STATEMENT OF INVESTMENT POLICIES AND PROCEDURES
## Contents

Overview and Governance ................................................................. 3
  1.1 Purpose ...................................................................................... 3
  1.2 Investment Assets Profile .......................................................... 3
  1.3 Investment Beliefs ................................................................. 3
  1.4 Governance ............................................................................. 4

Investment Allocation ........................................................................ 6
  2.1 Investment Program Objective .................................................. 6
  2.2 Power Projects ......................................................................... 6
  2.3 Private Placements .................................................................... 7
  2.4 Market Securities ..................................................................... 7
  2.5 Market Security Investment Class Policies ............................... 8

Performance Objectives and Reporting .......................................... 10
  3.1 Power Projects ......................................................................... 10
  3.2 Private Placements .................................................................... 10
  3.3 Market Securities ..................................................................... 10
  3.4 Reporting ................................................................................. 10
  3.5 Annual Performance Objectives ................................................ 10

Administration and Code of Conduct ........................................ 11
  4.1 Code of Conduct ..................................................................... 11
  4.2 Statement of Investment Policies and Procedures Review .......... 11

External Investment Manager Selection .......................................... 12
  5.1 Selection of an External Investment Manager ......................... 12
  5.2 Monitoring of an External Investment Manager ....................... 12
  5.3 Dismissal of an External Investment Manager ......................... 12

Glossary of Terms .......................................................................... 13
Overview and Governance

1.1 Purpose
The purpose of this Statement of Investment Policies and Procedures (SIPP) is to establish a framework for managing Columbia Basin Trust's Assets in order to achieve the objectives of its Investment Program.

1.2 Investment Assets Profile
Through the Binding Agreement dated July 27, 1995, the Province of BC endowed the Trust with $321 million, $276 million of which was initially restricted to investments in regional hydroelectric projects, with the remaining $45 million available for broader investment. An additional $32 million in 16 annual installments of $2 million was provided for operations in the development years. The final payment was made in 2010.

Revenue generated from these Assets is available for Delivery of Benefits obligations, corporate operating expenses and further investment.

1.3 Investment Beliefs
(i) The Trust believes future generations should benefit from the same level of support as current residents. To preserve this legacy, investment policies and granting/spending policies should be aligned to result in the retention of sufficient funds to offset the effects of inflation in the long term.
(ii) The Trust's priority is investment opportunities in the Canadian portion of the Basin; however, given the limitations of investing in a relatively small region, it is expected a portion of the Assets will be maintained in Market Securities.
(iii) The Trust believes the best-performing and most profitable investments are those that maintain high ethical and environmental standards and commit to the principles of strong corporate governance.
(iv) The Trust believes in the principles of a Prudent Investor and requires a rate of investment return commensurate with the level of risk assumed.
(v) The Trust recognizes that managing investment risks is just as important as generating returns.
(vi) The Trust recognizes the benefits of asset diversification and adopts the objective in principle; however, it further recognizes the benefits may be constrained by the large investment in Power Projects.
(vii) The Trust values financial partnerships and, when possible, will undertake investments in co-operation with other organizations.
1.4 Governance

1.4.1 Management of the Assets must be consistent with the Columbia Basin Trust Act, 1995 Binding Agreement, Columbia Basin Management Plan and various power-related Joint Venture Agreements.

1.4.2 Board of Directors:

(i) The Board is responsible for the Assets of the Trust, as well as adopting this SIPP, which sets forth a general framework for investment and management of the Assets. In establishing or amending policy, the Board will address, but is not limited to:
   (a) investment objectives
   (b) risk tolerance
   (c) constraints and guidelines on investments
   (d) asset ranges and suitable classes of investments
   (e) governance
   (f) delegation of authority.

(ii) The Board will provide for and receive a regular and consistent review of investment performance, operation and compliance with the policies established in this SIPP.

(iii) The Board is responsible for approving all new Investments in excess of $7 million. This responsibility extends to increases in an existing Investment that would result in a total new Investment in excess of $7 million but does not include placements or redemptions to the Market Securities portfolio.
   (a) In executing its approval authority, the Board will require the prior recommendation of the Investment Committee and the Investment Executive.

(iv) The Board is responsible for establishing and approving the Terms of Reference of the Investment Committee.

1.4.3 Investment Committee:

(i) The Investment Committee is responsible for making recommendations to the Board on matters such as investment policy, governance, administration, Investments in excess of $7 million and other investment-related issues outlined in the Investment Committee Terms of Reference.

(ii) The Investment Committee will assume all other duties as directed by the Board.

(iii) The Investment Committee has the authority to approve all new Investments in excess of $1 million, to a maximum of $7 million. This responsibility extends to increases in an existing Investment that would result in a total new Investment in excess of $1 million, to a maximum of $7 million, but does not include placements or redemptions to the Market Securities portfolio.

(iv) The Investment Committee is responsible for reviewing and, should it see fit, recommending all new Investments in excess of $7 million to the Board for approval.
   (a) In executing its approval authority, the Investment Committee will require the prior recommendation of the Investment Executive.
1.4.4 Investment Staff:

(i) Investment Staff is responsible for identifying, researching and recommending investment opportunities consistent with the SIPP.

(ii) Investment Staff will select, monitor and, if required, dismiss the External Investment Manager.

(iii) When selecting, monitoring or administering investments, Investment Staff will exercise due diligence in a manner consistent with a Prudent Investor.

(iv) The Investment Executive is responsible for approving all new Investments to a maximum of $1 million. This responsibility extends to increases in an existing Investment that would result in a total new Investment of less than $1 million.

(v) Any one of the Investment Executive is responsible for approving all new placements or redemptions to the Market Securities portfolio.

(vi) The Investment Executive is responsible for reviewing and, should it see fit, recommending all new Investments in excess of $1 million to the Investment Committee and/or Board, subject to their respective approval authority limits. The unanimous support of all members of the Investment Executive is required to exercise this recommendation authority.

(vii) Should there be a real or perceived conflict of interest between a member of the Investment Executive and an individual, company or related party seeking an investment from the Trust, the new Investment will be reviewed by the member of the Investment Executive who has no such conflict. Should the member without conflict be prepared to recommend the Investment, it will be referred to the Investment Committee for approval irrespective of the size of the Investment.

1.4.5 Accounting Staff:

(i) Accounting Staff is responsible for the calculation and confirmation of financial performance in accordance with sections 3.1.1, 3.2.1 and 3.3.1 of this policy.

(ii) No less frequently than annually, the data that is used to calculate the financial performance results will be audited by the Trust’s external auditor to ensure conformance with the reporting standards identified in sections 3.1.1, 3.2.1 and 3.3.1 of this policy.

1.4.6 External Investment Manager:

(i) The External Investment Manager will invest the Market Securities in accordance with this SIPP.

(ii) The External Investment Manager will provide Investment Staff with transaction and holdings information monthly.

(iii) The External Investment Manager will meet with Investment Staff as required, but at least annually, to provide written reports regarding past performance, future strategies and economic outlook.

(iv) The External Investment Manager will comply with all statutory and regulatory requirements and will file quarterly compliance reports where required by section 3.4.1 (i).

(v) Where investment is made via a pooled fund, the External Investment Manager will provide Investment Staff with copies of each pooled fund's audited financial statements.
Investment Allocation

2.1 Investment Program Objective

(i) The objective of the Investment Program is to generate a predictable, sustainable and appreciating income stream to fund the Trust’s current and future Delivery of Benefits obligations and corporate operating expenses.

(ii) To achieve this objective, the Board has recognized three general categories of investments:
   (a) Power Projects
   (b) Private Placements
   (c) Market Securities.

2.2 Power Projects

2.2.1 The Trust’s contractual commitment to regional hydroelectric Power Projects is described in the 1995 Binding Agreement between the Trust and the Province of BC. The Binding Agreement details the Trust’s obligation to investigate and, if commercially viable, construct and operate the Power Projects in accordance with the terms of various Joint Venture Agreements.

2.2.2 The Trust’s investment in Power Projects may be by way of equity, debt or a combination of these two investment structures.

2.2.3 Subject to satisfying the contractual commitments outlined in section 2.2.1, the Trust may pursue other Power Project investment opportunities located in the Basin. Should such an opportunity arise, it would be subject to the same diligence and feasibility tests as the committed Power Projects.

2.2.4 Derivatives:
   (i) Derivatives may be used for risk management, including the hedging of foreign currency, interest rate or commodity price risks.
   (ii) The use of derivatives for speculative or leveraging purposes is prohibited.

