



Investment Policy Statement

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1. Scope and Purpose

a. Purpose

This Investment Policy Statement (“IPS”) is issued by the Board of Directors (“the Board”) of InBC Investment Corp. (“InBC”). It stipulates the principles that InBC must adhere to when investing and managing assets entrusted to it by the Province of British Columbia (“the Province”).

This IPS:

- Identifies the *InBC Investment Corp. Act* (“the Act”) as the enabling legislation through which InBC conducts its investment activities;
- Defines the roles and responsibilities of the parties involved in the investment process. This IPS defines the role of the Board of Directors, the Chief Executive Officer (“CEO”), and the Chief Investment Officer (“CIO”) in executing, monitoring, and reporting on the performance of InBC’s investments and ensuring InBC’s assets are managed in compliance with InBC’s investment policies and guidelines;
- Establishes a structure of guidelines and policies within which InBC’s CIO can exercise their statutory authority when investing InBC’s assets, and against which the performance of the CIO may be assessed by the Board;
- Describes InBC’s investment objectives, risk tolerance, constraints, and reporting requirements. It is designed to be a strategic document and will remain in effect unless revisions are agreed to by the Board;
- Specifies the responsibilities for risk measurement, monitoring, and management, and the risk parameters within which the Board, CEO, and CIO will execute their responsibilities.

The CEO shall provide a copy of this IPS to the CIO of InBC, and a copy will be made available to each external fund manager retained to manage InBC’s assets. The CEO will be made aware and each party shall acknowledge in writing receipt of the document and acceptance of its content.

This IPS does not apply in respect of investments that are made under agreements that were in place before the *InBC Investment Corp. Act* came into force on May 20, 2021. These investments include infrastructure loans made by InBC as a participant in the Immigrant Investor Program, and venture capital investments held by the B.C. Renaissance Capital Fund Ltd., InBC’s wholly owned subsidiary.

2. Governance

a. Legislative Requirements

The *InBC Investment Corp. Act* establishes legislative provisions that guide this IPS. Details of the provisions within the Act that are material to this IPS are provided in Appendix A – *InBC Investment Corp. Act*.

b. Shareholders

The shareholders of InBC are the Minister of Finance and the Minister of Jobs, Economic Development and Innovation, on behalf of the Government of British Columbia.

The shareholders issue written communication to the Chair of the Board of Directors describing the social, economic, and environmental policy objectives of government they wish InBC's investments to support¹. The shareholders may supplement this direction with additional written direction to the Board to clarify policy objectives or to require the Board to report to them on significant matters.

InBC, through the Chair of the Board, is responsible for reporting on InBC's investment performance in a prescribed manner. The shareholders are responsible for prescribing the requirements of this reporting.

c. Board of Directors

The Board is the highest decision-making body of InBC. It establishes the mission, values, and goals of the company. The Board may establish committees of the Board; however, any established committees must be chaired by a Director of the Board. The primary responsibilities of the Board of Directors, and its committees, as they pertain to this IPS, are:

1. Communicating the policy objectives referred to in section 4(1)(b) of the Act in writing to the CIO in accordance with the Act.²
2. Through the Board Chair, in concert with the CIO, developing a formal IPS, based on the written direction provided by the shareholders.
3. Holding the CIO accountable for the delivery of the IPS.
4. Approving the investment policy of InBC and ensuring the alignment of InBC's investment policy with the policy direction provided by the shareholders.
5. Monitoring and evaluating the implementation of the investment policies.
6. Recommending to the CEO, an individual for appointment as CIO of InBC.
7. Verifying procedures are in place to ensure compliance with statutory reporting obligations of InBC.
8. Approving and providing oversight of the risk management policies of InBC.
9. Managing conflicts of interest of the Board, the CEO, and the CIO. InBC has established a corporate conflict of interest policy. The policy is articulated in 3 ways:
 - a. InBC's Board Governance Manual and Conflict of Interest Policy is published on its website.

¹ *InBC Investment Corp. Act* s.4(1) The purposes of the corporation are as follows: (a) to make investments that achieve a financial return; (b) to make investments that support the social, economic and environmental policy objectives of the government.

² *InBC Investment Corp. Act* s.16(4) ...the policy objectives referred to in section 4 (1) (b) are to be determined by the minister and the Minister of Finance, acting jointly, and communicated in writing to the chief investment officer by the chair of the board.

- b. InBC's Conflict of Interest and Disclosure Policy which all employees adhere to as a term of employment
- c. InBC's 'Ethical Wall' policy which guides the use of sensitive information within the organization, and procedures for assessing and mitigating conflicts of interest on an ongoing basis.

The Chair of the Board acts as a liaison between the Board and the shareholders. The Chair of the Board acts as a liaison between the Board and InBC management through the CEO.

The Board has established the Audit, Investment, and Risk committee ("the AIR committee") to provide oversight responsibilities relating to financial planning and reporting, non-financial impact metrics, external audit, accounting systems and controls and risk management.

- i. **Audit, Investment, and Risk ("AIR") Committee**

Specific to oversight of risk management and investments, the AIR committee will:

1. Oversee the annual review of the Investment Policy Statement and, based on recommendations from the management team and committee input, makes a recommendation for approval to the board.
2. Review quarterly investment reports and fund performance metrics and ensure adherence to the Investment Policy Statement.
3. Review reports on investments and investment activities, investment valuations, and portfolio performance.
4. Review and make recommendations on the non-financial metrics used to assess the performance of InBC and its investment portfolio.
5. Support the Board with respect to risk management and understands the material risks to InBC.
6. Oversees the construction of a risk management framework and receives regular reports on the management of material risks to InBC.

d. Chief Executive Officer

The CEO, on the recommendation of the Board, appoints the CIO.

