

# NCIA POLICIES AND PROCEDURES

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<b>NCIA Reference:</b>	<b>NCIA-POL-1001</b>
<b>Title:</b>	<b>Investment Manager and Vehicle Selection Policy</b>
<b>Chapter:</b>	<b>CIO-Approved</b>
<b>Current Effective Date:</b>	<b>January 1, 2026</b>
<b>Original Effective Date:</b>	<b>January 1, 2026</b>

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## I. Background

The North Carolina Investment Authority (the “NCIA”) maintains the investment programs for the North Carolina Retirement Systems (“NCRS”), Short-Term Investment Fund, Escheat Fund, and Other Ancillary Funds. The NCIA supports the North Carolina Supplemental Retirement Board of Trustees by providing oversight for the investment programs of the North Carolina Supplemental Retirement Plans (“SRP”), the Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan.

For a variety of reasons, teams within the NCIA periodically recommend using a new internally managed account or recommends hiring external investment managers and adding to its portfolios new commitments to private market investment vehicles permitted by statute.<sup>1</sup> This policy sets forth the process that NCIA will follow when creating a new internally managed account or hiring new external investment managers or making a new commitment to any of the aforementioned entities for the NCRS or another NCIA managed fund. For the avoidance of doubt, this policy also applies to individual co-investments/direct investments that are subject to internal approval (i.e., See Appendix A for Private SMA Veto/Consent Process) and other third-party fiduciaries that have discretion over portfolio assets (i.e., transition managers and securities lending agents), but does not apply to trustees, custodians, class action advisors, attorneys, tax advisors, auditors, broker/dealers and other trading counterparties and funds or other vehicles that receive allocations within a fund-of-fund vehicle.<sup>2</sup> On a case-by-case basis, the Chief Investment Officer (“CIO”) may authorize procedures that deviate from this policy, but the Chief of Risk & Operations shall document any material deviation from this policy for the files containing investment recommendation memorandum and related compliance materials.

## II. Policy Statement

The selection of a new portfolio commitment shall be carried out:

1. In accordance with investment objectives, fiduciary standards, and approved procedures and criteria as set out in applicable policies and statutes
2. With a predominant reliance on asset class Directors’ and third-party experts’ comparative evaluation of opportunities within a defined due diligence process

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<sup>1</sup> The term “External Investment Manager” means any of the following: investment managers for separate or commingled accounts, investment advisors to private market vehicles (e.g., private equity, real estate, hedge funds, etc.), general partners or managing members of private market investments, or the funds, limited liability vehicles (separate or commingled), fund-of-funds, and other vehicles to which the IMD may commit capital. The term “External Investment Manager” also includes such organizations’ wholly-owned affiliates and any entities controlled by or under common control with the External Investment Manager.

<sup>2</sup> Staff directed rebalancing between existing accounts or incremental funding to such vehicles will be evaluated on a case-by-case basis by the Chief Investment Officer to determine if any updated due diligence and recommendation memorandum are required.

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3. In a fair and consistent manner with a structured external communication protocol designed to facilitate transparency and efficiency of process for NCIA and external parties

## III. Identifying Investment Opportunities

The applicable asset class team in coordination with the CIO, shall develop the case for establishing a new investment management arrangement. It is the responsibility of the applicable asset class team to develop the case for either investing internally or to utilize an external investment arrangement. In assessing whether to invest internally versus externally, NCIA will consider material factors it considers relevant to this fiduciary decision, including financial, operational, and investment expertise and resources, alignment of interests and investor protections, risk controls, cost-effectiveness, transparency, strategic rationales and repeatability of investment process. Internally managed accounts will be subject to industry standard investment guidelines reviewed with the Investment Committee and approved by the CIO.