2.2.5 Leverage:
   (i) Borrowed Funds may be used to lever investments in Power Projects in a manner consistent with market practice.
   (ii) The maximum amount of Borrowed Funds is established at a level that supports a credit rating of BBB low or higher as confirmed by the Dominion Bond Rating Service, or an equivalent rating from another recognized credit agency.
   (iii) The restrictions of section 2.2.5 (ii) apply to debt incurred on an individual Power Project basis as well as the combined portfolio of all Power Projects.
2.3 Private Placements

2.3.1 Private Placements include any direct investment in a Basin-based commercial entity or real estate. The investment may be by way of equity, debt or a combination of these two investment structures.

2.3.2 Ineligible Investments:
   (i) Businesses that operate, or have a history of operating, in breach of environmental legislation.
   (ii) Businesses that generate a material percentage of their revenues from activities inconsistent with the values of the Trust.
   (iii) Businesses that maintain the majority of their staff, or their main offices, outside the Basin. For greater clarity, the Trust may choose to partner with an entity from outside the Basin for purposes of investing in a Basin-based enterprise.

2.3.3 Concentration Limits:
   (i) No new Investment in the Private Placements portfolio will be undertaken that would exceed $10 million. This concentration limit extends to increases in an existing Investment that would result in a total new Investment in excess of $10 million.
   (ii) Should a circumstance arise that would result in the concentration limit being exceeded, Investment Staff will immediately undertake a review of the Investment to determine whether the Trust’s commitment could be reduced. If such a reduction is not possible or would have an immediate negative impact, Investment Staff has the authority to continue managing the Investment on the understanding that no further advances will be made, unless contractually committed, until the concentration limit is restored.

2.3.4 Derivatives:
   (i) Derivatives may be used for risk management, including the hedging of foreign currency, interest rate or commodity price risks.
   (ii) The use of derivatives for speculative or leveraging purposes is prohibited.

2.3.5 Leverage:
   (i) Borrowed Funds may be used to lever investments in Private Placements in a manner consistent with market practice.

2.4 Market Securities

2.4.1 Market Securities include the universe of financial instruments available for purchase and sale on recognized Canadian or international exchanges and trading desks.

2.4.2 An External Investment Manager will be engaged to assist in implementing the following market security asset mix, and will have the discretion to adjust investment class exposure within the policy range identified below:
<table>
<thead>
<tr>
<th>Investment Class</th>
<th>Policy Range</th>
<th>Target Asset Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash/Money Market</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Canadian Dollar Bonds</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Canadian Equities</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Global Equities</td>
<td>20%</td>
<td>40%</td>
</tr>
</tbody>
</table>

2.4.3 To implement the asset mix, the External Investment Manager may invest in pooled funds, as well as segregated funds, mutual funds, unit trusts, limited partnerships and similar vehicles. It is recognized that pooled funds have their own policy statements, which could be revised from time to time on behalf of all pooled fund participants. As a result, certain elements or policies in pooled funds may potentially conflict with this SIPP; however, the External Investment Manager is required to notify the Trust of any breaches of the SIPP in accordance with section 3.4.1 (i). Where there is a conflict between the SIPP and any pooled fund policy, the fund may remain invested in that pooled fund unless otherwise directed by the Trust.

2.4.4 The External Investment Manager is permitted to invest in Canadian Small Cap, U.S. Small Cap and non-North-American Small Cap equities to a maximum of 20 per cent of the amount allocated to Canadian and global equities respectively.

2.4.5 The External Investment Manager may lend securities, or participate in pooled funds that lend securities, provided that:
   (i) as a minimum, the market value of collateral should be equal to 105 per cent of the market value of the lent securities
   (ii) the loan and collateral are valued daily on a mark-to-market basis
   (iii) the collateral consists of highly liquid and marketable securities
   (iv) both the collateral and borrowers have been approved by the External Investment Manager.

2.5 Market Security Investment Class Policies

2.5.1 Cash/Money Market Policies:
   (i) Includes instruments with a term to maturity of no greater than 15 months.
   (ii) Holdings may be in:
        (a) securities issued or guaranteed by federal, provincial or municipal governments within Canada
        (b) non-rated debt issued by financial institutions that are insured by either the Canadian Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation of British Columbia.
2.5.2 Canadian Dollar Bond Policies:
(i) At least 50 per cent of the Canadian bonds will be in securities issued or guaranteed by the federal, the provincial or a municipal government within Canada.
(ii) Publicly traded bonds, other than bonds issued or guaranteed by governments within Canada, when purchased must be rated BBB low or higher by the Dominion Bond Rating Service, or have an equivalent credit rating from another recognized credit agency. If a holding is downgraded to below a BBB low rating, the External Investment Manager will immediately review the downgraded bond and determine whether to sell this bond or hold to sell at a more appropriate time.
(iii) Not more than 10 per cent of bond holdings will be in any one issuer or its related issuers. This restriction does not apply to bonds issued or guaranteed by the federal government.
(iv) Bonds, debentures or any related fixed-income instrument issued by a Related Party are restricted from investment.

