Funds Management Policy

ADOPTED:
OCTOBER 30, 2012

REVISED:
MAY 14, 2019

WCI, Inc.
Western Climate Initiative, Inc.
## Revision History

<table>
<thead>
<tr>
<th>Date</th>
<th>Revised By</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/30/2012</td>
<td>Board of Directors</td>
<td>Funds Management Policy adopted</td>
</tr>
<tr>
<td>03/14/2016</td>
<td>Board of Directors</td>
<td>Amendment to asset allocation (Table 1) to enable the allocation range for cash to be 0% to 100%.</td>
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<tr>
<td>09/29/2016</td>
<td>Board of Directors</td>
<td>Amendment to asset allocation (Table 1) to allow for cash to be held in accounts insured by the Autorité des marchés financiers (AMF).</td>
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<tr>
<td>04/20/2017</td>
<td>Board of Directors</td>
<td>Amendment to allow the Corporation to hold cash that is not insured up to $250,000 US dollars and $500,000 Canadian dollars and recognize that funds received through checks, wire transfers or other transfers may be placed on temporary hold by a Custodian.</td>
</tr>
<tr>
<td>05/14/2019</td>
<td>Board of Directors</td>
<td>Amendment to enable administrative efficiency by allowing the corporation to hold cash that is not insured and by allowing funds held in certificate of deposit, US treasuries, bonds and treasury bills issued by the Government of Canada to increase from 0 to 75% to 0 to 100%. Consistent with the Objectives of the Policy, funds shall be insured to the maximum extent practical.</td>
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1. Purpose

WCI, Inc. was created for the following exclusive purposes: (1) to provide technical and scientific advisory services to States of the United States and Provinces and Territories of Canada in the development and collaborative implementation of their respective greenhouse gas emissions trading programs; (2) to perform any other charitable or scientific function related to the reduction of greenhouse gas emissions or the increase in carbon sequestration; and (3) to perform any other charitable or scientific function related to emissions trading programs or other programs with the purpose of improving environmental quality.

The purpose of this Funds Management Policy is to establish requirements for the management of the Corporation’s funds, all of which are program-related assets,¹ so as to support the purposes for which the Corporation was created.

2. Definition of Duties

**Board of Directors:** The Board has the fiduciary responsibility for the management of the Corporation’s funds. The Board shall ensure that appropriate policies governing the management of the Corporation’s funds are in place and that they are implemented.

**Finance Committee:** The Finance Committee shall advise the Board on the management of the Corporation’s funds. At least once per year the Finance Committee shall review the Corporation’s policies governing the management of the Corporation’s funds, and as appropriate recommend to the Board changes in those policies to better serve the Corporation.

**Treasurer:** The Treasurer shall implement the policies governing the management of the Corporation’s funds. The Treasurer shall prepare and keep current a cash flow projection for the Corporation that at a minimum shows anticipated revenues and expenditures for the coming 18 months. After review and approval by the Finance Committee, the Treasurer shall provide the cash flow projection to the Executive Committee at least quarterly.

**Custodian:** A custodian is a financial institution responsible for safeguarding the financial assets of the Corporation. A custodian is also responsible for executing financial transactions at the direction of duly authorized corporate representatives. A custodian shall provide complete and accurate monthly and annual reports detailing the transactions performed and the assets held on behalf of the Corporation that are in sufficient detail to both manage the funds as required by this policy and to determine whether the requirements of this policy are being met.

**Outside Advice and Assistance:** If the Board determines that it desires additional expertise for managing the Corporation’s funds, it may choose to solicit, or direct the Treasurer or the Executive Director to solicit, advice or assistance of an outside provider.

¹ As defined in the Uniform Prudent Management of Institutional Funds Act, “program-related assets” means “an asset held by an institution primarily to accomplish a charitable purpose of the institution and not primarily for investment.”
3. Objectives

The following are the fund management objectives of the Corporation.

