BCI

December 2022

Combined Funds Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

British Columbia Investment Management Corporation (BCI) manages the Pooled Investment Portfolios (the "Combined Funds") on behalf of governing fiduciaries such as pension fund trustees and other public sector clients. This report contains the financial statements for the Combined Funds for the year ended December 31, 2022.

The financial statements of the Combined Funds have been prepared by management of BCI and approved by the Chief Investment Officer/Chief Executive Officer. The financial statements have been prepared in accordance with International Financial Reporting Standards. The material 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 Audit Committee's mandate includes making recommendations on the appointment of the external auditor for the Funds, reviewing the external audit plan; reviewing BCI's System and Organization Controls Report for the Investment System of British Columbia Investment Management Corporation, and reviewing the annual audited financial statements of the Funds. The Audit 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 maintains systems 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 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 Board-approved Fund Policies and client-approved investment mandates. BCI's system of internal control is supported by external auditors who review and evaluate internal controls and report directly to the Audit Committee.

BCI's external auditors, KPMG LLP, have full and unrestricted access to the Audit Committee and BCI management. KPMG LLP discusses with management and the Audit Committee the results of their audit of the Combined Funds' financial statements and related findings with respect to such audit. The 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 Combined Funds' financial statements.

[S] Gordon J. Fyfe	***[S] Umar Malik***
Gordon J. Fyfe	Umar Malik
Chief Executive Officer / Chief Investment Officer	Senior Vice President, Finance & CFO

Victoria, British Columbia
June 23, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Directors of British Columbia Investment Management Corporation

Opinion

We have audited the combined financial statements of the Combined Funds managed by British Columbia Investment Management Corporation, which comprise:

- the combined statement of financial position as at December 31, 2022
- the combined statement of comprehensive income (loss) for the year then ended
- the combined statement of changes in net assets for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined 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 combined financial position of the Combined Funds as at December 31, 2022 and its combined financial performance and its combined 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 Combined Funds 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 the Manager and Those Charged with Governance for the Financial Statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Manager 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, the Manager is responsible for assessing the Combined Funds' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Combined Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Combined Funds' 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 Manager's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager'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 Combined Funds' 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 Combined Funds 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
June 23, 2023

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION COMBINED FUNDS

Combined Statement of Financial Position

(Expressed in millions of Canadian dollars)

As at December 31, 2022, with comparative information for 2021

Assets	NOTES	DECEMBER 31, 2022	DECEMBER 31, 2021
Cash		$ 530	$ 407
Other receivables		1,563	651
Derivative assets		891	743
Investments	4	161,323	173,466
Total assets		164,307	175,267
Liabilities			
Payable to related parties	4	84	33
Other payables		1,255	442
Amounts payable under repurchase agreements		15,772	15,669
Derivative liabilities		1,664	576
Total liabilities		18,775	16,720
Net assets of Combined Funds		**$ 145,532**	**$ 158,547**

Unfunded committed capital 6

[S] Gordon J. Fyfe

Gordon J. Fyfe
Chief Executive Officer
Chief Investment Officer

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION COMBINED FUNDS

Combined Statement of Comprehensive Income (Loss)

(Expressed in millions of Canadian dollars)

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

Income	NOTES	2022	2021
Investment income	4, 13	$ 4,804	$ 3,756
Foreign exchange gain (loss)		254	(50)
Change in fair value of investments and derivatives:			
Net realized gain (loss)		(4,910)	13,756
Net change in unrealized appreciation		(9,909)	(612)
Total income		(9,761)	16,850
Expenses			
BCI cost recoveries	4	248	215
External management fees		49	83
Interest expense		294	43
Other expenses		160	116
Total expenses		751	457
Increase (decrease) in net assets of Combined Funds		**$ (10,512)**	**$ 16,393**

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION COMBINED FUNDS

Combined Statement of Changes in Net Assets of Combined Funds

(Expressed in millions of Canadian dollars)

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

	NOTES		2022		2021
Balance, beginning of year		$	158,547	$	139,743
Increase (decrease) in net assets of Combined Funds			(10,512)		16,393
Net client investments (withdrawals)			(2,503)		2,411
Balance, end of year		**$**	**145,532**	**$**	**158,547**

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION COMBINED FUNDS

Combined Statement of Cash Flows

(Expressed in millions of Canadian dollars)

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

Operating activities	NOTES	2022	2021
Increase (decrease) in net assets of Combined Funds [a]		$ (10,512)	$ 16,393
Adjustments:			
Foreign exchange (gain) loss		(254)	50
Net change in unrealized appreciation of investments and derivatives		9,909	612
		(857)	17,055
Net changes in operating assets and liabilities:			
Net sale (purchase) of investments and derivatives		3,174	(22,264)
Receivables		(912)	(47)
Payables		813	(144)
Payables to related parties		51	22
Net cash flows provided by (used in) operating activities		2,269	(5,378)
Financing activities			
Net client investments (withdrawals)	4	(2,503)	2,802
Net proceeds and repayments from repurchase agreements		103	2,517
Net cash flows provided by (used in) financing activities		(2,400)	5,319
Net decrease in cash		(131)	(59)
Effect of exchange rate changes on cash		254	(50)
Cash, beginning of year		407	516
Cash, end of year		**$ 530**	**$ 407**

(a) Increase (decrease) in net assets of Combined Funds for the year ended December 31, 2022 includes interest received and interest paid of $2,968 and $186 (2021 - $1,254 and $44, respectively) and dividends received of $2,499 (2021 - $2,235).

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION COMBINED FUNDS

Combined Schedule of Investments

(Expressed in millions of Canadian dollars)

	NOTES	DECEMBER 31, 2022	DECEMBER 31, 2021
Public markets			
Public equity investments			
Canadian		$ 5,884	$ 10,675
Foreign		23,249	37,711
		29,133	48,386
Fixed income investments			
Government money market investments		3,413	3,297
Corporate money market investments		2,585	2,219
Government bonds		47,695	52,785
Corporate bonds		16,113	15,729
Private debt investments		11,625	7,359
Investment-related assets:			
Securities purchased under reverse repurchase agreements		4,151	5,126
		85,582	86,515
		114,715	134,901
Private markets			
Infrastructure and renewable resources		15,115	13,229
Private equity		23,514	21,240
Absolute return strategies		4,741	2,681
Loans to related parties:			
Loans to QuadReal-managed entities	4	1,563	1,050
Loans to Infrastructure and Renewable Resources program	4	304	58
Loans to Fixed Income program	4	1,058	—
Prepaid investment	4	313	307
		46,608	38,565
Total Investments		**$ 161,323**	**$ 173,466**

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION COMBINED FUNDS

Combined Schedule of Derivative Assets and Liabilities

(Expressed in millions of Canadian dollars)

	December 31, 2022			December 31, 2021		
		Fair Value [c]			Fair Value [c]	
	Notional Value [a]	Derivative Assets [b]	Derivative Liabilities	Notional Value [a]	Derivative Assets [b]	Derivative Liabilities
Equity derivatives						
OTC						
Swaps	$ 30,773	$ 590	$ (504)	$ 28,145	$ 584	$ (358)
Options - Purchased	—	—	—	—	7	(6)
Currency derivatives						
OTC						
Forwards	26,519	74	(1,122)	16,941	97	(187)
Swaps	240	—	(6)	546	44	—
Interest rate derivatives						
Listed						
Futures	877	—	—	837	—	—
OTC						
Swaps	18,433	227	(32)	16,050	11	(25)
Total	**$ 76,842**	**$ 891**	**$ (1,664)**	**$ 62,519**	**$ 743**	**$ (576)**

The terms of maturity based on notional value for the derivatives were as follows at December 31:

	December 31, 2022	December 31, 2021
Less than 1 year	$ 68,637	$ 61,366
1 to 2 years	1,543	1,083
Over 2 years	6,662	70
Total	**$ 76,842**	**$ 62,519**

(a) Notional value represents the absolute net value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Combined Funds' exposure to credit or market risk.

(b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Combined Funds are potentially exposed should counterparties fail to perform under the derivative contract.