2.5.3 Equity Policies:
(i) Equity investments consist of publicly traded common and preferred shares, convertible debentures, installment receipts, warrants, income trust units, common stock equivalents, exchange traded funds and equivalent exposures using derivatives.
(ii) Not more than five per cent of the total equity holdings will be in the shares of any one issuer or its related issuers.
(iii) Pursuant to section 1.3 (iii), favourable consideration is to be given by the External Investment Manager to investment opportunities in corporations that maintain high ethical and environmental standards and demonstrate commitments to the principles of strong corporate governance.
(iv) The Trust may delegate its voting rights to the External Investment Manager and, when it does, will instruct the External Investment Manager to act in the best interests of the Trust, subject to the External Investment Manager’s fiduciary duty to other clients. The goal of this proxy voting process is to influence corporate behaviours and encourage change when they do not meet the expected standards as outlined in section 2.5.3 (iii).

2.5.4 Derivatives:
(i) Derivatives may be used for risk management, including the hedging of foreign currency exposure. They may also be used as a substitute for more traditional investments when doing so would reduce transaction costs. Use of derivatives will be collateralized by cash or cash equivalents, including pooled fund units. The mark-to-market value of all security positions and cash holdings must be positive.
(ii) The use of derivatives for speculative or leveraging purposes is prohibited.

2.5.5 Leverage:
(i) The External Investment Manager may not sell securities short, borrow securities or purchase securities on margin.
Performance Objectives and Reporting

3.1 Power Projects
3.1.1 The performance measure for Power Projects will be Cash-based Return on Investment.

3.2 Private Placements
3.2.1 The performance measure for Private Placements will be Cash-based Return on Investment.

3.3 Market Securities
3.3.1 The performance measure for Market Securities will be return on investment calculated in accordance with the CFA Institute’s Global Investment Performance Standards.

3.4 Reporting
3.4.1 No less frequently than quarterly, Investment Staff will present a Statement of Investment Performance to the Investment Committee and the Board that includes:
   (i) a compliance report that either confirms adherence to this SIPP or describes in detail identified breaches of policy
   (ii) a position of investment in each of the three general categories of investment
   (iii) the quarterly, fiscal year-to-date and year-over-year performance of each of the general categories of investment, measured in accordance with provisions 3.1.1, 3.2.1, and 3.3.1
   (iv) commentary addressing high-risk or underperforming investments
   (v) commentary addressing material deviations from performance benchmarks.

3.5 Annual Performance Objectives

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Performance Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Projects</td>
<td>10%</td>
</tr>
<tr>
<td>Private Placements</td>
<td>6%</td>
</tr>
<tr>
<td>Market Securities</td>
<td>6%</td>
</tr>
</tbody>
</table>
Administration and Code of Conduct

4.1 Code of Conduct

For purposes of defining affected persons:

Category A:
(i) Board member
(ii) Investment Committee member
(iii) Investment and Accounting Staff.

Category B:
(i) Investment and Accounting Staff
(ii) The External Investment Manager(s)
(iii) Any other advisor or consultant engaged by the above to provide investment advisory services.

4.1.1 Individuals under Category A are obligated to adhere to the Code of Conduct for Directors of Columbia Basin Trust or the Columbia Basin Trust Employee Code of Conduct Policy, as applicable. These standards address issues that include, but are not limited to, compliance with the law, conflicts of interest, disclosure, outside business interests, confidential information, investment activity, outside employment or associations, entertainment, gifts and favours, use of Trust property and corporate responsibility.

4.1.2 Individuals under Category B are obligated to adhere to the CFA Institute’s Code of Ethics and Standards of Professional Conduct, as amended from time to time. These standards include, but are not limited to, fundamental responsibilities and relationships with, and responsibilities to, the investment profession, the employer, Basin residents and the investing public.