The CEO provides leadership for InBC and has overall responsibility to the Board for the general supervision and direction of the corporation and its staff. The CEO does this by leading and managing InBC through the development and implementation of strategies and policies, the management of its human resources, efficient and effective operations, managing conflicts of interest of InBC staff, and performing such other duties as may be set forth as specified by the Board in bylaws or resolution.

The CEO is not responsible for investment decision-making or investment management.

The CEO is the primary liaison between the Board and the CIO.

e. Chief Investment Officer

The CIO is responsible for investment decision-making and management of InBC's investments consistent with the terms set forth in this IPS.

The CIO is responsible for ensuring that investments of the assets of InBC are made:

- (1) in order to achieve a financial return, and
- (2) in accordance with the policy objectives of the government as communicated in writing by the Chair of the Board.

In fulfilling this role, the CIO may rely on InBC's internal team of investment professionals and external fund managers that the CIO chooses to retain.

The exclusive authority of the CIO to make investment decisions is expressly prescribed in section 18 of the Act.

In exercising their responsibilities, the CIO will act in good faith and with the skill and care of a professionally qualified investment professional and act as a prudent investor on behalf of InBC's shareholders.

The primary responsibilities of the CIO, as they pertain to this IPS, are:

1. Providing leadership and oversight for InBC's team of investment professionals.
2. Acknowledging in writing acceptance of the terms set forth in this IPS, and executing InBC's investment operations in accordance with the IPS and the Act.
3. Performing due diligence on and selecting investments consistent with the terms set forth in this IPS.
4. Procuring and performing due diligence in the selection of, and dismissing of, any external fund managers engaged to manage InBC's assets in accordance with this IPS.
5. Ensuring the external fund managers' stated investment strategy align with this IPS.
6. Ensuring the external fund managers' services are provided at reasonable and competitive cost.
7. Monitoring each external fund manager's performance in accordance with this IPS and the manager's stated investment strategy.
8. Rebalancing investments as required to meet the objectives and comply with this IPS.
9. Monitoring investment performance.
10. Reporting important investment-related performance measures, such as asset allocation, impact metrics, and financial metrics to the CEO and Board.
11. Reviewing the IPS regularly and recommending revisions to the CEO and Board as necessary.

The CIO will serve as the primary liaison for InBC's external fund managers, direct investments, and internal investment staff.

Beyond the formal governance structures, InBC will have consultation with external advisors. For example, as part of the due diligence process, InBC will engage external advisors with sectoral or community expertise to provide advice.

f. External Advisory Circle

The CIO and CEO, acting jointly, may appoint an external advisory circle to support with due diligence. The primary responsibilities of an External Advisory Circle will be to support the CIO by:

1. Providing industry insights on market outlook and investment strategies.
2. Advising on potential areas of risk specific to an individual investment, and/or across the portfolio.
3. Advising the CIO on information pertaining to specific sectors, regions, and demographics.

The External Advisory Circle will not have any investment decision-making authority.

g. Investment Review Committee

No person other than the CIO or an external fund manager retained by InBC may make an investment decision.³

The Investment Review Committee is composed of CEO, CIO, CFO, General Counsel and senior investment team members to support the CIO in reviewing investment decisions. The investment decision process is further outlined in Appendix D – Risk Management Framework and Investment Approval Process.

The primary responsibilities of the Investment Review Committee will be to support the CIO by:

1. Advising on potential areas of risk specific to an individual investment, and/or across the portfolio.
2. Advising the CIO on whether an investment complies with this IPS and Investment Risk Management Framework.
3. Reviewing for potential conflicts of interest.

The Investment Review Committee will provide a recommendation to the CIO but will not have investment decision making authority.

³ *InBC Investment Corp Act* s.18(1)⁴ Practices are informed and guided by UN Principles for Responsible Investment, and the Reconciliation & Responsible Investment Initiative: Advancing Reconciliation in Canada, A Guide for Investors (S. Rohan).

3. Investment, Return, and Risk Objectives

a. Investment Objectives

InBC will invest on a triple bottom line basis. This means InBC's investment objective is to optimize financial returns, act as a responsible steward of shareholder capital, and pursue positive social, economic, and environmental outcomes.

Financial objectives will consider the extent to which InBC's investments grow the market value of InBC's assets, net of inflation and operating expenses and cost of capital over long timeframes, and that are consistent with InBC's time horizon and the prudent assumption of risk.

Social, economic, and environmental objectives have been identified across four impact objectives and are further defined in Appendix C – Impact Objectives.

Given that social, economic, environmental, and financial returns can fluctuate considerably with other macroeconomic variables, success relative to these objectives will be evaluated, over the long term consistent with InBC's time horizon, with due consideration given to specific market conditions during such time.

i. Financial Return Objectives

InBC will not be targeting concessionary returns; the investment return objective is to be risk- and impact-weighted market returns over the investment horizon established in this IPS.

The investment return objectives are considered on a portfolio basis and are not meant to be imposed on each individual investment.

ii. Social, Economic, and Environmental Return Objectives

InBC's social, economic, and environmental return objectives are aligned to four impact objectives:

- Driving Climate Action
- Innovating for the Future
- Advancing Reconciliation
- Elevating Inclusive Communities

Further information on these impact objectives and the approach for measuring them can be found in Appendix C – Impact Objectives.

b. Risk Objectives and Risk Tolerance

InBC recognizes risk must be assumed in order to achieve its investment objectives. Investment decisions will be made within the Investment Risk Framework as included in Appendix D – Risk Management Framework and Investment Approval Process.

