



# ESG Governance Policy

Effective as of June 26, 2020

PUBLIC / NOT RESTRICTED

# ESG Governance Policy

## Public Version

Effective as of June 26, 2020

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## 1 SUMMARY

- 1.1 In providing investment management services to British Columbia's public sector, BCI's role is to partner with its clients to generate investment returns that will help its clients provide a financially secure future to their members. With a global outlook, BCI seeks investment opportunities that will meet its clients' risk and return requirements over the long-term. This compels BCI to integrate material environmental, social and governance ("ESG") matters into its investment decisions and activities.
- 1.2 At BCI, we believe environmental, social and governance matters make a difference, especially over the long-term; a belief that is shared by our clients. As a fiduciary and universal owner, BCI has an obligation to proactively address ESG risks and opportunities as part of BCI's investment strategy to create long-term sustainable value for our clients.

## 2 PURPOSE

- 2.1 The purpose of this ESG Governance Policy (the "Policy") is to establish the governance framework and articulate the general approach, and related roles and responsibilities at BCI regarding ESG. The Policy assists the BCI Board of directors and the CEO/CIO to fulfill their respective responsibilities for the governance and oversight of ESG investment risk under the *Public Sector Pension Plans Act* (British Columbia) and the Board of Directors Mandate.
- 2.2 For the purposes of this Policy, BCI considers ESG to be synonymous with 'Responsible Investing' and 'Sustainable Investing.'
- 2.3 The Policy is also aligned with BCI's commitment to the Principles for Responsible Investing (PRI), to which BCI is a founding signatory.

## 3 SCOPE

- 3.1 This Policy is applicable to:
  - (a) All BCI Staff and contractors.

## 4 GUIDING PRINCIPLES

- 4.1 BCI's **Investment Beliefs** provide a clear and transparent structure for how we work to achieve our clients' investment goals. Our investment beliefs influence our views on capital markets, our investment processes, the creation of investment strategies, and our overall approach to managing our clients' funds. One of our investment beliefs relates to ESG and articulates our understanding of the relationship between ESG and financial markets.

While our ESG beliefs outline the why of our ESG activities at BCI, we have seven guiding principles ("ESG Guiding Principles") listed below that elaborate on what BCI does to put its beliefs into action. Together, the beliefs and guiding principles are intended to guide all aspects of **BCI's strategy regarding ESG**, fostering corporate-wide awareness and consistency.

1. The investment objectives of our clients are always at the forefront of our ESG activities
2. We apply consistent principles across the corporation, while adapting our approaches to what is best for each asset type
3. We manage ESG risks and seek opportunities across all time horizons, while focusing on those ESG matters that are most material to our clients' portfolios and individual investments
4. We use our position as a universal owner to engage with companies, partners, and policymakers in aligning interests with long-term investors and to advance responsible investing globally
5. We collaborate with like-minded investors and organizations on ESG matters where our objectives are aligned
6. We act with the same level of integrity and transparency that we expect from our partners and invested companies
7. We adapt our strategy regarding ESG approaches and continuously improve based on our experiences and evolving responsible investing standards

## 5 POLICY

### BCI ESG STRATEGY

- 5.1 BCI must have a CEO/CIO approved strategy regarding BCI's approach to ESG matters ("BCI ESG Strategy") and the approved strategy must reflect BCI's Investment Beliefs and the ESG Guiding Principles.

- 5.2 The BCI ESG Strategy articulates how ESG is consistently implemented across our activities and all types of investments. It elaborates on four focus areas of ESG activities at BCI and the associated processes and approaches that our investment professionals undertake in the day-to-day management of BCI investments. The four focus areas are: integrate, influence, invest and insight.

#### **ALIGNMENT AND EDUCATION**

- 5.3 BCI will embed the ESG Guiding Principles into the culture and operations of the organization.
- 5.4 BCI will seek opportunities to share knowledge and understanding about ESG topics widely throughout the organization and among its clients.

