

Appendix A

Northern Development Initiative Trust

STATEMENT OF
INVESTMENT POLICIES
AND PROCEDURES

Effective: November 1, 2024

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1. PURPOSE

- 1.1. The purpose of this Statement of Investment Policies and Procedures (the “Statement” or “SIPP”) is to:
 - Establish investment guidelines, policies, and direction for the British Columbia Investment Management Corporation (“BCI” or the “Manager”) to manage Northern Development Initiative Trust’s assets (“NDIT” or “the Trust”) within the scope of this Statement.
 - Set the performance objectives to be used by the Trust to review and evaluate the investment returns of the Trust on behalf of NDIT’s Board of Directors (the “Board”).
- 1.2. The Statement establishes eligible investments, allocation ranges, and the discretion given to BCI in its management of the Trust.
- 1.3. The Statement applies to the assets held in respect of the below accounts (“the Accounts”) of the Trust. The Accounts covered under this statement form part of the entire Trust assets, and are maintained in the following separate accounts:
 - The Operating Endowment Account
 - The Cross Regional Account
 - The Pine Beetle Recovery Account
 - The Cariboo-Chilcotin/Lillooet Regional Development Account
 - The Northwest Regional Development Account
 - The Northeast Regional Development Account
 - The Prince George Regional Development Account
 - North Central Local Government Association
 - Prince George Agriculture Fund
 - BC Hydro Agricultural Fund
- 1.4. The goal for the Accounts is to employ assets to advance economic development and diversification in the northern regions of British Columbia as designated by legislation. The Board has identified those forecasted amounts that will be made available over an immediate three-year period. The Trust will utilize an asset allocation suitable for the shorter-term liquidity needs and longer-term objectives.

2. SCOPE

- 2.1. This statement applies to the investment of the Trust, including any reinvested investment income.

3. TRUST GOVERNANCE

ROLES AND RESPONSIBILITIES

- 3.1. Under the terms of the Funds Management Agreement (the “FMA”) between NDIT and BCI, NDIT’s Audit & Finance Committee (the “Committee”) and the Board are responsible for ensuring that the investments are managed prudently and in accordance with this Statement under the terms of the FMA. Pursuant to the FMA, BCI accepts a heightened “prudent fund manager” standard of care and agrees to manage the Trust in the best financial interest of NDIT.
- 3.2. The Board has responsibility for the management of the Trust, including approving the

investment policies in this Statement.

- 3.3. The Committee has responsibility for the oversight of the Trust, including:
- Developing the investment policies for the Trust
 - The periodic review of this Statement (at least annually)
 - Recommending to the Board the investment policies for the Trust including allocation ranges for asset classes.
 - Monitoring the performance of the Trust and BCI.
- 3.4. NDIT Management determines the Trust's liquidity requirements and manages the Trust's day-to-day functions, such as the receipt of new funds and expenditures.
- 3.5. NDIT Management shall quarterly provide the Committee with the actual performance (net of fees) against the benchmarks in Section 5.1.
- 3.6. Quarterly, the Committee shall report to the Board.
- 3.7. The Trust is managed on a day-to-day basis by BCI and other investment managers contracted through BCI. BCI and its investment managers must comply with the policies and directions outlined in this Statement, provided that such policies and directions are not in conflict with the terms agreed to in the FMA. BCI is required to have more detailed investment policies and procedures that detail its specific mandate.

4. INVESTMENT OBJECTIVES AND BELIEFS

- 4.1. The primary long-term investment objective of the Trust is to meet or exceed, net of all expenses incurred in the investment process:
- 4.1.1. An annual rate of return between 3.5% to 4.5% per annum in real terms.
- 4.2. The Trust's objectives, along with its funding needs, drive the investment and risk management policies.
- 4.2.1. The assets are actively invested in a perpetual manner over the long term to seek higher investment returns, enhancing the sustainability of the Accounts and maximizing project funds.
- 4.2.2. There is sufficient liquidity to enable the Trust to meet all its obligations and make distributions to support its initiatives, with a target Liquidity Coverage Ratio¹ of at least 1.25.
- 4.3. The Committee's risk appetite is expressed through its investment objectives and corresponding risk tolerance levels. To achieve these objectives, the Board has adopted the long-term asset mix and allowable ranges in Section 5.1.
- 4.4. Environmental, social and governance matters make a difference.
- 4.4.1. Companies and other entities in which the Trust invests that take environmental, social, and governance matters into account have less risk and generate long-term value for investors compared to those with less robust practices.