InBC follows a risk management framework for assessing, monitoring, and managing risk so that it may be prudently incorporated in all of InBC's investment decisions. This

includes criteria and guidelines on how to screen investment opportunities that incorporate both financial and social, economic, and environmental return objectives.

InBC considers risk both in terms of the likelihood of achieving long-term financial returns, and likelihood of achieving social, economic, and environmental objectives.

In establishing the risk tolerances for its financial returns, InBC's ability to withstand short, intermediate, and long-term fluctuations was considered. InBC's investment time horizon, current financial condition, and level of funding in the portfolio allow for InBC to tolerate short- and medium-term fluctuations in market value and rates of return in order to achieve its longer-term investment objectives.

In establishing the risk tolerances for its social, economic, and environmental objectives, InBC considered the overall economic environment, and objectives of the shareholders of InBC. The importance of fostering a resilient economic climate and the importance to the shareholders of InBC of achieving social, economic, and environmental outcomes to the benefit of the people of British Columbia, means there is a low risk tolerance to not achieving impacts in these areas in the medium term.

c. Constraints

i. Time Horizon

InBC's investment objective of achieving financial returns and social, economic, environmental impacts means that most investment opportunities will only be fully realized over the long term. This means InBC's investment time horizon is greater than 10 years.

As a source of patient capital for B.C. companies, InBC will tailor the holding period of its investments to maximize the potential for successful execution of its portfolio companies' societal, economic, environmental, and financial impacts. InBC does not expect that all investment objectives will be attained in any one year or through any single investment. Investment performance will therefore be assessed on a portfolio basis, recognizing the portfolio objectives will be realized over the long term.

When possible, and where it aligns with InBC's investment objectives, InBC will attempt to diversify its portfolio into investments with shorter time horizons (less than 10 years).

ii. Liquidity

As a long-term investor with no distributions to its shareholders anticipated for the foreseeable future, InBC may invest in assets with low levels of liquidity. InBC will conduct post-investment monitoring and management to assess the performance of its portfolio and ensure alignment with InBC's stated investment objectives. For investments that may no longer be aligned to InBC's objectives, InBC will evaluate opportunities to responsibly exit the positions.

InBC's objectives of investing in small- and medium-sized B.C. companies means InBC's investments will be primarily concentrated in private assets that do not trade on public exchanges. Such investments are highly illiquid.

There are risks associated with investing in illiquid assets. Illiquid investment positions may not be disposed of quickly without accepting a significant discount in investment value on disposition. InBC must therefore maintain a long-term view to managing its investment portfolio. This means InBC must utilize financing facilities to manage its liquidity and meet its cash requirements.

InBC will manage its liquidity requirements through Fiscal Agency Loan arrangements through the Ministry of Finance of the Province of British Columbia. InBC may draw on these Fiscal Agency Loans to meet the liquidity needs of its investment activities.

iii. Leverage

In accordance with the Act, InBC must not borrow money without the prior written approval of the Minister of Finance.

InBC has approval from the Minister of Finance to borrow up to \$500 million through a Fiscal Agency Loan from the Ministry of Finance for the purposes of financing InBC's investments. InBC also uses derivatives to manage interest rate risk associated with its Fiscal Agency Loan. As a result of these financing arrangements, InBC's portfolio will be leveraged.

InBC will not further leverage its portfolio through any arrangement beyond the arrangements in place with the Ministry of Finance, without prior written approval from the Minister of Finance.

InBC will not add additional sources of leverage to its portfolio either explicitly through borrowing, or implicitly through entering derivative arrangements.

Where InBC invests in an external fund manager through a Limited Partnership Agreement ("LPA"), the external fund manager may use leverage in managing its investment fund, subject to the terms of the LPA, as agreed to by InBC's CIO.

iv. Responsible Investment

InBC's approach to responsible investment incorporates environmental, social, and governance ("ESG") factors in investment decisions and active ownership. ESG considerations, including climate risk, are fundamental to long-term risk and return. InBC will also ensure that diversity, equity, and inclusion are incorporated into investment practices.

InBC will emphasize investment in companies that create a positive impact in British Columbia. InBC's social, economic, and environmental investment objectives will be guided by the shareholder direction, and recognized frameworks and standards such as the United Nations' Principles for Responsible Investment, Sustainable Development Goals, and the Declaration on the Rights of Indigenous Peoples.

These objectives and the desired impacts are described more fully in Appendix C – Impact Objectives.

Exclusions are appropriate in situations where an investment has foreseeable impacts that are contrary to the social, economic, and environmental objectives of InBC's shareholders. InBC's minimum exclusion list is provided as Appendix E – InBC Exclusions.

v. **Geographic restrictions**

InBC's investment objectives envision achieving financial returns while also delivering on specified social, economic, and environmental objectives for the benefit of British Columbians. InBC will invest in companies and funds located in B.C. or with a strong connection to B.C. InBC will work with external fund managers and investees to maintain commitment to their strong connection to B.C. as part of the due diligence and post-investment monitoring processes.

4. Risk Management

a. Performance Measurement and Reporting Accountabilities

Through the Audit, Investment, and Risk committee, InBC Board's will monitor InBC's investment portfolio to ensure compliance with this IPS. An Enterprise Risk Management framework has been developed to support this assessment.

