

InBC Investment Corp.

**2021/22 – 2023/24
Service Plan**

April 2021



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Board Chair's Accountability Statement



The 2021/22 – 2023/24 InBC Investment Corp. Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of March 2021 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, InBC Investment Corp.'s mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of InBC Investment Corp.'s operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'Bobbi Plecas', written in a cursive style.

Bobbi Plecas
Board Chair

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Strategic Direction and Alignment with Government Priorities

In 2021/22, British Columbians continue to face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and the Government of British Columbia. The government has identified five foundational principles that will inform each Crown agency's policies and programs and contribute to COVID recovery: putting people first, lasting and meaningful reconciliation, equity and anti-racism, a better future through fighting climate change and meeting our greenhouse gas commitments, and a strong, sustainable economy that works for everyone.

As the province's strategic investment fund, InBC will make meaningful investments that support the Government of British Columbia's five foundational principles and contribute to COVID-19 recovery. InBC is also working with the Minister of Jobs, Economic Recovery and Innovation to achieve specific priorities as outlined in the [2021/22 Mandate Letter](#).

Operating Environment

InBC Investment Corp. (InBC) was created in September 2020. Prior to September 16, 2020, InBC was called the BC Immigrant Investment Fund Ltd. (BCIIF). The BCIIF name was changed to InBC Investment Corp. to align with the Crown's new mandate to establish and administer a Strategic Investment Fund (the Fund) announced as part of the [StrongerBC Economic Recovery Plan](#). The Fund is to provide a local source of capital to invest in high growth potential firms, growing and anchoring talent, intellectual property, innovation, investment and jobs in B.C. and driving economic growth in every region of the province.

Provincial funding has helped foster an exciting set of companies in B.C.; however, many companies find themselves unable to scale up successfully. When this happens, British Columbians do not maximize the benefits of their investments. Access to capital plays a significant role in determining a company's prospects of scaling up and growing. Attracting risk capital can be difficult for growing businesses, and without access to capital, new businesses do not get off the ground, and existing businesses have trouble expanding. Through its investments, InBC will be a source of capital for B.C. companies and make investments that foster an economic climate that addresses the significant challenges faced by British Columbians such as fighting climate change, achieving meaningful reconciliation with Indigenous peoples, contributing to equity and anti-racism and fostering an innovative economy that works for everyone.

To achieve those goals, InBC must operate within investment parameters that address financial as well as environmental and socio-economic policy goals. These parameters constitute a triple bottom line, where InBC measures success against financial, environmental and socio-economic policy objectives. Through making strategic investments in B.C. businesses, InBC will help to develop B.C.'s low carbon economy, while anchoring talent, intellectual property and good jobs in the province.

Key risks identified for InBC for the upcoming fiscal year are:

Returns: Venture capital is a high-risk asset class that does not afford guaranteed returns. Venture capital investments are subject to the "J-curve effect" typically over a 10-year fund lifecycle. Negative returns may occur in early years while new investments are being made. Gains occur in later years as portfolio companies mature and exit. Expected timing and distribution of venture capital returns is difficult to predict.

Investment timing: Sufficient time is required for the Crown to be operationally ready to place investments. InBC is currently engaged in building its operational capacity to make good investment decisions. This Service Plan contains components to ensure InBC has the capacity to place investments with potential; however, InBC is not anticipated to be in a position to place investments until the end of fiscal year 2021/22.

Organizational change: InBC is currently engaged in an organizational transformation to meet its new and expanded mandate. To mitigate the risk associated with organizational and operational change, this Service Plan contains a significant focus on establishing successful and accountable operations.

Performance Planning

In the first year of its new mandate, InBC will focus on building the organization to achieve the objectives established for the Fund. As such—and because this is the first Service Plan reflecting InBC’s new mandate—the goals, objectives and performance measures included in this section are more operational than they would otherwise be. In future Service Plans (following developments to the organization and its investment strategy), this section will be refined to reflect InBC’s strategic plans.

Goal 1: Develop a strategic investment fund that supports government's objective of building a more innovative low-carbon economy by investing in high-potential B.C. businesses to help them scale up and grow in B.C.

