BCI is governed by a seven-member board that includes four directors appointed by each of the College Pension Board, the Municipal Pension Board, the Public Service Pension Board, and the Teachers' Pension Board, two directors who are representative of other clients and appointed by the minister of finance and one director, who is designated to be the chair and appointed also by the minister of finance.

The board acts independently of the Province and makes decisions in the best interests of BCI and its clients. While the PSPPA assigns responsibility to the CIO for the day-to-day duties relating to the management of the investments, the board is responsible for providing general oversight to BCI's operations and ensuring there is proper reporting and accountability to the Corporation's clients and the minister of finance.

The board retains responsibility for appointing the CIO and the external auditor, setting compensation, and approving key policies with respect to the proper discharge of the Corporation's mandate, as well as reviewing and approving the business plan and budget, conflict of interest guidelines, and policies for the pooled funds. The board operates through two subcommittees: the Audit Committee and the Human Resources and Governance Committee, and occasionally ad hoc committees. The board is legislatively prohibited from being involved in investment decisions but can provide policy advice to the CIO.

Under the supervision of the CIO, who also serves as the CEO, the investment teams make the investment decisions in accordance with legal contracts established with their clients, investment policies, and the management frameworks for their specific funds, as well as applicable legislation and regulations.

The governing fiduciaries/trustees of the Corporation's clients monitor BCI's work to address investment opportunities and long-term material risks, and to ensure alignment with their policies. The governing fiduciaries/trustees receive regular reports from BCI, supporting its oversight of investment risk.

Management

BCI derives its authority to provide investment management services based on funds management agreements (FMAs), statement of investment policies and procedures (SIPPs), and consolidated product descriptions (CPD). Once negotiated, the FMAs provide BCI the authority to provide investment management services to the client, including the authority to move client funds and assets as required. FMAs also establish the process through which a client may withdraw funds from BCI in order to ensure that any existing investment commitments made by the Corporation can be fulfilled as planned. SIPPs are delivered by clients to BCI and set out, among other things, a client's desired broad asset allocation.

While SIPPs are a client's responsibility, BCI is often heavily involved in the development of client SIPPs. The CPD is a description of the various investment products and pooled funds that BCI offers to its clients, spanning all asset classes. The product description for each product, or pooled fund, will include a description of how a client may enter or exit that product, including future commitments already made by BCI.

The Corporation's investment management team invests the funds allocated through FMAs while ensuring that the allocation strategies in SIPPs are followed. As of March 31, 2024, BCI had 770 direct employees. The Corporation has been expanding its team across the sectors and regions in which it operates.

Risk Management

BCI has embedded risk management into the culture and operations of the Corporation, including strategic planning, investment decision making and monitoring, and other key operational and investment controls and activities. BCI has adopted a board-approved integrated risk governance framework that sets out the roles and responsibilities for governance and oversight of risk.

Its two risk committees, the Enterprise Risk Management Committee (ERMC) and the Investment Risk Committee, form part of the integrated risk governance framework. These committees support the CEO/CIO in the oversight and management of all risks and the board in the oversight of risk management.

Similar to other Morningstar DBRS' rated pension fund and exclusive asset managers, ESG investing is embedded in BCI's investment decision-making process. The Corporation believes that taking ESG matters into account enables investors to better understand, manage, and mitigate risks and to take advantage of opportunities associated with long-term investments. For several years, BCI has been actively engaged in addressing climate change and has set a goal to ensure that, by 2030, at least 80% of the Corporation's most carbon-intensive investments have set mature net-zero aligned commitments, which has already contributed to a 31% reduction in BCI's total portfolio carbon footprint since 2020. Two major ESG-related developments occurred in F2024: surpassing the expected 30% reduction in public equities weighted-average carbon intensity and exceeding the expected \$5.0 billion cumulative participation in sustainable bonds. BCI's management and clients receive regular climate risk reporting and analysis to support their investment decisions.

Liquidity Management

Liquidity management falls within BCI's broader risk management framework and investment risk management framework. BCI is expected to maintain ample liquidity so as to be able to meet all expected and unexpected liquidity requirements that could arise in a severe stress scenario. Policies also specify minimum liquidity levels and how liquidity is to be maintained. The governance framework for managing and measuring liquidity risk includes the methodologies used, such as the liquidity coverage ratio, stress scenarios, risk thresholds, and monitoring requirements for the prudent management of risk. BCI monitors liquidity risk on a regular basis and includes the tracking of early warning indicators of

deterioration in its liquidity position. Under the most severe stress-testing scenarios, which include significant reductions in asset prices and margin/collateral calls, BCI's level of liquidity continues to be significant. The Corporation has also developed a contingency plan that formalizes the processes to be considered in the lead up to or an actual crisis event.