NCIA will typically utilize either a “Request for Information Search” or a “Pacing Plan and Opportunistic Search” to identify investment opportunities and ultimately recommend external investment managers, advisors, fund-of-fund managers, separate account or commingled limited liability vehicles, and other investment vehicles permitted by statute. In addition to proactive searches, NCIA will need to be reactive to inbound opportunities presented by existing manager relationships, industry relationships, peer institutions, consultants, or placement agents concerning co-investments and direct investment opportunities, with the expectation that such opportunities require an accelerated due diligence and closing process. While NCIA will be neutral regarding the sourcing or identification of investment opportunities, the approaches defined below are designed to focus scarce NCIA resources on the highest potential value-added investment opportunities and relationships given NCIA’s evolving portfolio needs and risk tolerance. To that end, every effort should be made to promptly refer investment opportunities to Directors for inclusion in one of the processes described below.

### A. Request for Information Searches

It is the responsibility of the Director<sup>3</sup> of the applicable asset class or individual mandate to develop and propose the:

1. Rationale for conducting a search
2. Role of staff and any consultant in that search
3. Search criteria that define broad parameters that ultimately determine the universe of eligible investment managers, funds, etc.

Once the foregoing three items have been reviewed with the CIO, the Director will generally use the following process:

1. First-Level Screen. Consultant and third-party databases, peer information, and internal files will be screened to identify a universe of managers that meet the specific investment criteria. A short-form

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<sup>3</sup> For convenience, the term “Director” is used to mean both the Director and all staff within their span of control. It is understood that the Directors’ responsibilities described in this policy will be carried out with active participation of the asset class staff, including sourcing, structuring and negotiating.

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questionnaire may be sent. The purpose of these initial steps is to eliminate managers early in the process that would not be seriously considered due to size, experience, or focus, then prioritize attractive candidates. The Director will approve a list of managers to be sent Requests for Information (typically 3 or more managers).

2. Requests for Information (RFI). Managers remaining under consideration will be requested to provide relevant information regarding performance, portfolio composition, personnel, organizational history and structure, proposed fees, and any other information deemed necessary to make an informed decision. The Director may coordinate discussions of preliminary issues involving the investment, e.g., administrative or operational details, risk and compliance issues, and potential conflicts of interest. Informal reference calls to peers and industry contacts may be made. Additional managers may be eliminated as a result of these discussions.
3. Manager and/or Transaction Sponsor Interviews. The Director will develop and distribute interview materials and schedule interviews with the finalists. The Director should invite the CIO, NCIA risk and operations personnel, and the Chief Risk & Operating Officer. Other NCIA personnel may also attend interviews. Additional cuts may be made as a result of these interviews.

The remainder of the investment manager diligence, recommendation, negotiation, and approval process is described starting in Section IV below.

## B. Pacing Plan and Opportunistic Searches

The intent of Pacing Plan and Opportunistic Searches is to utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners.

Desirable characteristics of such business partners include:

1. Financial, operational, and investment expertise and resources
2. Alignment of interests
3. Transparency and repeatability of investment process
4. Controls on leverage
5. Attractive return profile relative to peer set

Pacing Plan and Opportunistic Searches may be used in any asset class but are typically used for private market strategies and co-investments/direct investments. In each of these areas, the limited window of opportunity to commit capital in certain vehicles and strategies calls for a blend of proactive and opportunistic approaches. Many of these strategies will be structured as limited partnerships with specific offering periods that cycle on average every 3-6 years. Hedge funds may have periodic openings and closings to new investors. On the opportunistic front, strategies that intend to exploit capital market dislocations due to supply/demand imbalances, regulatory changes, or other events can be transitory in nature. Co-investments and direct investments are incorporated into the Pacing Plan as a targeted share of the asset class allocations that might otherwise be allocated internally or through external manager relationships. They are often more asset or company specific, offering a greater degree of idiosyncratic risk outcomes than diversified portfolios, and more likely to be structured using special purpose vehicles, SMAs, and C-Corporations, with more favorable terms and fee structures. Finally, NCIA periodically approaches best-in-class managers to execute a targeted strategy customized to the portfolio objectives and needs at a point

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in time.