(c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other payables on the Statement of Financial Position.

(All amounts expressed in millions of Canadian dollars)

1. THE PORTFOLIOS

British Columbia Investment Management Corporation ("BCI") was established under the *Public Sector Pension Plans Act (the "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. In accordance with the Act, BCI is responsible for managing amounts that are transferred to it in the best interests of the contributors and beneficiaries, which include: public sector pension funds; the Province of British Columbia; provincial government bodies (Crown corporations and institutions); and publicly administered trust funds (collectively, "Clients"). The assets under management are held by BCI as agent for its Clients and may consist of units in one or more pooled investment portfolios (the "Funds", individually referred to as a "Fund"), whose assets are managed and held by BCI as trustee. In addition, assets under management by BCI also include assets held directly in Clients' accounts or in structured entities which are outside of the Funds.

Under the Act and the *Pooled Investment Portfolios Regulation, B.C. Reg. 447/99* (the "Regulations"), BCI may establish and operate Funds ".... 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, Funds previously established under the *Financial Administration Act* and the *Pooled Investment Portfolios Regulation, B.C. Reg. 84/86*, were continued under the Regulations, to be held in trust by BCI and invested by the Chief Investment Officer ("CIO") of BCI.

The purpose of these combined financial statements is to provide users with information of the net assets of Combined Funds under BCI's management (collectively, the "Combined Funds"), excluding real estate and real estate debt funds managed by BCI's wholly owned real estate and real estate debt asset management platform company, QuadReal Property Group Limited Partnership and affiliates ("QuadReal"). The Combined Funds as presented in these combined financial statements are not a legal entity and are comprised of the aggregate of the net assets attributable to holders of redeemable units of each of the Funds. As trustee, BCI plans to issue unsecured debt obligations in respect of the Combined Funds' assets it holds in trust. The combined net assets of the Combined Funds will be available to pay BCI's unsecured debt obligations, in respect of the Combined Funds.

These combined financial statements have been prepared by BCI and are the responsibility of BCI management. The Combined Funds are comprised of the following Pooled Investment Portfolios, which were established on the following dates:

Program[1]	Pooled Investment Portfolios	Dates Established
Absolute Return Strategies	Global Partnership Fund	July 1, 2019
Fixed Income	Canadian Money Market Fund ST1	April 21, 1986
	Canadian Money Market Fund ST2	September 19, 1986
	U.S. Dollar Money Market Fund ST3	August 1, 1990
	U.S. Dollar Money Market Fund ST4	April 1, 2022
	Short Term Bond Fund	November 1, 1995
	Canadian Universe Bond Fund	April 20, 2006
	Corporate Bond Fund	January 8, 2016
	CDOR 1 Floating Rate Fund	March 13, 2017
	Principal Credit Fund	April 1, 2018
	CDOR 2 Floating Rate Fund	October 11, 2018
	Leveraged Bond Fund	September 19, 2019
	CDOR 3 Floating Rate Fund	October 10, 2019
	CDOR 4 Floating Rate Fund	October 16, 2019
	Government Bond Fund	January 7, 2021
Infrastructure and Renewable Resources	Bolsena Fund	December 23, 2004
	Renewable Resources Investment Fund	May 19, 2005
	Bolsena (Australia) Fund	December 24, 2015
	Bolsena (Public) Fund	March 17, 2020

[1] The programs (the "Program") as presented are not legal entities. Each Program represents a specific asset class that is grouped based on investments that exhibit similar risk and return characteristics.

(All amounts expressed in millions of Canadian dollars)

Infrastructure and Renewable Resources	Renewable Resources Investment 2 Fund[2]	August 31, 2016
	Strategic Infrastructure Investment Fund 3[2]	June 5, 2018
	Bolsena (Australia B) Fund[2]	December 4, 2020
	IT Investment Trust[2]	December 9, 2013
	Renewable Resources Agricultural Fund[2]	January 29, 2014
	2016 Renewable Resources Fund[2]	June 3, 2015
Private Equity	Private Placement Fund 1996	March 20, 1996
	Private Placement Fund 1997	March 12, 1997
	Private Placement Fund 1998	March 12, 1998
	Private Placement Fund 1999	March 17, 1999
	Private Placement Fund 1999A	March 17, 1999
	2000 Private Placement Fund	January 1, 2004
	2001 Private Placement Fund	January 1, 2004
	2002 Private Placement Fund	January 1, 2004
	2003 Private Placement Fund	January 1, 2004
	2004 Private Placement Fund	January 1, 2004
	2005 Private Placement Fund	January 1, 2005
	2006 Private Placement Fund	January 27, 2006
	2007 Private Placement Fund	January 11, 2007
	2008 Private Placement Fund	January 9, 2008
	2009 Private Placement Fund	January 13, 2009
	2010 Private Placement Fund	January 29, 2010
	2011 Private Placement Fund	February 11, 2011
	2012 Private Placement Fund	March 1, 2012
	2013 Private Placement Fund	March 4, 2013
	2014 Private Placement Fund	February 14, 2014
	2015 Private Placement Fund	February 5, 2015
	2016 Private Placement Fund	January 11, 2016
	2017 Private Equity Fund	February 9, 2017
	2018 Private Equity Fund	February 5, 2018
	2019 Private Equity Fund	January 14, 2019
	2020 Private Equity Fund	January 21, 2020
	2021 Private Equity Fund	February 1, 2021
	2022 Private Equity Fund	December 29, 2021
Public Equity	Active Canadian Equity Fund	July 26, 1990
	Active Canadian Small Cap Equity Fund	March 20, 2008
	Canadian Quantitative Active Equity Fund	November 27, 2002
	Indexed Canadian Equity Fund	December 12, 1989
	Active U.S. Small Cap Equity Fund	March 13, 2008
	Active Asian Equity Fund	January 2, 1998
	Active European Equity Fund	January 2, 1998
	Active Global Equity Fund	June 19, 2009
	Global Quantitative Active Equity Fund	August 23, 2011
	Indexed Global Equity Fund 1	December 7, 2011
	Indexed Global Equity Fund 2	April 12, 2021
	Indexed Emerging Markets Equity Fund	July 31, 2013
	Thematic Public Equity Fund	December 31, 2012
	Global Quantitative ESG Equity Fund	November 5, 2019
	Indexed EAFE Equity Fund	August 10, 2022
	Indexed U.S. Equity Fund[2]	February 6, 1995

[2] From time to time, the Chief Executive Officer / Chief Investment Officer may terminate a Fund and distribute to the unit holders the net proceeds realized. During the reporting period from January 1, 2021 to December 31, 2022, this Fund was terminated and unitholders redeemed all outstanding units of the Fund.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These combined financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These combined financial statements were authorized for issue by the Chief Executive Officer / Chief Investment Officer on June 23, 2023.

(b) Accounting for investments

The Combined Funds qualify as investment entities as they meet 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.
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

(c) Basis of measurement

These combined financial statements have been prepared on a historical cost basis except for investments, derivative financial instruments, payable to related parties, and amounts payable under repurchase agreements which are measured at fair value.

(d) Functional and presentation currency

These combined financial statements are presented in Canadian dollars which represents the Combined Funds' functional currency.

(e) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In determining the fair value of some of its investments, BCI reviews and assesses external managers' and/or external appraisers' estimates and assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail or are expected to 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 a significant risk of resulting in a material adjustment within the next fiscal year is included in note 8. This information relates to the determination of fair value of investments with significant unobservable inputs.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these combined 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 fair value through profit or loss ("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 Combined Funds become a party to the contractual provisions of the instrument. The Combined Funds derecognize 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 Combined Funds have a legal right to offset the amounts and intend 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 Combined Funds irrevocably elect to measure financial assets that otherwise meet 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 Combined Funds change their business models 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.

The Combined Funds have not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivative financial liabilities. On initial recognition the Combined Funds irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit or 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 Combined Funds' investments, derivative financial instruments, payable to related parties, and amounts repayable under repurchase agreements are classified 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 fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Combined Funds' 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, including non-publicly traded derivative financial instruments, 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 BCI, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of 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 any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses.

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.