BCI ended the year with liquidity coverage for 20 months, significantly above the internal guideline of 12 months coverage. At YE2024, BCI had approximately 21% of gross AUM (\$52.5 billion) in federal and provincial government securities, which can be liquidated to meet potential financial obligations under normal or in some cases stressed market conditions, including opportunistic deployment of capital, over multiple time horizons. Such strong liquidity provides a cushion to absorb potential investment losses over the longer term investment horizon of the pension funds, allowing them to withstand short term market swings, as well as invest opportunistically in times of stress.

Positively, to further diversify funding sources, BCI has set up a MTN program that allows it to issue unsecured, unsubordinated debt with recourse to the Combined Funds. This program also ladders out maturity profiles enhancing resilience while making BCI less reliant on repo market funding.

Valuation of Private Market Assets

BCI measures all of its investments at fair value in accordance with accounting standards. Valuation of all assets is directed by BCI's Valuation Policy, which is approved by the board and is further supported by valuation directives that establish the valuation principles, the methodology for each type of investment, frequency of valuations, and reporting. Fair values for investments held within pooled investment portfolios are determined on any opening date when units are issued or redeemed on a nonproportionate basis and for year-end financial reporting.

Large direct and co-investments in private equity are valued externally at least annually. Otherwise, they may be valued internally by BCI staff with appropriate knowledge and expertise using industry accepted valuation techniques. When relying on a third-party manager for the determination of the fair value, BCI reviews the appropriateness of such valuations using audited financial statements of the underlying investments and other information available.

Financial Resources: AAA

Investment Allocation and Strategy

BCI invests its clients' funds in accordance with FMAs established with them, investment policies and management frameworks for their specific funds, and applicable legislation and regulations. Clients allocate funds across various pooled investment portfolios that are managed in accordance with specific investment policies that define, among other things, the investment objectives, universe, restrictions, and risk management. Diversification is a key part of risk management. Each plan's investments are adjusted based on anticipated risk and market outlook, to protect capital and to take advantage of opportunities that add value.

Following the above investment process, BCI maintains a portfolio that is diversified by asset class and geography. In F2024, BCI's net AUM grew by \$14.5 billion to \$229.5 billion, reflecting investment gains of \$16.5 billion and client net withdrawals of \$2.1 billion (Exhibit 3). Net AUM capture the assets of BCI's clients: 10 public sector pension plans, three insurance funds, and 16 special-purpose funds.

Exhibit 3 Client's Assets

	For the year ended March 31				
	2024	2023	2022	2021	2020
Gross AUM	250.4	233.0	211.1	199.6	171.3
Net AUM	For the year ended March 31				
(CAD billions)	2024	2023	2022	2021	2020
Pension Plans	179.0	167.8	164.0	153.8	133.2
Insurance Plans	44.3	42.4	43.0	42.0	34.6
Other	6.2	4.8	4.1	3.8	3.5
Net Assets	229.5	215.0	211.1	199.6	171.3

Note: Total of individual asset classes may not add up to gross AUM because of other strategies (cash or hedging program) and funding leverage not reflected above

Sources: Morningstar DBRS and Corporation documents

One of the Corporation's strategies is to manage more assets in house as that enables it to be both responsive and defensive during periods of market uncertainty. By the end of F2024, BCI managed 83.3% of gross AUM in house. On an aggregated level, BCI has also been diversifying investment exposures by geography by investing in different asset classes globally. The Corporation has been reducing investments in Canada and allocating more capital to the U.S. and Europe. From 2018 to 2023, the share of the portfolio invested directly in Canada fell to 30.8% from 49.0% but is still significant and in line with most of its peers. On the other hand, the share of investments into the U.S. market has increased to 43.4% from 24.4% and the share of investments in the European market has increased to 14.4% from 8.9%.

The strength of the credit ratings rely heavily on the stability of the asset base. While clients could place some or all of their funds with other investment managers for fund management services, which could weaken the stability of the asset base, Morningstar DBRS views this risk as very remote, given the historical success of BCI's investment management model and the degree of sophistication and scale of the Corporation that provides clients with access to investment opportunities that otherwise may not be accessible to them. Furthermore, while BCI's clients are entitled to request a withdrawal of some or all of their investments in the Combined Funds, that right of withdrawal is subject to certain limitations under the terms of the FMAs, SIPPs with each client, and BCI's internal investment policies and product descriptions. This provides further stability to the asset base within Combined Funds (Exhibit 4).

