



BCI QuadReal Realty Financial Statements

DECEMBER 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

British Columbia Investment Management Corporation ("BCI") manages Pooled Investment Portfolios on behalf of governing fiduciaries such as pension fund trustees and other public sector clients. QuadReal Property Group Limited Partnership and affiliates ("QuadReal") manage the Mortgage and Real Estate programs pursuant to asset management agreements as agreed to between BCI and QuadReal. This report contains the financial statements for the BCI QuadReal Realty Pooled Investment Portfolio for the year ended December 31, 2022.

The financial statements of this Pooled Investment Portfolio have been prepared by QuadReal and approved by the BCI Chief Investment Officer/Chief Executive Officer. All of the financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies used in the preparation of these statements are disclosed in note 3 to the financial statements. The statements include certain amounts that are based on management's judgement and best estimates.

BCI's Board has established an Audit Committee. The BCI Audit Committee's mandate includes oversight of the financial statements of the Pooled Investment Portfolio managed by QuadReal through a governance framework established with QuadReal's Board and Audit Committee. Through this governance framework, the BCI Committee mandate is executed through oversight from QuadReal's Audit Committee and includes making recommendations on the appointment of the external auditor for the Pooled Investment Portfolio, reviewing the external audit plan; reviewing BCI's Service Organization Controls Report for the Investment System of British Columbia Investment Management Corporation, including QuadReal related controls, and reviewing the annual audited financial statements of the Pooled Investment Portfolios. The BCI Committee and QuadReal Committee reviews the recommendations of the internal and external auditors with respect to internal controls and the responses of management to those recommendations, and also meets with management and the internal and external auditors to review annual audit plans.

BCI and QuadReal maintain a system of internal control and supporting processes to provide reasonable assurance that assets are safeguarded; that transactions are appropriately authorized and recorded; and that there are no material misstatements in the financial statements. BCI's and QuadReal's internal control framework includes: a strong corporate governance structure; a code of conduct that includes conflict of interest guidelines; an organizational structure that provides for appropriate segregation of duties and accountability for performance; an enterprise-wide risk management framework that identifies, monitors and reports on key risks; and adherence to BCI Board-approved Pooled Investment Portfolio Policies and client-approved investment mandates. BCI's and QuadReal's system of internal control is supported by external auditors who review and evaluate internal controls and report directly to the BCI and QuadReal Audit Committees.

The Pooled Investment Portfolio's external auditors, KPMG LLP, have full and unrestricted access to the BCI and QuadReal Audit Committees and BCI and QuadReal management. KPMG LLP discusses with management and the Committees the results of their audit of the Pooled Investment Portfolio financial statements and related findings with respect to such audit. The Pooled Investment Portfolio financial statements are audited by KPMG LLP in accordance with Canadian generally accepted auditing standards. KPMG LLP has performed such tests and other procedures as they considered necessary to express an opinion on the Pooled Investment Portfolio financial statements.

[S] Gordon J. Fyfe

Gordon J. Fyfe
Chief Executive Officer, BCI
Chief Investment Officer, BCI

[S] Dennis Lopez

Dennis Lopez
Chief Executive Officer, QuadReal

[S] Tamara Lawson

Tamara Lawson
Chief Financial Officer, QuadReal



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of BCI QuadReal Realty

Opinion

We have audited the financial statements of BCI QuadReal Realty (the "Fund"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 11, 2023

BCI QUADREAL REALTY

Statement of Financial Position

(Expressed in thousands of Canadian dollars, except number of units)

December 31, 2022, with comparative information from 2021

	Note	December 31, 2022	December 31, 2021
Assets			
Cash		\$ 455,496	\$ 715,510
Interest and other receivables		28,641	31,080
Loans receivable		—	100,000
Loans receivable from related parties	5	2,237,859	1,452,189
Due from related parties	5	90,566	81,653
Investments at fair value through profit and loss	4, 10 & 11	15,200,216	13,761,324
Total assets		18,012,778	16,141,756
Liabilities			
Fund manager cost recoveries payable	5	6,160	10,810
Other accounts payables and accruals		10,297	14,522
Due to related parties	5	636,711	332,403
Notes payable	9	1,716,230	1,468,993
Total liabilities excluding net assets attributable to the holders of redeemable unit		2,369,398	1,826,728
Net assets attributable to holders of redeemable units		\$ 15,643,380	\$ 14,315,028
Number of redeemable units outstanding	6	1,164.984	1,179.401
Net assets attributable to holders of redeemable units per unit		\$ 13,428	\$ 12,138

Subsequent events 13

See accompanying notes to financial statements.

