

Attachment 1

Attachment 2 to Report FSD-015-24

Number:	CP-XXX
Title:	Investment Policy
Type:	Financial Management
Sub-type:	Investments
Owner:	Finance and Technology
	Financial Planning
Approved By:	Council
Approval Date:	April 22, 2024
Effective Date:	TBD
Revised Date:	Click or tap to enter a date.
Applicable to:	Finance and Technology

1. Legislative or Administrative Authority:

- 1.1. This policy was developed in accordance with Section 418.1 of the Municipal Act, 2001, which authorizes a municipality to invest money that it does not require immediately in accordance with the prudent investor standard. The policy follows the [Ontario Regulation 438/97](#), Eligible Investments, Related Financial Agreements and Prudent Investment.

2. Purpose:

- 2.1. This Investment Policy Statement (IPS) governs the investment of the Municipality's Money Not Required Immediately (MNRI) and Money Required Immediately (MRI). It is intended, among other things, to direct the Deputy CAO, Finance and Technology/Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI by implementing the Authorizing By-law (by-law name/number) pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.
- 2.2. In addition to the Municipality's MRI and MNRI, the Municipality is from time to time entrusted with the management of money and investments for a third-party beneficiary ("third-party trust funds").
- 2.3. There are also sources of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such sources of money, referred to in this IPS as "designated funds", are listed in Schedule A attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest. The Municipality is not responsible for the investment activities or performance of designated funds.
- 2.4. The goals of this IPS are to:

- a) Define and assign responsibilities for investment of MRI and MNRI;
 - b) Describe the Municipality's responsibilities with respect to third-party trust funds and designated funds;
 - c) Ensure compliance with the applicable legislation;
 - d) Direct ONE JIB as to the Municipality's investment goals and risk tolerance;
 - e) Provide guidance and limitations regarding the investments and their underlying risks;
 - f) Establish a basis of evaluating investment performance and the underlying risks; and,
 - g) Establish a reporting standard to Council.
- 2.5. This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Deputy CAO, Finance and Technology/Treasurer, and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

3. Scope:

- 3.1. This policy includes all funds that are managed by the Municipality of Clarington.

4. Definitions:

- 4.1. **Act** – means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.
- 4.2. **Agent** – means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.
- 4.3. **Asset Class** – An asset class is a specific category of assets or investments, such as cash, fixed income, equities, alternative investments, real estate etc.

- 4.4. **Asset Mix (or Asset Allocation)** – means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.
- 4.5. **Authorizing By-law** – means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.
- 4.6. **Benchmark** – means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.
- 4.7. **CFA Institute** – refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.
- 4.8. **Credit Risk** – means the possibility of a loss resulting from a borrower’s failure to repay a loan or meet contractual obligations. That is, the risk that a lender may not receive the owed principal and interest.
- 4.9. **Custodian** – means a specialized financial institution that is responsible for safeguarding a municipality’s investments and is not engaged in “traditional” commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks (“sub-custodians” or “agent banks”).
- 4.10. **Derivative** – A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets (like an index). Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes, and stocks.
- 4.11. **Environmental, Social and Governance (ESG) Investing** – means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.
- 4.12. **Interest Rate Risk** – refers to the possibility that the value of a bond or other fixed-income investment will suffer as the result of a change in interest rates. Interest rate risk can be managed to help improve investment outcomes.

- 4.13. **Internal Controls** – means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.
- 4.14. **Investment Plan** – means the investment plan applicable to the Long-Term Money investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.
- 4.15. **Investment Policy Statement (IPS)** – means the investment policy applicable to the Municipality’s investments adopted and maintained by the Council of the Municipality for Long-Term Money under the Regulation, and for Short-Term Money, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.
- 4.16. **JIB** – is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.
- 4.17. **Legal List Securities** – means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.
- 4.18. **Leverage** – means an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment. Typically leverage also tends to increase investment risks.
- 4.19. **Local Distribution Corporation or LDC** – means a corporation incorporated under section 142 of the Electricity Act, 1998.
- 4.20. **Long-Term Money** – means money that the municipality has defined as long-term and characterized as money that is not required immediately by the Municipality as described in section 5.16 Monies that are Long Term Money will be invested in accordance with the Prudent Investor Standard.—
- 4.21. **Modern Portfolio Theory** – means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