¹ The Liquidity Coverage Ratio represents the ratio of liquidity supply over demand and measures the ability to fulfill payment obligations over the following year, under the assumption of stressed market conditions.

5. ASSET ALLOCATION

5.1. The long-term policy asset mix targets, policy ranges and asset class benchmarks for the Trust, effective November 1, 2024, are:

Asset Class	Policy Range (%)		Long-Term Policy Asset Mix (%)	Asset Class Benchmark
	Min	Max		
Short Term ¹	-	15	5	50% FTSE Canada 91 Day T-Bill Index + 50% ICE BofA US 3-month T-Bill Index
Government Bonds	5	35	15	FTSE Canada All Government Bond Index
High-Quality Fixed Income Sub-total	5	50	20	
Corporate Bonds	-	10	5	50% BofAML US Corporate Index (Hedged) + 50% BofAML BB-B US Cash Pay High Yield Constrained Index (Hedged)
Private Debt	-	15	10	S&P/LSTA US Leveraged Loan 100 Index (Hedged)
Real Estate Debt	-	10	5	50% BofAML 1-3Y US Corporate Index (Hedged) + 50% BofAML 1-3Y BB-B US Cash Pay High Yield Constrained Index (Hedged) + 25 bps
Credit Sub-total	-	35	20	
Canadian Equities	-	25	5	S&P/TSX Composite Index
Global Equities	5	40	13	MSCI World ex-Canada Net Index
Emerging Markets	-	10	5	MSCI Emerging Markets Net Index
Private Equity	-	25	15	MSCI All Country World Net Index + 200 bps
Equities Sub-total	25	65	38	
Real Estate Equity	-	20	10	6.8% Nominal Cost of Capital
Infrastructure & RR	-	20	12	6.5% Nominal Cost of Capital
Real Assets Sub-total	-	35	22	
Total Portfolio	100	100	100	

1. The actual portfolio daily weights will be used to determine the benchmark weights.

5.2. To transition to the new Long-Term Policy Asset Mix identified in Section 5.1, an appropriate implementation period is required. This implementation timeframe is reflected in Appendix A for the purpose of the performance measurement framework.

5.3. Tactical asset allocation decisions depend on short-term market conditions and, as such, are delegated to BCI within the policy ranges specified above.

5.4. If an asset class's actual weight falls outside its approved policy range, the Trust's asset mix will be adjusted to bring it within the policy range within a reasonable period of time, to be determined based on market conditions and the liquidity of investments. For example, due to the illiquid nature of some assets, the lower or upper limit may be surpassed on a temporary basis. BCI will use cashflow to rebalance as soon as practical. BCI will notify NDI Management

if an asset class falls outside the policy range.

5.5. Temporary overdraft is permitted for day-to-day portfolio and cash management purposes.

6. ELIGIBLE INVESTMENTS

6.1. Short Term

6.1.1. Short Term holdings include cash, money market instruments and bonds denominated in Canadian or US dollars with a term to maturity of 15 months or less.

6.2. Government Bonds

6.2.1. Government Bonds include fixed income securities issued by municipalities, Canadian government-related entities, and non-Canadian entities rated “BBB-” or better by Standard & Poor’s or with an equivalent rating from another credit rating agency.

6.3. Corporate Bonds

6.3.1. Corporate bonds include international and domestic corporate bonds, convertible bonds, preferred shares, asset-backed commercial paper and securities, exchange traded funds, and fixed income derivatives (e.g., futures, options, swaps). Equity securities derived from the conversion of fixed income securities or related derivatives are permissible investments and will be reviewed to determine whether to sell the security or hold to sell at a more appropriate time.

