

# Investment Policy Statement

Note capitalized terms not defined have the meaning set out in Schedule A "Definitions".

## INTRODUCTION

This Investment Policy Statement (IPS) provides a framework for the investment and management of assets and property held in the accounts of Realize Fund L.P. which is being marketed as Realize Fund I (the Fund). The Manager (Manager) of the Fund is Realize Capital Partners Inc., a joint venture between Rally Assets and Relay Ventures pursuant to the Amended and Restated Limited Partnership Agreement of the Fund (LPA). This IPS is intended to be consistent with the investment objective in Schedule B titled Investment Objective.

The Manager will be responsible for the investment process and all investment recommendations, based on its assessment of both financial and impact goals of each investment, and the overall investment objective of the Fund. The Board of Directors (Board) of the Manager has formed an Investment Committee (IC), a majority of which is comprised of representatives of Rally Assets and Relay Ventures, to make investment recommendations to the Board of the Manager. Decisions related to investment recommendations rest with the Board. In addition, the Manager has established an investment advisory committee (IAC) comprised of independent representatives, to provide advice to the Manager on investment strategy, portfolio construction and portfolio management, including this IPS.

## FUND PROFILE

The Fund was formed as a limited partnership under the laws of Ontario pursuant to the Limited Partnerships Act. The purpose of the Fund is to invest capital provided by limited partners including Employment and Social Development Canada (ESDC) in targeted investments that generate social and/or environmental impacts alongside financial returns.

The Fund will:

- Invest ESDC's capital in accordance with this IPS
- Serve as a pooled investment vehicle that will attract other investment capital from private investors, especially private investors that would not otherwise invest in the social finance ("SF") market
- Invest in the SF market by providing debt, equity or blended financing to a diversified portfolio of Social Finance Intermediaries (SFIs) (primarily third-party fund managers), and in a minority of cases, to Social Purpose Organizations (SPOs) (primarily companies and organizations dedicated to a clearly articulated social or environmental purpose). For further clarity, SFIs and SPOs are defined in Schedule A
- Strive to demonstrate the viability of the SF market by a) delivering a suitable risk-adjusted return to private investors, especially private investors that would not otherwise invest in the SF market; (b) meeting the Fund's social and environmental impact objectives; and (c) contributing to improved social equity outcomes through the business activities of SFIs and SPOs

## FUND OBJECTIVES

The Fund provides a vehicle that combines public and private capital with the objective of investing in predominantly private investment opportunities in Canada in order to:

- Create social and environmental impact to further Canada's progress towards achieving the United Nations Sustainable Development Goals (SDGs) and advance other social and environmental commitments of the Government of Canada, such as reconciliation with Indigenous peoples
- Provide investors an attractive risk-adjusted rate of return that significantly exceeds the Fund's hurdle rate
- Invest across private asset classes for the purposes of i) enhancing risk-adjusted returns, ii) creating flexibility to negotiate terms and structure investments in a manner that best achieves the Fund's mandate and obligations, and iii) deepening the impact achieved by the Fund's capital
- Broaden the reach of SF to underserved sectors, regions and populations to provide accessible and affordable capital to segments of the market that are not adequately served
- Enhance social equity practices in the SF market by addressing and/or removing barriers that prevent Equity-Deserving Groups (as defined in Schedule A) from participating in and benefiting from the SF market

## INVESTMENT STRATEGY

The Manager will achieve the Fund's objectives by targeting the following investment strategies:

- **Invest in established private impact fund managers.** These are SFIs with experience managing private impact funds or seasoned traditional private fund managers that have been investing in impact-related areas and are seeking to expand their impact. We consider an established manager to typically have 2 or more prior funds with similar strategies, a clearly attributable track record from these funds, and a well-developed team across both investment and operations.
- **Invest in emerging private impact fund managers.** These are SFIs which are first-time and aspiring fund managers that may have capable investment professionals with some impact investing experience but lack an attributable track record and/or have no or limited prior fund experience managing their own funds. We consider first-time and emerging fund managers to have 1 or no prior funds with similar strategies, some prior attributable track record in investing or related experience associated with applicable deal flow, but a less well-developed team across investments and operations.
- **Invest in local and regional SFIs and SPOs via intermediaries and community relationships.** These comprise investments, expected to be primarily through private debt, in organizations that are creating impact in underserved communities, which include Equity-Deserving Groups and groups in less developed financial markets in Canada (e.g. Northern and Rural Canada), at the ground level. These investments will be via partnerships and/or relationships with mission-driven community lenders (such as community foundations and nonprofit networks) that would invest in SF projects and/or SPOs across the country
- **Invest directly in Canadian-based SPOs** via opportunities that emerge from fund investments. Co-investment opportunities are expected to comprise the majority of direct investments. Direct investments originating from sources other than co-investments with fund manager partners will seek to support companies that are considered high potential and likely to meet return objectives but are facing challenges raising sufficient capital due to market conditions or that are addressing issues where capital is not flowing and an investment by the Fund may be catalytic. These investments may take the form of direct private equity, debt, or co-investment vehicles created for this purpose.
- **Diversify the fund's exposure to regions, impact goals, sectors, and Equity-Deserving Groups** in a manner that intentionally achieves financial risk diversification while also striving to diversify impact by targeting a broad range of opportunities including those in segments of society and/or the economy that historically have not been beneficiaries of access to capital.

The Fund may consider investments alongside a wide range of investors in the Canadian private markets to further its strategy, which includes other partners under the Canadian government's wider Social Finance Fund Initiative. For clarity, the Fund does not expect to invest in other fund-of-fund vehicles as part of its strategy.

### Investment Vehicles

The Fund will make the vast majority of its investments in private opportunities across all asset classes (for example, private equity, venture capital, private debt, private real assets, private alternatives) and across sectors and regions across Canada consisting of:

- Investment in SFIs which include:
  - Externally managed private investment funds across a wide range of asset classes (e.g. private equity, debt, real assets) that invest in SPOs largely consisting of for-profit companies driving impact through their products and operations
  - Community-focused private investment opportunities (including but not limited to private debt) through intermediaries and partnerships that target specific needs of local communities and/or Equity-Deserving Groups, such as community bonds, outcomes-based contracts and micro-loan funds.
- Direct or co-investments in SPOs not limited to:
  - Private companies
  - Financial instruments
  - Private organizations (such as nonprofits and charities)

### Investment Limitations

The Fund can invest in a variety of transaction types, asset classes, sectors, regions and financial instruments including but not limited to common stock, warrants, preferred stock, debt, exchangeable instruments, convertible instruments, units of externally managed funds, commodities, real estate, collateralized debt (mortgages and asset-backed securities) or combinations thereof.

The Fund will at all times adhere to the following investment limitations unless a special approval of the Limited Partner Advisory Committee (LPAC) has been received:

- Invest no more than 10% of Aggregate Committed Capital in any one Portfolio Fund and any affiliated organization or company
- Invest no more than 5% of Aggregate Committed Capital in any one individual Portfolio Company and any affiliated organization or company
- Invest no more than 20% of Aggregate Committed Capital across all direct or co-investments in Portfolio Companies and any affiliated organization or company
- Invest no more than 5% of the Aggregate Committed Capital, directly in SFIs and SPOs that do not have a substantial presence in Canada
- Invest no more than 10% of Aggregate Committed Capital in acquisitions of publicly traded securities in privately negotiated transactions, except under very limited circumstances specified in the LPA.

### IMPACT OBJECTIVES

The Fund's [Theory of Change](#) envisions a social finance market that is inclusive in its reach across diverse sectors, regions, and populations to generate positive and lasting social and environmental impacts. The Fund envisions increasing connection over time with more mainstream capital markets through a broadening range of robust investment opportunities leading to sustained capital allocation towards organizations producing positive social and environmental outcomes through their goods, services, and business models. To accomplish this, the Fund will invest in a broad range of opportunities that contribute positively towards achieving the SDGs, including investments that positively address accessibility of capital and economic participation to sectors, regions and populations that are currently underserved. Through these investments, the Fund seeks to substantiate a clear, demonstrable track record of

financial returns across a diverse portfolio of investable opportunities, increasing sustained private investment into the Canadian social finance market.