[S] Gordon J. Fyfe

Gordon J. Fyfe
Chief Executive Officer, BCI
Chief Investment Officer, BCI

BCI QUADREAL REALTY

Statement of Comprehensive Income

(Expressed in thousands of Canadian dollars, except number of units)

Year ended December 31, 2022, with comparative information from 2021

	Note	December 31, 2022	December 31, 2021
Revenue:			
Investment income		\$ 14,397	\$ 13,101
Investment income from related party	5	7,455	7,548
Change in fair value of investments:	11		
Net realized gain (loss)		1,235	(19,413)
Net change in unrealized appreciation		1,571,655	1,607,177
		1,594,742	1,608,413
Expenses:			
Fund manager cost recoveries	5	14,339	3,759
Interest expense and other		66,468	30,854
Administrative and professional fees		404	1,846
		81,211	36,459
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		1,513,531	1,571,954
Distribution to holders of redeemable units		(358,250)	(117,884)
Increase in net assets attributable to holders of redeemable units		\$ 1,155,281	\$ 1,454,070

See accompanying notes to financial statements.

BCI QUADREAL REALTY

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
(Expressed in thousands of Canadian dollars, except number of units)

Year ended December 31, 2022, with comparative information from 2021

	Note	December 31, 2022	December 31, 2021
Balance, beginning of year		\$ 14,315,028	\$ 14,545,020
Increase in net assets attributable to holders of redeemable units		1,155,281	1,454,070
Redeemable unit transactions:	6		
Proceeds from units issued		237,795	625,442
Reinvestment of distributions		358,250	117,884
Amounts paid for units redeemed		(422,974)	(2,427,388)
		173,071	(1,684,062)
Balance, end of year		\$ 15,643,380	\$ 14,315,028

See accompanying notes to financial statements.

BCI QUADREAL REALTY

Statements of Cash Flows

(Expressed in thousands of Canadian dollars, except number of units)

Year ended December 31, 2022, with comparative information from 2021

	December 31, 2022	December 31, 2021
Cash flows provided by (used in):		
Operations:		
Increase in net assets attributable to holders of redeemable units	\$ 1,155,281	\$ 1,454,070
Adjustments for:		
Interest revenue	(163,553)	(103,740)
Interest collected	220,821	82,986
Net realized (gain) loss from investments	(1,235)	19,413
Net change in unrealized appreciation from investments	(1,571,655)	(1,607,177)
Interest expense	66,468	30,720
Interest paid	(66,270)	(27,705)
Non-cash distributions	358,250	117,884
Proceeds from sale of investments	1,387,894	5,241,940
Amounts paid for purchase of investments	(1,410,144)	(2,839,027)
Interest and other receivables	1,674	(22,614)
Fund manager cost recoveries payable	(4,650)	(2,408)
Other accounts payable and accruals	1,362	4,105
	(25,757)	2,348,447
Financing:		
Addition to commercial papers	10,474,891	8,388,900
Repayment of commercial papers	(10,474,891)	(8,858,900)
Addition to notes payable	400,000	751,433
Addition to due from related parties	(65,985)	9,102
Addition to due to related parties	304,308	332,403
Proceeds from (advances of) loans receivable	100,000	(100,000)
Advances on loans receivable from related party	(787,401)	(392,821)
Proceeds from issuance of redeemable units	237,795	625,442
Payments on redemption of redeemable units	(422,974)	(2,427,388)
Addition to credit facilities	—	313,794
Repayment of credit facilities	—	(313,794)
	(234,257)	(1,671,829)
Net (decrease) increase in cash during the year	(260,014)	676,618
Cash, beginning of year	715,510	38,892
Cash, end of year	\$ 455,496	\$ 715,510

See accompanying notes to financial statements.

BCI QUADREAL REALTY

Schedule of Investments

(Expressed in thousands of Canadian dollars, except number of units)

December 31, 2022, with comparative information for 2021

	December 31, 2022		December 31, 2021	
	Fair value	Cost	Fair value	Cost
Real estate investments ¹	\$ 15,200,216	\$ 5,844,363	\$ 13,761,324	\$ 5,822,113
Total investments	\$ 15,200,216	\$ 5,844,363	\$ 13,761,324	\$ 5,822,113

¹ Real estate investments are held through either private corporations, limited partnerships, and trusts (note 4, note 10 note 11 and note 12).

See accompanying notes to financial statements.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

1. The portfolio

British Columbia Investment Management Corporation (“BCI”) was established under the Public Sector Pension Plans Act as a trust company authorized to carry on trust business and investment management services. The address of BCI’s registered office is at 750 Pandora Avenue, Victoria, British Columbia, Canada.

QuadReal Property Group Limited Partnership (“QuadReal”) and affiliates manage BCI QuadReal Realty (the “Fund”) pursuant to an Asset Management Agreement between BCI and QuadReal. These financial statements have been prepared by QuadReal.

Under the Public Sector Pension Plans Act and the Pooled Investment Portfolios Regulation, B.C. Reg. 447/99 (the “Regulations”), BCI may establish and operate pooled investment portfolios “...in which money from trust funds, special funds or other funds, other public money and the money of government bodies and designated institutions may be combined in common for the purpose of investment by means of investment units of participation in a pooled investment portfolio.” In addition, pooled investment portfolios previously established under the Financial Administration Act and the Pooled Investment Portfolios Regulation, B.C. Reg. 84/86, were continued under the Pooled Investment Portfolios Regulation, B.C. Reg. 447/99, to be held in trust by BCI and invested by the Chief Investment Officer (“CIO”) of BCI.

The Fund was established on July 31, 1991 and invests in diversified Canadian real estate properties through wholly owned entities including institutional grade Canadian office, industrial, residential, retail, hospitality, and mixed-use properties, as well as publicly traded equities and money market instruments.

Effective January 27, 2020, the Fund’s legal name changed from Realpool Investment Fund to BCI QuadReal Realty.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). These financial statements were authorized for issue by the BCI Chief Executive Officer / Chief Investment Officer on April 11, 2023.

(b) Basis of consolidation

Real estate investments are held through subsidiaries of the Fund, which include private corporations, limited partnerships, and trusts funded by equity and debt. The Fund is an investment entity, and as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified at fair value through profit or loss, and measured at fair value.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

The Fund qualifies as an investment entity as it meets the following definition of an investment entity outlined in IFRS 10, Consolidated Financial Statements (“IFRS 10”):

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

(c) Basis of measurement

These financial statements have been prepared on a cost basis except for investments held at fair value through profit or loss (“FVTPL”), commercial paper and notes payable which are measured at fair value.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Fund’s functional currency.

(e) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. In determining the fair value of some of its investments, management reviews and assesses the estimates and assumptions provided by managers regarding investment industry performance and prospects, as well as general business and economic conditions that prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment within the next fiscal year is included in note 11 and relate to the determination of fair value of investments with significant unobservable inputs.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

The Fund has not classified any of its financial assets as FVOCI.

Financial liabilities are generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at FVTPL such as derivative financial liabilities. The Fund may, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statement of Comprehensive Income in the period in which they occur. The Fund's investments and redeemable units are designated as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, is determined using valuation techniques. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of management, be inaccurate, unreliable or not readily available, the fair value is estimated based on the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus or minus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Fund classifies cash, interest and other receivables, loan receivable, loan receivable from related parties, due from related parties, due to related parties, fund manager cost recoveries payable, and other accounts payable and accruals as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(b) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. In accordance with the Regulations, the Fund is required to distribute, to holders of the Fund's redeemable units, the taxable income and taxable capital gains of the Fund at least annually. The units are classified as financial liabilities at FVTPL and measured at the redemption amount. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

(c) Issuance and redemption of units

Participation in the Fund is expressed in units. The initial value of a unit on inception was \$1,000. For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the Fund by the total number of units outstanding. Where one Fund invests in another Fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis. The Fund is an open participation fund where eligible clients may increase or reduce their proportionate ownership annually or on special opening dates.

(d) Income recognition

Investment income is recognized on an accrual basis using the effective interest method. Portfolio transactions are recorded on the trade date. Dividend income is recognized on the date that the right to receive payment is established. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments. The year-over-year change in the difference between the fair value and the cost of the investments held at year-end is recognized as a net change in unrealized appreciation (depreciation) of investments. Commissions, stock exchange fees and other identifiable transaction costs that are directly attributable to the acquisition or disposal on an investment are expensed as incurred. Pursuit costs are charged to expenses of the Fund in the period incurred.

(e) Income taxes

The Fund is established in accordance with the Pooled Investment Portfolios Regulation and its assets are held in trust by BCI; it is immune from taxation by virtue of BCI being a provincial Crown agent.

4. Investments at fair value through profit and loss

The real estate investments consist of equity investments in and debt investments from either private corporations, limited partnerships, or trusts. The fair value of subsidiary entities (note 12) is determined by the net asset value of the entities which is defined as the fair value of the real estate properties and underlying entities, net of the fair value of issued debt and other short-term assets and liabilities (note 11).

5. Related party transactions

The Fund's related parties include QuadReal, BCI, the Province of British Columbia and related entities, investments where the Fund has a controlling interest or significant influence, entities with common ownership, and other related entities for which BCI and QuadReal provides investment management services. The Fund had the following transactions with related parties during the year.

(a) Fund manager cost recoveries

The Fund is charged cost recoveries from BCI and QuadReal for fund management costs paid by BCI and QuadReal. BCI and QuadReal cost recoveries and the related payable are disclosed as Fund manager cost recoveries in the Fund's Statement of Comprehensive Income and Statement of Financial Position, respectively.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

(b) Loan receivable from related parties

The Fund provided related party loans to various international affiliates and domestic affiliates, which as at December 31, 2022, totaled \$2,237,859 (December 31, 2021 - \$1,452,189). These loans accrue interest at the monthly Bankers' Acceptance ("BA") rate plus 1.0% to 6.0% for the year ended December 31, 2022 (December 31, 2021 - BA rate plus 1.8% to 6.2%) and carry maturities within the next three years. Any unpaid balances of accrued interest is recorded in due from related parties.

(c) Credit facilities

In April 2021, the Fund entered into a \$500,000 intercompany revolving credit facility as lender with bclMC Realty Corporation ("BRC"), a wholly owned subsidiary of the Fund. This credit facility provides liquidity to BRC for real estate activities and for general corporate purposes. The credit facility bears interest at a rate equal to the Fund's cost of funding under its senior unsecured committed credit facility. As at December 31, 2022, there were no amounts outstanding under this facility (December 31, 2021 - nil).

In June 2021, the Fund provided an irrevocable and unconditional guarantee on a two-year \$100,000 senior unsecured committed credit facility for Parkpool, a pooled investment portfolio existing under the Pooled Investment Portfolios Regulation (British Columbia) to be used for general corporate purposes. In November 2022, the facility was extended to June 25, 2024. As at December 31, 2022, there were no amounts outstanding under this facility (December 31, 2021 - nil).

The Fund has a \$500,000 intercompany revolving credit facility as lender with QuadReal International Realty LP ("QIRL") as borrower. This credit facility provides liquidity for real estate activities and for general corporate purposes and was undrawn as at December 31, 2022 and December 31, 2021.

In August 2022, the Fund established a credit facility in favour of BCI QuadReal Multi-Asset Realty LP ("MAP") and its subsidiary of up to \$120,000 for the sole purpose of making deferred acquisition price payments, should the obligation arise. As at December 31, 2022 a total of \$120,000 letters of credit had been issued under this facility to support MAP's developments.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

(d) Due from related parties

Due from related parties is comprised of interest and other receivables that are non-interest bearing and due on demand, as shown below:

	2022	2021
International Affiliates	\$ 60,294	\$ 18,682
MAP	14,652	291
QuadReal	11,168	62,475
QRPG Realty Corporation ("QRPG")	4,204	205
Parkpool	38	—
Other	210	—
	\$ 90,566	\$ 81,653

For the year ended December 31, 2022, the Fund was entitled to \$151,878 (December 31, 2021 - \$182,453) of declared distributions from QuadReal, of which \$11,168 remains receivable at December 31, 2022 (December 31, 2021 - \$62,475).

(e) Due to related parties

	2022	2021
MAP	\$ 636,711	\$ 322,025
QRPG	—	10,378
	\$ 636,711	\$ 332,403

The Fund has agreements with a number of entities within the QuadReal managed Canadian real estate program (the "Program") whereby an equalization payment is charged to or against income to equalize the Fund's return against the Program return for the purpose of unitholders' participation into the Program. Included in investment income is the equalization payment for the year ended December 31, 2022 totaling \$304,752 (December 31, 2021 - \$334,468). As at December 31, 2022, the balance payable to MAP for the equalization payment is \$636,711 (December 31, 2021 - \$318,642) and \$2,939 is due from QRPG disclosed above (December 31, 2021 - \$10,378).

