

# ESG Integration

BUILDING MEANINGFUL FUTURES

2017

## PROXY VOTING

VOTED

**2,121**

MEETINGS

## ENGAGED

**349** PUBLIC  
COMPANIES

DIRECT OR  
COLLABORATIVE

## SUBMITTED

**25** POLICY  
SUBMISSIONS

TO REGULATORS  
AND STANDARD-  
SETTING BODIES

## PARTICIPATED IN

**11** PRINCIPLES FOR  
RESPONSIBLE  
INVESTMENT  
COLLABORATIONS

## Optimizing the Value of the Public Equities Portfolio Over the Long Term

ESG Integration is a holistic approach to investing. Our approach is based on three core activities: integrating environmental, social, and governance (ESG) factors into investment analysis and decision-making, being an active owner and an active participant in the capital markets.

Our ESG experts, investment analysts, and portfolio managers work together to factor ESG considerations into the fundamental analysis of our internally managed active Canadian mandates — a process that will become more important in the future as BCI seeks to manage more assets internally. Companies are assessed and rated by using a sector-appropriate analysis that accounts for the diversity of the companies and the complexity of ESG issues they may encounter.

Our framework, which is developed in-house and in addition to financial analysis, includes a range of key performance indicators identified for each ESG factor. It provides an indication of a company's quality, which helps to inform our investment decisions and weightings.

We also offer clients products such as the actively managed Thematic Public Equity Fund, which invests in long-term, strategic themes such as a low-carbon economy, and the Indexed Global ESG Equity Fund that holds securities with high ESG ratings relative to other companies in the same sector.

### KPI CATEGORIES INCLUDE:



**E** Energy intensity/emissions reduction, water risk/stress, reliability & compliance



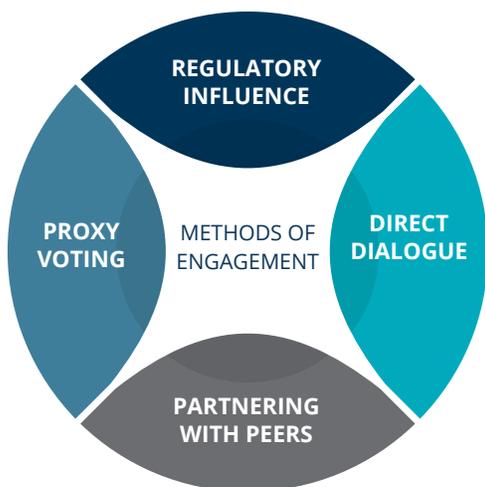
**S** Occupational health & safety, product safety



**G** Accounting/legal, board structure, executive compensation

As an active owner, BCI votes proxies and engages with companies to create alignment of interests towards long-term value creation. As an active participant in the marketplace, we address systemic risks, directly or collaboratively, to contribute to greater stability and integrity within the markets.

It is through engagement and constructive dialogue that we raise awareness of ESG factors. We also encourage companies to be transparent and report their risks, and adopt progressive practices. BCI believes that these actions will ultimately improve financial returns and benefit our clients.



When we engage companies, we focus on three priority areas that we view as being long-term, persistent business challenges — climate change and water, human rights, and shareholder rights. Our engagement focus, which is outlined in our *ESG Engagement: Public Equities Priorities and Process* document, is driven by the management of investment risks.

## Environmental: Climate Change and Water

Climate change is now widely predicted to have large-scale economic impacts, both directly through flooding, drought and other extreme weather events, and indirectly through regulatory measures to limit greenhouse gas emissions and promote low carbon technologies. Virtually all sectors from utilities to energy to property and consumer are likely to be affected.

Most industries also face water risks, which can range from water quality, water quantity, floods, and/or droughts, particularly as the effects of climate change become more acute. BCI focuses our company engagement by being active members of CDP’s climate change and water programs to raise awareness around the importance of disclosure. BCI will be signing on to the Montreal Carbon Pledge at the time we publicly release our Climate Action Plan in the near future.

## Social: Human Rights

We expect the companies to maintain high standards of engagement with stakeholders through employee, supplier, and community relations.

The principal objective of our engagement has been to encourage companies to effectively address risks associated with their operations. This includes conversations with high impact industries that are often most directly exposed, but also those companies with significant risk in their supply chain. We encourage companies to adopt standards such as the International Labour Organization and the UN Guiding Principles on Business and Human Rights.

## Governance: Shareholder Rights

Strong corporate governance is the overarching framework for effective company management required to navigate the complexity of social and environmental risk. Our engagement involves issues pertaining to the board of directors and holding them accountable.

We expect companies to apply good governance practices and we focus on areas such as executive compensation, board diversity, and voting rights.

## Reporting on our Responsible Investing Activities

Our reporting initiatives include annually publishing three Responsible Investing Newsletters, a Responsible Investing Annual Report, and real-time disclosure of our proxy voting activity. As a signatory of the Principles for Responsible Investment, BCI also participates in the Responsible Investing Transparency Report.

For more information on our responsible investing activities, please read our reports and newsletters on our website ([BCI.ca](http://BCI.ca)).

BCI is one of Canada’s largest institutional investors, managing more than \$145.6 billion of net assets on behalf of our clients, the majority of which are pension plans.



*BCI recognizes that meaningful, large-scale change takes time. Our ongoing dialogue with companies, industries, regulators, and policymakers may span years.*



**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

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