The Manager will utilize a social equity lens and gender lens approach in its investment decision-making as a way of identifying opportunities that achieve better outcomes for Equity-Deserving Groups. The Fund seeks to increase the integration of social equity principles and practices within the impact investing industry, and to meet or exceed the targets set for portfolio contributions towards Equity-Deserving Groups under the Social Equity Lens Investment coding system as developed by ESDC. Towards these goals, the Manager will perform rigorous analysis of the incorporation of social equity factors into investments in both SFIs and SPOs including, but not limited to, those factors discussed in Schedule C. This includes consideration of an investee partner's management, existing leadership diversity and practices to advance gender and social equity internally, the incorporation of gender and social equity into investment processes, and the incorporation of frameworks to measure and manage potential positive and negative gender and social impacts of investment decision making.

As part of its social equity lens, the Manager will further seek to support Indigenous opportunities, with a preference for those that provide a social or environmental impact as a result of their products, services, business model, community activity, or operations (e.g., providing an essential service to the local Indigenous community), in alignment with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and recommendation 92 of the Truth and Reconciliation Commission (TRC) of Canada's Calls to Action for the corporate sector.

The Fund's investments will give preference for those investments that support organizations that can reasonably be considered SPOs by virtue of the specific product or service they provide or the business model they operate. The Fund also seeks to support SFIs that are targeting and/or deepening their impact to address underserved segments of the market. The Fund will seek to ensure that SFIs invest into organizations that can reasonably be considered SPOs at least in proportion to the Fund's proportionate interest in any pooled fund with respect to ESDC's capital in all cases, including those investments specifically targeted to Equity-Deserving Groups.

The Fund's thesis considers impacts being generated throughout the allocation of capital and for stakeholders. The Fund will look to contribute to positive impacts at the SFI level (e.g., influencing the allocation of capital, addressing systemic barriers) and the SPO level (e.g., enabling positively impactful products and services). Through this work we seek to invest in opportunities that can have systemic influence by building and transforming markets to deliver on our impact objectives. We recognize that our efforts will be insufficient to achieve our impact goals in isolation and that markets today do not always financially reward the positive impacts that the Fund seeks. We view our work as an important contribution alongside other's complementary efforts in shaping norms, values, and policies towards our impact objectives.

## IMPACT MEASUREMENT

In order to monitor and be accountable to the stated impact objectives, the Manager will utilize an impact measurement and management (IMM) methodology which includes the following:

- **Alignment with the Fund's Theory of Change:** Impact will be assessed at multiple levels, potentially including portfolio-wide measures, investment-specific outputs (i.e. the direct result of the investment) and investment-specific outcomes (i.e. the longer-term implications of the investment)
- **Investment-Specific Metrics:** Targeted metrics for each individual investment. Where possible, standardized metrics will be utilized. Over time, where feasible, the Manager will develop a targeted set of standardized metrics that will be applied to various thematic areas within the portfolio
- **Integrated Reporting Process:** An IMM methodology that will be regularly reported on in an integrated fashion with financial reporting

**In addition, the IMM methodology will be supplemented by narrative impact stories** that capture the qualitative dimensions of the investment impacts upon actual beneficiaries.

The IMM methodology will be aligned with the Common Impact Data Standard being implemented as part of the Government of Canada's wider Social Finance Fund initiative. The Manager will collect and report on the disaggregated demographic data of our investees in alignment with the requirements of ESDC.

All of the Manager's investees will be required to align their impact reporting with the Common Impact Data Standard and to collect and report disaggregated demographic data of their board and management team as required by ESDC.

## RETURN OBJECTIVES

In general, the Fund's return objective is to achieve an appropriate risk-adjusted rate of return that is consistent with weighted average market rates for impact investments within the asset classes it invests (see "Asset Allocation and Risk Management"). For Class A investors, the Fund seeks a return that on an overall basis significantly exceeds the 6% hurdle rate. Individual investments may be made, such as community loans, that enhance the Fund's impact at lower rates of returns while staying aligned to the objective of delivering a compelling risk-adjusted rate of return for private investors while also maximizing the Funds aggregate impact on an overall portfolio basis

## ASSET ALLOCATION AND RISK MANAGEMENT

The Fund's asset allocation strategy is aligned with the stated fund objectives in this IPS. The Manager will conduct extensive due diligence to identify and target investments with appropriate risk-adjusted returns.