In order to ensure that the Board is able to fulfill its duties with respect to prudent oversight of this portfolio, the CEO will provide detailed reports at least quarterly to the Board, or a designated Committee of the Board. Quarterly reports on the status of the investment portfolio will be provided to the shareholders.

On a quarterly basis the Board of Directors will perform a review of:

- The CEO's report on the investment program and how investment decisions within the past quarter are appropriate in light of the standards described in Appendix B – InBC Portfolio and Appendix D – Risk Management Framework and Investment Approval Process.
- A commentary on investment results in light of the appropriate standards of performance described in Appendix C – Impact Objectives, measured annually, year-to-date, and annualized periods, and since inception.
- A synopsis of the key investment decisions made by the CIO, their underlying rationale including information on each investment made in the time period under review and how the investment is appropriate under this IPS, and how those decisions could affect future results. No confidential or commercially sensitive information about the investments will be shared.
- A discussion of the CIO's outlook, what investment decisions this outlook may trigger and how these decisions could affect future results.

Unless approved by the AIR committee, if an investment fails to comply with this IPS, the Board will direct the CIO to rectify the situation within a reasonable time frame.

The Act requires InBC to report to the shareholders on the performance of the investments of the corporation on an annual basis. The shareholders will specify the form and manner of the annual reporting. The Board will establish the form and desired content of the annual report with the shareholders in advance of the annual reporting cycle to ensure the material inputs to this reporting are subject to quarterly Board review.

b. Risk Management and Evaluation

InBC will manage risk in achieving its financial and social, economic, and environmental objectives and the Risk Management Framework is outlined in Appendix D – Risk Management Framework and Investment Approval Process. InBC balances portfolio risk through a “top down” approach considering diversification, concentration risk, reputational risk and manager and enterprise limits. InBC assesses idiosyncratic company level risks through a “bottom-up” approach considering risks on a case-by-case basis integrating financial, impact and Environment, Social, and Governance factors in its investment assessments.

i. Diversification

InBC will diversify its investments in such a manner as to pursue its return objectives within its defined risk tolerance. Portfolio diversification reflects an attention to investment risks by seeking to diversify across asset classes, the eight (8) B.C. economic regions, economic sectors, and stages of business development (from start up to mature companies). Diversification will seek to manage risk exposure to factors such as interest rate fluctuations, limited liquidity, limited transparency of securities not traded on an exchange, macroeconomic factors, geopolitical, and catastrophic events to appropriate levels.

It is recognized that diversification is subject to the constraints of the portfolio objectives described in Appendix B – InBC Portfolio, and Appendix C – Impact Objectives.

ii. Concentration

InBC considers the risk of concentrating its portfolio investments within any single external fund manager, or a single investment position with a company. InBC also considers risk in context of the position it takes in relation to other investors in a fund, or funding round. Portfolio concentration and ownership concentration thresholds are described in Appendix B – InBC Portfolio.

In exceptional situations the Board may approve exceeding this threshold, such as where the nature of security and guarantees are deemed sufficient, or the impact potential that is enabled as described by performance measures in Appendix C – Impact Objectives.

iii. Valuation process

Fund investments are reported at fair value, based on the quarterly reporting provided by the fund General Partner. Fair value for fund investments is determined by the limited

partnerships based upon valuation techniques considered appropriate by the fund General Partner and InBC's CIO. Valuation techniques may include techniques such as discounted cash flows, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. InBC relies upon the General Partner's valuation of the investments in the limited partnerships. The value of direct investments in companies will be reported at cost until an external event such as a subsequent investment round or an acquisition provides clear, market-based evidence of a change in valuation. At such time, InBC will recognize a valuation adjustment to present the most recent transaction value as the fair value of the direct investment.

Any debt investments will be valued at amortized cost.

Investments are tested annually for impairment in accordance with InBC's investment valuation policy.

iv. Environmental, Social, and Governance ("ESG") Integration

InBC considers risk by investing in companies with good governance, integrity, and accountability to both people and planet. ESG screening will be used to screen investment opportunities to mitigate negative ESG risks, including climate risk.

In addition to ESG screening criteria, InBC will emphasize investment in companies that produce qualitative and quantitative impact outcomes that are defined in Appendix C – Impact Objectives. InBC will play a role in helping to advance companies and funds with incorporating ESG and DEI considerations if they are early in this process.

v. Diversity, Equity, and Inclusion ("DEI") Integration

This IPS is based on triple bottom line investment criteria that recognize the value that diversity, equity, and inclusion can deliver in InBC's investments.

InBC Directors and staff are committed to building investment practices that integrate DEI and recognize and respond to challenges faced by a diversity of British Columbians.

DEI Practices⁴ include:

- Building respectful relationships with all people in British Columbia. Through recruiting, supporting, and retaining a diverse and inclusive Board of Directors and investment team, InBC will leverage shared experience to effectively deliver on a triple bottom line.
- Investing in the professional development of staff to advance awareness of diversity, equity, and inclusion within the organization. Through providing ongoing learning opportunities to Board and staff, InBC will seek to increase

⁴ Practices are informed and guided by UN Principles for Responsible Investment, and the Reconciliation & Responsible Investment Initiative: Advancing Reconciliation in Canada, A Guide for Investors (S. Rohan).