4.1.3 For greater clarity, Investment Staff is obligated to adhere to the standards of 4.1.1 and 4.1.2. Should a circumstance arise that would result in the two standards suggesting a different level of responsibility, the stricter standard would apply.

4.2 Statement of Investment Policies and Procedures Review

4.2.1 This SIPP will be reviewed by the Board at least once every two fiscal years, but otherwise whenever a major change is necessary. Such a review may be caused by:
(i) a fundamental change in the risk tolerance of the Board
(ii) shortcomings in the SIPP that emerge in its practical application, or substantive modifications that are recommended to the Board
(iii) changes in governing legislation.
External Investment Manager Selection

5.1 Selection of an External Investment Manager

5.1.1 In the event a new External Investment Manager must be selected, or an additional External Investment Manager added to the existing External Investment Manager, Investment Staff will undertake an External Investment Manager search.

5.2 Monitoring of an External Investment Manager

5.2.1 Evaluation of the External Investment Manager will be conducted annually and will include measurement and comparison of returns to comparable public index benchmarks as may be described in any external investment management agreement.

5.2.2 Quarterly performance reports will be reviewed by Investment Staff.

5.2.3 No less frequently than annually, Investment Staff will meet with the External Investment Manager to discuss past performance, investment strategy and economic outlook. Investment Staff will also review the External Investment Manager's staff turnover, consistency of style, succession planning and record of service and compliance with this policy.

5.3 Dismissal of an External Investment Manager

5.3.1 Reasons for considering the termination of the services of an External Investment Manager include, but are not limited to:

(i) performance results that are consistently below the stated performance benchmarks described in any external investment management agreement
(ii) changes in the overall structure of the Assets such that the External Investment Manager's services are no longer required
(iii) changes in key personnel, firm structure or investment philosophy that might adversely affect the potential return and/or risk of the Market Securities portfolio
(iv) failure to adhere to this SIPP and/or any external investment management agreement.
Glossary of Terms

Accounting Staff: Trust staff directly responsible for the accounting function.

Assets: The original endowment to the Trust, as described in the 1995 Binding Agreement, as well as subsequent investments, including interest and return earned thereon.

Basin: The southeastern corner of British Columbia specifically defined as “Region” by the Columbia Basin Trust Act.

Binding Agreement: The 1995 agreement between the Trust and the Province of BC describing the funding of the Trust, how money will be allocated to the region and how income earned from investments will be shared between the partners.

Board of Directors (Board): A 12-member governing body of the Trust consisting of Basin residents.

Borrowed Funds: Funds borrowed from a financial institution, private enterprise or level of government that must be repaid in full, usually in installments at a prescribed rate of interest.

Cash-based Return on Investment: A methodology for calculating financial returns that includes only net cash payments received, without consideration to changes in the value of the asset.

Columbia Basin Management Plan: A guiding document describing the Trust's priorities and activities over a five-year period.

Delivery of Benefits: The collection of programs, initiatives and activities through which the Trust delivers grants and other support to Basin residents.

External Investment Manager: An independent investment firm selected by the Trust to manage the Market Securities.

Investment: The total amount committed to an investment opportunity including both Trust capital and Borrowed Funds that are supported by an indemnity or guarantee from the Trust or a wholly owned Trust subsidiary.

Investment Committee: A committee of Board members responsible for the governance and management of Trust investments.

Investment Executive: The Trust's Chief Executive Officer, and Director, Investments and Economic Development

Investment Program: Coordinates the overall direction and monitoring of Trust investments.

Investment Staff: Trust staff directly responsible for the management of the Assets.
**Joint Venture Agreements:** Agreements governing the Trust’s participation in Power Projects with other organizations.

**Market Securities:** Publicly traded financial instruments available for purchase and sale on recognized financial exchanges or trading desks.

**Power Projects:** Hydroelectric projects as described in the 1995 Binding Agreement, as well as Brilliant Dam and any other Power Projects the Trust may invest in.

**Private Placements:** Any direct investment by the Trust in a Basin-based commercial entity or real estate.

**Prudent Investor:** An investor with a fiduciary obligation to exercise reasonable care, skill and caution in making and implementing investment decisions.

**Related Party:** A person or entity under common control or influence of the Trust.

**SIPP:** Statement of Investment Policies and Procedures.

**Small Cap:** Companies with a market net worth between $300 million and $2 billion.

**Statement of Investment Performance:** Statement outlining the financial performance of the Assets.