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

(f) Credit enhancement program

The Fund provides financial guarantees to international and domestic affiliates to secure lower financing costs in support of construction, other investment activities, and for general corporate purposes. Management has assessed the likelihood of payment of these guarantees as remote and therefore no liability is recorded. As at December 31, 2022, BQR has provided financial guarantees with potential financial exposure on outstanding balances of \$718,955 (December 31, 2021 - \$441,836).

(g) Other transactions

A subsidiary of the Fund entered into an arm's length lease with BCI as the primary tenant of an office building in British Columbia. The lease commenced on March 1, 2018, for an initial term of 20-years with 3 five-year renewal options. As at December 31, 2022, minimum lease revenue to be received by the joint venture is estimated at \$166,250 (December 31, 2021 - \$175,461) mover 15 years excluding GST and other non-contractual amounts.

6. Redeemable units

The Fund is authorized to issue an unlimited number of redeemable units. Redeemable units issued and outstanding represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. The capital of the Fund is managed in accordance with the Fund's investment objectives, including managing the redeemable units to ensure a stable base to maximize returns to all investors, and managing liquidity in order to meet redemptions.

The following is a summary of the changes in the number of redeemable units outstanding during the year:

	2022	2021
Outstanding, beginning of year	1,179.401	1,329.972
Issued	18.182	53.926
Issued on reinvestment of distributions	26.172	10.757
Consolidation of units	(26.172)	(10.757)
Redeemed	(32.599)	(204.497)
Outstanding, end of year	1,164.984	1,179.401

7. Credit facilities

(a) In March 2022, the Fund consolidated its committed revolving \$2,000,000 and \$500,000 senior unsecured credit facilities into a single revolving \$2,500,000 senior unsecured facility for a 3-year term maturing in March 2025. The credit agreement includes sustainability-linked features that allow for reduced pricing if targets relating to reductions in greenhouse gas intensity and energy usage are met. The applicable margin and the commitment fees for the facility will be adjusted on an annual basis based on achievement of preset thresholds for each sustainability metric. The facility supports the Fund's commercial paper program (note 8) and general corporate and investment purposes. As at December 31, 2022, there is no amount outstanding under this facility (December 31, 2021 - nil).

(b) The Fund maintains a committed revolving \$500,000 senior unsecured credit facility to support general corporate and investment purposes. Interest rates on the credit facility are

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

based on BA rates. As at December 31, 2022, there is no amount outstanding under this facility (December 31, 2021 - nil).

- (c) The Fund maintains two credit facilities totaling \$350,000 as at December 31, 2022 to support letters of credit and overdraft protection requirements. During 2022, BQR reduced one of these credit facilities from \$200,000 to \$150,000. As at December 31, 2022, a total of \$249,549 of letters of credit has been issued under these facilities to support its subsidiaries and affiliates' operations and development (December 31, 2021 - \$219,419).

8. Commercial paper

In April 2020, the Fund launched a \$1,500,000 commercial paper program to support short-term general funding requirements. This program was expanded to \$2,000,000 in March 2021 and to \$2,500,000 in June 2022. As at December 31, 2022, there is no commercial paper outstanding under this program (December 31, 2021 - nil).

9. Notes payable

Notes payable are unsecured, interest only and consist of the following terms and fixed interest rates:

			2022		2021	
	Maturity date	Interest rate	Cost	Fair Value	Cost	Fair Value
Series 1	March 03, 2025	1.68 %	\$ 350,000	\$ 326,564	\$ 350,000	\$ 349,283
Series 2	July 24, 2030	1.75 %	350,000	280,455	350,000	335,930
Series 3	February 04, 2026	1.07 %	400,000	356,324	400,000	387,668
Series 4	March 12, 2024	1.06 %	400,000	381,392	400,000	396,112
Series 5	June 24, 2026	2.55 %	400,000	371,495	—	—
Total notes payable			\$ 1,900,000	\$ 1,716,230	\$ 1,500,000	\$ 1,468,993

On February 3, 2022, the Fund issued a green bond offering of \$400,000, Series 5. The green bonds have a maturity date of June 24, 2026 and bear an interest rate of 2.55%. Proceeds from the Fund's green bond issuances are restricted in purpose and used solely to finance eligible investments under QuadReal's green bond framework.