6.4. Private Debt

6.4.1. Private debt consists of senior debt of private (and occasionally public) companies; subordinated debt and other fixed-income investments including (without limitation) mezzanine debt, asset backed debt collateralized loan obligations, partnership interests, shares of private debt pools, and externally managed funds; equity and/or warrants associated with debt investments and/or fund managers.

6.5. Real Estate Debt

6.5.1. Real estate debt will consist of a broad range of mortgage products, diversified by geographic location, type of mortgage, size of mortgage, and type of real estate. It may include direct mortgage loans and mortgage instruments (e.g., mortgage bonds) as well as real estate loans, real estate-related debt and equity investments, and equity interest in QuadReal Property Group Limited Partnership, BCI’s real estate and real estate debt management subsidiary.

6.6. Public Equity

6.6.1. Equity investments will be made through direct holdings of securities (common shares, convertible preferred shares, convertible debentures, options, warrants, installment receipts, rights, etc.), stock index futures contracts, equity linked bonds and swaps or indirectly through externally managed pooled and mutual funds or any combination of the above.

6.7. Private Equity

6.7.1. Private equity investments will typically consist of long-term equity and debt investments that are made primarily outside of the public market. These are long-term commitments made on behalf of the Trust.

6.8. Real Estate

6.8.1. Real estate investments consist of direct real estate holdings, units in real estate pooled

funds, and real estate securities including trust units, shares in real estate companies, and real estate debt.

6.9. Infrastructure and Renewable Resources

6.9.1. Infrastructure investments encompass equity and debt investments in real assets with relatively stable inelastic demand, providing services to a country, city, or region.

6.10. To implement the above asset mix, the Trust may invest in BCI's pooled funds. Where there is conflict with this Statement and BCI's pooled fund policies, the pooled fund policies shall prevail. However, BCI is required to notify the Trust of any breaches of this Statement.

7. USE OF DERIVATIVE INSTRUMENTS

7.1. The use of derivatives is only permitted for the following purposes:

- Synthetic Indexing - Passively investing in an attempt to replicate the returns of an index.
- Risk Control - Managing interest rate, equity, credit, currency, legal or tax risk through the use of hedging strategies.
- Lower Transaction Costs and Liquidity Management - Reducing the transaction costs on trading, custody and brokerage costs through the use of index futures. Substituting one combination of securities for another with the same net exposure to market variables for the purposes of exploiting pricing inefficiencies.
- Asset Mix Shifts - Reduce market movement and transaction costs of shifting asset weights or rebalancing by allowing instantaneous implementation of the shift through derivatives.

7.2. Derivatives include forward contracts, futures, options, and swaps. The above derivatives can have equities, fixed income, interest rates, and currencies as underlying instruments.

7.3. BCI may use derivatives to hedge the Trust's exposure to a specific foreign currency for defensive purposes.

7.4. The use of any additional derivative products other than that stated above shall require the prior written consent of the Board.

8. USE OF SECURITIES LENDING

8.1. Security lending involves temporarily loaning the securities of an investment portfolio to major financial institutions, for a fee, which enables investors to earn an additional income on their security holdings at minimal risk. The Trust may loan its securities, or participate in pooled funds that lend securities, provided that:

8.2. The loan is secured by collateral that has a market value at least equal to or greater than the market value of the loaned securities;

8.3. The securities lending agent provides an indemnity for losses relating to a borrower failing to return securities on loan;

8.4. The loan and collateral are valued daily on a 'marked to market' basis;

8.5. The collateral consists of highly liquid and marketable securities under normal market conditions; and,

8.6. The loans meet the terms and conditions of BCI's Securities Lending Program.

9. PERFORMANCE REPORTING

9.1. The Trust's total return benchmark is derived by multiplying the Asset Class Benchmark returns

- for each asset class by their Long-Term Policy Asset Mix percentages set out in section 5.1.
- 9.2. The returns from foreign indices or benchmarks shall be calculated in Canadian dollar terms on an unhedged basis.
 - 9.3. The Trust's and the Accounts' returns are calculated on a time-weighted basis so that cash flows have a minimal effect on reported performance. Return calculations are in accordance with industry standards.
 - 9.4. BCI will provide the Trust with a quarterly report on the performance of the Trust and the Accounts. These reports will identify any breaches of this Statement.
 - 9.5. The Manager will also present to the Board an annual update of investment performance, on dates requested by the Trust. This update includes information concerning new and material developments affecting BCI and its services.