## Phase I – Periodic Portfolio Evaluation

At least every 18 months, Directors will produce a Pacing Plan for each asset class, where applicable. Portfolio and market analysis, cash flow forecasting, availabilities of various vehicles and targeted asset class allocation will be considered to determine the annual capital commitment pace and other cash flows for the asset class, noting fund commitments versus potential co-investments/direct deals. With respect to the latter, market opportunities and competition for capital across asset classes will play an important role in determining interim allocations.

## Phase II – Investment Opportunity Sourcing

Directors will proactively identify a broad universe of relevant potential offerings in the market from team research, other investors, and direct outreach from general partners or their placement agents. Directors may or may not incorporate the use of consultants to identify such opportunities. Directors will proactively build strong relationships and communicate with market participants to access co-investments and direct investments as well as competitive, oversubscribed, and soft-closed vehicles that may not be widely marketed or open for only limited periods of time.

In order to effectively track the various opportunities in the market, Directors will submit information to a centralized application/database of potential investment vehicles. This “Opportunity Database” will provide summary descriptive information about each investment opportunity and be used at regular internal asset class staff meetings as the basis for screening the various vehicles. The following procedures shall be used:

1. When staff identifies a viable investment opportunity, the contact and source of the contact will be logged into the Opportunity Database (i.e., Backstop).
2. As additional contacts are made concerning the investment opportunity, staff will log each such contact into the Opportunity Database entry for that potential investment.
3. The Opportunity Database should be updated as offering memoranda and other materials are received and reviewed by staff.

## Phase III- Preliminary Fund Screen

Directors must choose from the potential opportunities in the Opportunity Database to identify the most attractive offerings and determining where due diligence resources will be deployed. Directors will choose based on various considerations, including but not limited to:

1. The fit within the Pacing Plan, overall portfolio construction, market opportunity, statutory classifications and limits, and competing offerings
2. NCIA’s history with the firm
3. Prior funds or related investments’ performance, including co-investments and secondary

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investments

4. Research by consultants and other third parties on the offering
5. Professional judgment of NCIA staff
6. Risk and operational considerations
7. Alignment and conflict of interest considerations
8. Willingness to accept NCIA preferred terms and ability to meet closing requirements

## **IV. Intensive Due Diligence**

Upon selecting the most attractive investment opportunities under the processes identified in the Request for Information Searches (i.e., finalists) or Pacing Plan and Opportunistic Searches (i.e., opportunities from the Opportunity Database), Directors will conduct an intensive due diligence process for each investment opportunity, with the potential assistance of industry consultants and third-party research providers, as required. The result of the process may be the recommendation to commit/invest capital in the offerings that are deemed most attractive by the Director.

The intensive due diligence process will include, but not be limited to:

1. Interviews and/or onsite visit(s) to manager's office(s) by staff, CIO, and/or consultant
2. Review of the Private Placement Memorandum and other related materials
3. Quantitative analysis of performance, fees, and incentives
4. Assessment of offering versus comparable or competing alternative offerings reasonably available in the market (i.e., for co-investments/direct investments market comparable analysis and stressed exit scenarios will be assessed)
5. Reference checks (e.g., with other investors, limited partners, consultants, and other industry contacts)
6. Review of risk and operational considerations (identified by staff or consultant)
7. Review of alignment and conflict of interest considerations
8. Collection of the disclosure forms required by the Investment Transaction Disclosure Policy (To facilitate early collection of information and identification of potential issues, staff may ask investment managers and placement agents to submit these forms during the due diligence process as an unsigned draft. The final signed form will be due on the date specified in the Investment Transaction Disclosure Policy.)
9. Assessment of willingness to accept NCIA preferred terms and ability to meet closing requirements
10. Assessment of any reputational issues

**The CIO is authorized to waive items on the foregoing list that are not applicable to an internally managed account being considered for recommendation, or assign responsibility for completing aspects of such intensive due diligence to other NCIA teams or consultants. At any point in the intensive due diligence process and during each of the following Sections, a Director or the CIO may choose to reject the offering or table it for future consideration.**

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## **V. Investment Pipeline and Coordination with Investment Committee**

Directors are responsible for working proactively with the Chief Risk & Operating Officer to help maintain an updated, consolidated, and accurate “Investment Pipeline” for the oversight of the Investment Committee. The Investment Pipeline will contain the managers and/or vehicles that are deemed the most attractive by the Directors after screening available and potentially viable investment opportunities and, at a minimum, will include any that are the subject of Intensive Due Diligence. Co-investments/direct investments will be included on the Investment Pipeline, unless they are behind the “conflict wall,” in which case, related information shall be closely-held. For each Investment Pipeline entry, asset classes will regularly update milestones and other information as they may change.