Objective 1.1: Create an approved investment policy statement for InBC

This is a new objective reflecting the new and expanded mandate of the Crown to provide a local source of capital to help B.C. businesses scale up, and make sure talent, intellectual property and good jobs stay in the province. The investment policy statement will also clarify the parameters for achieving a triple bottom line investing mandate.

Key Strategies

- Work collaboratively with Ministry of Jobs, Economic Recovery and Innovation, the Ministry of Finance and the Chief Investment Officer of InBC to develop an investment policy for the strategic investment fund.
- Consult with the Province of British Columbia’s independent Risk Committee on the risk management framework developed to support InBC’s investment policy.
- Engage with communities, businesses and investors to develop the objectives of triple bottom line investment mandate to realize financial return and create environmental, economic or societal impacts in alignment with government direction.
- Submit the investment policy to the Minister of Jobs, Economic Recovery and Innovation, the Minister of Finance and Treasury Board for approval before its implementation.

Performance Measure	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
1.1 An approved investment policy statement is in place	Not applicable	Completed and approved investment policy	Review investment policy	Review investment policy

Data source: Investment policy statement will be published on InBC’s website upon completion and will be updated and refined as required

Linking Performance Measure to Objective

This performance measure is directly related to development of the investment policy. The investment policy will establish the broad investment objectives of the Fund. Through the investment policy, the

Board of Directors will establish the parameters within which the Chief Investment Officer must operate in seeking to achieve those objectives.

Discussion

The investment policy establishes the framework under which InBC’s investments decisions must be made. It is through the investment policy that the Board of Directors will specify the objectives of InBC’s triple bottom line and the Fund’s investment parameters such as its Environmental Social Governance investing requirements. The Chief Investment Officer will be accountable to the Board of Directors for adhering to the investment policy. The investment policy is a foundational accountability mechanism through which the Board of Directors will exercise oversight of the Fund’s investments and will provide direction to the Chief Investment Officer regarding financial return targets, investment asset allocations, investment parameters and risk tolerances.

Objective 1.2: Establish operations for InBC

This is a new objective reflecting the new and expanded mandate of the Crown to provide a local source of capital to help B.C. businesses scale up, and make sure talent, intellectual property and good jobs stay in the province.

Key Strategies

- Establish an organizational structure and human resources strategy to support InBC’s new mandate.
- Develop a compensation framework to attract qualified staff capable of delivering InBC’s mandate.
- Recruit qualified leadership and investment professionals capable of delivering InBC’s triple bottom line investment program.

Performance Measure	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
1.2 Recruitment and retention of investment staff including a Chief Investment Officer	Not applicable	2	4	6

Data source: Investment and other Crown staff will be posted on the InBC website as they are hired

Linking Performance Measure to Objective

This performance measure is directly related to establishing the operations of InBC which included the recruitment and retention of qualified staff including a Chief Investment Officer who will be responsible for investment decision-making.

Discussion

The Chief Investment Officer and their team are key to the placement of individual investments. Recruiting and retaining these staff are key to achieving the overall investment objectives of InBC.

Goal 2: Effective management of investments and portfolios

Objective 2.1: Manage investment portfolios

Key Strategies

- Ensure that BC Tech Fund investments are made into B.C. based venture capital (VC) funds to increase the number of funds and professional fund managers in B.C.
- Ensure that BC Tech Fund investments lead to investments in B.C. based companies.

Performance Measures	2019/20 Baseline	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
2.1a Cumulative number of investment commitments made to B.C. businesses from the BC Tech Fund	31	34	36	38	40
2.1b Cumulative number of investment commitments made to B.C.-based VC Funds from the BC Tech Fund	10	10	10	10	10

Data source: Quarterly Reports BC Tech Fund for BC Tech Fund Manager

Linking Performance Measure to Objective

Management of the investment portfolios include ensuring investments are yielding benefits to British Columbia. These performance measures enumerate the number of investments made in B.C. to assess the impact of the BC Tech Fund on B.C.-based businesses and VC funds with a B.C. presence.