Exhibit 4 BCI's Combined Funds Mix

Actual Combined Funds Composition¹					
	As of December 31				
Percentage	2023	2022	2021	2020	2019
Fixed Income					
Fixed income investments	46.4	45.8	45.6	44.0	46.0
Private debt investments	7.7	7.2	4.2	3.6	2.8
Total	54.2	53.1	49.9	47.7	48.9
Real Assets					
Infrastructure and renewable resources	9.3	9.4	7.6	8.0	8.3
Total	9.3	9.4	7.6	8.0	8.3
Equities					
Public equity	17.4	18.1	27.9	31.5	32.4
Private equity	13.5	14.6	12.2	11.8	10.3
Total	30.8	32.6	40.1	43.4	42.7
Other Investments					
Other investments ²	5.6	4.9	2.4	1.0	0.1
Total	5.6	4.9	2.4	1.0	0.1
Total	100.0	100.0	100.0	100.0	100.0

1. Based on gross amounts before deducting investment related liabilities.

2. Other Investments include absolute return strategies, internal loans, and prepaid investment.

Sources: Morningstar DBRS and Corporation documents

Investment Performance

In F2024, BCI delivered an annual combined pension plan return of 7.5%, net of all fees, which was lower than the absolute combined return benchmark (BM) of 11.6%. BCI outperformed the BMs for all asset classes except real estate equity and private equity, both of which faced difficult market environments. Given the long-term nature of pension clients liabilities it is important to measure BCI's long-term return performance against the BM and clients' discount rates. Over the 10-year period, BCI generated an annualized return of 7.8%, outperforming the BM of 7.1% and resulting in \$8.3 billion of cumulative value-added activity (Exhibit 5). Also, the 7.8% return exceeded the pension clients' discount rates, thereby ensuring that funding status of these plans remains in surplus.

Exhibit 5 BCI's Overall Investment Returns

	Five-Year Return	10-Year Return	For the year ended March 31				
			2024	2023	2022	2021	2020
Total Portfolio (%) ^{1,2}	7.5	7.8	7.5	3.5	7.4	16.5	2.9
BM (%)	7.2	7.1	11.6	0.3	4.6	17.1	3.3

1. Reflect the investments of BCI's six largest pension clients: BC Hydro Pension Plan, College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, Teachers' Pension Plan, and WorkSafeBC Pension Plan.

2. Includes the impact of client currency hedging policies, where set.

Sources: Morningstar DBRS and Corporation documents

In F2024, all asset classes contributed positively to the return, except real estate. Public equities and private debt were the largest contributors to total performance followed by illiquid asset classes, namely, infrastructure and private equities (Exhibit 6).

Exhibit 6 BCI's Annual Investment Return Performance¹

Percentage	For the year ended March 31						
	2024 Return	2024 BM	2024 Variance	2023 Return	2022 Return	2021 Return	2020 Return
Fixed Income							
Short Term	5.2	4.9	0.3	5.8	(0.3)	(4.7)	5.1
Nominal Bonds	1.9	2.1	(0.2)	(2.1)	(3.9)	3.0	4.9
Private Debt	13.3	11.4	1.9	4.6	7.3	10.9	(2.3)
Other Strategies ²	5.2	–	–	3.0	0.3	0.3	9.1
Real Estate Debt	6.9	6.1	0.8	4.6	4.0	4.1	–
Real Assets							
Real Estate Equity ³	(5.0)	6.8	(11.8)	7.2	14.9	0.2	8.5
Domestic Real Estate		–	–	–	–	–	–
Global Real Estate		–	–	–	–	–	–
Infrastructure ⁴	7.0	6.3	0.7	9.2	12.1	7.9	8.6
Renewable Resources		–	–	–	–	–	(2.6)
Equities							
Public equity							
Canadian Public Equity	14.6	14.0	0.6	(3.1)	19.0	44.5	(13.9)
Global Public Equity	26.5	25.4	1.1	2.3	5.7	39.1	(4.0)
Emerging Markets Public Equity	10.1	8.1	2.0	0.3	(10.6)	42.4	(11.2)
Private equity ³	6.0	20.9	(14.9)	4.7	29.7	24.3	16.2
Portfolio^{1,4}	7.5	11.6	(4.1)	3.5	7.4	16.5	2.9

1. Reflect the investments of BCI's six largest pension clients: BC Hydro Pension Plan, College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, Teachers' Pension Plan, and WorkSafeBC Pension Plan.