On February 2, 2021, the Fund issued \$400,000 of unsecured Series 3 notes payable maturing on February 4, 2026 bearing interest at a rate of 1.07% under its medium-term note program.

On March 12, 2021, the Fund issued a green bond offering \$400,000, Series 4. The green bonds have a maturity date of March 12, 2024 and bear an interest rate of 1.06%.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

10. Financial risk management

(a) Risk management framework

The investment objective of the Fund is to provide clients with exposure to a portfolio of Canadian real estate and real estate-related investments. The Fund's holdings are highly diversified by property type, geographic location, investment size, and investment risk. The Fund primarily concentrates on high quality income producing office, industrial, residential, retail, hospitality and mixed-use properties located in geographic regions that have strong and growing economies. The Fund's investment strategy is to be well diversified and to hold quality properties that will perform well across multiple economic cycles. Real estate investments are only made when there is a reasonable expectation that return objectives can be achieved over the longer term.

The Fund may hold the following assets:

- Real estate properties
- Real estate-related securities, including trust units, partnership interests, shares, debt instruments, and units in externally managed pooled investment portfolios;
- Derivative instruments for the purposes of synthetic indexing, risk control, lowering transactions costs, and/or liquidity management; and
- Units in BCI's Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), US Dollar Money Market Fund (ST3), government debt securities with a maximum term to maturity of 1 year, and other BCI short-term fixed income pooled funds, for cash management.

The following restrictions apply to the Fund's investing activities:

- Debt financing may be used in a prudent manner. No debt will be assumed or created if, as a result, the debt to market value ratio of BCI's combined real estate program would exceed 55 percent;
- When entering into a new derivatives transaction, external counterparties must be financial institutions rated "A-" or higher by Standard & Poor's or have an equivalent rating from another credit rating agency; and
- Real estate investments must be eligible investments for pension plans under the Pension Benefits Standards Act, (B.C.).

BCI, as trustee of the Fund, has the power to vary the investments and assets of the Fund and reinvest proceeds realized from the investments of the Fund all within the bounds of the investment policies, rules and restrictions established for and governing the Fund.

The Fund's activities expose it to a variety of financial risks. For purposes of describing the financial risks of the Fund, the composition of the net assets held by the underlying corporations, limited partnerships, and trusts and their investing activities have been considered.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

As of December 31, the private corporations, limited partnerships, and trusts hold the following underlying net assets:

	2022		2021	
	Total	% of total	Total	% of total
Real estate properties	16,908,455	111.2 %	16,143,211	117.3 %
Equity investments	795,717	5.3 %	750,889	5.5 %
Mortgages	(910,668)	(6.0)%	(1,118,584)	(8.1)%
Notes payable	(2,636,081)	(17.3)%	(2,937,663)	(21.4)%
Credit facilities and other bank debt	(205,921)	(1.4)%	(240,384)	(1.8)%
Other net assets	1,248,714	8.2 %	1,163,855	8.5 %
	<u>\$ 15,200,216</u>	<u>100.0 %</u>	<u>\$ 13,761,324</u>	<u>100.0 %</u>

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash and other receivables due to the Fund. The carrying value of these financial instruments as recorded in the Statement of Financial Position reflects the Fund's maximum exposure to credit risk.

To avoid undue credit risk, the Fund has established specific investment criteria, such as minimum credit ratings for investees and counterparties.

The Fund's activities may also give rise to settlement risk. Settlement risk is the risk of loss due to failure of an entity to honor its obligations to deliver cash, securities, or other assets prior to the settlement of the transaction as contractually agreed. The risk of default is considered minimal since the Fund's private corporations, limited partnerships, and trusts hold real estate and typically have a diversified tenant base. QuadReal conducts financial reviews to assess potential tenants' ability to meet future lease obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other assets as contractually agreed. QuadReal's approach to managing liquidity risk is to ensure, as far as possible, that the Fund has sufficient liquidity to meet its liabilities when due. The Fund has certain credit facilities and programs available to support general funding requirements.

The Fund is exposed to the liquidity risk associated with the requirement to redeem units. Redeemable units of the Fund may only be acquired by eligible clients or client groups in accordance with the Fund's purchasing limits that may be established by the CIO. In order to protect the interest of all clients, the CIO may also establish redemption limits for the Fund. The purchase and redemption limits may vary depending on market circumstances, client demand, and the liquidity of the underlying investments.