#### **RISK MANAGEMENT**

- 5.5 BCI must evaluate and monitor ESG risk in all stages of the investment process.
- 5.6 BCI's Investment Risk Framework integrates responsible investing. ESG matters will be evaluated and prioritized based on how large an impact those matters have on:
- (a) Financial Performance, via a direct or indirect impact on a company's revenue streams, operating costs, asset value, liabilities and/or financing costs; and/or
  - (b) Reputation, of the specific company, of BCI or its clients.
- 5.7 BCI staff will adhere to the roles and responsibilities pertaining to ESG risk outlined in Section 6.

#### **INTEGRATION**

- 5.8 BCI must integrate ESG analysis and monitoring in all stages of the investment process, where material and relevant.
- 5.9 Where assets are managed internally, BCI will integrate the consideration of ESG factors.
- 5.10 Where assets are managed externally, BCI will seek partners that have robust ESG practices, demonstrate a solid understanding of ESG issues and can illustrate where ESG fits in their investment processes.

#### **STEWARDSHIP**

- 5.11 BCI must be responsible stewards of BCI clients' assets.
- 5.12 As a shareholder in public companies, BCI has the right to vote on various issues at companies' Annual General Meetings or Special Meetings. All BCI proxy voting will be implemented in accordance with BCI's Proxy Voting Guidelines. BCI will publish these voting guidelines on BCI's website to advise our investee companies of our expectations related to ESG matters.
- 5.13 In both public and private markets investments, when ESG integration activities, such as ESG risk analysis at the asset management and/or due diligence stage reveal questions or concerns about ESG at portfolio companies, BCI will seek to engage the company in constructive dialogue to

encourage improvements depending on our level of control and influence. BCI may do this independently or in collaboration with other investors.

- 5.14 BCI will selectively seek opportunities to advocate for public policy and regulatory changes that make responsible investing principles part of the regulatory framework and improve the investment environment for our clients.
- 5.15 BCI's stewardship activities will be guided by the principles embodied in the **Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises** and the **Standards and Conventions of the International Labour Organization**.
- 5.16 BCI will exclude securities when products of a company are prohibited by legislation applicable to Canada or through international agreements, such as those relating to anti-personnel mines and cluster munitions. BCI or its clients may consider excluding the securities of certain companies, industries, or sectors from its portfolio on an exceptional basis provided both BCI and its clients take into account their respective fiduciary duties. In BCI's case, its fiduciary duty does not permit the selection or exclusion of investments predominately on values-based considerations.

## 6 RESPONSIBILITIES

- 6.1 To the extent appropriate for the role or position, all BCI employees are expected to contribute to BCI's responsible investing activities to protect and grow the long-term value of our clients' funds. Specifically:

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| <b>BCI Board</b> | <ul style="list-style-type: none"><li>• Receives and reviews reporting related to ESG performance objectives and stewardship activities, such as BCI's annual PRI Assessment Report, ESG Annual Report and approach to the Task Force on Climate-Related Financial Disclosures (TCFD).</li><li>• Reviews and approves this Policy at least every three years.</li></ul> |
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| <b>CEO/CIO</b> | <ul style="list-style-type: none"><li>• Sets the tone and influences a culture of ESG awareness and recognition within BCI; approves BCI's Investment Beliefs.</li><li>• Considers ESG within the context of BCI's overarching vision and business plan; ultimate approval for BCI's ESG Strategy.</li><li>• Ensures adequate resources for ESG commitments.</li></ul> |
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| <b>BCI Executive Management</b> | <ul style="list-style-type: none"><li>• Sets the tone and influences a culture of ESG within BCI.</li><li>• Contributes to and recommends adoption of BCI's ESG Strategy.</li></ul> |
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- Ensures the ESG Strategy is aligned with the Policy, ESG Investment Beliefs & Principles and is effective in achieving clients' objectives.
  - Ensures the ESG Strategy is aligned with BCI's overarching vision and business plan.
  - Approves and evaluates performance of department-specific initiatives for the implementation of the ESG Strategy.
  - Approves and oversees external communication plans related to ESG activity.
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**Investment  
Strategy  
and Risk**