10. VALUATION OF ASSETS

- 10.1. As a general rule, all investments should be priced based on independent external sources on an ongoing basis. However, in some cases, obtaining ongoing market pricing may be prohibitively expensive (e.g., certain illiquid investments such as real estate and infrastructure and renewable resources). These assets shall be valued less frequently, but at a minimum, at least once a year.

11. RISK MANAGEMENT

- 11.1. Risks to the objectives outlined in Section 4 include economic factors and a variety of investment risks (e.g., asset returns, market, liquidity, credit, currency, counterparty, and concentration risk).
- 11.2. The primary tool for managing these risks over the medium to long term is the policy asset mix, which is periodically revised through an Asset Liability Review and considers the following in the course of setting and revising the investment strategy:
 - The Trust's characteristics and circumstances (e.g., spending policy),
 - The Trust's investment objectives and risk tolerances, and
 - Capital market expectations.
- 11.3. Over the short to medium term, investment risks are managed by BCI, which includes the following elements:
 - An integrated governance approach,
 - Assignment of roles and responsibilities,
 - Definition of key investment risks, and
 - Associated measurement, monitoring, and reporting.

12. CORPORATE GOVERNANCE AND VOTING RIGHTS

- 12.1. NDIT delegates its voting rights to BCI and instructs BCI to act in the best financial interests of the Trust, subject to its fiduciary duty to other pooled fund participants.

13. CODE OF ETHICS AND CONFLICT OF INTEREST

13.1. BCI's Code of Ethics and Professional Conduct

BCI and all BCI officers and employees (the "Covered Parties") are subject to BCI's Code of Ethics and Professional Conduct (the "BCI Code"). The BCI Code includes a comprehensive and thorough conflict of interest policy (i) prohibiting Covered Parties from using their knowledge of the Trust's investments, or of investment decisions made on behalf of the Trust, to benefit anyone other than the Trust, and (ii) requiring Covered Parties to make disclosure if they, or any person over whom they have influence, may be reasonably thought to materially benefit by an investment of the Trust or by an investment decision made on behalf of the Trust.

13.2. Related Party Transactions

The Trust shall not directly or indirectly enter into a transaction with, lend the moneys of the Trust to, or use the moneys of the Trust to hold an investment in, a related party that is prohibited under Schedule III of the federal Pension Benefit Standards Regulation, 1985 (the "Federal PBSR"). The term "related party" has the meaning given in Schedule III of the Federal PBSR. However, a transaction with, loan to, or investment in a related party to the Trust is permitted if the value is nominal or immaterial to the Plan. In assessing materiality of the transaction with, loan to, or investment in a related party, a value of 1% of the market value of the Trust assets is considered to be nominal. Two or more transactions with the same related party shall be considered a single transaction.

Appendix A: Benchmark Transition Framework

Transition Schedule Effective November 1, 2024 (Policy Ranges in Section 5 in Effect)

Asset Class	Nov 1, 2024 Asset Mix (%)	Jan 1, 2025 Asset Mix (%)	Jan 1, 2026 Asset Mix (%)	Jan 1, 2027 Asset Mix (%)
Short Term	10	5	5	5
Government Bonds	30	25	17	15
High-Quality Fixed Income Sub-total	40	30	22	20
Corporate Bonds	5	5	5	5
Private Debt	-	5	10	10
Real Estate Debt	-	3	5	5
Credit Sub-total	5	13	20	20
Canadian Equities	20	16	10	5
Global Equities	30	25	19	13
Emerging Market Equities	5	5	5	5
Private Equity	-	5	10	15
Equities Sub-total	55	51	44	38
Real Estate Equity	-	2	6	10
Infrastructure & RR	-	4	8	12
Real Assets Sub-total	-	6	14	22
Total Portfolio	100	100	100	100