Further, upon placing an entity on the Investment Pipeline, Directors are responsible for closely and proactively coordinating with the Chief Risk & Operating Officer, legal counsel, and the Compliance Counsel, to manage obtaining materials and contacts at the entities if an Investment Recommendation Memo is being drafted (see next section).

## **VI. Investment Recommendation Teaser and Memorandum**

To the extent that diligence on an Opportunity has progressed to the point that it is highly likely to be recommended by a Director, with the consent of the CIO, an asset class team will make an introductory “Teaser Presentation” to the Investment Committee. The Conflict of Interest Certification (attached as Appendix B) should be completed contemporaneous with the submission of the Teaser. The Teaser Presentation should include basic background on the Opportunity and a high-level description of the compelling aspects and key risks of the recommended action to allow Investment Committee members to gain a deeper understanding and express any issues or concerns to be covered before an Investment Recommendation Memorandum<sup>4</sup> is submitted to the Investment Committee. One of the purposes of the Teaser Presentation is to solicit input from other Directors and Portfolio Managers who may have some familiarity with the manager, sponsors, strategy, or sector so that the proponent Director may incorporate that feedback and address any issues identified during the Teaser Presentation. Teasers should be reviewed by the Director’s asset class team before submission to the CIO.

Upon completing the intensive due diligence process, Directors shall prepare a concise Investment Recommendation Memo to the CIO to pursue the commitment of capital or other investment. The Investment Recommendation Memorandum are to include:

1. Executive Summary (i.e., may replicate the information in the Teaser Presentation; updated as needed)
2. Asset Class Update (i.e., a high-level update, but emphasize areas relevant to the proposal)
  - a. Status of Pacing Plan (i.e., investments made past 12 months and areas of emphasis/deemphasis)
  - b. Allocation vs strategic asset allocation and sub-asset class allocations versus applicable guidelines or benchmarks
  - c. Updated asset class performance summary

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<sup>4</sup> Where this Policy uses the term, “Investment Recommendation Memorandum” the CIO reserves the right to require a formal memorandum or utilize alternative means that evidence compliance with the requirements of this Policy and other applicable NCIA policies. For example, the CIO may authorize a summary presentation with supplemental expository material or authorize use of an IT application (e.g., Backstop).

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3. Details of Opportunity Proposal
  - a. What specific actions are being requested of the NCIA noting:
    - i. Single or multiple recommendations and up to amount(s)
    - ii. Any time sensitivity for closing
    - iii. Dependencies with other actions by NCIA; other asset classes; or updates to related agreements
  - b. Overview of Opportunity source and Sponsor/Manager (and team)
    - i. Source
    - ii. Sponsor/Manager (i.e., noting if new to NCIA)
    - iii. Where team/product line fits within Sponsor/Manager of Opportunity (e.g., when team/product line was launched; any major strategic pivots, organizational changes, etc.)
  - c. Compelling aspects unique to opportunity
    - i. Fit within portfolio construction, asset class strategy and existing line-up, including statutory qualifications
    - ii. Differentiated aspects of Sponsor/Manager investment process (or asset characteristics if co-investment/direct deal) that will drive value for our clients
    - iii. Valuation considerations for the strategy or sector and investment manager’s purchase/sale discipline. If for a co-investment/direct deal, an evaluation of the management team, industry value drivers and risk factors shall also be incorporated into the recommendation, including both base case and stressed scenarios.
    - iv. Performance track record (vs benchmarks and competitive set analysis; include analysis of returns, risk, and all-in fees and carry).
    - v. If new internally managed portfolio, summary of guidelines and rationale versus externally managed approaches
    - vi. Identify any strategic value to our clients and NCIA investment programs
  - d. Summary scoring table (i.e., all scoring is relative to peer strategies/funds and should be relevant to expectations of performance persistence if delegated or outcomes if co-investment/direct deal)