Given the illiquid nature of the Fund's predominantly private investment holdings, the Fund is deemed to have a high tolerance for risk relative to a portfolio of liquid securities (like public equities and public debt) purchased on exchanges or markets. The Manager will strive to mitigate risk through the creation of a well-constructed, diversified portfolio which invests in multiple private asset classes across sectors, regions and, in the case of SFIs, across different fund managers that would reduce the potential materiality of weaker returns from individual investments on the portfolio as a whole. While this is the goal of the Manager, the ability for the Fund to achieve optimal diversification will be subject to the availability of investable opportunities that meet the Fund's objectives. Accordingly, the Manager will deploy risk-mitigation strategies on a best-efforts basis subject to the limitation of available and suitable investments, in an effort to maximize risk-adjusted returns within the Fund's mandate.

Investments will be made in the following categories and the breakdown of the Fund's holdings is expected to be approximately as follows once the Fund's capital has been fully committed:

TARGET ASSET ALLOCATION (ONCE FULLY COMMITTED)		
PRIVATE INVESTMENT ASSET CLASS	WEIGHT RANGE (%)	TARGET NET IRR RANGE OF ASSET CLASS (%) *
Private Equity	10-30%	10-20%
Venture Capital Funds	20-40%	15-25%

Private Debt Funds	5-20%	Government of Canada Bonds*** + 100bps to 500bps
Community Loans	5-20%	3-5%
Private Real Asset and Other Funds	5-20%	8-15%
Direct Private Investments / Co-Investments	5-20%	20+ %
<b>Total **</b>		11-17%

\*These are targeted net returns expected to be received by the Fund from its underlying investments, not net returns provided to investors in the Fund.

\*\* Calculated as the weighted average of the mid-point weight ranges applied to the targeted gross IRR% range of each private investment asset class. For private debt the 5-year Government of Canada Bond yield is used

\*\*\* For each investment, target return is the Government of Canada Bond of similar term

The Fund is focused on making investments where its capital will contribute to net new financing activity to drive incremental positive social and environmental outcomes alongside financial returns. Nonetheless, across its target asset classes, it may consider acquiring positions from other investors in existing funds (e.g., secondary investments). Dependent on market conditions, secondary investments will constitute no more than 20% of the fund. Further to the Fund's objectives, the Manager will give preference to opportunities, where a secondary investment is believed to positively contribute resources that will be reinvested in the SF market. Any investment acquiring a position in an existing fund will have the same quality of rigorous due diligence conducted on it as an investment in a new investment opportunity.

This target asset allocation mix is a guideline only and variations will occur depending on market conditions and the availability and composition of investable opportunities. The objective is to achieve the pooled portfolio return. Target net IRR percentages for each investment class are intended to be indicative approximate ranges. While the Manager will strive to meet target overall returns for the Fund that are within the indicative range, individual investments may be selected for inclusion that do not meet the IRR targets but provide other compelling attributes, such as deep impact or risk mitigation, that contribute to Fund achieving its overall financial and impact objectives as outlined in this IPS.

## CASH MANAGEMENT

Given the timing of fixed annual contributions from ESDC and the nature of investing in private fund manager SFIs, which tend to draw down capital commitments from investors over a period of time, the Manager has formalized and follows a Cash Management Policy that is designed to:

- Preserve the purchasing power of cash that has been committed but not yet deployed
- Ensure all cash and cash equivalents have sufficient liquidity to meet the current and future investment needs of the Fund, including satisfying any previous capital commitments made
- Enhance unitholder returns through the generation of income while not invested
- Generate a positive impact consistent with this IPS, where possible or feasible, by investing in products that deliver social or environmental benefit as well as returns

All uncommitted cash must be held in Canadian dollars or equivalents to minimize the effect of foreign exchange volatility on purchasing power. In general, committed cash should be held in the local currency of that commitment, for example where the Fund has committed to investing in the units of an SFI in a foreign currency such as US dollars.