1. Funds shall be managed in a manner that complies with all applicable laws.
2. Funds shall be managed in a matter that complies with all requirements specified in funding agreements entered into by the Corporation.
3. Funds shall be managed to support the cash flow requirements of the Corporation as developed by the Treasurer, including expected requirements in Canadian and U.S. dollars.
4. Funds shall be managed to preserve principal to the maximum extent possible.
5. Funds shall be managed to achieve a competitive rate of return (net of fees), consistent with the achievement of the other objectives, in particular recognizing the paramount importance of the preservation of principal.

4. Standard of Care

Funds shall be managed with prudence consistent with all the objectives of this policy. Care shall be taken to avoid accepting risks, for example by matching maturities of securities to cash flow requirements to avoid being required to sell securities at market rates during unfavorable market conditions.

Any potential or actual conflict of interest (as defined in the Corporation’s Ethical Guidelines and Conflict of Interest Policy) shall be avoided. In the event that any Board Member, Officer, Committee Member or Employee becomes aware of a potential or actual conflict of interest arising as part of the management of the Corporation’s funds, the potential or actual conflict of interest shall be disclosed promptly to the Board as required under the Corporation's Ethical Guidelines and Conflict of Interest Policy.

5. Asset Allocation

Consistent with the objectives above, the financial assets listed in Table 1 are eligible for managing the Corporation’s funds within the allocation ranges shown. Cash held within those limits must be held at stable financial institutions with good credit ratings, consistent with the Standard of Care required by this Policy.

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2 It is recognized that funds received through checks, wire transfers or other transfers may be placed on temporary hold by a Custodian. The Corporation is considered to be in compliance with the asset allocation requirements while such a hold exists, if without considering the funds being held the asset allocation would be within the ranges in Table 1.
6. Monitoring

At least annually, the Treasurer shall prepare and present to the Board an evaluation of the compliance with this policy, including a summary of the Corporation’s financial transactions and holdings, consistency with the required asset allocation, and a statement as to the extent to which each of the policy objectives has been achieved.

If directed by the Board, the Audit Committee may undertake an independent evaluation of the compliance with this policy.

Table 1: Asset Allocation

<table>
<thead>
<tr>
<th>Asset</th>
<th>Allocation Range</th>
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<tbody>
<tr>
<td>Cash in interest-bearing and non-interest-bearing accounts, in amounts that are fully insured by the Federal Deposit Insurance Corporation (FDIC), the Canadian Deposit Insurance Corporation (CDIC) or the Autorité des marchés financiers (AMF). The Corporation may hold cash in interest-bearing and non-interest bearing accounts above the amounts insured by the FDIC, CDIC or AMF to meet the cash-flow requirements of the Corporation, allow for funds to clear a temporary hold by a Custodian or to support administrative efficiency. Consistent with the Objectives of the Policy, funds shall be insured to the maximum extent practical.</td>
<td>0% to 100%</td>
</tr>
<tr>
<td>Certificates of Deposit in amounts that are fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Canadian Deposit Insurance Corporation (CDIC).</td>
<td>0% to 100%</td>
</tr>
<tr>
<td>United States Treasury Securities</td>
<td>0% to 100%</td>
</tr>
<tr>
<td>Government of Canada bonds and treasury bills</td>
<td>0% to 100%</td>
</tr>
<tr>
<td>General Obligation Bonds Issued by any of the Participating Jurisdictions</td>
<td>0% to 25%</td>
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</table>

7. Prohibited Activities

Unless expressly authorized by the Board, the following investments are prohibited:

- Purchasing securities on margin or executing short sales.
- Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
- Purchasing or selling derivative securities for speculation or leverage.
- Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of this policy.
8. Unique Circumstances

The Board recognizes that financial conditions can change, at times unpredictably. The Board retains full authority to interpret or modify this Funds Management Policy in whole or in part at any time. This Funds Management Policy does not and will not serve as the basis for any cause of action or create any rights in any third parties.

9. Acknowledgement

The Board recognizes the importance of adhering to this policy and agrees to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability.