

MARCH 2022

Financial Forum

ESG & Social Finance

PANEL DISCUSSION



**Municipal Finance
Authority of BC**

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Meet the Panelists



Global Asset Management
PH&N Institutional



Municipal Finance
Authority of BC



Andrew Sweeney

VP & Portfolio Manager



Susan Golyak

Senior Manager, ESG



Peter Urbanc

Chief Executive Officer

What is ESG?

E

Environmental

- Climate change and GhG Emissions
- Sustainability
- Air & water pollution
- Water scarcity
- Biodiversity and habitat protection
- Site rehabilitation

S

Social

- Human rights
- Community impact
- Health & safety
- Child and forced labour
- Gender diversity
- Human Capital: Employee engagement/productivity
- Customer satisfaction

G

Governance

- Board independence
- Board accountability
- Executive compensation
- Shareholder rights and voting
- Anti-corruption

ESG Investing

What it isn't, What it is

ESG is not:

- ✗ Socially Responsible Investing (SRI)
- ✗ Ethical Investing
- ✗ Values-based judgments of a security or sector
- ✗ Negative screening to eliminate companies or sectors
- ✗ Fossil Free or Carbon Light

ESG is:

- ✓ Enhanced analysis of companies through ESG integration
- ✓ Better understanding of risk and opportunity
- ✓ Stewardship: proxy voting and company engagement
- ✓ Working with other managers and owners to address ESG issues