## PROHIBITED INVESTMENTS

The Fund will not allocate capital or invest in any entity that has a direct or indirect interest in any excluded activity ("Excluded Activity"). This includes the following: alcohol, tobacco, gambling, casinos and equivalent enterprises, adult entertainment, weapons, production/activities involving forced labour or harmful child labour or poor working conditions, product or trade in any product or activity under Canada's laws or international conventions, that would be considered illegal or subject to international bans.

Recognizing our role as primarily an indirect investor investing through third-party fund managers and the limitations that poses on direct investment control, the Fund will exercise appropriate caution and undertake appropriate due diligence in assessing the intentions and strategic alignment of underlying investments to avoid making an indirect investment in a prohibited area. It is the intention of the Fund to have minimal to no exposure to prohibited areas within the limitations set out below. Given the fund's indirect ownership, as a materiality threshold no more than [5%] of the Fund's capital, based on our proportionate ownership of underlying funds, should be invested in prohibited areas, and the Manager will act accordingly in exercising its rights, including excusing itself as a capital contributor to specific investments, where appropriate.

Investment in the following categories will be avoided given their high likelihood of harming the environment and social well-being of Equity-Deserving Groups and communities as a whole (each, a "Prohibited Investment"): fossil fuels (including but not limited to oil, gas, and coal exploration, extraction, transportation, or production), fossil fuel derived hydrogen, petrochemicals, production or trade in radioactive materials except for medical applications, production or trade in wood or other forestry products other than from sustainably managed forests, palm oil, companies making excessive use of pesticides and herbicides, companies conducting animal testing for non-medical or non-regulatory purposes, companies with products actively used to support military activity, or companies with poor environmental performance such as those causing deforestation or habitat destruction. Other controversial technologies may be excluded also, such as companies involved in facial recognition for mass surveillance. The Fund seeks to align with the goal of the Paris Agreement to hold the increase in global average temperature to 1.5°C above pre-industrial levels. The Fund acknowledges that fossil fuel extraction and consumption contribute to climate change and environmental degradation. Accordingly, investments that finance abatement technologies in the fossil fuel sector will require special consideration and where applicable will require sufficient evidence that investments will not delay or diminish the transition to a renewable energy system. For clarity, solutions that can reasonably be considered as aligned with global efforts to reduce reliance on fossil fuels or reduce emissions from hard to abate industries including cement, steel, aviation, shipping, and chemicals will not be considered a Prohibited Investment. Subject to the limitations noted above, if potential investee(s) are involved in prohibited areas but the supermajority of their operations are in the reduction or mitigation of harmful industry activities, it would not be considered a Prohibited Investment.

Within the limitations of the investment objectives set out for the Fund under the LPA, we seek to respect and advance Indigenous reconciliation efforts, including the right to economic self-determination. Accordingly, where an Indigenous-led and focused SFI seeks to engage in investments that may otherwise be prohibited, the Manager will engage with the SFI to understand the contributions of that investment towards Indigenous reconciliation and economic self-determination. Where the Manager finds that an investment may be reasonably understood to contribute significantly to Indigenous reconciliation outcomes and to provide lasting or permanent benefits enabling economic self-determination, these will not be considered a Prohibited Investment. However, where such an investment is in an Excluded Activity, or the Manager cannot be satisfied as to the goals outlined above, the Manager will act accordingly in exercising its rights, including excusing itself as a capital contributor to specific investments, where appropriate.

## INVESTMENT PERIOD

The Fund will make initial investments over the five-year period following the final closing date for private investment in the Fund, with the possibility of extensions to this investment period subject to LP approval.

## TIME HORIZON AND DISTRIBUTIONS

To achieve the desired return and impact objectives, the Fund will have a 16-year life ending in March 2039. As such, the Fund is considered to have a long-term investment horizon which facilitates the inclusion of illiquid portfolio holdings and asset classes with long investment horizons, such as venture capital and/or private equity.