The Fund's remaining liabilities, including Fund manager cost recoveries payable and accounts payable, are due within three months of the year end of the Fund.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Fund's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk is the risk that the market value or cash flows of interest-bearing investments and loans will fluctuate due to changes in market interest rates. The variable interest rate notes and fixed rate notes of the Fund are receivable from the underlying corporations, limited partnerships and trusts, so the Fund is not subject to interest rate risk on these financial instruments.

(ii) Real estate risk:

The Fund has identified the following risks associated with the real estate portfolio:

- The Fund's subsidiaries may undertake development activity to acquire properties that are not otherwise available in the marketplace or to enhance returns by accepting more manageable risk. Typical risks include the developer being unable to complete the project, the project is not completed on time or the project is not completed on budget. The Fund's subsidiaries generally use developers with strong expertise and reputation. The near-term focus for the Fund is to grow the portfolio through a combination of acquisitions and developments, which may result in higher development risk in the near term that will decline as projects are completed.
- The exposure of the fair values of the Fund to market and occupier fundamentals.

(iii) Other valuation risk

As at December 31, underlying real estate investment properties held by the Fund's corporations, limited partnerships, and trusts were diversified across the following property sectors:

	2022		2021	
	Total	%	Total	%
Retail	\$ 1,234,598	7	\$ 1,308,295	8
Office	5,167,745	31	5,327,571	33
Industrial	3,132,427	18	2,526,342	15
Residential	3,241,618	19	3,225,025	20
Retirement homes	106,700	1	262,900	2
Hospitality	90,100	1	82,700	1
Development property	3,735,777	22	3,322,278	20
Property held for sale	199,490	1	88,100	1
	\$ 16,908,455	100 %	\$ 16,143,211	100 %

As at December 31, real estate investment properties held by the Fund's corporations, limited partnerships, and trusts were diversified across the following geographic regions in Canada:

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

	2022		2021	
	Total	%	Total	%
British Columbia	\$ 4,682,720	28	\$ 4,728,631	29
Alberta	2,997,939	18	3,058,413	19
Manitoba	418,676	2	362,719	2
Ontario	8,594,740	51	7,808,399	49
Quebec	214,380	1	185,049	1
	\$ 16,908,455	100 %	\$ 16,143,211	100 %

11. Fair value measurement

(a) Fair value hierarchy

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The table below shows investments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. All fair value measurements are recurring.

	December 31, 2022			
	Quoted prices in active markets [Level 1]	Significant observable inputs [Level 2]	Significant unobservable inputs [Level 3]	Total
Financial assets:				
Real estate investments	\$ —	\$ —	\$ 15,200,216	\$ 15,200,216
Financial liabilities:				
Notes payable	\$ —	\$ 1,716,230	\$ —	\$ 1,716,230

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

	December 31, 2021			Total
	Quoted prices in active markets [Level 1]	Significant observable inputs [Level 2]	Significant unobservable inputs [Level 3]	
Financial assets:				
Real estate investments	\$ —	\$ —	\$ 13,761,324	\$ 13,761,324
Financial liabilities:				
Notes payable	\$ —	1,468,993	\$ —	\$ 1,468,993

During 2022 and 2021, there were no transfers between Levels 1, 2, or 3.

The following table shows a reconciliation from the beginning balances to the ending balances for level 3 real estate investments of the fair value hierarchy.

	2022	2021
Balance, beginning of year	\$ 13,761,324	\$ 14,576,256
Purchases	1,410,144	2,839,027
Sales	(1,387,894)	(5,241,940)
Total unrealized gains for the year, included in profit or loss	1,416,642	1,587,981
Balance, end of year	\$ 15,200,216	\$ 13,761,324

(b) Valuation models

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognized valuation methods for determining the fair value of common and simpler financial instruments that use only observable market data which requires little management judgment and estimation. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other factors used in estimating discount rates and money market prices

Observable prices and model inputs are usually available in the market for equities. The availability of observable market prices and model input reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, such as real estate, equity investments and debt, the Fund uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instruments being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

The fair value of real estate is determined using recognized valuation techniques, including the income approaches (direct capitalization and discounted cash flow) and the direct comparison approach.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Fund believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counterparties where appropriate.

(c) Valuation framework

The Fund has an established framework with respect to the measurement of fair values and applies the following specific controls in relation to the determination of fair values:

- verification of observable pricing inputs;
- appraisal of domestic real estate properties annually by accredited independent appraisers;
- analysis and investigation of significant valuation movements for real estate investments; and
- review of unobservable inputs and valuation adjustments for real estate investments. Unobservable inputs include estimated future cash flows from assets, capitalization rates or discount rates applicable to those assets and recent real estate transactions with similar characteristics.