BCI in Brief

MFABC FINANCIAL FORUM & AGM

March 24, 2022



BCI at a Glance



One of Canada's largest
institutional investors



\$199.6 BILLION in assets under
management



30 public sector
clients



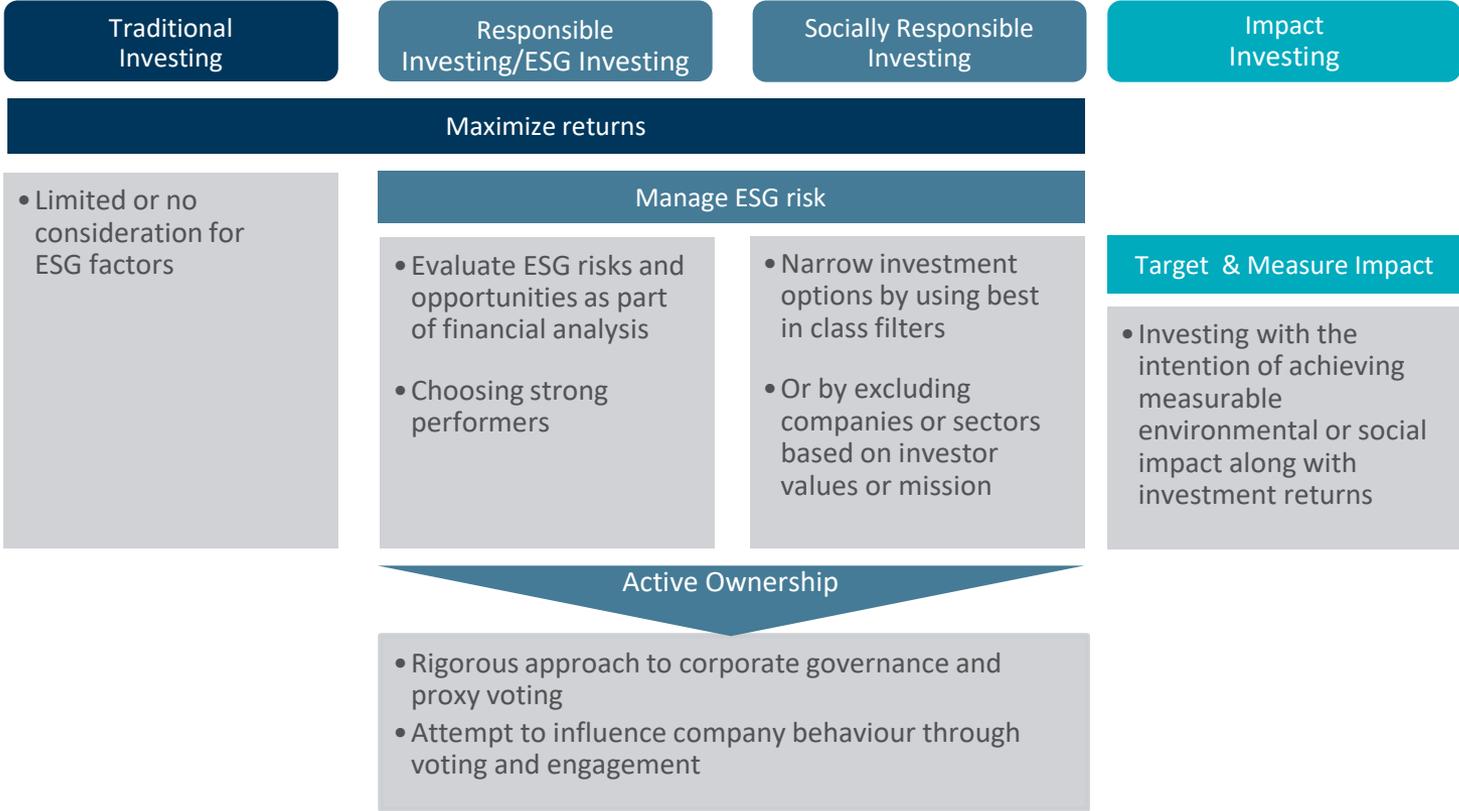
7 member Board
of Directors



Accountable to clients
for returns & fees

As at March 31, 2021

Responsible Investing Spectrum



BCI's ESG Strategy



Climate Action 100+ Overview



\$35 trillion
in assets under management

80%

Of global industrial
emissions covered

161

Highest
emitting
companies

33 Countries

Mitigating Risk and Capturing Opportunities

- With the implementation of BCI's corporate ESG strategy, we are able to broaden our focus to actively seek ESG investment opportunities.
- Based on our current trajectory, Public Markets expects to provide long term value to our clients from participating in sustainable bonds and reducing our carbon exposure



FIXED INCOME

Invest a cumulative
\$5 billion*
in sustainability bonds by 2025

* Based on initial participation values



PUBLIC EQUITIES

30% reduction
in carbon exposure by 2025,
using 2019 as the baseline

RBC Global Asset Management
PH&N Institutional

Our Approach to Responsible Investing

MFA Annual Meeting

Presented by:

Andrew Sweeney, Vice President & Portfolio Manager



Responsible Investing can enhance long-term returns

Taking concrete actions for 20+ years



Fully integrated ESG (environmental, social & governance)

- **A+ grade on all assessed modules in 2020 - UN Principles of Responsible Investment (UN PRI)***
- Developed Approach to Climate Change



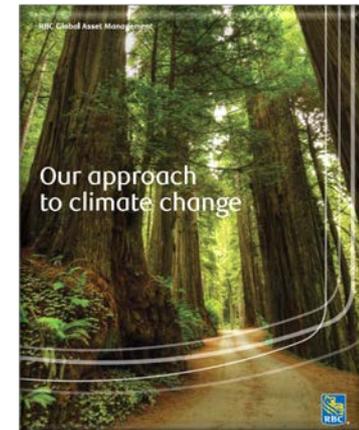
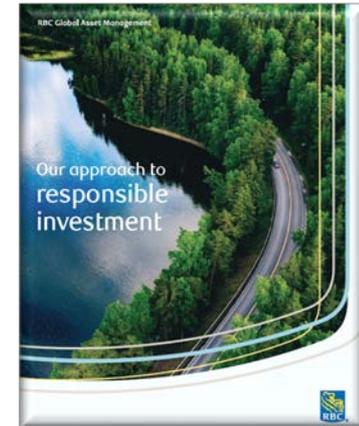
Active Stewardship

- **Founding member, former Chair CCGG (Canadian Coalition for Good Governance)**
- Climate Action 100+
- 30% Club Investor Group
- Proxy voting focus: Gender & CEO/Chair separation



Client-driven solutions and reporting

- **Long history of SRI & Fossil Fuel Free investment capabilities¹**
- Integrated ESG reporting for clients & consultants



¹ Began offering SRI strategies in 2002 and Fossil Fuel Free strategies in 2016.

*As part of the paid annual membership services, the PRI evaluates signatories' approaches to the Principles based on its assessment methodology. Once the responses are assessed, all indicator scores are aggregated and modules are assigned a performance band (from A+ down to E). Our full transparency report as one of over 2,000 signatories can be found here: [RBC GAM PRI Transparency Report](#). Our firm's full private Assessment Report from the UNPRI is available upon request..

Our Approach to Climate Change



Fully integrated ESG

Build climate expertise

Integrate climate data & analytics

Conduct climate scenario analysis



Active Stewardship

Thoughtful proxy voting

Engagement

Collaboration and advocacy



Client-driven solutions & reporting

Research and insights

Product innovation

Transparent reporting

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



Fossil Fuel Free Funds

Fossil fuel free exclusionary framework

	Fossil Fuel Free
No companies directly involved in extracting, processing or transporting coal, oil or natural gas	✓
No companies included in 'The Carbon Underground 200'*	✓
Excludes pipelines and railways	✓
Environmental, Social, Governance (ESG) integration	✓

*The Carbon Underground 200™ identifies the top 100 coal and the top 100 oil and gas publicly-traded reserve holders globally, ranked by the potential carbon emissions content of their reported reserves.

Our Stewardship in Action

Engagement Focused on Climate Change

Active Stewardship

- Developed 'Our approach to climate change'
- Member of Climate Action 100+ and Climate Engagement Canada
- Generally support climate-related shareholder proposals



Engagement examples

- Power utility – decarbonization strategy, GHG disclosures
- Energy company – carbon intensity of operations, SASB and TCFD disclosures

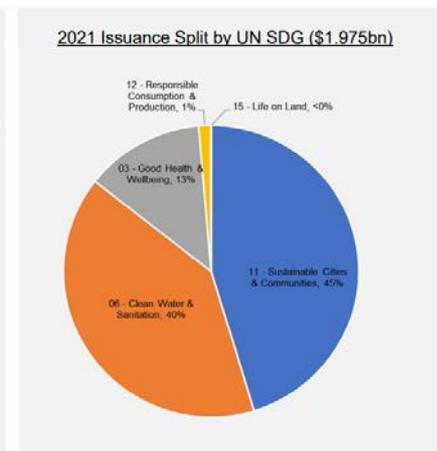
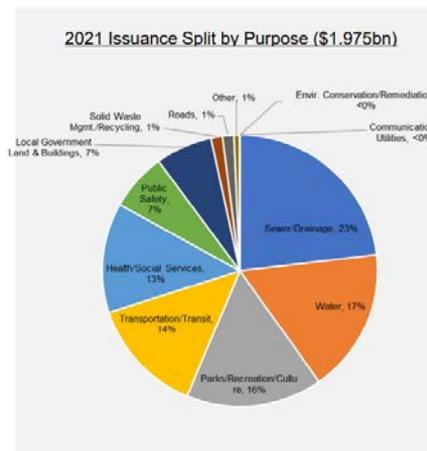


What's New with ESG at MFA?

- With ESG at the forefront, MFA continues to further its Sustainability Bond Framework by offering use of proceeds disclosures