Area	Description	Score	Comments
Sponsor/Manager/Asset Competitive Advantages	Differentiated approach or assets that cannot be readily replicated		
Organization strength/weaknesses	Team depth; culture; experience/expertise; stability; resiliency		
Overall track record	Vs benchmarks and peers; risk management; portfolio quality; value creation proposition		
Quality of investment process	Idea/deal sourcing; research; team contributions; style discipline; structuring; exit discipline; and workout capabilities		
Quality of operations, administrative, and control practices	Trading; allocation policy; valuation policy and practices; cash controls; custody; administrators; financing and counterparty management; quality of auditor and any qualified AFS; IT infrastructure and		

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	DRBC		
Valuation	Risk adjusted levered and unlevered return expectations relative to market comparables		
Alignment of interest	Terms and fee/carry waterfall structure; internal distribution of carry; disclosure of conflicts; strength of LPAC requirements for conflict transactions; affiliate service providers		
Market's overall assessment	Quality of other investors; reputational concerns (regulatory/litigation)		

e. Key commercial terms table

4. Risks and Mitigants Table (i.e., list only high or medium risks relative to peer organizations/strategies — unless a specific low risk has been flagged in the Teaser Presentation discussion with the Investment Committee); if mitigants are partial, explain why expected returns/rewards are sufficient to accept the risk)

Risk description	Likelihood (High; Medium; Low)	Severity (High; Medium; Low based on returns or qualitative factor like reputation)	Mitigants

5. Restate the specific recommendation(s) for action

6. Appendix

- a. Summary of reference calls
- b. Background on the general partner/investment firm and team bios
- c. Any details useful to educate the Investment Committee or CIO on a specialized topic relevant to the Opportunity

Consultants' analysis and third-party research may be relied on to support the scoring, risk analysis, and recommendation, if reasonable under the circumstances. Relevant consultant reports should be provided with the Investment Recommendation Memorandum to the Investment Committee.

Documents to be requested and obtained for externally managed arrangements (excluding co-investments/direct investments) prior to completion of the Investment Recommendation Memo include:

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1. Disclosure forms required by Investment Transaction Disclosure Policy
2. Conflict of Interest Certification (*attached as Appendix B*)
3. Code of Ethics
4. Compliance Manual Table of Contents
5. Organizational Chart
6. Allocation and Valuation Policies
7. SSAE 18 Certification or SOC 1 (if applicable)
8. Insurance Coverage
9. ADV Part I and II
10. Form 8 (Foreign) or Form 9 (U.S.)
11. Audited Financial Statements

The Investment Recommendation Memorandum, or separate written communication, will also include a statement by the Director, as required by the Investment Transaction Disclosure Policy, listing (1) the person or persons, if any, who initially suggested the investment opportunity to NCIA and (2) any persons who appeared before NCIA in the marketing or due diligence process on behalf of the proposed External Investment Manager and who were not employees of the proposed External Investment Manager or one of its affiliates. Investor and industry reference calls initiated by Directors may be described generically and without specific identifying information.

A summary of the draft Investment Recommendation Memo (i.e., a slide presentation) will be provided for the concurrence of the CIO, before presentation to the Investment Committee for its deliberations and votes.

## **VII. Independent Compliance and Risk Reviews**

The Chief Risk & Operating Officer will commence an independent review of an Opportunity upon the Investment Committee favorably receiving a Teaser Presentation, to ensure that the Opportunity is in material conformance with the applicable Investment Policy Statement, this and other NCIA policies, Pacing Plans and general risk budget parameters. The Chief Risk & Operating Officer will provide their preliminary identification of any material concerns before the Investment Committee considers the summary presentation of the Investment Recommendation Memorandum. After the Conditional Approval described in Section VIII, but before closing, the Chief Risk & Operating Officer will cause a final compliance checklist to be prepared to ensure compliance with this policy.