- 4.22. **Money Required Immediately (MRI)** – municipal funds not included in the Money Not Required (MNRI) definition included in this policy, funds are governed in accordance with Section 418 of the Act.
- 4.23. **Money Not Required Immediately (MNRI)** – long term municipal funds defined in this policy, that are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act.
- 4.24. **Municipality** – means the Municipality of Clarington.
- 4.25. **OCIO Offering** - means the comprehensive investment program made available through ONE JIB pursuant to which a duly qualified investment manager who is an External Portfolio Manager is engaged by ONE Investment to advise a participating municipality with regard to the investment of the participating municipality's Managed Assets and to invest and manage such Managed Assets in accordance with the terms and conditions set out in the ONE JIB Agreement.
- 4.26. **ONE JIB** - means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.
- 4.27. **ONE JIB Agreement** – means the agreement effective as of **TBC**, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Money.
- 4.28. **Participating Municipality** - means from time to time each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.
- 4.29. **Pooled Fund** - means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute monies that are invested and managed by an External Portfolio Manager. Monies are pooled or combined with monies of other investors.
- 4.30. **Portfolio** - means any collection of funds that are grouped together and required for specific purposes.
- 4.31. **Proxy Voting** - means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to

participate. External Portfolio Managers usually vote proxies on behalf of their clients.

- 4.32. **Prudent Effective Date** - means the date on which the prudent investor regime applies to the Municipality.
- 4.33. **Prudent Investor Standard** - means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Money rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.
- 4.34. **Regulation** – means Ontario Regulation 438/97.
- 4.35. **Risk** – means the uncertainty of future investment returns or chance of loss of capital.
- 4.36. **Risk Tolerance** – means the financial ability and willingness to absorb a loss in return for greater potential for gains.
- 4.37. **Securities Lending** – means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian or another appointed agent on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.
- 4.38. **Short-Term Money** – means money that is required immediately by the Municipality as described in section 5.14 and which remains under the control and management of the Municipality. The money can be invested in appropriate Legal List Securities.
- 4.39. **Sinking Fund** – means a fund established to fulfil the requirements to make annual contributions in respect of various debenture issues wherein money is to be regularly set aside for the payment of the principal of the debentures at maturity.

- 4.40. **Sinking Fund Required Contributions (Annual Sinking Fund Requirement)** – means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Municipality’s debenture by-laws.
- 4.41. **Sinking Fund Required Earnings** – means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.
- 4.42. **Sinking Fund Excess Earnings** – means the investment earnings in excess of the required earnings.
- 4.43. **Treasurer** – means the Deputy CAO, Finance and Technology/Treasurer, or other individual appointed by Council to fill role of Treasurer as required by the Municipal Act, 2001

5. Policy Requirements:

General Statements

- 5.1. Investments of Money Required Immediately (MRI) will, in accordance with this IPS, only be made in Legal List Securities.
- 5.2. Investments of Money Not Required Immediately (MNRI) are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.
- 5.3. Money and investments that the Municipality holds as third-party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.
- 5.4. The Act provides that the Municipality, and therefore ONE JIB, must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:
 - a) General economic conditions;
 - b) The possible effect of inflation or deflation;
 - c) The role that each investment plays within the Municipality’s total portfolio of investments;

- d) The expected total return from income and the appreciation of capital; and
- e) Needs for liquidity, regularity of income and preservation or appreciation of capital.

5.5. Use of Prudent Investor Standard

- 5.5.1. For MNRI, the standard to be used by the Municipality and ONE JIB shall be the Prudent Investor Standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.
- 5.5.2. Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

Determination of Money Required Immediately and Money Not Required Immediately

- 5.6. Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:
 - 5.6.1. the time horizon within which the monies are needed to meet financial obligations;
 - 5.6.2. the purpose for which the monies have been collected or set aside and are to be used;
 - 5.6.3. the source of the money; or
 - 5.6.4. any combination of the foregoing