Discussion

InBC will exceed the 2020/21 targets for these performance measures established in the 2020/21 Service Plan, and targets have been revised upward to reflect this performance. Target levels were chosen based on total funds available for investing, the length of the BC Tech Fund’s investment period, the number of funds that meet the BC Tech Fund’s investment thesis and considering the average financial commitment available per investment.

Objective 2.2: Increasing capital provided to B.C. Companies and Funds

Key Strategies

- Ensure the Series A¹ funding gap is addressed by increasing the quantity of venture capital that is available to B.C. companies from BC Renaissance Capital Fund (BCRCF) investments.
- Leverage fund manager investment networks to create investment syndicates that grow the amount of investment in B.C. tech companies.

¹ Series A is the first round of financing given to a new business once seed capital has already been provided.

Performance Measures	2019/20 Baseline	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
Portfolio 1 – BCRCF (\$M)					
2.2a Cumulative capital called on BCRCF’s commitments to fund managers	\$85.5	\$86.2	\$86.5	\$86.5	\$87.0
2.2b Cumulative investment by BCRCF fund managers and syndicate partners in B.C. companies	\$665.0 ¹	\$679.4	\$680.0	\$680.0	\$680.0
Portfolio 2 – BC Tech Fund (\$M)					
2.2c Cumulative capital called on BC Tech Fund commitment	\$41.5	\$51.0	\$60.0	\$70.0	\$80.0
2.2b Cumulative investment by fund managers and syndicate partners in B.C. companies	\$492.0 ¹	\$663.0	\$700.0	\$800.0	\$850.0

Data source: Capital calls² and investment amounts are based on invoices, audited financial statements and quarterly performance reports from the BCRCF and BC Tech Fund managers

¹ The 2019/20 baseline has been updated from the amount reported in the 2019/20 Annual Service Plan Report as a result of a revision to the method used to calculate these amounts starting in 2020.

Linking Performance Measures to Objective

Measuring cumulative capital called and cumulative investments demonstrate that Portfolios 1 and 2 are increasing the amount of venture capital available to support B.C. tech companies. These investments help to address the Series A funding gap and assist companies in commercializing new ideas.

Discussion

InBC is on-track to achieve its 2020/21 Portfolio 1 and Portfolio 2 targets.

Goal 3: An accountable, high performing organization

Objective 3.1: Develop a governance and accountability framework for InBC

This is a new objective reflecting the new and expanded mandate of the Crown to provide a local source of capital to help B.C. businesses scale up, and make sure talent, intellectual property and good jobs stay in the province.

Key Strategies

- Develop a Board approved governance and accountability framework. The governance and accountability framework will define key roles and responsibilities of the Board, its committees and InBC’s management and provide a structure through which InBC’s leadership aligns Crown operations to deliver its mandate.

² A capital call is a request by an investee for payment of any part of a financial commitment by an investor under an existing capital agreement.

- Identify, assess and mitigate significant risks, and align InBC operations with Government’s strategic direction within the constraints of an effective risk management framework.

Performance Measure	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
3.1 Development of a governance and accountability framework	Not applicable	Framework completed	Framework reviewed	Framework reviewed

Data source: Governance framework and key accountabilities will be posted on the InBC website

Linking Performance Measure to Objective

Establishing a strong governance and accountability framework with clear lines of accountability through to the Minister will hold all levels of InBC accountable in meeting its corporate objectives and support InBC identifying the short, medium and long-term actions required to successfully deliver those objectives.

Discussion

Establishing a clear governance and accountability structure will define roles and responsibilities and is a critical element to establishing an accountable and high performing organization.

Objective 3.2: Develop a performance measurement and accountability framework for InBC

This is a new objective reflecting the new and expanded mandate of the Crown to provide a local source of capital to help B.C. businesses scale up, and make sure talent, intellectual property and good jobs stay in the province.

Key Strategies

- Establish investment performance parameters that measure financial as well as policy goals. These parameters constitute a triple bottom line, where InBC measures success against both financial as well as economic and societal policy objectives.
- Establish a triple bottom line performance measurement framework through which InBC will identify the desired outcomes of its investments and measure the impact of those investments.

Performance Measure	2020/21 Forecast	2021/22 Target	2022/23 Target	2023/24 Target
3.2 Development of a performance measurement framework	Not applicable	Performance measurement framework developed	Performance measurement framework reviewed	Performance measurement framework reviewed

Data source: Key performance measures will be provided on the InBC website

Linking Performance Measure to Objective

This performance measure ensures that InBC establishes and reviews key performance metrics and accountabilities. The Board will review and validate the performance and accountability framework to ensure the outcomes of InBC's activities are measured and disclosed and align with Government's strategic objectives.

Discussion

InBC's performance measurement framework will include a clear set of performance and accountability metrics with a set of outcomes that align with InBC's and Government's shared goals. Over the duration of this service plan, the framework will continue to be updated and refined to ensure InBC is adapting to environmental changes while achieving all goals set by the corporation and mandated by the Government.

Financial Plan

Financial Summary

(\$000)	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
Total Revenue				
Venture Capital Investment Revenue ¹	4,200	-	-	-
Realized Investment Gains	39	-	-	-
Interest Revenue	640	344	283	240
Total Revenue	4,879	344	283	240
Total Expenses				
Investment Portfolio Expenses	867	489	323	28
Board of Directors	0	230	218	218
Salaries and Benefits	0	1,524	3,379	3,982
Facilities	0	191	622	642
Operations	0	1,429	1,958	1,911
Total Expenses	867	3,863	6,500	6,781
Annual Surplus (Deficit)	4,012	(3,519)	(6,217)	(6,541)
Total Debt²	36,843	40,362	46,579	53,120
Accumulated Surplus (Deficit)	61,135	57,616	51,399	44,858
Capital Expenditures	-	210	1,141	774

Note: The above financial information was prepared based on current Public Sector Accounting Standards.

¹ InBC does not include revenue from venture capital investments when forecasting, due to the variable and unpredictable nature of the investments and associated distributions. Venture capital revenue is reported as it is realized.

² Total Debt does not reflect draws for new InBC investments as the timing and amounts are not able to be forecast at this time.

Key Forecast Assumptions, Risks and Sensitivities

The above financial information and forecasts are prepared based on Public Sector Accounting Standards in Canada. This Service Plan incorporates “forward-looking statements” including information related to future anticipated investment performance and related revenues, along with expected expense levels.

Actual results may differ materially from those in the forward-looking estimates. This is a result of various factors, some of which are beyond InBC’s control, including, but not limited to, the risks discussed under the Operating Environment section of this Service Plan. Review and interpretation of forecasts should take into consideration the following:

1. Revenue assumes that all available funds, other than those required to meet near-term commitments which includes repayments to the federal government, will be invested in liquid financial instruments with the Ministry of Finance’s Central Deposit Program (CDP), earning returns reflecting short-term, low-risk investments.
2. Venture capital investment income is reported as it is realized due to the high-risk and unpredictable nature of venture capital investments.
3. Loans received through the IIP are received net of commission costs. InBC amortizes those commission costs over the term of the loan (five years). The debt to Canada is supported by a Provincial guarantee.
4. Investment fees are fees paid to manage BCRCF’s Portfolio 1.
5. The forecasted debt amounts do not include the additional debt required to fund new investments. At this time, the timing and amount of investments is unknown, and so forecasting the debt required is also not possible. Additional debt will be required in the future and the amount of debt required and interest rate at that time will impact the future financial results.

Management’s Perspective on the Financial Outlook

Investment income revenues are forecast to decrease over the next three years due to declining cash balances and the absence of new Immigrant Investor Program (IIP) allocations. Cash balances available to generate interest revenue will decrease as cash is used to repay the federal IIP obligation, fund capital calls from the BC Tech Fund and repay the fiscal agency loan. InBC’s two venture capital portfolios have entered opposing phases in the venture capital fund lifecycle. Portfolio 1 is in the wind down phase where funds are at or near maturity and will be disbursing funds back to the crown. The corresponding venture capital asset will decrease over the next four years. For Portfolio 2, BC Tech Fund investments are entering the investment phase where the corresponding venture capital asset will increase over the next 4 years meeting BC Tech Fund’s objective to ensure the Series A funding gap is addressed.