(d) Significant unobservable inputs used in measuring fair value:

December 31, 2022					
	Fair value	Valuation sources	Unobservable input	Range	Sensitivity to change in significant unobservable input
Real estate investments	\$ 15,200,216	Discounted cash flows	Discount rate	4.50% - 9.00 %	The estimated fair value would increase (decrease) if the discount rate was lower (higher)
		Direct capitalization	Overall capitalization rate	3.00% - 7.25%	The estimated fair value would increase (decrease) if the capitalization rate was lower (higher)

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

December 31, 2021					
	Fair value	Valuation sources	Unobservable input	Range	Sensitivity to change in significant unobservable input
Real estate investments	\$ 13,761,324	Discounted cash flows	Discount rate	4.50% - 8.50%	The estimated fair value would increase (decrease) if the discount rate was lower (higher)
		Direct capitalization	Overall capitalization rate	3.00% - 7.25%	The estimated fair value would increase (decrease) if the capitalization rate was lower (higher)

(e) Effects of unobservable inputs on fair value measurement

The fair value of real estate fluctuates in response to changes in specific assumptions for that particular investee. Although the Fund believes its estimates of fair value in Level 3 are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value and net assets attributable to holders of redeemable units.

The following table shows how the net assets attributable to holders of redeemable units would change if the portion of real estate investments that are measured using the direct capitalization method or the discounted cash flow method and, therefore, are sensitive to basis point ("bps") changes in these rates:

	2022		2021	
	+25bps	-25bps	+25bps	-25bps
Weighted average discount rate	\$ (296,575)	\$ 303,145	\$ (346,577)	\$ 363,794
Weighted average overall capitalization rate	\$ (210,705)	\$ 236,985	\$ (282,710)	\$ 336,720

12. Involvement with subsidiaries and associates

The Fund's investments are held through wholly-owned subsidiary entities, except for bclMC Realty Investment Limited Partnership in which the Fund has a 5.87% interest. The Fund measures these investments at FVTPL.

BCI QUADREAL REALTY

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

The table below sets out interests held by the Fund in these unconsolidated subsidiaries and associates:

• bclMC Realty Corporation	• 2725312 Canada Inc.	• 4087852 Canada Inc.
• 1672 Holdings Inc.	• 9662383 Canada Inc.	• 3630005 Canada Inc.
• 2725321 Canada Inc.	• 1073471 B.C. Ltd.	• DHL Hotels Ltd.
• 2748355 Canada Inc.	• 3501973 Canada Inc.	• 3536696 Holdings Inc.
• 2973758 Canada Inc.	• 4087836 Canada Inc.	• QR No. 2 LTH LP
• bclMC Real Estate (2009-A) Limited Partnership	• bclMC Real Estate (Yonge) Limited Partnership	• North MW LTH Limited Partnership
• bclMC Realty Investment Limited Partnership	• QR North Road LTH Limited Partnership	• QR YS LTH Limited Partnership
• bclMC Real Estate (2009-B) Limited Partnership	• QR Steeles Ave Limited Partnership	• QR 2950 PE Dev Limited Partnership
• bclMC Real Estate (2011-F) Limited Partnership	• Evergreen CCRC Limited Partnership	• QR RP B3N Dev Limited Partnership
• bclMC Real Estate (Merton) Limited Partnership	• Evergreen CCRC (2015) Limited Partnership	• QR RP Leasing LP
• Royal Bay Community Limited Partnership	• bclMC Real Estate (Interchange) Limited Partnership	• QR RP B3S Dev LP
• bclMC Real Estate (Bootsite) Limited Partnership	• North MW Holdings Limited Partnership	
• bclMC Equipment (Victoria) Limited Partnership	• QR North Road Dev Limited Partnership	

During 2022 and 2021, the Fund provided financial support to subsidiaries or associates for investment and operation activities and has committed to providing financial support under loan arrangements or shareholders' resolutions as needed.

13. Subsequent events

(a) In March 2023, the Fund cancelled its \$500,000 senior unsecured credit facility (note 7(b)).

14. Comparative information

Certain of the comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

(a) \$19,178 of interest and other receivables on the statement of financial position in 2021 was reclassified to due from related parties.