The fund does not intend to make regular distributions of dividends or interest income to unitholders and is exclusively focused on maximizing capital gains for investors until capital is returned to unitholders. Furthermore, at the discretion of the Manager, the Fund may reinvest i) the cost portion of any distributable proceeds if those proceeds are related to a bridge financing transaction that has matured within 12 months of the original investments or ii) any distributable proceeds are received by the Fund prior to the seventh anniversary of the Fund's final closing date, providing the costs of all portfolio investments made by the Fund do not exceed 110% of Aggregate Committed Capital as defined in more detail in the LPA.

## REBALANCING

The target asset allocation for the Fund is subject to the existence or development of suitable investment opportunities that meet the requirements of this IPS. Certain events may precipitate the need to rebalance the Fund's assets, subject to liquidity constraints including the amount and timing of new or uncalled capital to be received by the Fund at a future date. The percentage allocated to each target asset class will be subject to available deal flow, market conditions, maximum and minimum thresholds and security liquidity.

The Fund's assets will be maintained, to the extent possible, within the target ranges by rebalancing to the long-term policy target asset mix within the ranges specified in this IPS. It may be necessary to modify the target asset allocation should insufficient suitable investment opportunities materialize within each asset class. Thus, adjustments to the target asset allocation may be necessary prior to full commitment of the Fund's capital. This adjustment, usually reviewed on an annual basis, will consider the availability of investable opportunities, the effect of market returns on the underlying securities, and the social and/or environmental impact produced relative to targeted allocations. Rebalancing allows the Fund to take advantage of opportunities that present themselves as a result of short-term market volatility while still maintaining the long-term risk-return balance of the mandate.

The Fund's portfolio may be rebalanced if the associated costs are considered reasonable. However, rebalancing a portfolio may be challenging if investments are illiquid and/or may only be achievable at significant cost. Therefore, rebalancing the portfolio will be considered primarily where the Fund's current allocation significantly deviates from that of the long-term objective target allocation and impact objectives of the Fund, which may happen from time to time as investments are made and new investment pipeline comes to market but before all investment capital has been committed.

## REPORTING

In addition to financial statements and other statements that are considered customary for limited partnerships under the laws of Ontario, the Manager will produce a semi-annual report. The report for unitholders will provide details on the allocation of the Fund's investments and the financial and impact performance of the Fund consistent and in compliance with the reporting requirements in the LPA.



## Schedule A: Definitions

**“50-30 Challenge”** means the Government of Canada initiative defined as organizations that have achieved: (1) Gender parity (50% women and/or non-binary people) on boards and in senior management; and (2) significant representation (30%) on Canadian boards and in senior management of members of other Equity-Deserving Groups, including those who identify as Racialized, Black, and/or people of colour, People with disabilities (including invisible and episodic disabilities), 2SLGBTQ+ and/or gender and sexually diverse individuals, and Indigenous Peoples.

**“Aggregate Committed Capital”** means the sum of the committed capital of all general and limited partners and the committed capital of all partners of Parallel Funds.

**“Equity-Deserving Groups”** means communities who have been historically marginalized and excluded from participating in society and face particular and significant barriers due to their intersecting identities, including race, sex, sexual orientation, gender identity or expression, religion, age, and disability. Equity-Deserving Groups include, but are not limited to:

- 2SLGBTQI+
- Black peoples
- First Generation Immigrants, Refugees & Newcomers
- Indigenous peoples: First Nations
- Indigenous peoples: Inuit
- Indigenous peoples: Métis
- Official Language Minority Communities
- Other racialized peoples
- People living with a disability (including invisible and episodic disabilities)
- Women
- Gender-diverse people
  - Two-Spirit
  - Non-binary
  - Agender
  - Intersex people