- 5.7. There is no legislated definition of MRI or MNRI and no guidance is provided.. The municipality has the responsibility to define the basis of MNRI in a way that is most appropriate for their circumstances.
- 5.8. The Municipality defines MNRI as funds that are, in the opinion of the Treasurer, required within the next 36 month period
- 5.9. For certainty, all money and investments of the Municipality that have not been identified as MNRI (other than third-party trust funds and any designated funds referenced in Section 5.3) shall be deemed for purposes of this IPS to be MRI.
- 5.10. Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific money by the Treasurer in accordance with the provisions of Section 5.35.
- 5.11. Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.
- 5.12. The Municipality's portfolios represent funds required for specific purposes. A high-level description of each of these portfolios and their objectives is provided in Section 5.17 below. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:
 - 5.12.1. MRI which is invested in Legal List Securities; and/or
 - 5.12.2. MNRI which is invested under the Prudent Investor Standard.

Investment

- 5.13. The Municipality's MRI is described in this IPS as Short-Term Money. Short-Term Money consists of money that is needed to meet the short-term financial obligations of the Municipality and are controlled and managed by the, Finance Treasurer or designate.
- 5.14. Short-Term Money: Investment Objectives
 - 5.14.1. The main focus of the investment of Short-Term Money is cash management, and the interest income generated by the investment of these monies contribute to municipal revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.
 - 5.14.2. Capital preservation is the paramount objective for short-term investments, and these investments need to be highly liquid. Consequently, only high-quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the

constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

5.14.3. The investment objectives for short term money, ranked in priority, are as follows:

a) Security of Principal

The primary objective for MRI is to ensure the security of principal. To minimize the risk of loss, investments shall be subject to minimum credit ratings and shall be diversified by maturity, type of investment and issuer. Investing activities will be reviewed on a regular basis as actual, revised and forecasted operating and capital plans are completed. Maturity dates should be structured so that investment cash inflows occur when needed.

b) Liquidity Requirements

Liquidity is measured by the ease with which securities can be converted to cash to meet forecast spending. The investments that are eligible under Ontario's Eligible Investments and Related Financial Agreements Regulation possess different features and thus market prices will vary depending on market conditions, as well as the particular features of the type of investment.

To ensure adequate liquidity, the Municipality's investments shall be diversified by holding securities of various terms to maturity and by various types of investments and issuers and to the extent possible, the term of such investments shall match the forecasted requirements for such monies to meet expenditures.

c) Rate of Return

The Municipality's money shall be invested to maximize the rate of return within acceptable risk levels while respecting the security of principal, legal constraints and the liquidity needs of each investment portfolio.

The composition of each portfolio, including its term to maturity and type of investments, shall be adjusted within the guidelines of this Policy to take advantage of market opportunities. Such changes shall be made with the periodic interest rate outlook and target portfolio structure approved by the Treasurer.

5.15. Short-Term Money: Eligible Investments

5.15.1. Short Term Money may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial

institutions. Investments issued or guaranteed by approved institutions will be permitted by this Policy, as deemed eligible by Ontario Regulation 438/97 or as authorized by subsequent provincial regulations. Investments will be limited to securities issues maintaining a minimum credit rating by an appropriate credit rating agency.

5.15.2. The Municipality's existing Investment Policy CP-003, which is referred to in Part I of the Regulation as a statement of investment policies and goals, is attached as Appendix III and will apply to its Short-Term Money. Necessary modifications will apply and in the event of a conflict between this IPS and the attached investment policy in respect of the Short-Term Funds, the provisions of the CP-003 Investment Policy (Legal List) will prevail.

5.16. MNRI: Long-Term Money

5.16.1. The Municipality's MNRI is described in Section 5.8 as Long-Term money. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Money and the investments made therewith.

5.16.2. From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to meet those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

5.17. Long-Term Money: Investment Objectives

5.17.1. In setting the objectives noted below, the Municipality has taken into account the following considerations:

- a) Preservation of capital;
- b) Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- c) Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- d) Income and capital appreciation; and,
- e) Macro risks, such as inflation, economic growth and interest rates.

5.17.2. Investment of long-term money is to be managed by ONE JIB in a way that balances the investment objectives, expected returns and risk, to develop asset allocations that achieve the Municipality’s financial needs with stated risk tolerances.

5.17.3. The investment objectives for MNRI are as follows:

MNRI Horizon	Objective	Risk Tolerance	Investment Horizon
Short Term	Preservation of Capital	Low Risk	3-4 years
Medium Term	Contributions towards capital projects, mitigating inflation impacts and meeting target funding requirements	Moderate Risk	5-10 years
Long Term	Contributions towards capital projects, mitigating and meeting target funding requirements. Emphasis on long term inflation adjusted growth	Moderate to Moderate High Risk	> 10 Years

5.17.4. The MNRI invested with ONE JIB will be broadly diversified to help reduce the volatility of investment returns. Returns have an impact on revenues, as well as a longer-term impact on future years’ budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Money’s investment horizons are aligned with the Municipality’s obligations and cash flow requirements and may consist of liquid and non-liquid securities based on future cash flow requirements.

5.18. Long-Term Money: Eligible Investments

5.18.1. Eligible investments for Long-Term Money include any Pooled Fund or other collective investment vehicle or institutional investment management product

that is part of the OCIO Offering for the Prudent Investment Program (Prudent Investment Offering), provided always that the products and the selection of products comply in all material respects with the IPS.

- 5.18.2. Additionally, nothing in this IPS prevents Long-Term Money from being held in cash, short-term money market instruments, or overnight deposits.
- 5.19. Long-Term Money: Sinking Funds
 - 5.19.1. There are no provisions applicable for sinking funds.
- 5.20. Long-Term Money: Local Distribution Corporation (LDC) Securities
 - 5.20.1. The direct investment in LDC shares and/or promissory notes, as may be applicable, prior to the Prudent Effective Date, shall be permitted and included as part of the Long-Term Money/MNRI held by ONE JIB. Specific details of this investment shall be approved by Council in its sole and absolute discretion, and ONE JIB shall adhere to all terms and conditions as directed by the Municipality. More specifically, ONE JIB shall be prohibited from selling, transferring, assigning, or pledging the LDC shares.
 - 5.20.2. LDC shares are considered restricted, special assets and remain in the custody of the Municipality. LDC shares are to be viewed as separate standalone investments with the subject matter expertise and administrative functions remaining under the purview of the Municipality of Clarington. Council retains direct, de facto control of the LDC shares and ONE JIB shall adhere to all terms and conditions as directed. More specifically, Council controls all acquisition and disposition decisions related to current and future LDC assets. Any voting related to LDC shares will be undertaken solely by the Municipality.
 - 5.20.3. The investment in LDC shares will not be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Money.
 - 5.20.4. The investment in Elexicon Corporation is considered to be an investment in an LDC for the purposes of this policy as it is the sole shareholder of Elexicon Energy which is an LDC.
- 5.21. Third-Party Trust Funds and Designated Funds
 - 5.21.1. In addition to the Municipality's own money, the Municipality is from time to time entrusted with third-party trust funds, and the Municipality's responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third-party trust funds, the latter shall prevail.

- 5.21.2. The Municipality's third-party trust funds and the designated funds are listed in Schedule A.
- 5.21.3. For certainty, the third-party trust funds and the designated funds are not MNRI of the Municipality, and such monies are not under the control or management of ONE JIB.

Investment Management

5.22. Investment Management of Short-Term Money

- 5.22.1. The investment of Short-Term Funds shall be controlled and managed by the Treasurer.

5.23. Investment Management of Long-Term Money

- 5.23.1. The investment of Long-Term Money shall be controlled and managed by ONE JIB in accordance with this IPS.

- 5.23.2. An Outsourced Chief Investment Officer ("OCIO") and/or External Portfolio Managers shall be appointed by ONE JIB, and they shall each enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide for delivery of compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any OCIO and/or External Portfolio Managers changes deemed in the best interest of the participating municipalities. ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in the OCIO's and/or External Portfolio Managers' guidelines.

5.24. Transition to Prudent Investor Regime

- 5.24.1. Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some Legal List investments were made with MRI and some with MNRI.

- 5.24.2. Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by, ONE JIB in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a financial institution. They can be held to maturity and invested upon receipt of cash proceeds.

- 5.24.3. Management of third-party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

Investment Constraints

5.25. Environmental, Social and Governance (ESG) Investing

- 5.25.1. The Municipality supports ESG investing for Short-Term and Long-Term Money. The Municipality believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

- 5.25.2. The Municipality has chosen to monitor the developments of ESG factors and will reconsider its approach to ESG investing for the Short-Term Portfolio as and when appropriate to do so.

- 5.25.3. For the investment of Long-Term Money, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested.

5.26. Securities Lending

- 5.26.1. For the investment of Short-Term Money, Securities Lending is not permitted.

- 5.26.2. For the investment of Long-Term Money, the Municipality may invest in pooled funds, and other investment funds that are managed by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager permit such an action.

5.27. Derivatives

- 5.27.1. Derivatives may not be used for speculative purposes. They may be used for the investment of Long-Term Money where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies.

5.28. Use of Leverage

- 5.28.1. Nothing in this IPS prevents the use of leverage, provided it is prudent to do so. Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty Leverage is not a strategy currently employed by ONE JIB but may be considered at a later date.

5.29. Pooled Funds

5.29.1. All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof. The investment strategies may also include allocations to cash or short-term investment vehicles.

5.30. Currency Hedging

5.30.1. The Short-Term Portfolio may consider the utilization of currency hedging only in cases where the Municipality can allocate the hedge to a specific capital purchase denominated in a foreign currency.

5.30.2. The Municipality's funding requirements are in Canadian dollars. However, some exposure to foreign currencies in the Long-Term Portfolio may be advantageous to provide diversification and potentially enhance returns. Therefore, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

5.31. Prohibited Investments

5.31.1. There are no investments specifically listed as prohibited.

5.32. Performance Monitoring, Rebalancing and Management

5.32.1. Short-Term Money

5.32.2. Reporting of Short-Term Money shall be in accordance with policy CP-003 Investment Policy (Legal List).

5.32.3. Long-Term Money

5.32.4. For the investment of Long-Term Money, ONE JIB shall establish parameters for monitoring investments and rebalancing through policy or directly within the investment plan.

5.32.5. Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. At minimum, ONE JIB shall provide reporting described in Section 6.7 that shows the Municipality's holdings, declares compliance with this IPS, and shows External Portfolio Manager performance.

Administrative Policies

5.33. Flow of Money and Annual Municipal Budget

5.33.1. On an annual basis, as part of the Municipality's Annual Review process, the Municipality shall identify the amount, if any, of Long-Term Money that it holds. Any Long-Term Money not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

5.33.2. On an annual basis, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the Long-Term Money then under the control and management of ONE JIB for the Municipality's operational purposes. Such amount shall be deemed to be Short-Term Money and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Treasurer.

5.34. Flow of Money Otherwise than through the Budget Process

5.34.1. The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be MNRI by the Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

5.35. Contingencies

5.35.1. The Treasurer is authorized to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year, provided however that the aggregate of the amounts to be returned to the Municipality under this Section 6.2.2 during the year shall not exceed 25% of the Long-Term Money under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Money). In determining the Budgeted Long-Term Money for purposes of calculating the 25% limit, any Long-Term Money to be transferred to the control and management of ONE JIB in accordance with that year's Annual Review pursuant to Section 5.41.2 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to Section 6.1.2 shall be excluded.

5.36. Valuation of Investments

5.36.1. Investments shall be valued according to the values provided by the Custodian(s). For the investment of Long-Term Money, values of unitized vehicles shall be valued according to the unit values published by the

Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

5.37. Voting Rights

5.37.1. Subject to the provisions of Section 5.2.4 with respect to LDC securities, where External Portfolio Managers have been appointed, such External Portfolio Managers shall assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

5.38. Internal Controls

5.38.1. The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

5.39. Custodians

5.39.1. All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Money, the Custodian shall be acceptable to ONE Investment. For Short-Term Money the Custodian shall be acceptable to ONE Investment if ONE Investment products are being used for the investment of the Municipality's Short-Term Money, otherwise the Custodian shall be acceptable to the Municipality.