2. Other Strategies include leverage liabilities.

3. An internal rate of return methodology is used to calculate returns for infrastructure & renewable resources, private equity, and real estate equity. The assets and BMs are as at December 31, 2023. BMs are presented on a time-weighted rates of return basis.

4. All returns are net of all costs and fees.

Sources: Morningstar DBRS and Corporation documents

Fixed-income results were positive, with strong contribution from private debt which significantly outperformed its BM generating a return of 13.3% versus a BM of 11.4%. Higher credit spreads on newly added senior secured loans (93.0% of the capital deployed) to private equity sponsors and syndicated loans contributed to the outperformance. More than half of the private debt portfolio is managed inhouse. Public equities also delivered strong results. Global equities led the performance with a 26.5% return, followed by Canadian and emerging markets equity delivering 14.6% and 10.1%, respectively. Robust economic growth in the U.S. and fading concerns about a global recession were key drivers. The technology sector, particularly innovation- and AI-driven stocks, led sector performance. Infrastructure continued to outperform with a return of 7.0% against its BM of 6.3% on the basis of strong cash yields and capital gains in the portfolio.

Unlike previous years, private equity delivered a 6.0% return and underperformed its BM which is based on a global equity index plus a spread, serving as a measure of opportunity cost between private and public investments. Public markets performed exceptionally well in Q4 2023, driven by the big tech sector gains that were not present in private market valuations. The real estate portfolio was the laggard in F2024 with real estate equity delivering (5.0)%, thereby underperforming its BM of 6.8% as it faced

challenges because of elevated interest rates. The negative performance was partially offset by income returns from the operating portfolio, which saw moderate growth year over year as operating fundamentals, including leasing, remained robust and, in some cases, improved. BCI's office real estate accounted for 19.1% of the real estate portfolio consisting mostly of less affected Class A buildings that have high occupancy rates. Residential and industrial made up 34.2% and 29.9%, respectively.

Funding Status: AAA

BCI is not responsible for the pension liabilities of the plans, though a significant shortfall could impact asset allocation, liquidity, and contributions. Nonetheless, the most recent actuarial valuations, based on 2020 to 2023 data, indicate that underlying large pension plans are well funded with their funded ratios at between 103.2% and 132.8% on a going-concern basis. The key assumptions for the actuarial valuations are consistent with similar public sector pension plans. Further, BCI's long-term returns exceeded the actuarially-determined required rate of return.

Liabilities: AAA

BCI has no direct financial responsibility to fund the pension obligations of its pension clients, or to fund the financial obligations of its non-pension clients. BCI uses leverage as a part of its investment strategy. BCI provides two types of leverage calculations: synthetic and financial. Synthetic leverage reflects derivatives such as forward currency, equity, and fixed-income contracts entered into on behalf of clients or pooled investment portfolios. Financial leverage captures repurchase agreements (repos) secured by government bonds and also unsecured debt issuances (MTNs). Until F2023, only repos contributed to the financial leverage. In October 2023, the Corporation launched its MTN program. Debt issuances under the MTNs program are direct, unsecured, and unsubordinated obligations of BCI providing debtholders with recourse to the Combined Funds even if the debt proceeds are not used by all of the Combined Funds. Assets held outside of the pooled investment portfolios as well as pooled real estate and real estate debt investments are excluded from the Combined Funds. There is a limit to the amount of recourse debt that can be outstanding relative to BCI's Combined Funds. Currently, as per the Corporation's Leverage Directive, total fund financial leverage is capped at a maximum of 30% of net AUM. As at end of F2024, BCI had \$18.7 billion of outstanding repos and \$2.3 billion in unsecured MTNs resulting in a leverage ratio of 9.1% against adjusted net AUM. For standalone unsecured MTNs, the threshold limit is 15% of the Combined Funds and as of December 31, 2023, BCI had unsecured debt outstanding of \$1.3 billion (0.8% of the adjusted Combined Funds). Both measures are within internally approved guidelines. BCI's Pooled Fund Policies limit client leverage to a maximum of 30% of individual client AUM, which implies a lower target maximum. Currently, no client is targeting leverage above 15% in their long-term asset mix.

Morningstar DBRS views the leverage limits as conservative and expects BCI to remain well within their approved guidelines.

ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
Environmental		Overall:	N	N
Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N	N
Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N	N
Land Impact and Biodiversity	Is there a financial risk to the issuer due to the loss of biodiversity and/or the mitigation of such loss, including land conversion and rehabilitation?	N	N	N
Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N	N
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by physical and/or transition risks under key IPCC climate scenarios?	N	N	N
Climate and Weather Risks		N	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N	N
Social		Overall:	N	N
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services pose a financial or regulatory risk to the issuer?	N	N	N
	Do changes in consumer behaviour or secular social trends pose a financial or regulatory risk to the issuer?	N	N	N
Social Impact of Products and Services		N	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N	N
	Do violations of rights create a potential liability that can negatively affect the issuer's financial wellbeing or reputation?	N	N	N
Human Capital and Human Rights		N	N	N
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N	N
Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N	N
Governance		Overall:	N	N
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N	N
	Are there any political risks that could affect the issuer's financial position or its reputation?	N	N	N
Bribery, Corruption, and Political Risks		N	N	N
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure allow for appropriate board and audit independence?	N	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N	N
	Does the board and/or management lack a formal framework to assess climate related financial risks to the issuer?	N	N	N
Corporate / Transaction Governance		N	N	N
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N	N
Consolidated ESG Criteria Output:		N	N	N

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
 A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations

Environmental

As the Corporation is an investment management company, this factor does not affect the credit ratings or trends assigned to it or its MTN. BCI does not directly provide investment management services or sell any product that contributes to the emissions of carbon or greenhouse gases. Any impact from exposure to climate and weather risks is expected to be indirect in nature. As part of its initiatives for clients and community impact, BCI aims to have a positive environmental and climate influence in addition to efforts already made to reduce the environmental impact of its operations.

Social

Governance and data privacy and security are important considerations for BCI. However, these factors did not have an impact on the assigned credit ratings or trends. There have been no reported cases of governance or data breaches. While BCI has not faced any issues with data breaches, future breaches or security failures could damage the Corporation's reputation and risk profile. Failures related to data privacy and security could also lead to future expenses in particular, given BCI's exposure to sensitive client information.

Governance

This factor does not affect the credit ratings or trends assigned to BCI. There have been no reported cases of failures in governance as they relate to the Corporation in the past. BCI has various board committees with complementary roles and responsibilities that provide corporate governance oversight to the executive leadership. The board of directors consists of seven individuals including the independent Chair. The board has overall responsibility for oversight of the Corporation's risk management framework and provides adequate independent corporate governance oversight, including of climate-related risks. The PSPPA precludes BCI's board and the Province from being involved in BCI's investment decisions and business operations, which are managed by the CIO/CEO.

Credit Rating Methodologies

The applicable methodologies are *Rating Canadian Public Pension Funds & Related Exclusive Asset Managers*, (April 16, 2024), and *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* (August 13, 2024), which can be found on dbrs.morningstar.com under Methodologies & Criteria.

Credit Ratings

Issuer	Obligation	Credit Rating	Credit Rating Action	Trend
British Columbia Investment Management Corporation	Issuer Rating	AAA	Confirmed	Stable
British Columbia Investment Management Corporation	Medium Term Notes	AAA	Confirmed	Stable

Credit Ratings History

	Current	2023
British Columbia Investment Management Corporation		
Issuer Rating	AAA	AAA
Medium-Term Notes	AAA	AAA

Previous Actions

- ["DBRS Morningstar Finalizes Provisional Rating on the Medium-Term Notes of British Columbia Investment Management Corporation"](#) October 26, 2023.
- ["DBRS Morningstar Assigns Provisional Rating of AAA to British Columbia Investment Management Corporation's Medium-Term Notes"](#) October 10, 2023.
- ["DBRS Morningstar Assigns Issuer Rating of AAA to British Columbia Investment Management Corporation"](#) October 10, 2023.

Related Research

- [Weakness in Real Estate Assets Persists as Canadian Pension Funds Deliver Weak Returns in H1 2024](#), August 27, 2024
- [Potential Implications of an Alberta Pension Plan for CPP Investments](#), September 26, 2023
- [Resilience of Large Canadian Public Pension Funds in the Wake of Thames Water Turmoil](#), July 5, 2023
- [DBRS Morningstar-Rated Canadian Public Pension Funds Hold No Material Exposures to Credit Suisse, SVB, or Signature Bank](#), March 24, 2023

Previous Reports

- British Columbia Investment Management Corporation: [Rating Report](#), October 26, 2023.
- British Columbia Investment Management Corporation: [Rating Report](#), October 10, 2023.

Notes:

All figures are in Canadian dollars unless otherwise noted.

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