The Compliance Counsel will make an independent review of the Investment Transaction Disclosure Policy forms and the conflict of interest certification form. Directors should ensure that these documents are provided to the Compliance Counsel as soon as possible. Investment Transaction Disclosure Policy disclosure letters shall be provided to the Compliance Counsel at least one month before the anticipated closing of the transaction, or as soon as able for co-investments / direct investments. Based on these documents, the Compliance Counsel will complete a signed Compliance Review Form that includes the following:

1. The Compliance Counsel's approval of the disclosure forms under the Investment Transaction Disclosure Policy with respect to responsiveness and completeness
2. The Compliance Counsel's report concerning any aspect of the transaction's recommendation,

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negotiation, or approval that, in the view of the Compliance Counsel, may reasonably violate any law, regulation, or Department policy

3. The Compliance Counsel's report concerning any aspect of the transaction's recommendation, negotiation, or approval that, in the view of the Compliance Counsel, raises significant reputational risk concerns related to conflicts of interest; i.e., whether circumstances in fact exist that create a material risk that professional judgment or actions regarding the transaction's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest<sup>5</sup>

Should the Compliance Counsel determine that the test stated by item (1) above is not met, he or she shall contact the External Investment Manager or Department staff to seek correction of the disclosure forms. Should the Compliance Counsel determine that the test stated by items (2) or (3) may not be met, the Compliance Counsel will promptly notify the CIO and General Counsel. The CIO has the authority to reject the offering or refer it to the Investment Committee to consider additional input from the Compliance Counsel and legal counsel on the materiality of the risk and recommended approaches to remediate the risk: recusal, third-party due diligence, etc.

The Compliance Counsel will forward the completed Compliance Review Form to the Chief Risk & Operating Officer.

If necessary, because of a condensed time frame for the transaction, the following steps may take place simultaneously with the review of the transaction by the Compliance Counsel. However, the transaction **may not** be submitted to the CIO for execution without an Investment Recommendation Memorandum and its attachment reviewed by the Chief Risk & Operating Officer (or delegate), conflict of interest certifications, a final, signed Compliance Review Form based on review of the complete and finalized record by the Compliance Counsel and the compliance checklist prepared by the Chief Risk & Operating Officer.

## **VIII. Conditional Approval**

Conditional Approval occurs upon the Investment Committee's affirmative vote, unless the recommendation requires Board approval. In the event that Board approval is required: after Investment Committee approval, the CIO may reject the recommendation or take the recommendation to the Board to receive conditional approval of the transaction. Unless otherwise expressly approved in writing by the CIO, conditional approval must be obtained before initiating the negotiation and contracting process described below. The CIO will regularly update the Board on the Investment Pipeline.

## **IX. Negotiations and Contracting**

Upon conditional approval of the recommendation, the Director and external or NCIA internal legal counsel<sup>6</sup> will negotiate final contractual documents with the selected entity, with the CIO, and the Compliance Counsel involved to the extent necessary. As a component of final due diligence and negotiations for partnership and similar vehicles, a commercial conflict of interest analysis will be completed addressing: 1) Is the general partner required to disclose all conflicts of interest or just material conflicts; 2) Who determines materiality and against what standard; and 3) if there is in fact a conflict of interest what is the governance mechanism regarding acceptance/waiver? The CIO will take due consideration of the analysis and potential mitigants, if warranted, prior to closing or rejecting the investment.

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<sup>5</sup> See Footnote 4.

<sup>6</sup> External counsel conflict checks, and any required waivers granted, will be coordinated by General Counsel's Office.