- understanding and appreciation of Indigenous history and culture and to increase understanding of the experience of historically marginalized groups.
- Recognizing and integrating internationally accepted principles in investment processes that go beyond traditional concepts of risk and return. Consistent with the principles laid out in the United Nations Declaration on the Rights of Indigenous People (“UN DRIP”), InBC will embed respect for Indigenous Peoples’ rights in its policies and practices. InBC will look to the highest standards, such as UN Sustainable Development Goals and UN Principles for Responsible Investing, to shape its investment practices.
 - Integrating awareness into the ESG framework, including encouraging investee companies to improve disclosures on reconciliation and respect for Indigenous Peoples’ rights, gender balance, diversity and pay equity, and environmental impacts. InBC will also use its voice as an investor and shareholder to influence company practices.
 - Investing in an inclusive B.C. economy. InBC will invest patiently with the objective of realizing meaningful changes that deliver a more inclusive economy that meets the needs of more people in B.C. InBC will seek out investment products and opportunities aimed to support the development of an inclusive economy. DEI will also be embedded in the impact measurement as described in Appendix C – Impact Objectives.

The CIO will seek out and engage with external fund managers who share InBC’s values to form long term, sustainable partnerships to realize the potential of our investments and integrate these practices throughout InBC’s portfolio.

c. Asset Allocation Monitoring

Acceptable ranges for asset classes are described in Appendix B – InBC Portfolio.

Allocations will be reviewed quarterly with the CIO, CEO, and Board of Directors. If an asset class allocation should move outside of its acceptable bands or might be reasonably expected to do so in the future, the CIO will notify the Board of Directors and the CEO promptly.

The CEO and Board should work with the CIO to understand the reason for the overweighting and agree to a reasonable plan to restore the allocation back within the acceptable bands.

The asset allocations ranges will be monitored and reassessed as necessary based on changing market needs and conditions. Any proposed adjustments will be reviewed and approved by the CEO and Board of Directors before being implemented by the CIO.

Appendix A - *InBC Investment Corp. Act*

Section 2	<p><i>InBC Investment Corp. Continued</i></p> <p>(1) InBC Investment Corp. is continued as a corporation consisting of the board.</p> <p>(2) The capital of the corporation is 2 shares with a par value of \$1.</p> <p>(3) One share in the corporation must be issued to and registered in the name of the minister, and the minister must hold that share on behalf of the government.</p> <p>(4) One share in the corporation must be issued to and registered in the name of the Minister of Finance, and the Minister of Finance must hold that share on behalf of the government.</p> <p>(5) For certainty, upon the continuation of the corporation under subsection (1),</p> <ul style="list-style-type: none">(a) the property, rights and interests of InBC Investment Corp., as incorporated under the <i>Business Corporations Act</i>, continue to be the property, rights and interests of the corporation,(b) the corporation is liable for all obligations of InBC Investment Corp., as incorporated under the <i>Business Corporations Act</i>,(c) any cause of action, claim or liability to prosecution that existed in relation to InBC Investment Corp., as incorporated under the <i>Business Corporations Act</i>, continues in relation to the corporation,(d) any legal proceeding initiated or pending by or against InBC Investment Corp., as incorporated under the <i>Business Corporations Act</i>, is continued by or against the corporation, and(e) any conviction against, or ruling, order or judgment in favour of or against, InBC Investment Corp., as incorporated under the <i>Business Corporations Act</i>, is enforceable by or against the corporation.
Section 3	<p><i>Corporation is Agent of Government</i></p> <p>(1) The corporation is an agent of the government.</p> <p>(2) The corporation, as an agent of the government, is not liable to taxation except to the extent that the government is liable.</p>
Section 4	<p><i>Purposes of Corporation</i></p> <p>(1) The purposes of the corporation are as follows:</p> <ul style="list-style-type: none">(a) to make investments that achieve a financial return;(b) to make investments that support the social, economic and environmental policy objectives of the government. <p>(2) Subsection (1) does not apply in respect of investments that are made under agreements that were in place before this Act comes into force.</p>
Section 11	<p><i>Duties and Powers of Board</i></p> <p>(1) The board must manage the affairs of the corporation or supervise the management of those affairs.</p>

- (2) The board
- (a) may exercise the powers conferred on it under this Act,
 - (b) may exercise the powers of the corporation on behalf of the corporation, and
 - (c) must supervise the delegation of any of its powers or duties.
- (3) The board may pass the resolutions or bylaws it considers necessary or advisable for the management and conduct of the affairs of the corporation and for the exercise of the powers and duties of the board.
- (4) Without limiting subsections (2) and (3), the board must pass bylaws that establish a policy, applicable to directors and senior officers, on the disclosure of interests and the handling of conflicts of interest.
- (5) Without limiting subsections (2) and (3) but subject to section 13, the board may pass resolutions or bylaws respecting the calling and holding of meetings of the board or committees of the board and the procedures to be followed at those meetings.
- (6) The board may establish committees of the board to assist the board, which committees
- (a) must be chaired by a director, and
 - (b) may include members of the advisory forum, if any.
- (7) For the purposes of subsections (1) and (2), the board may, by resolution or bylaw, delegate any power or duty of the board or the corporation except
- (a) the power to establish committees of the board,
 - (b) the power to pass resolutions or bylaws respecting the procedures to be followed at meetings of the board,
 - (c) the duty to appoint a chief executive officer and a chief investment officer, and
 - (d) the power to delegate.