UN SDG Alignment	Green Bond Principles	Social Bond Principles	MFA Purpose of Borrowing	Project Examples In This Category
3 GOOD HEALTH & WELL-BEING	-	Access to Essential Services	Health/Social Services	Hospitals, hospital equipment, day cares
6 CLEAN WATER & SANITATION	Sustainable Water & Wastewater Management	Affordable Basic Infrastructure	Water	Water treatment, distribution, storage, water metering
	Sustainable Water & Wastewater Management	Affordable Basic Infrastructure	Sewer/Drainage	Sewage treatment, distribution, storage, storm drainage systems, dikes, flood protection
7 AFFORDABLE & CLEAN ENERGY	Energy Efficiency	Affordable Basic Infrastructure	Renewable Energy Systems	Solar, hydro electric, heat recapture, energy efficiency retrofits
	Renewable Energy	Affordable Basic Infrastructure	Renewable Energy Systems	Solar, hydro electric, heat recapture, energy efficiency retrofits
	Clean Transportation	Affordable Basic Infrastructure	Transportation/Transit	Airports, public transit, cycling and walking infrastructure
	-	Affordable Basic Infrastructure	Roads	Paving, new roads, road safety improvements, bridges, interchanges, street lighting
11 SUSTAINABLE CITIES & COMMUNITIES	Green Buildings	Affordable Basic Infrastructure	Public Safety	Public safety buildings, fire halls, fire trucks
	Green Buildings	Affordable Basic Infrastructure	Local Government Land & Buildings	Land acquisition, City hall, public works buildings, animal shelters, other Local Government owned facilities
	-	Affordable Basic Infrastructure	Communications Utilities	Fiber optic network, TV rebroadcasting, phone network
	Green Buildings	Affordable Basic Infrastructure	Parks/Recreation/Culture	Parkland, park improvements, recreational facilities, libraries, community halls, theaters, museums
	Environmentally sustainable management of natural resources and land use	Affordable Basic Infrastructure	Parks/Recreation/Culture	Parkland, park improvements, recreational facilities, libraries, community halls, theaters, museums
	-	Affordable Basic Infrastructure	Other	Cemetery improvements, cruise ship dock
	Green Buildings	Affordable Housing	Affordable Housing	Social/supportive housing
12 RESPONSIBLE CONSUMPTION & PRODUCTION	Pollution Prevention & Control	-	Solid Waste Management/Recycling	Landfills, landfill closure, recycling facilities, composting facilities, vehicles for these purposes
13 CLIMATE ACTION	Climate Change Adaptation	-	Environmental Conservation/Remediation	Brownfield remediation, habitat restoration
14 LIFE BELOW WATER	Terrestrial & Aquatic Biodiversity Conservation	-	Environmental Conservation/Remediation	Brownfield remediation, habitat restoration
15 LIFE ON LAND	Terrestrial & Aquatic Biodiversity Conservation	-	Environmental Conservation/Remediation	Brownfield remediation, habitat restoration



Next steps – Improving MFA’s Disclosures – Impact Measurement Reporting Metrics

MFABC’s project categories have numerous options for impact measurement reporting

	Borrowing Purpose	Green and/or Social Category	Illustrative Reporting Metrics
	Sewer/Drainage	<ul style="list-style-type: none"> Sustainable Water and Wastewater Management Affordable Basic Infrastructure 	<ul style="list-style-type: none"> Wastewater treated to appropriate standards or raw/untreated wastewater discharges avoided (liters) Wastewater avoided, reused or minimized at source (liters) Number of people with access to improved sanitation facilities under the project
	Water	<ul style="list-style-type: none"> Sustainable Water and Wastewater Management Affordable Basic Infrastructure 	<ul style="list-style-type: none"> Number of people with access to clean drinking water Reduction in water losses in water transfer and/or distribution (liters) Number of new household water connections
	Parks/Recreation/ Culture	<ul style="list-style-type: none"> Environmentally sustainable management of natural resources and land use Access to Essential Services 	<ul style="list-style-type: none"> Maintenance/safeguarding/increase of natural landscape area in urban areas in km² Percentage of residents with access to green space Number of people reached through cultural programs
	Health/ Social Services	<ul style="list-style-type: none"> Access to Essential Services Socioeconomic Advancement and Empowerment 	<ul style="list-style-type: none"> Number of hospitals and other healthcare facilities built/upgraded Number of education facilities built and/or initiatives provided Number of vulnerable individuals benefiting from training/education programs
	Solid Waste Management/ Recycling	<ul style="list-style-type: none"> Pollution Prevention and Control Affordable Basic Infrastructure 	<ul style="list-style-type: none"> Recycling rates in a given municipality Energy recovered from waste (MWh or KJ) Number of people or percentage of population provided with improved municipal waste treatment or disposal services
	Environmental Conservation/ Remediation	<ul style="list-style-type: none"> Environmentally sustainable management of natural resources and land use 	<ul style="list-style-type: none"> Maintenance/safeguarding/increase of protected area/habitat in km² Absolute number of indigenous species, flora or restored through the project Annual GHG emissions reduced/avoided in tCO_{2e}