- Carries primary responsibility of identification, measurement, monitoring and reporting of ESG risks and opportunities at the total portfolio, client, and asset class levels.
  - Supports and advises the asset classes in making informed investment decisions related to ESG issues and proposes approaches to better monitor and manage ESG investment risks.
  - Acts as a strategic partner supporting the ESG activities of the Infrastructure and Renewable Resources and Private Equity investment teams.
  - Participates in a cross-asset class working group, chaired by Public Markets VP ESG, to develop, review and if necessary, recommend changes to the ESG Strategy.
  - At the total portfolio and client levels:
    - develops and measures key performance indicators.
    - develops recommendations to manage systemic ESG risks.
    - develops and recommends new ESG investment strategies and opportunities; and
    - provides details, as required, for client reporting and public disclosure.
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**Asset Class  
Teams**

- Representatives from each asset class participate in a cross-asset class working group, chaired by public markets' VP ESG, to develop, review and if necessary, recommend changes to the ESG Strategy.
  - Carry the primary responsibility and accountability for integrating material ESG factors into all investment decisions.
  - Responsible for considering ESG investment risks in investment decisions made by the asset class and ensuring ESG risks are effectively managed. Where applicable, describes mitigation measures and carries out stewardship duties.
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- At the asset class level, using methods most suitable to the asset class:
    - develops and measures key performance indicators.
    - identifies and evaluates ESG investment opportunities; and
    - provides details, as required, for client reporting and public disclosure.
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**Corporate  
& Investor  
Relations (CIR)**

- Consults with clients and enables them to engage and provide input regarding material ESG issues that inform the ESG Strategy priorities.
  - Supports and advises clients in making informed decisions related to ESG issues in collaboration with ISR and asset classes.
  - Ensures BCI's ESG Strategy performance is reported in an effective way to clients and their stakeholders.
  - Develops and implements external communication plan, with a focus on delivering transparent, material, and effective public disclosure.
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**Finance**

- Collaborates with internal stakeholders on financial measurement and disclosures practices related to ESG issues
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**Internal Audit**

- Internal Audit is responsible for assessing the adequacy and effectiveness of the ESG risk governance and management frameworks.
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## 7 REPORTING AND DISCLOSURE

- 7.1 BCI will consult, take feedback from, and report to its clients on BCI's ESG initiatives.
- 7.2 BCI will publicly disclose information about its ESG initiatives, including publishing this Policy to BCI's website. This also includes reporting through BCI's **ESG Annual Report** and **proxy voting database**. As a PRI signatory, BCI participates in the **annual PRI survey** that assesses BCI's responsible investing practices across its asset classes in line with the **PRI's six principles**. As signatories to the **Montreal Carbon Pledge**, BCI commits to disclosing its portfolio carbon footprint on an annual basis. As supporters of the **TCFD**, BCI includes a TCFD report in our ESG Annual Report each year.



## 8 DEFINITIONS

8.1 In this Policy:

- **ESG:** Means any environmental, social or governance factor that could positively or negatively affect the risk or return of an investment, sector, or fund. These factors can be company-specific, like board independence, or systemic, like climate change.
- **Universal Owner:** Refers to a large institution who, because of its size, owns a slice of the global economy through its diversified portfolio.
- **Integration:** Integrating ESG factors into investment decision-making means incorporating analysis and research on those ESG matters that are most material to the decision at hand. Integration into existing investment processes has historically been the principal focus of BCI's Responsible Investing program and it continues to form the basis of our ESG Strategy, as the first of four focus areas.
- **Material:** ESG matters are prioritized based on their materiality – i.e., based on how large the potential impact of the trend/factor/etc. could be on the financial performance and/or reputation of the investment, BCI, or clients.
- **Total Portfolio:** When we refer to BCI's Total Portfolio, we mean the aggregate of all investments BCI manages on behalf of our clients across all asset classes and pooled funds. Examining BCI's investments from a total fund level allows us to identify broader ESG risks and trends that may otherwise be overlooked when examining a specific asset, portfolio, or industry.

## 9 APPROVAL

This Policy is hereby updated and authorized effective as of the date below

June 26, 2020

[s] Peter Milburn

Date

Chair of the BCI Board

## REVIEW HISTORY

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Approval Authority	BCI Board
Last Review Date	June 2020
Next Review Date	June 2023

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This Policy may be amended as necessary and is subject to a review at least every three years, by the Strategic Investment Research branch of ISR. All proposed amendments to this Policy require BCI Board approval.