(iv) Classification of financial assets and liabilities

The following table summarizes the classification of the Combined Funds’ financial assets and liabilities at fair value through profit or loss (“FVTPL”) or amortized cost:

FINANCIAL ASSET OR LIABILITY	CLASSIFICATION
Investments	FVTPL
Derivative financial instruments	FVTPL
Payable to related parties	FVTPL
Amounts repayable under repurchase agreements	FVTPL
Cash	Amortized cost
Other payables	Amortized cost

(b) Receivables and payables under repurchase agreements

The Combined Funds are party to repurchase agreements and reverse repurchase agreements. These agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

When the Combined Funds purchase a financial asset and simultaneously enter into an agreement to resell the same or a substantially similar asset at a fixed price on a future date (reverse repurchase agreement), the arrangement is recognized in the Statement of Financial Position as securities purchased under reverse repurchase agreement, and the underlying asset is not recognized in the Combined Funds’ financial statements as the counterparty retains the risks and rewards of ownership of the underlying asset. When the Combined Funds sell a financial asset and simultaneously enter into an agreement to repurchase the same or a similar asset at a fixed price on a future date (repurchase agreement), the Combined Funds retain substantially all of the risks and rewards of ownership of the asset. Therefore, the arrangement is accounted for as a borrowing and is recognized in the Statement of Financial Position as amounts payable under repurchase agreement and the underlying asset is not derecognized.

(c) Foreign exchange

Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the Statement of Comprehensive Income.

(d) Revenue recognition

Interest income and other investment income is recognized on an accrual basis using the effective interest method. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined using the average cost basis of the respective investments.

(e) Fees and commission expense

Commissions, stock exchange fees and other identifiable transaction costs that are directly attributable to the acquisition or disposal of an investment are expensed as incurred. Pursuit costs are charged to net income in the period incurred.

(f) Securities lending

Securities lending contracts are entered into for the temporary delivery of securities to a borrower in exchange for different securities having a higher market value (collateral), with an obligation for the borrower to redeliver the same quantity of the original securities lent at a future date. The lender receives a fee from the borrower, and retains the rights to receive equivalent interest payments or dividends from the loaned securities. The Combined Funds continue to recognize the securities in their entirety in the Statement of Financial Position as the Combined Funds retain all of the risks and rewards of ownership. Securities lending income is recognized over the term of the arrangement. The credit risk related to securities lending transactions is limited by the fact that the value of securities held as collateral by the Combined Funds is at least 105% of the market value of the securities loaned.

(g) Income taxes

The Combined Funds are immune from income taxation in Canada under the Constitution Act. All of the Combined Funds' net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders pursuant to the Regulations. Income taxes associated with any of each Funds' underlying investments are accounted for in determining the fair value of the respective investments.

(h) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations as listed below are not yet effective for the year ended December 31, 2022, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the combined financial statements of the Combined Funds.

Effective on January 1, 2023:

- IFRS 17 - Insurance contracts
- Amendments to IFRS 17
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of accounting estimates (Amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 Income Taxes
- Initial Application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)

Effective on January 1, 2024 :

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Lease liability in a sale and leaseback (Amendments to IFRS 16)
- Non-current liabilities with covenants (Amendments to IAS 1)

4. RELATED PARTY TRANSACTIONS

The Combined Funds' related parties include BCI; QuadReal; the Province of British Columbia and related entities; investments where the Combined Funds have a controlling interest or significant influence; entities with common ownership; and other related entities for which the Combined Funds provide investment management services. QuadReal is an independently operated company, owned by BCI, which manages the Mortgage and Real Estate Programs pursuant to an Asset Management Agreement as agreed between BCI and QuadReal:

Investments

Transactions between the Funds, as well as related balances, are eliminated upon combination and therefore not disclosed in this note. The Combined Funds had the following transactions with related parties during the year.

The Combined Funds enter into investment transactions with subsidiaries and associates in the normal course of business of its investments as well as unfunded capital commitments as disclosed in note 6. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and comprehensive income as those with unrelated parties.

The Combined Funds enter into investment transactions with related parties in the normal course of business. The terms of the respective purchases and sales are equivalent to those prevailing in an arm's length transaction, with each Funds' interests represented by different BCI personnel.

Payable to related parties

In 2020, a Fund within the Fixed Income program entered into an agreement with a segregated client account, whereby the Fund received funding from the segregated client account to purchase and hold securities on its behalf. As the segregated client account was also managed by BCI, it was classified as a related party. At maturity of the agreement, the Funds provided the required return based on the return of the Funds to the segregated client account and one of the Funds entered into a new agreement with the same terms and counterparty as the previous agreement with a maturity date of January 2023. Neither party has earned or paid the counterparty any fees or interest in connection with this transaction. As at December 31, 2022, the fair value of the payable to the segregated client account was $84 (December 31, 2021 - $33).

(All amounts expressed in millions of Canadian dollars)

BCI cost recoveries

Third party costs that are attributable to a specific Fund are charged to that Fund. Other costs initially borne by BCI are recovered from the various Funds on a cost recovery basis. BCI cost recoveries are disclosed in the Statement of Comprehensive Income and the corresponding payable is included in Other payables on the Statement of Financial Position.

Program restructure

On January 4, 2021, the Infrastructure and Renewable Resources program was restructured from a fixed participation Program to an 'evergreen' open participation Program for most existing and all future investments to provide a more diversified Program investment mix for unitholders. The following related party transactions occurred in order to facilitate the Program restructure.

On January 1, 2021, a Fund within the Infrastructure and Renewable Resources program purchased interests in trusts holding direct private debt, direct private equity, and unlisted private equity investee funds from entities managed by BCI for aggregate consideration of $542. A trust holding investments with a carrying value of $42, which approximated fair value, was transferred from client segregated accounts managed by BCI to a Fund within the Infrastructure and Renewable Resources program in exchange for consideration of units issued in the trust.

Subsequent to the above, on January 1, 2021, the following entities managed by BCI were combined into a Fund within the Infrastructure and Renewable Resources program:

- Hydro Pool 2
- Hydro Pension RRIF2 Investment Trust

The units held by each of the entities were declared units of the respective Fund on a fair value basis, with the initial unit value being $1 per unit as per paragraph 5(2)(a) of the Regulation, resulting in units issued for payments-in-kind of $2.

On January 4, 2021, a Fund within the Infrastructure and Renewable Resources program transferred its interests in a limited partnership holding direct private equity investments for consideration units of a limited partnership for $437, which approximated fair value, to a limited partnership held directly by client-segregated accounts and managed by BCI.

On January 5, 2021, a Fund within the Infrastructure and Renewable Resources program transferred its interest in a private corporation holding Corix Infrastructure Inc., a subsidiary of the Combined Funds, for consideration of $120, which approximated fair value, to a limited partnership held by a trust managed by BCI.

On January 5, 2021, as part of the initial rebalancing of participation in the Program, a private corporation transferred a portion of its legal and beneficial interest in a trust to a Fund within the Infrastructure and Renewable Resources program for proceeds of $2.

Loans to related parties

In the normal course of business, a Fund within the Fixed Income program extended fixed term financing to the below entities managed by BCI which are classified as related parties. These transactions are governed by BCI's *Internal Transaction Directive*. The amounts in the table represent outstanding amounts as at:

Borrowing entity	**Initial principal financing commitment**	**December 31, 2022**	**December 31, 2021**
Infrastructure and Renewable Resources[3]	Up to $2,000	$ 304	$ —
Infrastructure and Renewable Resources[4]	Up to $500	—	58
Total Loans to Infrastructure and Renewable Resources program		$ 304	$ 58

[3] The borrowing entities are client segregated accounts within the Infrastructure and Renewable Resources program. The Facility earns a floating rate return that is linked to the Canadian Dollar Offered Rate plus 0.385% - 0.77%. The Facility matures in July 2023.
[4] The borrowing entities are client segregated accounts within the Infrastructure and Renewable Resources program. The Facility earns a floating rate return that is linked to the Canadian Dollar Offered Rate plus 0.2%. On January 4, 2022, the Facility was repaid in full.