**“Excluded Activity”** shall be defined to include:

- Businesses that sell, market, offer or provide products, services or entertainment of a sexually explicit or exploitative nature, including pornography
- Businesses carrying out illegal activities
- Businesses that manufacture, sell, distribute or otherwise promote the sale or distribution of goods or services that are not legal in Canada
- Businesses that do not comply with Canadian federal policies regarding the manufacture, trade and export of controlled goods
- Businesses that trade directly with the governments or residents of countries that are proscribed by the Government of Canada, or businesses that import or export proscribed goods
- Nightclubs, bars, lounges, cabarets, discotheques, and other entertainment establishments of this nature (other than those operated by a community centre and that are compatible with the Investment Objective) operating as stand-alone businesses and not as part of any other hospitality industry establishment
- Stand-alone businesses, notably casinos and racetracks, where gambling services or gambling activities are provided or present (including online or virtual businesses where gambling services or gambling activities are not merely incidental to other services or activities and legal tender currency can be won or lost), operators of

gambling machines, or entrepreneurs engaged in other gambling services or gambling activities (including the sale, marketing or provision thereof)

- Stand-alone businesses specializing in the distribution or retailing of lottery tickets
- Stand-alone businesses specializing in the operation of a video arcade, pool, or billiard hall; or any business engaged in the manufacture, production or sale of alcohol, cigarettes or other tobacco products, marijuana, ammunition, firearms or other weapons
- Investments or partnerships that are intended to serve as tax shelters

**“Manager”** means Realize Capital Partners Inc. or any delegated registered portfolio manager sub-advisor to whom the powers, authority, rights and obligations of the General Partner are delegated or assigned pursuant to a management agreement in accordance with the terms of the LPA.

**“Parallel Funds”** refers to a partnership or other investment entities that the General Partner establishes to address certain tax, regulatory or other restrictions applicable to certain investors having the same investment objectives and the same terms as the Fund except as required to address such tax, regulatory or other restrictions.

**“Portfolio Company”** means, at any time, a Social Purpose Organization in which the Fund has an investment or has committed to invest at that time or in which the Fund proposes to invest, whether such investment or commitment is direct or indirect, and whether such investment or commitment is certain or contingent but excluding the issuer or guarantor of Cash Management Investments and excluding Portfolio Funds.

**“Portfolio Entity”** means a Portfolio Company or a Portfolio Fund.

**“Portfolio Fund”** means, at any time, any Social Finance Intermediary in which the Fund has an investment or has committed to invest at that time or in which the Fund proposes to invest, whether such investment or commitment is direct or indirect, and whether such investment or commitment is certain or contingent.

**“Social Finance Intermediary”** means financial entities (e.g., community loan funds, venture capital funds, housing funds, credit unions) that raise money from investors to make Social Finance Investments.

**“Social Finance Investments”** are investments made for the purpose of generating social and/or environmental impacts alongside financial returns. For the purposes of the Program, an investment will be considered a Social Finance Investment if it can be classified within the B3 and above or C1 and above categorization of the Impact Management Project’s Impact Classification. A Social Finance Investment may be made into a a) Social Finance Intermediary, b) Social Purpose Organization, or c) a Social Finance Project.

**“Social Finance Projects”** are usually investment opportunities with a scale and scope beyond that of a typical Social Finance Intermediary or Social Purpose Organization. Many different types of entities can be involved in a Social Finance Project, including Social Finance Intermediaries, Social Purpose Organizations, Governments, not-for-profit or for-profit businesses. For illustration purposes, a Social Finance Project may include, for example: Outcomes-based financing tied to the achievement of social and/or environmental targets; or Large real estate, infrastructure, or natural resource projects with clearly demonstrable social and/or environmental outcomes where the investment is secured against an asset and repayment is managed via the cash-flow generated off the project.

**“Social Purpose Organization”** means an organization dedicated to a social or environmental purpose. To be considered social or environmental, an organization's purpose must aim to deliver better outcomes in an area related to the well-being of individuals and communities, including, but not limited to: innovative provision of social, health and housing services; the prevention or relief of poverty; the preservation of the natural environment; support for civic

engagement and participation; the advancement of the arts, sports, sciences, education, or knowledge; or the delivery of supports to individuals in vulnerable situations. A Social Purpose Organization may be a registered charity, a non-profit organization, a non-profit co-operative, a for-profit co-operative, a hybrid corporation, or a for-profit business. A Social Purpose Organization is autonomous from government unless that government is an Indigenous government.