Illustrative Impact Metrics for MFABC ESG Case Studies

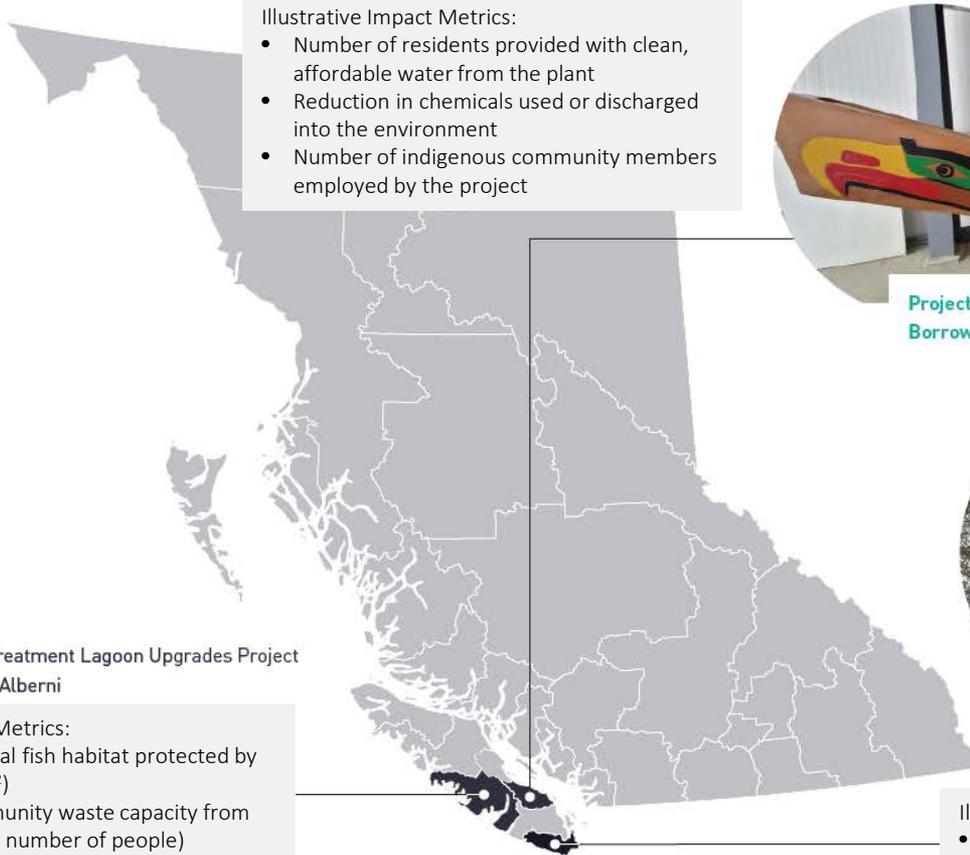
Regional Infrastructure Project Highlights



Project: Port Alberni Treatment Lagoon Upgrades Project
Borrower: City of Port Alberni

Illustrative Impact Metrics:

- Area of additional fish habitat protected by the project (km²)
- Increased community waste capacity from project (liters or number of people)
- Reduction of harmful effluents released into the environment (liters/tons)



Illustrative Impact Metrics:

- Number of residents provided with clean, affordable water from the plant
- Reduction in chemicals used or discharged into the environment
- Number of indigenous community members employed by the project



Project: The Comox Valley Water Treatment Project
Borrower: Comox Valley Regional District

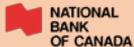


Project: P25 System Upgrade (Emergency Transmitters and Receivers)
Borrower: Capital Region Emergency Service Telecommunications, Inc

Illustrative Impact Metrics:

- Additional residents provided with access to emergency services
- Number of natural disasters and climate-related emergencies communicated through the system

MFA's Suite of Pooled Investment Products

	 (3) Pooled High Interest Savings Accounts	 Money Market Fund	 Government Focused Ultra-short Bond Fund
<i>Key Features</i>	   Best for soon needed funds. Balances favourable interest rates and liquidity. Monies held with Domestic Systemically Important Banks ✓ <i>Favourable deposit rates negotiated by MFA</i> ✓ <i>Monthly Interest</i>	This Fund is suited for Investors who must maintain adequate liquidity, while benefitting from asset diversification. This Fund holds a portfolio of very short-term securities, focused on high-quality corporates. The Fund seeks a yield advantage through active market and credit analysis. ✓ <i>Monthly distributions</i>	The main objective of this Fund is to provide safety and liquidity. This Fund maintains a bias towards safe and favourable Federal and Provincial Securities, holdings may include up to 25% Big 6 Banks debt securities. Securities acquired for the Fund may have a maximum maturity of 2 years. This Fund does not invest in non-bank corporates. ✓ <i>Monthly distributions</i>
<i>Suggested Investment Time Horizon</i>	0 – 12 months	0 – 24 months	0 – 24 months
<i>Trailing 12-month Total Return * ‡</i>	N/A	0.16%	-0.18%
<i>Current Yield †</i>	0.97 – 1.05% ‡	0.470%	1.26%
<i>Total Annual Fees</i>	3 bps	12.5 bps	12.5 bps