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## X. Final Approval

The General Counsel, or designee, will provide to the CIO, or designee, each of the following:

1. The final contractual documents, ready for execution
2. Memo from legal counsel concerning the final contractual documents, comparing actual terms to the NCIA preferred terms and addressing other items that were subject to material negotiations
3. The final Investment Recommendation Memorandum
4. The final Compliance Review Form signed by the Compliance Counsel
5. Compliance and conflict of interest certification forms (*attached as Appendix 1*) signed by the relevant Director, the relevant PM, the General Counsel, and the CIO

The CIO, or designee, shall then execute the documents, request supplemental information, or reject the transaction outright.

## XI. External Communication Protocol

Except where necessary, NCIA staff and the CIO shall not use personal e-mail addresses to communicate with external investment managers/general partners or placement agents regarding state business related to the investment of funds. Personal e-mail addresses may be used only in an emergency, and if the NCIA e-mail system is not functioning. Any NCIA documents sent using a personal e-mail account must be promptly copied by NCIA staff onto the CRM system (i.e., "Backstop").

Once either an investment opportunity has been referred to a Director *and* the Director has provided notice of this fact to the investment manager, or a Request for Information Search has been announced, the following procedures apply:

1. The Director (or designees) will be the point of contact for all communication with representatives of the investment manager and/or transaction sponsor. Communication between the Director and the investment manager's employees or registered placement agent is not limited under this policy.
2. The investment manager and its placement agent should not contact Supplemental Board of Trustees or NCIA Board members regarding the merits of the investment manager, regarding whether NCIA should retain the manager, or regarding whether NCIA should make the investment commitment. Any such contact may be cause for rejection in the sole discretion of the CIO.
3. The investment manager may continue to contact NCIA employees, as normal, concerning other funds and day-to-day business interaction. Interactions at social events also are not prohibited. In either case, the topic of the potential new investment should not be discussed.
4. In the event the investment manager or any other external parties feel it is necessary to escalate concerns about the adequacy of the NCIA evaluation process, they may contact the CIO or the Chief Risk & Operating Officer to raise those concerns. Every effort should be made to direct those external parties first to the CIO.

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This Policy contemplates that numerous investment opportunities will be identified, evaluated, rejected, or tabled for future consideration. Directors will be proactive in promptly communicating with investment managers, placement agents, etc. that have actively engaged with NCIA on diligence but that have been eliminated under a Request for Information Search or do not survive an “Initial Fund Screen” or subsequent evaluation, negotiation, or approval steps (as applicable).

## **XII. Revision History and Effective Date**

<b>Version</b>	<b>Date Approved</b>	<b>Description of Changes</b>
1.0	December 31, 2025	Original Version

## **Appendix**

Appendix A – Private SMA Veto/Consent Process

Appendix B – External Investment Management Conflict of Interest Certification

## APPENDIX A: Private SMA Veto/Consent Process

This process **doesn't apply** to private separately managed accounts ("SMAs") with General Partner/Investment Managers that have authority to make investment decisions in their sole discretion. This process applies to SMAs where:

1. Either the General Partner/Investment Manager sources **or** the NCIA may source, but General Partner/Investment Manager has to approve; and
2. NCIA retains a contractual final "Veto" on a deal-by-deal basis.

"Veto" means any express or implied withholding of consent, opt-out, or veto by DST pursuant to the terms of a duly approved and executed SMA.

"Consent" is the converse of Veto.

### PROCESS

1. Asset Class receives informal notice of potential decision on a deal:
  - a. Asset Class is responsible for collecting diligence information from the General Partner/Investment Manager and deciding if any independent research is needed
  - b. Asset Class is responsible for making an early determination whether the potential investment will need a SMA guideline waiver, has elevated reputational concerns or there are other matters that necessitate more extensive analysis, amendment execution, or sign-offs
2. Asset Class receives formal notice of potential impending decision:
  - a. Chief Investment Officer and Chief Risk & Operating Officer are to be jointly notified via email within **1 business day** following Asset Class receiving formal notice (for coverage purposes)
  - b. Pipeline report is to be updated prior to the next Investment Committee meeting
3. Asset Class prepares a minimum of two page/slide recommendation for the Chief Investment Officer and Chief Risk & Operating Officer's review and approval:
  - a. Page 1 summarizes the investment thesis, proposal profile, and SMA details
    - i. Thesis for recommended investment **or** recommended Veto
    - ii. Proposal profile, including Company/asset; Sector and geography; Enterprise Value and valuation metrics; Equity or debt requirement; Leverage; Projected holding period; Yield; base case net IRR; and base case Net MOIC. Supplemental details or checklists may also be provided
    - iii. SMA total commitment, investment capital to be used, and remaining SMA commitment
  - b. Page 2 lists key SMA guidelines and demonstrates compliance with each guideline. If Asset Class is recommending to proceed with a non compliant investment, then Asset Class is responsible for requesting waiver and working with Law for any necessary amendments
4. Recommendation to allow investment to proceed **or** recommended Veto is due via email to Chief Investment Officer and Chief Risk & Operating Officer **at least 6 business days** before the notice deadline back to the General Partner/Investment Manager.<sup>7</sup> Investment Committee or a subset thereof should be cced (i.e., after standard assessments of MNPI and Conflict Wall considerations).

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<sup>7</sup> Unless a relationship requires shorter decision periods, in which case the materials must be delivered earlier with a verbal briefing to facilitate timely action.

5. Assuming no risk or compliance-related issues are raised by the Chief Risk & Operating Officer, the Chief Investment Officer has final discretion to communicate to the Asset Class via email any of the following:
  - a. Require additional diligence
  - b. Accept the recommendation to invest or Veto
  - c. Reject the recommendation to invest and direct a Veto
  - d. Call an ad hoc Investment Committee (which may be in camera if MNPI is implicated) based on any number of factors, including, but not limited to:
    - i. Need for cross asset class input
    - ii. Size of investment (absolute or relative to the SMA)
    - iii. Reputational concerns
    - iv. Investment waiver requirement(s)
6. Asset Class is responsible for timely:
  - a. Communicating via email to the General Partner/Investment Manager the decision to not exercise the Veto or Veto and copying Chief Risk & Operating Officer, Operations stream, and Law
  - b. Updating the Pipeline before the next Investment Committee meeting
  - c. Updating Backstop

## APPENDIX B

### NORTH CAROLINA INVESTMENT AUTHORITY

#### External Investment Management Conflict of Interest Certification

**When form is required.** The NCIA personnel listed below shall read, complete, and forward to the Compliance Counsel this form for each:

- A new commitment of funds, new investment management agreement, or any other "Investment Transaction" as defined in the *Investment Transaction Disclosure Policy*; or
- "Substantive Amendment" as defined in the *Investment Transaction Disclosure Policy*.

**Name of External Investment Manager and Fund:** \_\_\_\_\_

I understand and have adhered to the NCIA's *Code of Ethics and Conduct* and other applicable policies in this recommendation, negotiation, and approval process and certify my participation in this process is not precluded, because to the best of my knowledge:

1. My Family and I have NO material financial interest in the External Investment Manager and will not receive a financial benefit derived from the compensation provided to the Manager.
2. My Family and I are NOT employees or directors of the External Investment Manager.
3. I have NOT been employed with the External Investment Manager within the past five (5) years.
4. I have NOT sought employment NOR discussed potential employment with the External Investment Manager.
5. I have NO Conflicts of Interest in the recommendation, negotiation, and/or approval of the External Investment Manager.
6. I voluntarily choose to disclose the following facts which I believe do not constitute a Conflict of Interest and do not preclude my unbiased participation in the recommendation, negotiation, and/or approval of the External Investment Manager. (If so, initial in the left margin and make any disclosure on attached sheets.)
7. I understand that I have an ongoing obligation to update any changes to this form prior to closing.

**Portfolio Manager:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Director:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Chief Investment Officer:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**General Counsel:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Note: The Chief Investment Officer has authority to implement revised versions of this form to achieve the same goals and objectives of this Policy without prior approval of the revised form by the NCIA Board.