(All amounts expressed in millions of Canadian dollars)

Borrowing entity	Initial principal	December 31, 2022	December 31, 2021
QuadReal Multi Asset Realty[5]	$500[6]	505	—
QuadReal Multi Asset Realty[7]	$500[6]	505	500
QuadReal Multi Asset Realty[8]	$250[6]	251	250
QuadReal Global I REIT Investment LP[9]	Up to $500	302	—
QuadReal Global I REIT Investment LP[10]	Up to $500	—	300
Total Loans to QuadReal-managed entities		$ 1,563	$ 1,050
Fixed Income[11]	Up to $891 USD	590	—
Fixed Income[11]	Up to $720 USD	280	—
Fixed Income[11]	Up to $480 USD	188	—
Total Loans to Fixed Income program		$ 1,058	$ —

Internal transactions between pools are not secured in that specific assets are not pledged by the borrowing pool to secure its obligations; however, the obligations of the borrowing pools are supported by assurances from BCI's Strategic Asset Allocation Department that client assets will be reallocated to the borrowing pool as necessary to ensure satisfaction of payment obligations at the end of the financing term.

Prepaid investment

A Fund within the Infrastructure and Renewable Resources program entered into an interest assignment agreement and option grant for the period from January 1, 2021 to June 30, 2026, related to private debt investments held in client segregated accounts, whereby the respective Fund is entitled to receive interest income in respect of the debt interests as well as an option agreement to acquire the private debt investments in exchange for $337, which approximated fair value. The fair value of the investment of $313 (2021 - $307) has been recorded on the Statement of Financial Position within investments and interest income of $10 (2021 - $16) was assigned in relation to the private debt investments.

[5] The borrowing entity is QuadReal Multi Asset Realty, a pooled fund managed by QuadReal. The Facility earns a floating rate return that is linked to the Canadian Dollar Offered Rate plus 1.15%. The Facility matures in July 2023.
[6] To ensure client fairness and reflect savings from the scale of BCI's impact on lowering financing costs, a savings sharing mechanism ("SSM") was introduced, whereby 50% of returns earned by the Facility are distributed directly to participating BCI clients. The SSM will be distributed directly to clients by way of interest rate swaps entered into by CDOR 2 Floating Rate Fund and the respective client segregated accounts with a total notional value of up to $1,250 which matures on the same day as the respective internal financing transactions.
[7] The borrowing entity is QuadReal Multi Asset Realty, a pooled fund managed by QuadReal. The Facility earned a floating rate return that is linked to the Canadian Dollar Offered Rate plus 0.625%. In November 2022, this Facility was rolled over for additional 11 months to October 2023. The extended facility earns a floating rate return that is linked to the Canadian Dollar Offered Rate plus 1.29%.
[8] The borrowing entity is QuadReal Multi Asset Realty, a pooled fund managed by QuadReal. The Facility earns a floating rate return that is linked to the Canadian Dollar Offered Rate plus 1.075%. The Facility matures in December 2023.
[9] The borrowing entity is QuadReal Global I REIT Investment LP, a limited partnership primarily held by a pooled investment portfolio within the Real Estate program. The Facility earns a floating rate return that is linked to the Canadian Dollar Offered Rate plus a set percentage based on loan-to-value of securities held within QuadReal Global I REIT Investment LP ranging from 0.585 – 0.835%. The Facility matured in May 2023.
[10] The borrowing entity is QuadReal Global I REIT Investment LP, a limited partnership primarily held by a pooled investment portfolio within the Real Estate program. The Facility earns a floating rate return that is linked to the Canadian Dollar Offered Rate plus a set percentage based on loan-to-value of securities held within QuadReal Global I REIT Investment LP ranging from 0.25 – 0.5%. The Facility matured in August 2022.
[11] The borrowing entity is a segregated client account within the Fixed Income program. The Facility earns a floating rate of return that is linked to the USD LIBOR 3-month plus 4.65-5.23% and matures upon the earlier date of liquidation of the Entity or liquidation of the underlying investment.

(All amounts expressed in millions of Canadian dollars)

5. CAPITAL MANAGEMENT

Net assets of Combined Funds represents the capital of the Combined Funds. The Combined Funds' capital may fluctuate according to issuances and redemptions of unitholders. The Combined Funds are not subject to any internally or externally imposed restrictions on their capital. BCI manages the capital of the Combined Funds in accordance with the respective Fund's investment objectives, including managing the redeemable units of the respective Fund to ensure a stable base to maximize returns to all investors, and managing liquidity in order to meet redemptions.

6. UNFUNDED COMMITTED CAPITAL

Unfunded capital commitments represent total commitments minus net contributions outstanding as of the reporting date. Net contributions equals contributions less any recallable capital distributions. Recallable capital are distributions or previously contributed capital that has been returned, that may be recalled at some future date. Thus, due to changes in recallable capital, unfunded commitments may change at different reporting dates.

Furthermore, commitments to unlisted private equity investee funds and direct private equity investments are typically made in foreign denominated currencies, but reported in Canadian dollars. Unfunded commitments are translated at the spot rate and net contributions are translated at historical exchange rates. Therefore, due to foreign exchange movements, unfunded commitments will vary on the reporting date.

The amounts in the table represent the contractual undiscounted cash commitments by Program that can be called on demand.

	Unfunded committed capital	
Program	**December 31, 2022**	**December 31, 2021**
Absolute Return Strategies	$ 681	$ 690
Fixed Income	4,562	2,977
Infrastructure and Renewable Resources	2,783	1,638
Private Equity	13,657	9,639
Total	21,683	14,944

7. FINANCIAL RISK MANAGEMENT

(a) Risk management framework

Each Fund has its own investment objectives. The Combined Funds' overall risk management program seeks to minimize the potentially adverse effect of risk on the Combined Funds' financial performance in a manner consistent with the Combined Funds' investment objectives. In the normal course of business, each Fund is exposed to financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency risk and other price risk). The level of risk varies depending on the investment objective of the respective Fund and the type of investments it holds.

(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 Combined Funds, resulting in a financial loss to the Combined Funds. It arises principally from debt securities held, and also from derivative financial assets, receivables from reverse repurchase agreements, cash and other receivables due to the Combined Funds. The carrying value of these financial instruments as recorded in the Statement of Financial Position reflects the Combined Funds' maximum exposure to credit risk.

To avoid undue credit risk, the Combined Funds have established specific investment criteria, such as minimum credit ratings required to transact with counterparties and to invest in investees. Counterparty risk represents the credit risk from current and potential future exposure related to transactions involving derivative contracts and securities lending. For certain investments and derivative contracts, counterparties are required to provide adequate collateral and meet minimum credit rating requirements. BCI management frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, BCI has the ability to terminate all trades with counterparties whose credit rating is downgraded below its requirements, which may be below the credit rating required for entering into new transactions.

Fixed income

BCI management monitors credit risk through an internal credit manager program detailing the credit rating of all credit-sensitive financial securities held in money market and bond pooled funds. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with the respective Funds. To perform this evaluation, BCI management relies on ratings from three recognized credit rating agencies for very short term exposure to counterparties such as brokers. For direct holdings of issuer debt in the long and short term Funds, BCI conducts its own independent credit reviews. Credit reviews are monitored on a quarterly basis through an established credit committee. Due to the nature of private debt investments held by investee funds, these instruments are not subject to rating by a rating agency.

Derivative financial assets

The Combined Funds invest in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Combined Funds. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument.

For OTC derivatives, BCI's policy also requires the use of the International Swaps and Derivative Association (ISDA) Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables BCI to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires BCI to contribute further collateral when requested. All collateral transactions under the CSA are high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. BCI and its counterparties are generally not authorized to sell, repledge or otherwise use collateral held with respect to derivative contracts.

For repurchase and reverse repurchase agreements, BCI requires the use of the Global Master Repurchase Agreement (GMRA) with all counterparties, which provides a contractual framework for transacting repurchase agreements. These transactions are conducted under terms that are usual and customary to repurchase transactions. Collateral requirements are in place to mitigate counterparty risk for repurchase agreements. Eligible collateral is limited to full-recourse high-quality government bonds. The Funds and counterparties are authorized to sell, re-pledge, or otherwise use collateral held.

