UVIC FACULTY ASSOCIATION

BCI's Approach to Climate Change Risk and Using Points of Influence

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BCI

Agenda

- BCI's Approach to Responsible Investment
- BCI's Climate Action Plan
- Points of Influence
- Climate Action 100+

BCI at a Glance

One of Canada's largest
institutional investors

$153.4 BILLION in assets under management

31 public sector clients

7 member Board of Directors

Accountable to clients for returns & fees

BCI’s Approach to Responsible Investment

Our Approach

BCI's Climate Action Plan

Importance of Climate Change to Investors

- Long-term nature of pension obligations and investments across global economy exposes BCI and our clients to ***systemic*** risks, like climate change
- Scientific consensus indicates that all future trajectories of global emissions will result in changes to the environment, the economy and underlying markets: the question is not ***if*** climate change will affect us, it is ***how fast and how much***
- Market prices are beginning to reflect climate change considerations, as investors, insurers and companies are projecting the impacts of climate change on their performance and assets

BCI’s Climate Action Plan

Manage Risks
by quantifying BCI’s and clients’ specific climate change risks and monitoring changes in expected climate outcomes

Integrate
climate analysis in investment decision-making at the asset, pool and total client portfolio levels

Seek Opportunities
to invest in beneficiaries of the transition to a low carbon economy, where it makes financial sense

Engage and Advocate
for climate-related disclosure and strategy with investment companies, industry peers, policymakers and other stakeholders

Why BCI chooses engagement over divestment

- Climate change is a systemic risk and requires planning and thinking at the fund level, and integration at every level of investment decision.
- We believe divestment has little impact on global emissions; addresses supply side only.
- The investor voice is needed at the table and is valued.
- Companies need capital and financing to restructure and innovate.
- Historical focus has been on disclosure, now investors need to be more explicit and urgent in their demands.
- Not mutually exclusive. Investors can remain invested in best in class companies contributing to the energy transition while reducing exposure or selling out of companies that are poor performers and resistant to dialogue or change.
- Our mandate and pooled fund structure leads to increased costs associated with divestment.

BCI’s Points of Influence

Companies

- Proxy Voting: Support proposals seeking enhanced climate-related disclosure and specific actions to increase climate resiliency; vote against certain directors when companies are not providing adequate disclosure
- Frequent and constructive engagement on ESG topics including climate change. Goals include better disclosure, increased efficiency, setting of goals and targets for GHG reduction

Partners

- Due diligence includes evaluation of ESG accountabilities, policies, practices and outcomes, including those specific to climate change
- Articulate minimum expectations for ESG integration
- Request and evaluate examples of engagement on ESG topics and impact on investment decisions; frequent monitoring

Policy Makers and Standard Setters

- Many submissions to securities regulators seeking mandatory disclosure of ESG factors
- Submissions to governments encouraging climate action
- Public support of TCFD recommendations
- Contribution to SASB standards and awareness

Peers

- Collaboration and sharing best information and best practices
- UNPRI

Climate Action 100+

Climate Action 100+

- 5-year initiative started in 2017
- 373 investors with more than $35 trillion AUM
- Engaged 161 companies in 33 markets
- Companies targeted by Climate Action 100+ account for up to 80% of global industrial emissions
- Goals include: strong governance frameworks for climate change, actions to reduce GHG emissions and enhanced climate-related disclosure

Climate Action 100+ Outcomes, so far.....

ROYAL DUTCH SHELL

Announced a long-term net carbon footprint reduction target of 50% by 2050, linked to compensation of executives and about 16,000 employees.

OCCIDENTAL PETROLEUM

Announced a goal to become carbon neutral by using CCS technology.

GLENCORE

Agreed to cap coal production to current levels, aligning business strategy with the goals of the Paris Agreement.

RIO TINTO

Will no longer mine coal, has published a TCFD report and committed to an asset by asset review to set emission reduction targets.

SOUTHERN COMPANY

Committed to a 50% reduction in carbon emissions from 2007 levels by 2030, and low to no emissions by 2050.

DUKE ENERGY

Commitment to reach net zero emissions by 2050.