Management and composition of Funds subject to MFA's Pooled Investment Funds Investment Policies, Objectives, and Guidelines Agreement with Fund Manager(s). || Call MFA for details.

* Trailing 12-month Total Return equal to change in NAV value plus distributions over the past 365 days to Feb.28, 2022; past performance does not guarantee future performance. † Before fees. ‡ Net of total fees and expenses.

FFF refers to Fossil Fuel Free defined here as (1) Funds which exclude investments issued by companies directly involved in extracting, processing, or transporting coal, oil or natural gas; and (2) Savings Accounts offered by financial institutions.

ESG integrated refers to Funds which are managed by signatories to the UN's Principles of Responsible Investment.

MFA's Suite of Pooled Investment Products

	 Short-term Bond Fund	  Fossil Fuel Free Short-term Bond Fund	 Pooled Mortgage Fund	  Diversified Multi-asset Class Fund
Key Features	<p>Designed for Investors with a 2 to 5 year investment horizon as the Fund maintains a longer duration versus the MM and Ultra-short Funds.</p> <p>This Fund provides instant diversification through a broad asset mix of high-quality government and corporate securities.</p> <p>The Fund seeks a yield advantage through active market and credit analysis.</p> <p>✔ Monthly distributions</p>	<p>This Fund is benchmarked against the same index as the ST Bond Fund, however screens-out companies involved in the extraction, processing and transportation of coal, oil, and natural gas.</p> <p>Designed for Investors with a 2 to 5 year investment horizon.</p> <p>This Fund provides instant diversification through a broad asset mix of high-quality government and corporate securities.</p> <p>The Fund seeks a yield advantage through active market and credit analysis.</p>	<p>This Fund is designed to provide asset class diversification for local government investment portfolios. Best suited for cash not needed for 3+ years.</p> <p>The Fund invests in high-quality 1st mortgages on Canadian income producing commercial properties – such as retail, multi-residential, office and industrial.</p> <p>✔ Minimum 1.25x CF coverage</p> <p>✔ Maximum 75% Loan-to-value</p>	<p>Designed to invest capital over the long-term and grow at a rate that exceeds inflation by 3.5%, while minimizing risk through asset class selection and diversification.</p> <p>The Fund will be broadly invested in Fixed Income, Equities, and Alternative investments.</p> <p>✔ Preserve long-term purchasing power</p> <p>✔ Alternative Investments at very attractive pricing.</p> <p>✔ Gain exposure to professionally managed growth assets.</p>
Suggested Investment Time Horizon	2 – 5 years	2 – 5 years	3 years + (redemption restrictions may apply)	10 years + (redemption restrictions may apply)
Trailing 12-month Total Return * ‡	-1.14%	-1.29%	-0.87%	N/A
Current Yield †	1.96%	1.94%	2.81%	5.90% §
Total Annual Fees	20 bps	20 bps	25 bps	33 bps

Management and composition of Funds subject to MFA's Pooled Investment Funds Investment Policies, Objectives, and Guidelines Agreement with Fund Manager(s). § estimated.

* Trailing 12-month Total Return equal to change in NAV value plus distributions over the past 365 days to Feb.28, 2022; past performance does not guarantee future performance. † Before fees. ‡ Net of total fees and expenses.

FFF refers to Fossil Fuel Free defined here as (1) Funds which exclude investments issued by companies directly involved in extracting, processing, or transporting coal, oil or natural gas; and (2) Savings Accounts offered by financial institutions.

ESG integrated refers to Funds which are managed by signatories to the UN's Principles of Responsible Investment. "Carbon Light" refers to strategies which minimize a portfolio's carbon impact including up to ~40% FFF.