The Funds' activities may also give rise to settlement risk. Settlement risk is the risk of loss due to failure of an entity to honour its obligations to deliver cash, securities, or other assets prior to the settlement of the transaction as contractually agreed. All investment transactions are settled or paid upon delivery with approved brokers. The risk of default is mitigated since the delivery of securities sold is made simultaneously with the broker receiving payment. Payment is made on a purchase once the securities have been received by the broker. The trade fails if either party fails to meet its obligations.

(All amounts expressed in millions of Canadian dollars)

The following table outlines the direct debt investments held, the derivative assets, and the related credit rating. The Combined Funds debt investments held by private debt investee funds are not subject to rating by a rating agency due to the private nature of these investments. The credit risk exposure of financial instruments, by credit rating category, without taking account of any collateral held as at December 31 is as follows:

INSTRUMENTS BY CREDIT RATING	December 31, 2022				
	Fixed income securities	**Reverse repurchase agreements**	**Derivative assets**	**Private debt securities**	**Total**
AAA/AA	$ 39,008	$ 2,467	$ 237	$ —	$ 41,712
A	23,854	1,684	654	—	26,192
BBB	3,149	—	—	—	3,149
BB	2,378	—	—	287	2,665
B	1,117	—	—	2,193	3,310
CCC	—	—	—	500	500
Not rated	300	—	—	8,645	8,945
Total	**$ 69,806**	**$ 4,151**	**$ 891**	**$ 11,625**	**$ 86,473**

INSTRUMENTS BY CREDIT RATING	December 31, 2021				
	Fixed income securities	**Reverse repurchase agreements**	**Derivative assets**	**Private debt securities**	**Total**
AAA/AA	$ 40,243	$ 3,271	$ 285	$ —	$ 43,799
A	22,018	1,855	458	—	24,331
BBB	4,995	—	—	44	5,039
BB	4,645	—	—	91	4,736
B	1,716	—	—	872	2,588
CCC	58	—	—	306	364
CC	—	—	—	10	10
Not rated	355	—	—	6,036	6,391
Total	**$ 74,030**	**$ 5,126**	**$ 743**	**$ 7,359**	**$ 87,258**

The Combined Funds are party to derivative contracts and repurchase agreements, which involve pledging and holding collateral. The following table illustrates the fair values such collateral under derivative contracts and repurchase agreements at December 31:

	December 31, 2022	December 31, 2021
Securities repurchase and reverse repurchase agreements		
Collateral pledged	$ 16,509	$ 15,853
Collateral received	4,151	5,126
Derivatives contracts		
Collateral pledged	125	141
Collateral received	456	494

(All amounts expressed in millions of Canadian dollars)

(c) Liquidity risk

Liquidity risk is the risk that the Combined Funds will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. BCI's approach to managing liquidity risk is to ensure, as far as possible, that each Fund has sufficient liquidity to meet its liabilities when due. Each Fund is exposed to the liquidity risk associated with the requirement to redeem units. Units of a Fund may only be acquired by eligible clients or client groups in accordance with the respective 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 each Fund. The purchase and redemption limits may vary depending on market circumstances, client demand, and the liquidity of the underlying investments.

The Funds' cash position is monitored on a daily basis. BCI management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. The Combined Funds' liquidity position is monitored daily by taking into consideration future forecasted cash flows. This helps to ensure that sufficient cash reserves are available to meet forecasted cash outflows.

Some Funds' financial assets include direct private equity investments, direct private debt investments, unlisted private equity investee funds, unlisted private debt investee funds, and unlisted equity investments which are generally illiquid. As a result, some Funds may not be able to liquidate some of their investments in these instruments in time to meet their obligations when they become due. However, the CIO may obtain funding from unitholders of the respective Fund through additional unit issuances to meet the Fund's ongoing liquidity requirements.

The Combined Funds' non-derivative liabilities and amounts payable under repurchase agreements are due within three months and one year of the year-end.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

				December 31, 2022		
		Carrying value	Less than 1 year	1 to 2 years	Over 2 years	Total
Derivative assets	$	891	$ 735	$ 36	$ 120	$ 891
Derivative liabilities		(1,664)	(1,657)	—	(7)	(1,664)
	$	**(773)**	**$ (922)**	**$ 36**	**$ 113**	**$ (773)**

				December 31, 2021		
		Carrying value	Less than 1 year	1 to 2 years	Over 2 years	Total
Derivative assets	$	743	$ 737	$ 5	$ 1	$ 743
Derivative liabilities		(576)	(567)	(9)	—	(576)
	$	**167**	**$ 170**	**$ (4)**	**$ 1**	**$ 167**

(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 Combined Funds' income or the fair value of its holdings of financial instruments. Each Fund's strategy for the management of market risk is driven by the respective Fund's investment objective.

(All amounts expressed in millions of Canadian dollars)

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market interest rates.

Money market investments, mortgage-backed securities, government and corporate bonds, and private debt securities are subject to interest rate risk. The Combined Funds have established duration bands based on their relevant benchmarks to avoid undue active interest rate risk.

The terms to maturity for investments with the most significant exposure to interest rate risk were as follows as at December 31:

December 31, 2022	Money market investment	Government and corporate bonds	Private debt securities	Total
Within 1 year	$ 5,998	$ 675	$ —	$ 6,673
1 to 5 years	—	14,575	57	14,632
5 to 10 years	—	14,263	227	14,490
10 to 20 years	—	6,486	—	6,486
20 to 30 years	—	4,837	—	4,837
Over 30 years	—	3,183	—	3,183
Total	**$ 5,998**	**$ 44,019**	**$ 284**	**$ 50,301**

December 31, 2021	Money market investment	Government and corporate bonds	Private debt securities	Total
Within 1 year	$ 5,516	$ 2,007	$ —	$ 7,523
1 to 5 years	—	15,968	—	15,968
5 to 10 years	—	17,542	36	17,578
10 to 20 years	—	8,125	—	8,125
20 to 30 years	—	8,344	—	8,344
Over 30 years	—	2,519	—	2,519
Total	**$ 5,516**	**$ 54,505**	**$ 36**	**$ 60,057**

The Combined Funds' debt instruments comprise of variable rate debt instruments and fixed rate debt instruments. Money market funds invest in short-term investments and have low interest rate risk. Variable rate instruments and other debt instruments are not exposed to significant interest rate risk. The following represents fixed-rate debt and debt not subject to significant interest rate risk at December 31:

	December 31, 2022	December 31, 2021
Fixed-rate debt	$ 44,303	$ 54,541
Money market investment	5,998	5,516
Other debt instruments not subject to significant interest rate risk	38,206	27,566
Total	**$ 88,507**	**$ 87,623**

As at December 31, 2022, if prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $3,458 (2021 - $5,440), representing 2.4% of the Combined Funds' net assets (2021 - 3.4%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks has been taking place globally. The reform aimed to replace some interbank offered rates ("IBORs") with Risk-Free Rates ("RFRs") for certain products (referred to as "IBOR reform"). The Combined Funds' exposure to IBOR reform is through its investments in debt that are being replaced or reformed as part of this market-wide initiative.

The main risks to which the Funds have been exposed as a result of IBOR reform are operational resulting from, for example, communicating with counterparties, amending contracts or existing fallback clauses, updating systems and processes that use IBOR curves and the revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

BCI established a working group which includes stakeholders from key impacted departments to monitor and manage the Funds' transition to RFRs. The working group evaluates the extent to which operational systems are impacted by the IBOR reform, updates and provides guidance on the transition to relevant stakeholders, and promotes awareness of changes to relevant stakeholders. To date, BCI has successfully adapted internal systems and processes and continues to monitor market and regulatory developments to ensure ongoing organizational readiness.

For derivative financial instruments, the Combined Funds have adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect January 25, 2021, which provides an efficient mechanism to switch to Alternative Benchmark Rates ("ABRs") as IBORs become unavailable.