Section 15 *Chief Executive Officer*

- (1) The board must appoint an individual as the chief executive officer of the corporation.
- (2) The board may determine the remuneration and the terms and conditions of employment of the chief executive officer.
- (3) The chief executive officer is responsible for the general supervision and direction of the operations of the corporation and its employees and other officers and must exercise the powers and perform the duties that are specified in the bylaws or resolutions of the board.

Section 16 *Chief Investment Officer*

- (1) The chief executive officer must, on the recommendation of the board, appoint an individual as the chief investment officer of the corporation.
- (2) The board, on the recommendation of the chief executive officer, may determine the remuneration and the terms and conditions of employment of the chief investment officer.
- (3) The chief investment officer must ensure that investments of the assets of the corporation are made in accordance with the purposes of the corporation as set out in section 4.

(4) For the purposes of subsection (3), the policy objectives referred to in section 4 (1) (b) are to be determined by the minister and the Minister of Finance, acting jointly, and communicated in writing to the chief investment officer by the chair of the board.

Section 18 *Investment Independence*

(1) No person other than the chief investment officer or an external fund manager retained by the corporation may make an investment decision.

(2) Subject to section 16 (3), in making an investment decision on behalf of the corporation,

- (a) the chief investment officer is not subject to direction from anyone, and
- (b) an external fund manager is not subject to direction from anyone other than the chief investment officer.

(3) For certainty, in making investment decisions on behalf of the corporation, the chief investment officer and an external fund manager are not subject to direction from any of the following:

- (a) the government;
- (b) a minister;
- (c) the board or a director;
- (d) the chief executive officer;
- (e) any other public officer.

Section 20 *No Borrowing or Deficit*

(1) The corporation must not borrow money without the prior written approval of the Minister of Finance.

(2) The corporation must not incur or budget for a deficit, as determined in accordance with generally accepted accounting principles, for a fiscal year without the prior written approval of the minister and the Minister of Finance.

Section 23 *Annual Reports*

(1) The corporation must, for each fiscal year of the corporation, make a report to the minister and the Minister of Finance on the performance of the investments of the corporation.

(2) A report made under subsection (1) must

- (a) be in the form and manner specified by the minister, and
- (b) include any particular information relating to the performance of the investments that is specified by the minister or the Minister of Finance.

(3) The minister must lay a report made under subsection (1) before the Legislative Assembly as soon as practicable and, promptly after doing so, must make the report publicly available.

Appendix B – Portfolio Construction

Target Portfolio

Based on InBC's investment objective, time horizon, risk tolerance, and constraints, the following asset allocation guidelines have been defined for portfolio construction, recognizing that this may not be in balance in the near-term as the portfolio is initially being established. The portfolio model incorporates ranges for target allocation, recognizing that market conditions and needs will evolve over time and will be monitored and reassessed as necessary.

	Companies	Funds
Portfolio Allocation	65-70%	30-35%
Target capital deployment*	\$325-350M	\$150-175M
Ownership limits	No greater than 25% for an individual company, on a partially diluted basis	No greater than 33.3% for a single fund or single fund manager
Concentration Limits	No greater than 4% (\$20M total) in an individual company at point of investment, this is inclusive of any follow-on funding	No greater than 2% (\$10M) in a single fund No greater than 5% (\$25M) in a single fund manager
Stages	Early Stage (Series A / B) Later Stage (Series C and later)	Seed Stage (pre-seed / seed) Early Stage (Series A / B) Later Stage (Series C and later)

**Note: total capital deployment not to exceed \$500M*

Definition of Stages

Seed Stage

Consistent with the Canadian Venture Capital Association (CVCA) definition, InBC considers the seed stage to encompass companies that have a concept or product under development but are probably not fully operational.

InBC will invest in seed stage companies through external fund managers and alongside other limited partners in funds, and funds of funds that share our commitment to investing to grow clean, inclusive businesses.

InBC's focus at the seed stage will be to invest in emerging and established fund managers with the goal of increasing the capacity of funds that make investments aligned with InBC's objectives (see Appendix C – Impact Objectives). This will be re-evaluated over time based on market needs.

Early Stage

Consistent with CVCA definition, InBC considers the early stage to encompass companies that have a product or service in testing, or pilot production. In some cases, the product may be commercially viable and the company is beginning to generate revenue.

InBC's focus at the early stage will be to invest directly in companies at the early stage where the investment has strong alignment with impact measures described in Appendix C – Impact Objectives. InBC may also invest in emerging and established external fund managers with the goal of increasing the capacity of funds investing with objectives that are aligned with those of InBC (see Appendix C – Impact Objectives).

Later Stage

Consistent with CVCA definition, InBC considers later stage to encompass companies that have a product or service in production and commercially available, generating ongoing revenue but not necessarily profitable. Companies at this stage are looking for capital to scale their revenue and operations.

InBC will actively seek out opportunities to invest directly in companies at this stage who align with InBC's impact objectives per Appendix C – Impact Objectives. InBC may also invest as a limited partner into emerging and established external fund managers with the goal of increasing the capacity of funds investing with objectives that are aligned with those of InBC (see Appendix C – Impact Objectives).

Geographical Considerations

InBC will look to invest in companies across all eight economic regions of British Columbia. InBC will invest in companies and funds located in B.C. or with a strong connection to B.C. InBC will work with companies and external fund managers to maintain and/or strengthen their connection to B.C. as part of the due diligence and post-investment monitoring processes.

Investment Vehicles

InBC is starting with equity investments and over time will consider debt, convertible debt, or royalty/revenue-based financing based on market needs.