Lack of standardization in ESG: many reporting & disclosure standards are being developed

Standardizing disclosures related to Environmental, Social and Governance factors (ESG) is critical to be able to incorporate data into the investment process and help deal with Greenwashing

Reporting landscape: initiatives driving ESG reporting



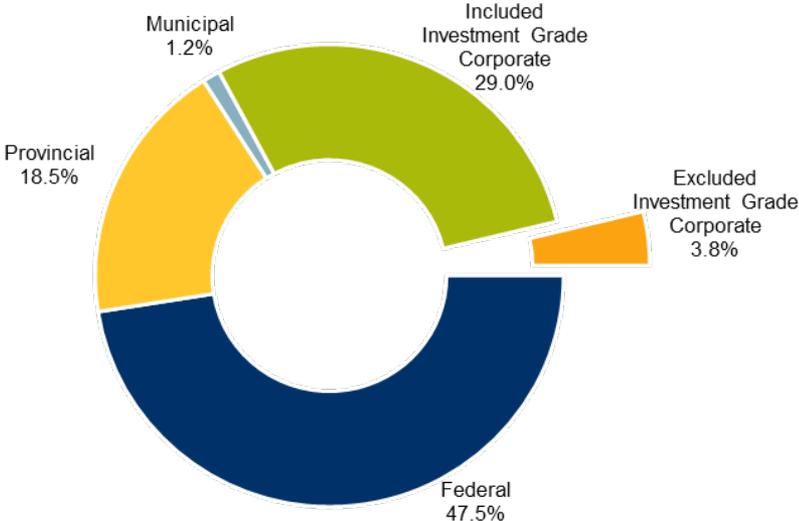
MFA's FFF Short-term Bond Fund Overview

- The Fossil Fuel Free Short-term Bond Fund provides a credible well-diversified active investment solution for clients who choose to divest from fossil fuel investments
 - Leverages the same PH&N investment team and process with a proven track-record
 - Uses a 3rd party screening service provided by Sustainalytics to identify permissible investments
 - Excludes companies directly involved in the extracting, processing or transporting coal, oil or natural gas
- Fund Characteristics:
 - Benchmark = FTSE Canada Short Term Overall Bond Index
 - Key Investment Guidelines:

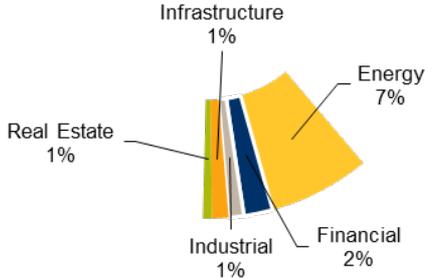
<u>Sector Concentration:</u>	<u>Max</u>	<u>Credit Quality:</u>	<u>Max</u>
Government securities	100%	A- and above	100%
Corporate	70%	BBB- to BBB+	25%
Non-Canadian dollar exposure	20%	Below BBB-	0%
Non-Canadian securities	30%	<u>Interest Rate Guidelines</u>	
Maples	10%	Benchmark +/-1 year duration	
Illiquid assets	10%	Average term to maturity between 2 and 4 years	
RRB and TIPS	10%	Max 7 years and 3 months for any individual security	

FFF Screen has minimal impact on investable universe

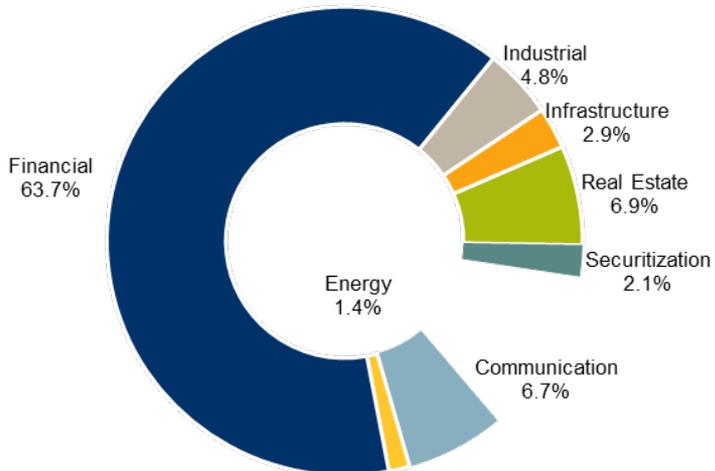
FTSE Canada Short Term Overall Bond Index



Sector breakdown of excluded investment grade corporate bonds (% of overall investment grade corporate)



Sector breakdown of remaining investment grade corporate bonds (% of overall investment grade corporate)

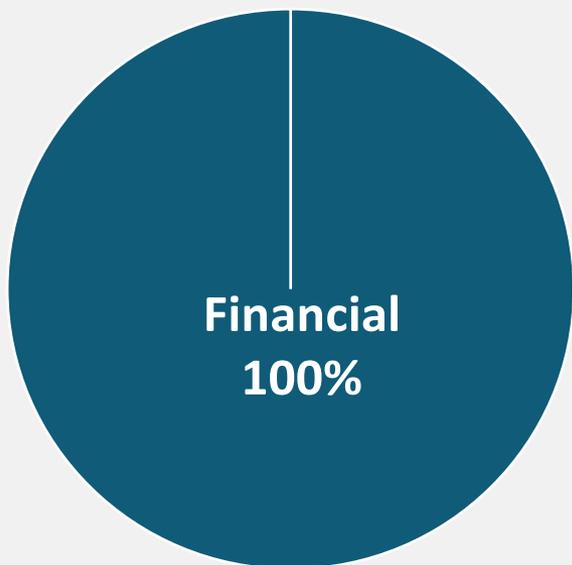


Estimated in 2019

Can SRI investing lead to bad outcomes? The importance of diversification

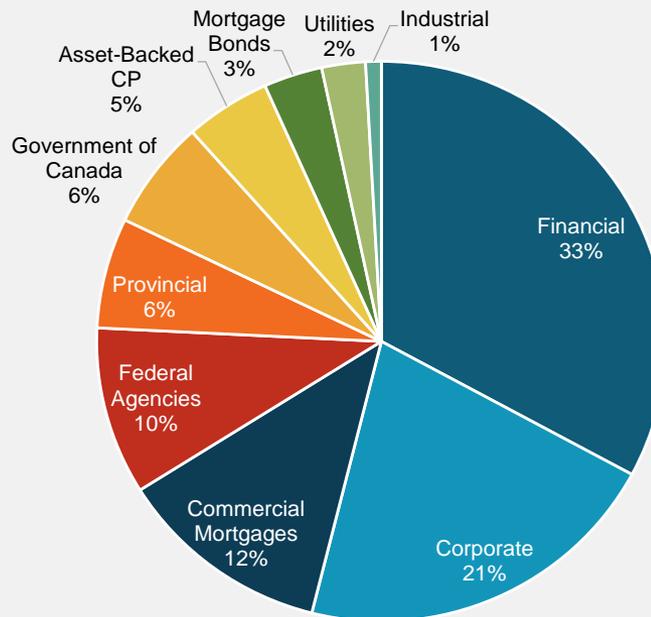
Portfolio A: Current Yield 1.4% ⁽¹⁾

- **\$100mm municipal investment portfolio:**
 - \$15mm of cash in main financial institution
 - \$5mm of short-term cash invested in GIC
 - \$15mm of bank deposits notes owned
 - **\$65mm invested in a diversified, laddered GIC portfolio, spread across 15 credit unions throughout Canada**
- *What is your sector exposure?*



Portfolio B: Current Yield 1.0% ⁽¹⁾

- **\$100mm municipal investment portfolio:**
 - \$15mm of cash in main financial institution
 - \$15 million in GICs with 5 different financial institutions
 - \$10mm in the MFA Money Market Fund
 - \$45mm in the MFA Bond Fund
 - \$15mm in the MFA Mortgage Fund
- *What is your sector exposure?* ⁽²⁾



Investors look to maximize “risk-adjusted” returns, not just returns.

Diversification is not free, but it is a vital component of a healthy portfolio.

Source: MFABC, PH&N

Note: (1) Illustrative yield shown for discussion purposes, (2) Illustrative sector exposure shown for discussion purposes only – THIS IS NOT A RECOMMENDATION

Question Period



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