The following table presents the fair value of non-derivative financial instruments and the notional value of derivative financial instruments referencing IBORs subject to IBOR reform that have yet to transition to ABRs and maturing after the date of permanent cessation as at December 31, 2022:

Programs	Non-derivative financial assets	Derivative financial instruments (notional)
Fixed Income	2,631	—
Absolute Return Strategies	96	—

(ii) Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Combined Funds will fluctuate due to changes in foreign exchange rates.

The Combined Funds are exposed to currency risk through holding of investments, investment receivables, and investment liabilities in various currencies. The Combined Funds may use foreign currency contracts to hedge some foreign currency exposure on investment-related receivables and liabilities and engage in the buying and selling of currencies through the spot market, forward contracts, futures contracts, and/or options in order to achieve the desired currency exposure.

At December 31, the carrying value of the Combined Funds' net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows. The table includes foreign currency contracts.

(All amounts expressed in millions of Canadian dollars)

	December 31, 2022		December 31, 2021	
Argentine Peso	**Net Exposure**	**% of Total Net Assets**	**Net Exposure**	**% of Total Net Assets**
Australian Dollar	$ 1,628	1.1 %	$ 2,012	1.3 %
Brazilian Real	579	0.4	378	0.2
British Pound Sterling	1,599	1.1	2,037	1.3
Chinese Yuan	1,569	1.1	2,041	1.3
Czech Koruna	617	0.4	609	0.4
Euro	10,847	7.5	11,771	7.4
Hong Kong Dollar	2,585	1.8	3,149	2.0
Indian Rupee	1,326	0.9	2,148	1.4
Japanese Yen	496	0.3	588	0.4
Singapore Dollar	7	0.0	85	0.1
South Korean Won	1,089	0.7	1,682	1.1
Swedish Krona	88	0.1	173	0.1
Swiss Franc	136	0.1	540	0.3
Taiwan Dollar	962	0.7	1,528	1.0
United States Dollar	39,793	27.3	51,319	32.4
Other	1,839	1.3	1,994	1.3
Net Foreign Exchange Exposure	**$ 65,160**	**44.8 %**	**$ 82,054**	**51.8 %**

As at December 31, 2022, if the Canadian dollar had strengthened/weakened by 1% in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased, by $652 (2021 - $821), representing 0.4% of the Combined Funds' net assets (2021 - 0.5%). In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

(All amounts expressed in millions of Canadian dollars)

(iii) Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

All financial instruments are subject to other price risk and a potential loss of capital. The maximum risk is determined by the market value of the financial instruments. There are established investment criteria for each Fund related to diversification of investments and investment mandates for external managers to avoid undue market risk. BCI monitors active price risk on a monthly basis. Tracking error and beta statistics for all investments are compiled to ensure that the level of risk is consistent with the respective Funds' objectives.

Management monitors the concentration of risk for investments based on industry and geographic location. As at December 31, the Combined Funds' investments, including equity derivative instruments, are exposed to the following industries:

INDUSTRY SECTOR	December 31, 2022		December 31, 2021	
	Total	% of Total	Total	% of Total
Consumer Discretionary	$ 8,988	4.7 %	$ 9,814	5.0 %
Consumer Staples	5,204	2.7	5,266	2.7
Education	101	0.1	125	0.1
Energy	3,510	1.8	3,368	1.7
Financials	31,658	16.6	30,962	15.7
Food and beverage	914	0.5	798	0.4
Government	51,108	26.7	56,082	28.4
Health Care	8,345	4.4	7,919	4.0
Industrials	8,308	4.3	8,562	4.3
Information Technology	13,969	7.3	17,913	9.1
Materials	4,390	2.3	4,609	2.3
Other	919	0.5	712	0.4
Real Estate	1,415	0.7	1,672	0.8
Services	203	0.1	187	0.1
Telecommunication Services	5,001	2.6	5,926	3.0
Transportation	2,085	1.1	1,973	1.0
Unlisted investments in diversified industries	33,943	17.8	31,481	15.9
Utilities	11,028	5.8	10,126	5.1
Total	**$ 191,089**	**100.0 %**	**$ 197,495**	**100.0 %**

(All amounts expressed in millions of Canadian dollars)

Equity by Geographic Region

As at December 31, the Combined Funds' investments, including equity derivative instruments, are exposed to the following geographic regions:

GEOGRAPHIC REGION	December 31, 2022			December 31, 2021		
		Total	% of Total		Total	% of Total
North America	$	122,898	64.3 %	$	135,500	68.6 %
Asia		17,666	9.2		18,682	9.5
Europe		15,265	8.0		15,592	7.9
Africa		507	0.3		386	0.2
Oceania		2,153	1.1		2,183	1.1
South America, Central America, and Carribean		4,911	2.6		3,991	2.0
	$	**163,400**	**85.5 %**	**$**	**176,334**	**89.3 %**
Diversified globally		27,689	14.5		21,161	10.7
Total	**$**	**191,089**	**100.0 %**	**$**	**197,495**	**100.0 %**

The fair value of these investments fluctuates in response to specific investee developments, rather than from changes in the general level of market prices. Accordingly, sensitivity analysis that would measure the impact to changes in the general level of market prices has not been provided as BCI does not believe this information would be meaningful.

As at December 31, 2022, had the fair value of the investments increased or decreased by 10%, with all other variables held constant, net assets of Combined Funds would have increased or decreased by approximately $16,132 (2021 - $17,347), representing 11.1% of the net assets of Combined Funds (2021 - 10.9%).

Actual trading results may differ from the above sensitivity analysis and the difference could be material.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

(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 Combined Funds determine 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 Combined Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs that are unobservable.

(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 Combined Funds use widely recognized valuation methods for determining the fair value of common and more simple financial instruments such as foreign currency contracts and money market 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 exists 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, money market prices, and foreign currency exchange rates in estimating valuations of foreign currency contracts.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives. The availability of observable market prices and model inputs 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 private equity and debt, the Combined Funds use proprietary valuation models, which are usually developed from recognized valuation methods. 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 usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Combined Funds believe 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 Combined Funds and the counterparties where appropriate.

(c) Valuation framework

The Combined Funds have an established framework with respect to the measurement of fair values. Where possible, for direct private equity and debt investments held by the Combined Funds, external, independent valuation specialists are engaged annually to assist in the determination of fair value. In those circumstances where the Combined Funds are reliant on a third party manager for the determination of fair value, BCI reviews the appropriateness of such valuations using audited financial statements of the underlying investments, and other information from the underlying third party manager or other sources.

When third party information, such as broker quotes or pricing services, is used to measure fair value, then management assesses and documents the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Combined Funds for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

In addition, BCI applies the following specific controls in relation to the determination of fair values:

- verification of observable pricing inputs;
    - analysis and investigation of significant valuation movements; and
    - review of unobservable inputs and valuation adjustments.

(d) Financial instruments not measured at fair value

The carrying value of cash, other receivables, and other payables approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

(All amounts expressed in millions of Canadian dollars)

The tables below analyze financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position. All fair value measurements below are recurring.