As a patient investor, InBC will position itself as minority shareholder, and as a partner in the development of companies with a positive social, economic, and environmental impact in B.C. Its objective is to partner with other public and private investors to finance

companies with the capacity to demonstrate measurable social, economic, and environmental impact while growing their company in British Columbia.

In situations where the private sector is competing for investment share, InBC will consider its ability to provide financial and non-financial additionality to complement other sources of public and private investment.

Appendix C – Impact Objectives

InBC has identified four impact objectives as illustrated in Figure 1, and portfolio companies must demonstrate a commitment to making an impact in **one or more** of these objectives. InBC has two paramount considerations when assessing investment opportunities:

1. Portfolio companies must clearly demonstrate their ability to drive change in alignment with InBC's impact objectives. To this end, portfolio companies must demonstrate how their inputs (e.g., equipment, material, and labour) and their activities (e.g., new processes, products/services or expansion of operations), lead directly to a measurable change in line with InBC's objectives.
2. Portfolio companies must clearly demonstrate that InBC's investment is additional⁵ and generates outputs and outcomes that would not otherwise have occurred. For example, InBC will not invest where private sector capital is competing for investment share. Instead, InBC will be a source of additional capital to complement other sources of public and private investment.

Additionally, InBC will use environmental, social, and governance (“ESG”) criteria to screen for risks associated to how a company conducts its operations. This includes evaluating its climate risk and DEI practices.

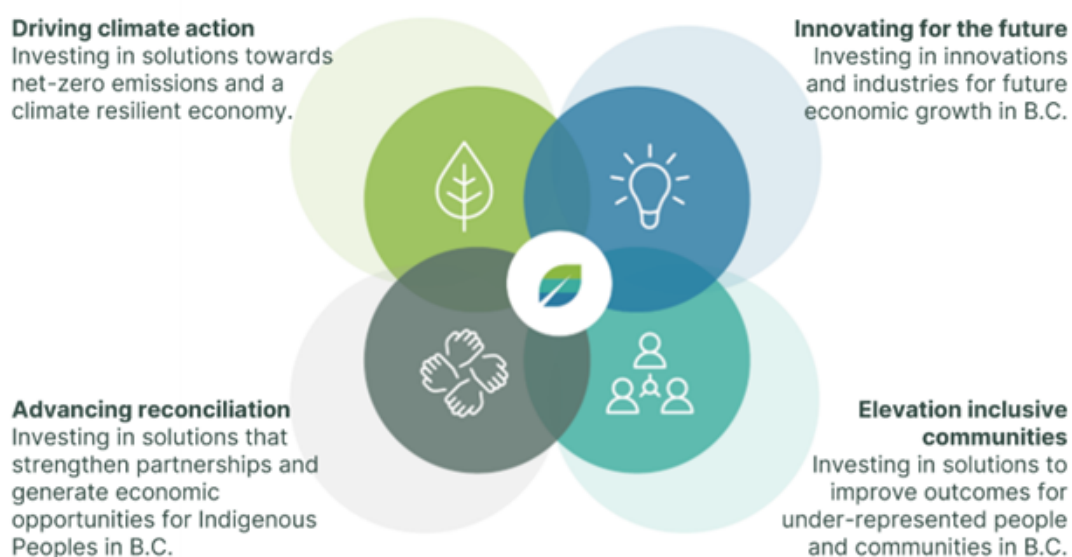


Figure 1: InBC Impact objectives

⁵ Andersen, Hansen, Rand, Evaluating Financial and Development Additionality in Blended Finance Operations, OECD 2021

Approach to Impact Measurement and Management

InBC will leverage global standards and frameworks such as the Impact Management Project, UN Principles for Responsible Investing, UN Sustainable Development Goals and Targets, UN Declaration on the Rights of Indigenous Peoples, Global Impact Investing Network, Reconciliation and Responsible Investment Initiative, and International Finance Corporation's Operating Principles for Impact Management. InBC's IMM approach will be contextualized for British Columbia. The purpose of the IMM approach is to:

- 1) Identify the key social, economic, and environmental outcomes ("impact outcomes") targeted across each of the four defined impact objectives;
- 2) Incorporate the impact outcomes, alongside ESG criteria, throughout the investment decision-making process, from sourcing through due diligence and deal execution;
- 3) Measure and monitor impact and ESG metrics across InBC's investment portfolio;
- 4) Support the portfolio to maximize the impact outcomes and improve ESG; and
- 5) Provide annual reporting at the portfolio level to demonstrate how InBC's investments are contributing to the targeted impact outcomes and ESG.

Every investment that InBC makes will align to at least one of the four impact objectives, but it is not a requirement that an investment simultaneously drives outcomes in all four impact objectives.

Each impact objective will have distinct impact outcomes and metrics. There will also be a common set of metrics that InBC will measure across the portfolio, including:

- Financial metrics including:
 - Aggregate revenue / cash flow from operations over time
 - Aggregate amount of capital leveraged
- Job creation, productivity and economic development metrics including:
 - Aggregate percentage change of jobs annually
 - Aggregate dollars of research and development ("R&D") expenditure
- ESG and DEI measured by:
 - Percentage of portfolio adopting / reporting on ESG risks
 - Aggregate percentage of diverse representation by equity deserving groups at the board & management level across portfolio.:
- Portfolio diversification measured by percentage across:
 - Economic regions; and
 - Impact Objectives.

Overtime, we will continue to refine and define our impact metrics in alignment with global standards and best practices.

Appendix D – Risk Management Framework and Investment Approval Process

Investment Risk Management

InBC considers risk in terms of the likelihood of achieving long-term financial returns and the possibility of accomplishing social, economic, and environmental objectives.