**“Substantial Presence”** means the headquarters of the manager of such SFI is located in Canada or a principal office of the manager of such SFI that is an active investment office is located in Canada and, in each case, such office is staffed with senior investment professionals of the manager who are residents of a province or territory of Canada and who comprise at least one-half of such SFIs investment committee (or similar decision making body) that will be responsible for making investment decisions of such SFI.

## Schedule B: Investment Objective (from the LPA)

The Fund is being established to attract and mobilize investment capital from private investors to invest in the social finance market through Social Finance Intermediaries and Social Purpose Organizations and demonstrate the viability of the social finance market by offering a suitable risk-adjusted return to private investors, to achieve the following four objectives on an integrated basis in the Canadian marketplace:

- Create social and environmental impact to further Canada’s progress towards achieving the United Nations Sustainable Development Goals (SDGs) and advance other social and environmental commitments of the Government of Canada, such as reconciliation with Indigenous peoples
- Create a sustainable social finance market, in which Social Purpose Organizations can access flexible and affordable social finance to generate positive social and environmental impacts over time
- Broaden the reach of social finance to underserved sectors, regions and populations to provide accessible and affordable capital to segments of the market that are not adequately served
- Enhance social equity practices in the social finance market in order to remove barriers that prevent Equity-Deserving Groups from participating in all roles of the social finance market

The Fund will make investments in mostly private investments across all asset classes and sectors consisting of i) externally managed private investment funds, ii) direct or co-investment investments not limited to private companies, financial instruments, and organizations, iii) investments in communities through a variety of instruments and arrangements. The Fund’s investments will be shortlisted and evaluated based on traditional financial attributes while also considering the investment’s ability to contribute towards positive social or environmental outcomes. Subject to certain limitations the Fund intends to invest in a variety of transaction types, asset classes, sectors, regions, and financial instruments including private and public opportunities including common stock, warrants, preferred stock, debt, exchangeable instruments, convertible instruments, units of externally managed funds, commodities, derivatives, real estate, collateralized debt (e.g., mortgages, asset backed securities) or combinations thereof.

## Schedule C: Social and Gender Equity Considerations

The Manager will perform rigorous investment analysis that includes but is not limited to the following equity related considerations:

### *SFIs (managers of third-party funds):*

- **Firm and Management.** What is the investment philosophy of the SFI and the core beliefs that underlie this philosophy; how is that ethos integrated into investment analysis, decisions, policies and legal documentation; what is the role of gender equality and social equity within the SFI; how diverse is the SFI team, senior staff, investment committee and board and do they meet the 50-30 Challenge; what are the practices for incorporating diversity in hiring?
- **Strategy and Performance.** How is gender equality and social equity incorporated into the SFI's investment process; how does the SFI treat a well-performing company with a history of controversies related to gender or social equity; how is the investment team incentivized to integrate gender equality and social equity factors into investment decisions?
- **Impact Measurement and Management.** What frameworks are used to measure positive societal impact, and how do they incorporate gender and social equity; what is the process for determining materiality and calculating potential and real-world investment impacts; what actions are taken to address negative impacts on gender and social equity; how does the SFI and its strategy score using the Social Equity Lens Investing coding system (SELI)?
- **Diversity and Inclusion Screens.** What are the positive and negative screens that guide investment decision-making? Screens could include factors such as the percentage of diverse groups in equity ownership; wage equity in management teams and boards; percentage of diverse groups internally promoted; percentage of diverse groups as employees; implementation of anti-bias training; policies and commitments to advancing gender equality and social equity; and track record of incidents of discrimination?

### *SPOs (holdings within third-party funds or direct / co-investments):*

- **Revenue.** How do the SPO's business model, goods and services, and community initiatives promote gender equality and social equity? For example: financial services companies that increase financial literacy and independence; healthcare companies that provide health services specifically to Equity-Deserving Groups; education companies that increase access to education or certification; arts and media companies that create diversity-affirming publications; employment services and affordable housing companies that target gender equality and social equity; and childcare companies
- **Operations.** What is the impact of an SPO's operations, paying particular attention to a company's impact on people involved in the supply chain, fair employment terms, diversity of employees, senior management and the board of directors and environmental management, including water use and energy use and production of waste and carbon emissions.

# Disclaimer

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