5.40. Reporting

5.40.1. For the investment of Short-Term Money (MRI), the Treasurer shall report at least annually to Council, the report to be in a form and contain such content as Council may request. Subject to any reporting obligations contained in the Municipality's Investment Policy (Legal List) the report to Council shall include investment performance during the period covered and any other information required under the Regulation and that the Treasurer may consider to be pertinent.

5.40.2. The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Money (MNRI) at least annually. This report shall include the following.

a) Investment performance during the period covered by the report;

- b) Asset mix of the total portfolio;
- c) A listing of individual investments held at the fund level at the end of the reporting period showing, where appropriate, book value, market value, realized/unrealized gains/losses and actual income received;
- d) A list of all transactions including the security name, trade date, and the purchase and/or sale price;
- e) A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and
- f) Any other pertinent information in the opinion of the Treasurer.

5.40.3. All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian.

5.41. Approval, Subsequent Modifications and Effective Date

5.41.1. Policy CP-003 Investment Policy shall be renamed CP-003 Investment Policy (Legal List) and will be reviewed on an annual basis.

5.41.2. At least annually, Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of Short-Term Money and from ONE JIB with respect to the investment of Long-Term Money.

5.41.3. Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

5.41.4. At a minimum, the annual IPS review will consider:

- a) the adequacy of funding for capital works;
- b) the Municipality's ability to reduce other spending;
- c) flexibility of the timeframe to payout; and
- d) sensitivity to loss.

5.42. Effective Date

5.42.1. This IPS is adopted by Council of the Municipality, and will come into force effective the date of the Prudent Effective Date Agreement as signed by ONE

JIB and the Municipality.. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

6. Roles and Responsibilities:

6.1. Council is responsible for:

- 6.1.1. Approving the Municipality's Investment Policy and reviewing the policy on an annual basis.

6.2. Chief Administrative Officer (CAO) is responsible for:

- 6.2.1. Ensuring compliance with this policy

6.3. Deputy CAO, Finance and Technology/Treasurer is responsible for:

- 6.3.1. This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, and any third-party trust funds referenced in Section 5.3, remain under the control and management of the Treasurer.
- 6.3.2. Consistent with this IPS, the Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:
 - a) Investment management of MRI and any third-party trust funds referenced in Section 5.3 by, or under the direction of, the Treasurer;
 - b) The deposit or withdrawal of MNRI, under the explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,
 - c) A system of controls exercised by the Treasurer to regulate the activities of employees.
- 6.3.3. No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.
- 6.3.4. In the management of MRI of the Municipality, and any third-party trust funds referenced in Section 2.1, the Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Municipality's MRI, in Legal List Securities, and with the investment of third-party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

6.4. ONE JIB is responsible for:

- 6.4.1. ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix I).
- 6.4.2. ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it in accordance with the objectives and risk tolerance established in this IPS.
- 6.4.3. Among the responsibilities of ONE JIB are the following:
 - a) Reviewing this IPS;
 - b) Adopting and maintaining an Investment Plan that complies with this IPS;
 - c) Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);
 - d) Allocating the money and investments under its control and management among External Portfolio Managers and their funds in compliance with this IPS;
 - e) Monitoring the performance of the Agents; and,
 - f) Reporting to the Municipality.
- 6.4.4. The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.
- 6.4.5. ONE JIB, in its capacity as a joint municipal service board, in addition to being a local board of each member Municipality is subject to a Code of Conduct as required by the Municipal Act, 2001 (the "Act"). This Code of Conduct applies to the Chair and the other Members of ONE JIB acting in their capacity as Members of ONE JIB.

6.5. All Staff are responsible for:

- 6.5.1. Individuals who are responsible for the Municipality's Short-Term Portfolio shall comply with the Municipality's Conflict of Interest guidelines and any relevant professional codes of conduct (e.g., the CPA Code of Professional Conduct).

7. Related Documents:

- 7.1. CP-003 Investment Policy (Legal List)

7.2. [O.Reg.438/97: Eligible Investments, Related Financial Agreements and Prudent Investment](#)

8. Inquiries:

8.1. Manager, Financial Planning/Deputy Treasurer

8.2. Deputy CAO, Finance and Technology/Treasurer

9. Revision History:

Date	Description of Changes	Approved By