InBC’s long term horizon of 10 or more years and its current level of funding means InBC can withstand short- and medium-term fluctuations in market value and rates of return.

Investment Risks Defined

InBC will measure, monitor and manage key investment risks as listed below:

MARKET RISK	Risks resulting from fluctuations in market factors including interest rates, currency rates and other price risks.
CREDIT RISK	Risk of the ability to fulfill contractual or financial obligations.
LIQUIDITY RISK	Market liquidity risk when an investment cannot be offset in a timely fashion without experiencing significant loss. Funding liquidity risk when there are insufficient funds to meet the financing arrangements.
LEVERAGE RISK	InBC has approval from the Minister of Finance to borrow up to \$500 million through a Fiscal Agency Loan from the Ministry of Finance. InBC will not further leverage its portfolio beyond the arrangements in place with the Ministry of Finance, without prior written approval from the Minister of Finance.
IMPACT ALIGNMENT AND ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) RISK	The risk of investments and their ability to generate outputs and outcomes related to InBC’s stated impact objectives.
CONCENTRATION RISK	The risk of exposure to potential loss events as a result of ineffective portfolio diversification (further described below).

InBC has adopted the Three Lines of Defense (“LOD”) model to execute the responsibilities of investment decision-making and risk management.

The Three Lines of Defense are:

1. Ownership and management of risks associated with investment activities;
2. Oversight, measurement, assessment, and monitoring of investment risks;
3. Independent and reasonable assurance over the First and Second Line of Defense.

The Enterprise Risk management for InBC is led by the Audit, Investment, and Risk (“AIR”) committee, with instruction from the Board. The AIR committee will receive regular reports on the management of material risks to InBC.

Investment Approval Process

InBC will assess all investment opportunities across four stages, as illustrated in Figure 2 – High Level InBC Investment Process. A combination of impact criteria and financial criteria will be used to assess investments opportunities at each stage of the process, and opportunities that do not proceed will be notified and directed to other resources that may support their organizations.

The Board’s Audit, Investment, and Risk (“AIR”) committee will receive detailed reports at least quarterly with the status of the investment portfolio and a synopsis of key investment decisions.

Assessment of financial returns and impact is embedded throughout the investment process.

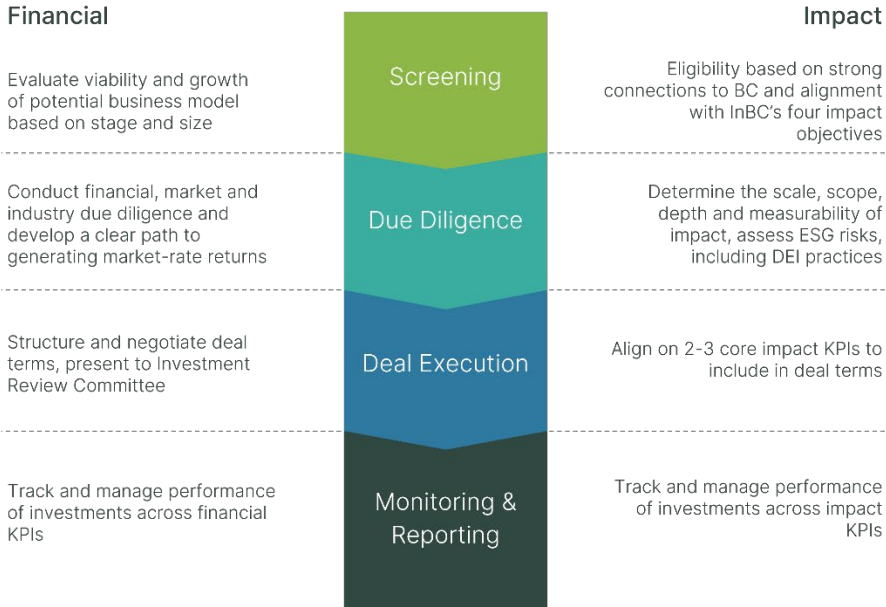


Figure 2 High Level InBC Investment Process

Appendix E – InBC Exclusions

InBC will not make an investment in an entity where the entity:

1. has, directly or indirectly, its principal or controlling office in a country that is subject to any economic or political sanctions imposed by Canada for reasons other than its trade or economic policies;
2. has as any part of its business the manufacture, sale, distribution, or promotion of narcotics, illegal substances, or arms, or is or has been involved in the promotion, support or carrying out of terrorism;
3. any of the members of the entity's board of directors or its senior executive has been sentenced to imprisonment or otherwise given a custodial sentence, other than a suspended sentence, for any criminal offence, other than minor traffic offences, less than five years prior date at which the assessment is made;
4. has as its primary business the acquisition of distressed assets or investments in companies or organizations which are or are believed to be insolvent or in a financial standstill situation or potentially insolvent;
5. is subject to a claim of the Province or any other governmental authority under any proceedings (including regulatory proceedings) which have not been concluded or are pending at the time of any proposed transaction;
6. has been convicted of an offence under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), or has been convicted of the commission of a money laundering offence or a terrorist activity financing offence under the Criminal Code (Canada);
7. whose standing or activities are inconsistent with or may compromise the reputation or integrity of British Columbia, so as to affect public confidence in the Province of British Columbia;
8. invests in a "tax shelter" as defined in the *Income Tax Act* or an entity which is, or an interest in which would be, a "tax shelter investment".