	December 31, 2022				December 31, 2021			
	Level 1 ***(Quoted Price in Active Market)***	**Level 2** ***(Significant Observable Inputs)***	**Level 3** ***(Significant Un-observable Inputs)***	**Total**	**Level 1** ***(Quoted Price in Active Market)***	**Level 2** ***(Significant Observable Inputs)***	**Level 3** ***(Significant Un-observable Inputs)***	**Total**
Absolute Return Strategies	$ —	$ 9	$ 4,700	$ 4,709	$ —	$ 11	$ 2,669	$ 2,680
Fixed Income	685	79,994	8,529	89,208	4,301	81,992	5,632	91,925
Infrastructure and Renewable Resources	209	59	15,357	15,625	338	14	13,496	13,848
Private Equity	—	53	23,464	23,517	1	95	21,125	21,221
Public Equity	28,237	22	5	28,264	43,770	3	19	43,792
Total investments	**$ 29,131**	**$ 80,137**	**$ 52,055**	**$ 161,323**	**$ 48,410**	**$ 82,115**	**$ 42,941**	**$ 173,466**
Amounts payable under repurchase agreements	$ —	$ (15,772)	$ —	$ (15,772)	$ —	$ (15,669)	$ —	$ (15,669)
Derivative financial instruments, net	—	(773)	—	(773)	—	167	—	167
Payable to related parties		84	—	84	—	33	—	33
Total	**$ 29,131**	**$ 63,676**	**$ 52,055**	**$ 144,862**	**$ 48,410**	**$ 66,646**	**$ 42,941**	**$ 157,997**

(All amounts expressed in millions of Canadian dollars)

During 2022 and 2021, there were no significant transfers between Level 1 and Level 2.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

December 31, 2022

	Absolute Return Strategies	Fixed Income	Infrastructure and Renewable Resources	Private Equity	Public Equity	Total
Opening balance, beginning of year	$ 2,669	$ 5,632	$ 13,496	$ 21,125	$ 19	$ 42,941
Total gains or losses recognized in profit or loss	293	625	761	753	(8)	2,424
Purchases	2,038	3,697	1,648	5,735	2	13,120
Transfer	—	(281)	—	—	—	(281)
Sales	(300)	(1,144)	(548)	(4,149)	(8)	(6,149)
Closing balance, end of year	**$ 4,700**	**$ 8,529**	**$ 15,357**	**$ 23,464**	**$ 5**	**$ 52,055**
Total unrealized gains for the year included in profit or loss related to level 3 investments held at the reporting date	**$ 292**	**$ 563**	**$ 926**	**$ 535**	**$ (8)**	**$ 2,308**

December 31, 2021

	Absolute Return Strategies	Fixed Income	Infrastructure and Renewable Resources	Private Equity	Public Equity	Total
Opening balance, beginning of year	1,548	3,833	12,309	17,785	24	35,499
Total gains or losses recognized in profit or loss	156	242	174	5,024	(5)	5,591
Purchases	1,747	2,797	9,260	4,293	—	18,097
Transfer	—	53	—	—	—	53
Sales	(782)	(1,293)	(8,247)	(5,977)	—	(16,299)
Closing balance, end of year	**2,669**	**5,632**	**13,496**	**21,125**	**19**	**42,941**
Total unrealized gains for the year included in profit or loss related to level 3 investments held at the reporting date	**153**	**166**	**454**	**4,176**	**(5)**	**4,944**

During 2022, there were six instances of a transfer from Level 3 to Level 2 in Fixed Income as a result of a change in valuation methodology. During 2021, there was one instance of a transfer between Level 2 to Level 3 in Fixed Income as a result of a change in valuation methodology.

(All amounts expressed in millions of Canadian dollars)

(i) Significant Unobservable Inputs Used in Measuring Fair Value

The following table sets out information about significant unobservable inputs used at year-end in measuring the fair value of investments categorized as Level 3 in the fair value hierarchy as at:

		December 31, 2022				
Program	Holding	Fair Value	Valuation Technique	Unobservable Input	Amount/ Range	Weighted Average
Absolute Return Strategies	Direct Private Equity Investments	$ 305	Net Asset Value	Net Asset Value	$305	N/A
		2	Discounted Cash Flows	Discount rate	11.3%	N/A
	Unlisted Private Equity Investee Funds	3,742	Net Asset Value	Net Asset Value	$3,748	N/A
		123	Adjusted Net Asset Value	Adjusted Net Asset Value	$123	N/A
	Direct Private Debt Investments	181	Transaction Price	N/A	N/A	N/A
		347	Discounted Cash Flows	Discount rate	7.7% - 15.7%	13.0%
Fixed Income	Unlisted Private Debt Investee Funds	1,526	Net Asset Value	Net Asset Value	$1,526	N/A
		114	Adjusted Net Asset Value	Adjusted Net Asset Value	$114	N/A
		26	Market approach	EBITDA multiple	3.5x	N/A
		1,657	Discounted Cash Flows	Discount rate	7.9% - 17.9%	11.6%
	Debt Issued	4,814	Net Asset Value	Net Asset Value	4,814	N/A
		392	Adjusted Net Asset Value	Adjusted Net Asset Value	$392	N/A
Infrastructure and Renewable Resources	Direct Private Equity Investments	239	Net Asset Value	Net Asset Value	$239	N/A
		1,094	Transaction Price	N/A	N/A	N/A
		8,447	Discounted Cash Flows	Discount rate	7.1% - 8.8%	7.4%
	Unlisted Private Equity Investee Funds	1,225	Net Asset Value	Net Asset Value	$1,225	N/A
		1,604	Adjusted Net Asset Value	Adjusted Net Asset Value	$1,604	N/A
	Direct Private Debt Investments	669	Transaction Price	N/A	N/A	N/A
		1,766	Discounted Cash Flows	Discount rate	8.5% - 8.8%	8.5%
	Prepaid Investments	313	Discounted Cash Flows	Discount rate	11.0%	11.0%
Private Equity	Direct Private Equity Investments	6,786	Net Asset Value	Net Asset Value	$6,786	N/A
		598	Market approach	EBITDA multiple	6.5x - 11.4x	9.1x
		799	Discounted Cash Flows	Discount rate	10.0% - 14.0%	11.4%
	Unlisted Private Equity Investee Funds	13,234	Net Asset Value	Net Asset Value	$13,234	N/A
		1,591	Adjusted Net Asset Value	Adjusted Net Asset Value	$1,591	N/A
	Direct Private Debt Investments	457	Net Asset Value	Net Asset Value	$457	N/A
		—	Market approach	EBITDA multiple	8.0x	8.0x
Public Equity	Direct Private Equity Investments	3	Market approach	Revenue multiple	10.4x	10.4x
		2	Discounted Cash Flows	Discount rate	18.2%	18.2%

(All amounts expressed in millions of Canadian dollars)

		December 31, 2021				
Program	**Holding**	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Amount/ Range**	**Weighted Average**
Absolute Return Strategies	Direct Private Equity Investments	$ 51	Net Asset Value	Net Asset Value	$51	N/A
		15	Transaction Price	N/A	N/A	N/A
	Unlisted Private Equity Investee Funds	2,309	Net Asset Value	Net Asset Value	$2,309	N/A
		5	Transaction Price	N/A	N/A	N/A
	Direct Private Debt Investments	289	Discounted Cash Flows	Discount rate	6.8% - 11.6%	9.6%
Fixed Income	Direct Private Debt Investments	893	Net Asset Value	Net Asset Value	$893	N/A
		765	Transaction Price	N/A	N/A	N/A
		788	Discounted Cash Flows	Discount rate	5.4% - 14.0%	7.7%
	Unlisted Private Debt Investee Funds	3,186	Net Asset Value	Net Asset Value	$3,186	N/A
Infrastructure and Renewable Resources	Direct Private Equity Investments	2	Net Asset Value	Net Asset Value	$2	N/A
		2,028	Transaction Price	N/A	N/A	N/A
		7,086	Discounted Cash Flows	Discount rate	6.7% - 15.9%	10.9%
	Unlisted Private Equity Investee Funds	932	Net Asset Value	Net Asset Value	$932	N/A
		1,161	Adjusted Net Asset Value	Adjusted Net Asset Value	$1,161	N/A
	Direct Private Debt Investments	340	Transaction Price	N/A	N/A	N/A
		1,641	Discounted Cash Flows	Discount rate	6.7% - 17.0%	12.0%
	Real Estate Investments	307	Discounted Cash Flows	Discount rate	11.3% - 17.0%	14.2x
Private Equity	Direct Private Equity Investments	5,526	Net Asset Value	Net Asset Value	$5,526	N/A
		376	Adjusted Net Asset Value	Adjusted Net Asset Value	$376	N/A
		207	Transaction Price	N/A	N/A	N/A
		422	Market approach	EBITDA multiple	6.0x - 34.9x	9.0x
		629	Discounted Cash Flows	Discount rate	11.0%	11.0%
	Unlisted Private Equity Investee Funds	12,028	Net Asset Value	Net Asset Value	$12,028	N/A
		1,348	Adjusted Net Asset Value	Adjusted Net Asset Value	$1,348	N/A
		34	Transaction Price	N/A	N/A	N/A
	Direct Private Debt Investments	540	Net Asset Value	Net Asset Value	$540	N/A
		9	Market approach	EBITDA multiple	6.5x	6.5x
		4	Discounted Cash Flows	Discount rate	15.2%	15.2%
Public Equity	Direct Private Equity Investments	19	Market approach	Revenue multiple	10.4x	10.4x
		1	Discounted Cash Flows	Discount rate	18.2%	18.2%

Significant unobservable inputs are developed as follows:

EBITDA multiple:

EBITDA multiples are selected from comparable public companies and transactions in private companies based on geographic location, industry, size, target markets, and other factors that management considers to be reasonable. The trading multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA. Multiples may be adjusted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Revenue multiple:

Revenue multiples are selected from comparable public companies and transactions in private companies based on geographic location, industry, size, target markets, and other factors that management considers to be reasonable. The trading multiples for the comparable companies are determined by dividing the enterprise value of the company by its revenue. Multiples may be adjusted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount Rate:

Represents the discount rate applied to the projected future cash flows of each investment. Discount rates and projected cash flows are based on various investment-specific and macroeconomic inputs and assumptions. Discount rates are adjusted to reflect the risk inherent in the projected cash flows.

Transaction Price:

When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, no sensitivity analysis has been performed.

Net Asset Value:

Represents the net asset value of direct private equity and debt investments and unlisted private equity investee funds. BCI management values these investments primarily based on the latest available financial information provided by their general partners.

The unlisted private equity investee funds are subject to redemption restrictions and accordingly the Combined Funds are unable to dispose of the investee until the maturity or wind up and liquidation of the respective investee. In such cases, it is the Fund's policy to categorize the investee as Level 3 within the fair value hierarchy.

Adjusted Net Asset Value:

Represents the adjusted net asset value of direct private equity investments and unlisted private equity investee funds. BCI management values these investments primarily based on the latest available financial information provided by their general partners, adjusted based on judgment, on an investee by investee basis, through review of information received from underlying investees and other sources.

(i) Effects of Unobservable Input on Fair Value Measurement

For certain direct private debt and equity investments, BCI management engages third party independent valuators to estimate the fair market value. The valuators produce comprehensive reports for each applicable investment. The fair value of these investments fluctuates in response to changes in specific assumptions for the key unobservable inputs.

The unlisted private equity investee funds are valued based on information received from external managers. The fair value of these investments fluctuates in response to changes in specific assumptions for that particular investee as determined by the external manager.

Although the Combined Funds believe that their 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 of Combined Funds.

The following table shows how net assets of Combined Funds would change if:

- the valuations of certain direct private equity and direct private debt investments were calculated by recalibrating the model values using observable inputs based on the upper and lower threshold of the respective investment's range of possible estimates; and
- the fair value of the remaining underlying investments were adjusted by 10%.

	December 31, 2022	December 31, 2021
Favourable	$ 4,733	$ 3,584
Unfavourable	(4,710)	(3,525)

(All amounts expressed in millions of Canadian dollars)

9. INVOLVEMENT WITH STRUCTURED ENTITIES

The Combined Funds hold interests in structured entities, both directly and indirectly (i.e. through intermediary holding corporations or limited partnerships, or both). Structured entities are entities that have been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. Structured entities have been set up to manage legal, tax and other risks that may arise in the course of administering the underlying investments.

Structured entities are comprised of investee funds administered by third party managers which are organized as limited partnerships. All of these investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issuance of units to investors or capital contributions made by the investors. Accordingly, the Combined Funds' interest in these entities is reflected through the holding of trust units, partnership units or a partnership interest. The tables below set out the direct and indirect interests held by the Combined Funds in structured entities:

	December 31, 2022			December 31, 2021		
	Number of Investee Funds	**Total Net Assets of Investee Funds**	**Carrying amount included in Investments in the Statement of Financial Position**	**Number of Investee Funds**	**Total Net Assets of Investee Funds**	**Carrying amount included in Investments in the Statement of Financial Position**
Absolute Return Strategies	28	13,883	3,865	18	6,252	2,314
Fixed Income	17	7,199	5,206	9	4,131	3,186
Infrastructure and Renewable Resources	25	130,480	2,830	22	73,037	2,092
Private Equity	114	352,696	13,248	108	327,884	12,934
Public Equity	1	$ 3	$ 3	1	$ 3	$ 3
Total	**185**	**$ 504,261**	**$ 25,152**	**158**	**$ 411,307**	**$ 20,529**

The carrying amount of the investments held in these underlying funds represents the Combined Funds' maximum exposure to loss. During 2022 and 2021, the Combined Funds did not provide financial support to these structured entities and has no intention of providing financial or other support.

(All amounts expressed in millions of Canadian dollars)

10. INVOLVEMENT WITH SUBSIDIARIES AND ASSOCIATES

The Combined Funds also hold, through intermediary holding corporations, investments in which it has a controlling position or a position where it could otherwise exert significant influence on the operations of the investee. The Combined Funds measure these investments at fair value through profit or loss. The tables below set out the most significant interests held by the Combined Funds in these unconsolidated subsidiaries and associates as at:

December 31, 2022

Entity	Principal Place of Business	Relationship	Voting Rights	Ownership Interest
Puget Sound Energy	U.S.	Associate	18 %	18 %
ETC Holdings Ltd.	Chile	Associate	22	22
Open Grid Europe GmbH.	Germany	Associate	27	27
Cleco Corporation	U.S.	Associate	31	31
Viterra Limited	Global	Associate	9	9
GCT Global Container Terminals Inc	U.S. and Canada	Associate	21	21
Isagen SA	Colombia	Associate	15	15
Hayfin Capital	U.K.	Subsidiary	47	47
Refresco Group	Europe, U.K., and U.S.	Associate	12	12
iGH (Czech Gas Networks)	Czech Republic	Associate	22	22

December 31, 2021

Entity	Principal Place of Business	Relationship	Voting Rights	Ownership Interest
Puget Sound Energy	U.S.	Associate	18 %	18 %
Refresco Group	Europe	Associate	30	30
Cleco Corporation	U.S.	Associate	32	32
ETC Holdings Ltd.	Chile	Associate	22	22
Viterra Limited	Global	Associate	9	9
Hayfin Capital	Europe	Subsidiary	51	51
Verifone	North America	Associate	20	20
Thames Water	UK	Associate	8	8
Open Grid Europe GmbH.	Germany	Associate	28	28
Isagen SA	Colombia	Associate	15	15

During 2022, the Combined Funds did not provide financial support to subsidiaries or associates and has no intention of providing financial or other support. Furthermore, the subsidiaries and associates listed in the table above are not subject to any significant restrictions on their ability to transfer funds to the Combined Funds.

11. SECURITIES SUBJECT TO LENDING ARRANGEMENTS

The Combined Funds participate in securities lending programs whereby the Combined Funds lend securities in order to enhance portfolio returns. The fair value of securities on loan, excluding repurchase agreements and percentage of securities on loan for the Funds was as follows:

	Fair Value of Securities on Loan		Percentage of securities on loan	
Program	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Public Equity	$ 2,170	$ 3,367	8 %	8 %
Fixed Income	15,455	18,608	22	24

12. TAXES

Net cumulative capital losses for the Combined Funds as of December 31, 2022 are $8,689. Non-capital losses for the Combined Funds as of December 31, 2022 are $81 and expire from 2037 to 2042.

13. RECIPROCAL TAX AGREEMENT ("RTA") RECOVERY

On March 10, 2021, the BC Ministry of Finance and the Department of Finance Canada agreed to amend Schedule A of the RTA to more explicitly acknowledge the Funds' entitlement to a rebate of the amounts paid in lieu of the goods and services tax ("GST") under the RTA between the B.C. and Federal governments. Furthermore, Finance Canada has confirmed that prior year GST assessments will be vacated by the Canada Revenue Agency and no further GST assessments will be issued against BCI for past filing periods in respect of costs recovered from the Funds. This recovery represents non-recurring income for the year ended December 31, 2021. The RTA recovery is $171 for the year ended December 31, 2021.

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