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Corporate Governance and Stewardship
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Via email: stewardshipcode@frc.org.uk

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BCI Response to the Proposed Revision of the UK Stewardship Code

With \$145.6 billion of managed assets, British Columbia Investment Management Corporation (BCI) is a leading provider of investment management services for British Columbia's public sector and one of the largest asset managers in Canada. Investment returns play a significant role in helping our institutional clients build a financially secure future for their beneficiaries. As our clients have obligations that extend beyond 70 years, we take a long-term view on our investments. BCI relies on well-functioning capital markets and we consider it our responsibility to contribute to the overall stability of the financial system.

As an active participant in the capital markets, we address systemic risks with the expectation that our efforts will lead to greater stability and integrity within the markets. We regularly engage with regulators and advocate for legal and regulatory changes to ensure that principles of good governance are integrated into the regulatory framework. As such, we appreciate the opportunity to respond to the Proposed Revision to the UK Stewardship Code ("the Code"). BCI not only invests in the UK market directly, but we partner with several UK-based asset managers that are signatories to the Code.

As the first jurisdiction to publish a Stewardship Code in 2010, the UK has demonstrated leadership in this area. Directionally speaking, BCI is supportive of the proposed revisions, which, in our view, continue to demonstrate leadership by increasing the effectiveness of stewardship and providing more useful information that investors like ourselves can draw upon when selecting external managers to partner with. In addition to expressing our broad support for the direction of the Code, we would like to draw attention to some specific areas of interest for BCI.

Purpose, Objectives & Governance

BCI appreciates the intention of aligning with the UK Corporate Governance Code with requirements to disclose certain statements around purpose, strategy, values and culture. However, requiring disclosure on things like purpose and values can be quite challenging and presents a risk of additional boilerplate disclosure that does not emphasize outcomes. More emphasis on the governance of stewardship in this

section would be more beneficial from our perspective. Disclosure focused on how stewardship activities are overseen, what resources are allocated to stewardship, and how incentives are aligned within the organization, are all valuable pieces of information that provide an indication of culture while minimizing the risk of boilerplate disclosure.

Defining Stewardship

BCI is encouraged to see the inclusion of environment, social, and governance (ESG) explicitly included in the Code. As an organization, we have long held that ESG factors can impact the performance of companies in our portfolio and these are a regular feature of our investment analysis and our stewardship activities.

BCI also supports broadening the concept of stewardship to asset classes other than public equities, with an initial focus on bonds. Stewardship in fixed income, private equity and infrastructure all look somewhat different depending on the rights available to investors, however, the fundamental concept of taking care of assets for beneficiaries, is applicable to all asset classes. Our only caution in this regard would be the extent to which these activities can be reported publicly which may require more differentiation based on asset class. For example, the detail to which investors would be able to report on infrastructure or private equity investments where board seats are held, will be quite different than a publicly traded company. Provided there is flexibility in the reporting framework to address this, the proposed approach is sound in our view.

One part of the definition that might need further clarification or refinement, is that which refers to stewardship as creating sustainable value for beneficiaries, the economy and society. BCI fully appreciates that stakeholders other than investors are impacted by our stewardship activities. However, we would be concerned about multiple interpretations of this phrase without further guidance of what it means in practice. Unless fully grounded in fiduciary duty, BCI fears that stewardship may not reach even further into mainstream investment practices.

Reporting on Activities & Outcomes

BCI is supportive of the introduction of an annual Activities and Outcomes report by signatories because it will bring more accountability to the investment chain and discourage unsubstantiated boilerplate disclosure. BCI has very clearly defined engagement priorities and a well-developed set of key performance indicators that are tracked annually to evaluate the effectiveness of our engagement activities.

However, this type of information is not disclosed uniformly and we often see more qualitative information over quantitative data that does not necessarily convey the breadth of stewardship activity. Our view would be there needs to be a mix of quantitative and qualitative disclosure in order to illustrate that policies and processes are being implemented in line with available resources. Further guidance on expectations in this area would likely be welcome as well as alignment with existing reporting frameworks. BCI also suggests changing the language around voting disclosure to 'must' rather than 'should'. Proxy voting is the foundation of stewardship and without transparency on how this is exercised, the Code may not be perceived as being strong enough.

While stewardship effectiveness is not always straightforward to measure, a balance of activities and outcomes activities would be our preference. If signatories are simply able to list activities undertaken, we are left wondering how effective these efforts are. Reporting out on activities and outcomes indicates a more strategic orientation for investors when it comes to stewardship as well as a tracking system to monitor and evaluate stewardship. Outcomes also have the benefit of emphasizing quality over quantity while ensuring that stewardship is adequately resourced to garner the desired outcomes.

Based on the above statements, BCI would view the Code as meeting the expectations of the Kingman Review in terms of setting higher expectations for stewardship.

We welcome the proposed improvements and would be pleased to offer any further clarification if required.

Regards,

A handwritten signature in blue ink, appearing to read "Daniel Garant". The signature is fluid and cursive, with a large initial "D" and a stylized "G".

Daniel Garant
Senior Vice President, Public Markets