InBC does not include revenue or losses from venture capital investments when forecasting, due to the variable and unpredictable nature of the investments. Actual results may be significantly different as a result.

As noted above, InBC has a fiscal agency loan from the Ministry of Finance to meet its IIP repayment obligations, meet capital calls in the BC Tech Fund. Future debt servicing costs may change in proportion to the amount of new financing needed and the amount of venture capital distributions that may be received.

InBC also has access to a fiscal agency loan for the new strategic investment fund. It is expected, that over the next ten years, up to \$500 million will be drawn from this fiscal agency loan and used to fund InBC's investments. The timing and amounts of this debt are uncertain and difficult to predict at this time. The timing and amount of debt drawn will have a significant impact on the future financial results of InBC.

Appendix A: Additional Information

Additional information regarding InBC can be found at www.inbcinvestment.ca

Appendix B: Subsidiaries and Operating Segments

Active Subsidiary

The B.C. Renaissance Capital Fund Ltd. is a Crown corporation wholly-owned by InBC. The Board of Directors and management are the same as InBC. Like InBC, the BCRCF aligns its activities with the Corporation's strategic priorities and fiscal plan.

In August 2007, the provincial Treasury Board approved an allocation of \$90.2 million from the InBC (BCIIF at the time) to the BCRCF for venture capital investments in key technology sectors of information technology, digital media, clean technology and life sciences.

In 2016 a further \$100 million was approved to support the BC Tech Fund, bringing BCRCF's total allocation of venture capital investments to \$190.2 million. The objectives of the BCRCF's venture capital investments are to:

- Generate positive returns for the capital committed
- Increase the probability that innovative new goods and services in B.C. gain full-scale commercialization
- Increase the depth of the venture capital market and increase the quantity of venture capital available in B.C.
- Enhance the visibility of B.C. as an attractive market for venture capital opportunities in North America and globally

The BCRCF is the venture capital component of the larger InBC investment portfolio. Financial and operational risks or opportunities facing BCRCF are reflected in the InBC Service Plan.

Summary Financial Outlook Table for The B.C. Renaissance Capital Fund Ltd

(\$000)	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget
Total Revenue²	4,200	0	0	0
Total Expenses	249	230	210	210
Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)	3.951	(230)	(210)	(210)

²BCRCF financial accounts are consolidated into the parent company statements of InBC. Given the high-risk and unpredictable nature of venture capital investments, venture capital revenue is not budgeted and is reported as it is realized.

Summary of InBC’s Active Investments

Portfolio 1	Year	Fund Manager	Investment
BCRCF	2007	ARCH Venture Partners VantagePoint Capital Partners	ARCH Venture Fund VII VantagePoint CleanTech II VantagePoint Venture 2006
	2009	Tandem Expansion Vanedge Capital	Tandem Expansion Fund I Vanedge Capital I
		Yaletown Venture Partners	Yaletown Ventures II
2011	Azure Capital iNovia Capital	Azure Capital Partners III iNovia Investment Fund III	
Portfolio 2	Year	Fund Manager	Investment
BC Tech Fund Investments in B.C.-based funds	2016	Vanedge Capital	Vanedge Capital Fund II
	2017	Lumira Ventures	Lumira Capital IV
		ScaleUp Ventures	ScaleUp Venture Fund I
		Yaletown Venture Partners	Yaletown Innovation Growth Fund
	2018	Pangaea Ventures Ltd	Pangaea Ventures IV
		Versant Ventures	Versant Voyageurs I
		Framework Venture Partners	Framework Venture Partners Fund I
	2019	Panache	Panache Ventures Investment Fund 2018
		Voyageur Capital	Voyager Capital Fund V
	2020	Vanedge	Vanedge Capital Fund III
Portfolio 2	Year	Fund Manager	Investment
BC Tech Fund direct Investments in B.C.-based companies	2016	Kensington Capital Partners	Mojio Inc.
	2017	Kensington Capital Partners	Foodee Media Inc.
	2018	Kensington Capital Partners	Eventbase Technology Inc.
	2019	Kensington Capital Partners	Procurify
		Kensington Capital Partners	D-Wave
		Kensington Capital Partners	TaskTop
2020	Kensington Capital Partners	Thinkific	