



Regional Municipality of Durham
Finance Department
Finance Policy and Procedures

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1. DEFINITIONS

The following capitalized terms are defined terms which have the meanings set out below:

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent: means any administrator, Custodian, payment servicer, 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, and the Sub-Investment Manager.

Alternative Assets: means investments outside traditional investments such as equities, fixed income, and cash which may include, hedge funds, private equity, natural resources, real estate and infrastructure. Alternative investments are typically less liquid than traditional investments, are appropriate only for allocations with a long investment horizon.

Asset Class: means a specific category of assets or investments, such as cash, fixed income, equities, alternative investments, real estate etc.

Asset Mix (or Asset Allocation): means the proportion of each Asset Class in a portfolio.

Authorizing By-law: means a by-law of the Municipality that authorizes it to invest its money and investments that it does not require immediately in the Outsourced Chief Investment Officer (OCIO) offering of ONE JIB pursuant to section 418.1 of the Act, to approve various documents, the entering into of agreements including a Prudent Effective Date Agreement and the delegation of certain powers and duties to ONE JIB/ONE Investment.

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.

CHUMS Financing Corporation (CHUMS): means a subsidiary of Municipal Finance Officers' Association of Ontario (MFOA) which, in conjunction with LAS, established ONE Investment.

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.

Credit Risk: means the risk to an investor that an issuer will default in the timely payment of interest and/or principal on a security.

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 securities for their clients in multiple jurisdictions around the

world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Designated Funds means source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Designated Funds are listed in Schedule B of this IPS.

Diversification: means a risk management technique that mixes a variety of investment types within a portfolio to help mitigate portfolio risk. A diversified portfolio holds different kinds of investments to improve the risk adjusted returns.

Derivative: means 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.

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 a more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

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.

Investment Portfolio Division: means the Manager, Investment Portfolio, Senior Investment Analyst or other staff as designated by the Commissioner of Finance/Treasurer or Director of Financial Solutions, Utility Finance and Portfolio Management to implement the investment mandate.

Interest Rate Risk: means the risk associated with declines or increases in interest rates that cause an investment in a fixed-income security to increase or decrease in value.

Investment Plan: means the investment plan applicable to the MNRI and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS): means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for MNRI under the Regulation, and for MRI, 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.

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.

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.

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.

Liquidity: means the ability to turn an investment into cash relatively quickly, without a substantial loss in value. For example, a savings account is more liquid than real estate.

Local Municipality: has the same meaning as lower-tier municipality or area municipality.

Local Authority Services (LAS): means an entity which, in conjunction with MFOA/CHUMS, established ONE Investment.

Local Distribution Corporation or LDC: means a corporation incorporated under Section 142 of the *Electricity Act, 1998*.

Market Value: means the price at which a security is trading and could presumably be sold. Also known as Fair Value it represents the current value of the investment.

Maturity: means the date upon which the principal or stated value of an investment becomes due.

Money not Required Immediately (MNRI): means the money that is not required immediately by the Municipality, i.e., long-term funds, that will be under the control and management of ONE JIB and as defined in this IPS that will be invested in accordance with the Prudent Investor Standard.

Money Required Immediately (MRI): means the money that is required immediately by the Municipality, i.e., short-term funds, that remains under the control and management of the Municipality and, that can be invested in accordance with the Legal List Securities or other applicable legislation.

Municipal Services Corporation (MSC): means a corporation established under section 203 of the Act in accordance with the applicable regulation (Ontario Regulation 599/06).

Municipality: means The Regional Municipality of Durham.

OCIO Offering: means the comprehensive investment program made available through ONE Investment as agent for ONE JIB, where a qualified investment manager is engaged to advise a Participating Municipality with regard to the investment of the Participating Municipality's MNRI and to invest and manage such MNRI in accordance with the terms and conditions set out in the ONE JIB Agreement.

ONE Investment: means the not-for-profit corporation established by CHUMS and LAS which provides certain management, administrative and other services to ONE JIB as its agent.

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.

ONE JIB Agreement: means the agreement effective as of the Prudent Effective Date, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's MNRI.

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.

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 the Sub investment manager. Monies are pooled or combined with monies of other investors.

Portfolio: means any collection of funds that are grouped together and available to support the infrastructure needs of the Municipality.

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. The Sub investment manager usually vote proxies on behalf of their clients.

Prudent Effective Date: means the mutually agreed-upon date by the Municipality and ONE Investment on which the prudent investor regime applies to the Municipality. The Prudent Effective Date as defined in By-law Number 2024-021 of the Municipality, shall be July 15, 2024.

Prudent Effective Date Agreement: means an agreement entered into by the Municipality and ONE Investment that sets out the day on which the prudent investor regime starts to apply to the Municipality

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 applies the standard of prudence to the entire portfolio in respect of the Municipality's MNRI 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.

Rebalancing: means the process of realigning the weightings of a portfolio of assets. Rebalancing involves periodically buying or selling securities in a portfolio to maintain an original or desired level of asset allocation or risk.

Regulation: means Ontario Regulation 438/97.

Restricted Special Assets: means investments specified by this IPS and held by the Municipality on or after the Prudent Effective Date, where ONE JIB is not able to exercise control. Restricted Special Assets are listed in Schedule A of this IPS and are not considered to be MNRI.

Risk: means the uncertainty of future investment returns or chance of loss of capital.

Risk Tolerance: means the financial ability and willingness to absorb a loss in return for greater potential for gains.

Safekeeping: means the holding of assets (e.g., securities) by a financial institution.

Securities Lending: means lending 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 incremental returns on the total portfolio.

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.

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 debenture issue in accordance with the Municipality's debenture by-laws.

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 debentures.

Sinking Fund Excess Earnings: means the investment earnings in excess of the required earnings.

Sub-Investment Manager: means an asset management firm or investment consultant, acting as a sub-investment manager for ONE JIB that provides investment advice and professional services and is involved in the implementation and operational aspects of the OCIO Offering, and that has full responsibility for the investment and management of a Participating Municipality's MNRI through ONE Investment, based on an IPS approved by the Council of the municipality.

Third-Party Trust Funds means money over which the Municipality exercises both management and policy control but whose assets are not owned by the Municipality. These funds are governed by a variety of agreements and, in some cases, by legislation. Some funds may have externally mandated investment policies, and some may have investment policies that are determined by the Municipality. Third-Party Trust Funds are listed in Schedule B of this IPS.

Trust Fund: means a fund which consists of assets that have been conveyed or assigned to a trustee to be administered as directed by agreement or statute. As a result, a trustee holds title to the assets for the purpose of providing benefits, and being accountable, to a beneficiary. The Municipality is the trustee of funds that are to be used for specific purposes by the Municipality or any related parties.

2. PURPOSE AND LEGISLATIVE FRAMEWORK

2.1 Purpose

This IPS governs the investment of the Municipality's MNRI (long-term funds) and MRI (short-term funds) that comprise its investment portfolio. It is intended, among other things, to direct the Treasurer in the investment of MRI and to direct the ONE Joint Investment Board (ONE JIB) in the investment of MNRI by implementing the Authorizing By-law 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. Restricted Special Assets, listed in Schedule A of this IPS are not considered to be MNRI.

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, or Third-Party Trust Funds. The Municipality's Third-Party Trust Funds are listed in Schedule B of this IPS.

There are also source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "Designated Funds", are listed in Schedule B of this IPS. 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.

ONE JIB is not responsible for the investment activities or performance of Third-Party Trust Funds, Designated Funds or Restricted Special Assets.

The goals of this IPS are to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Describe the Municipality's responsibilities with respect to Restricted Special Assets, Third-Party Trust Funds and Designated Funds;
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Municipality's investment goals and risk tolerance;

- Provide guidance and limitations regarding the investments and their underlying risks;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer, and any agent, sub-investment manager, or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

2.2 Governing Legislation

Investments of MRI will only be made in Legal List Securities in accordance with this IPS and Section 418 of the Act. Investments of 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 enhance risk-adjusted rates of return.

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:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment plays within the Municipality's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

Money and investments that the Municipality holds as Restricted Special Assets, Third-Party Trust Funds or has an interest in as Designated Funds will be subject to applicable legislation and any related agreements or instruments.

2.3 Prudent Investor Standard

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.

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.

3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

3.1 Determination of MNRI and MRI

Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations;
- the purpose for which the monies have been collected or set aside and are to be used;
- the source of the money; or
- any combination of the foregoing

The Municipality has defined MNRI as money from its own reserves, reserve funds and/or sinking funds that will be used to meet financial obligations that become due more than three years from the date of receipt of such money. The purpose of the money is to fund the municipality's future capital, operational, and contingency needs.

For certainty, all money and investments of the Municipality that have not been identified as MNRI (other than Restricted Special Assets, Third-Party Trust Funds and any Designated Funds listed in Schedules A and B) shall be deemed for purposes of this IPS to be MRI.

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 6.2.

Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.

3.2 Overview of Portfolios

The Municipality's portfolios represent funds available to support Municipal needs. A high-level description of each of these portfolios and their objectives is provided in Section 5 below. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:

- MRI which is invested in Legal List Securities; and/or
- MNRI which is invested under the Prudent Investor Standard.

4. ROLES AND RESPONSIBILITIES

4.1 Role of ONE JIB

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 attached as Schedule C to Prudent Investor Enabling By-law [#2024-021](#).

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.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging Custodians, administrators and other investment professionals (i.e. Agents);
- Allocating the money and investments under its control and management in compliance with this IPS;
- Monitoring the performance of the OCIO Offering and Agents; and,
- Reporting to the Municipality.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

4.2 Role of Municipal Staff

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, in addition to any Third-Party Trust Funds, Designated Funds and Restricted Special Assets identified in Schedules A and B, remain under the control and management of the Treasurer.

Consistent with this IPS, the Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures including:

- Investment management of MRI and any Third-Party Trust Funds, Designated Funds and Restricted Special Assets by, or under the direction of, the Treasurer;
- 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,
- A system of controls exercised by the Treasurer to regulate the activities of the Investment Portfolio Division when investing MRI.

No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

In the management of MRI of the Municipality, and any Third-Party Trust Funds, Designated Funds and Restricted Special Assets, the Treasurer may engage one or more agents and service providers.

4.3 Ethics and Conflicts of Interest

Individuals who are responsible for the Municipality's MRI Investment Portfolio shall comply with the Municipality's Employee Code of Conduct or conflict of interest guidelines and any relevant professional codes of conduct (e.g., the CPA Code of Professional Conduct or CFA Institute's Code of Ethics and Standards of Professional Conduct).

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 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.

5. INVESTMENT

5.1 MRI

The Municipality's MRI is described in Section 3.1. Unless specifically excluded, the Municipality's MRI as described in this IPS consists of money that is needed to meet the short-term financial obligations of the Municipality coming due within three years and are controlled and managed by the Investment Portfolio Division under the direction of the Treasurer.

5.1.1 MRI: Investment Objectives

Investments made with MRI will be actively managed in accordance with any portfolio constraints identified in Appendices 1, 2 and 3, with the objective of optimizing risk-adjusted returns than is available from conventional cash holdings. It is recognized that this will involve a modest increase in risk. This strategy is designed to provide superior short-term investment returns primarily through interest income, realized capital gains and moderate capital appreciation. The returns 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.

Capital preservation is paramount for MRI investments. Consequently, only high credit quality Legal List Securities will be held in this portfolio. 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, maintaining liquidity, and managing risk through diversification by issuer and credit quality.

The investment objectives for MRI, ranked in priority, are as follows:

a) Eligibility of Investments

All investment activities shall be governed by the Act. Investments, unless further limited by Council, shall be those which are eligible under the Regulation, Part I or as authorized by subsequent provincial regulations.

b) Preservation of Capital

The primary objective for investments made with MRI is to ensure the security of principal as municipalities are custodians of public funds. To minimize the risk of loss, investments shall be subject to high credit quality, 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.

c) Liquidity Requirements

Liquidity is measured by the ease with which securities can be converted to cash to meet forecasted spending or operational cash flow requirements. The investments that are eligible under the 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, by various types of investments and issuers, utilizing securities which trade in a reliable secondary market, and to the extent possible, the term of such investments may be staggered to meet unanticipated cash needs and/or financial obligations.

d) Rate of Return

The Municipality's investment approach will seek to maximize or achieve a competitive rate of return on eligible investments within acceptable risk levels while respecting the security of principal, legal constraints and the liquidity needs of the investment portfolio.

The Municipality's risk tolerance for investments made with MRI is low. The Municipality will employ an investment strategy that seeks to minimize risk by diversifying investment holdings amongst high credit quality securities by different issuers, across different sectors, and varying maturities to mitigate the impact of credit and interest rate risk. For example, eligible securities will have constraints to mitigate concentration risk by sector, issuer, and/or security.

The composition of the MRI portfolio, including its term to maturity and type of investments, shall be adjusted within the guidelines of this IPS to take advantage of market opportunities.

5.1.2 MRI: Eligible Investments

MRI may be invested in high quality Legal List Securities available from banks, dealers and other financial institutions permitted under the Regulation, Part I and

compliant with MRI as defined by this IPS. Investments issued or guaranteed by approved institutions will be permitted by this IPS, as deemed eligible by the Regulation or as authorized by subsequent provincial regulations. Investments will be limited to securities maintaining a minimum credit rating by an appropriate credit rating agency in compliance with the Regulation.

The Investment Portfolio Division, with the approval of the Treasurer, is permitted to deviate +/- 5% from Short-Term, or MRI, constraints to take advantage of evolving market conditions.

For an example of eligible MRI Investments under this IPS, refer to Appendix 1: Authorized Investments and Sector Guidelines.

5.1.3 MRI: Other Municipal Debt

Notwithstanding the Municipality's assertion that MRI consists of money that is needed to meet the short-term financial obligations of the Municipality coming due within three years, the municipality may periodically acquire and hold long-term debt securities issued by other Canadian municipalities with MRI. The purpose of these investments is to support the municipal sector and encourage viable municipal debt issuances in the capital markets.

Investments in Other Municipal Debt should be held to maturity unless otherwise approved by the Treasurer for disposal. All efforts should be made to balance maturities to manage duration risk and switch between issuers and/or credit ratings at disposition, unless sale proceeds are required for cash flow purposes.

The Region's portfolio holdings of Other Municipal Debt are not considered MNRI.

5.2 MNRI

The Municipality's MNRI is described in Section 3.1. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of MNRI, and the investments made therewith, subject to the constraints outlined in section 5.7 of this IPS.

MNRI managed by ONE JIB will be used to address the longer-term liabilities of the Municipality. Returns generated by investing MNRI will help to fund capital projects, preserve, and replace asset infrastructure, and to cover shortfalls in operating expenses. The risk tolerance for capital losses ranges between low to moderate, and risk needs to be balanced while achieving higher expected returns over a long-term investment horizon.

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 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.

5.2.1 MNRI: Investment Objectives

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

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

Investment of MNRI is managed by ONE JIB in a way that balances investment objectives, expected returns, and risk to develop asset allocations that achieve the Municipality's financial objectives within stated risk tolerances.

The Municipality has three distinct MNRI portfolios with different investment objectives, risk tolerances, and investment horizons as follows:

Outcome	Objective	Risk Tolerance*	Investment Horizon
Shorter-Term	-Preservation of capital; -High liquidity	Low risk (5% annual loss sensitivity)	3 – 5 years
Medium-Term	-Contributions toward capital projects, mitigating inflation impacts and meeting target funding requirements; -Liquidity	Low to moderate risk (7.5% annual loss sensitivity)	6 – 10 years
Long-Term	-Contributions toward capital projects, mitigating inflation impacts and meeting target funding requirements; -Emphasis on long-term inflation-adjusted growth	Moderate risk (10% annual loss sensitivity)	> 10 years

* Total equity exposure across all MNRI investments shall not exceed 40%.

The MNRI invested with ONE JIB will be broadly diversified to help reduce the volatility of investment returns. Investment returns have an impact on revenues as well as a longer-term impact on future years' budgets. While at a minimum, returns are expected to keep pace with inflation, MNRI shall be invested with the primary objective of obtaining a rate of return consistent with each portfolio's overall risk and return profile. To the extent possible, 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.

5.2.2 MNRI: Eligible Investments

Eligible investments for MNRI include any Pooled Fund or other collective investment vehicle or institutional investment management product approved or selected by ONE Investment for its OCIO Offering, provided always that the products and the selection of products comply to the extent possible in all material respects with this IPS, with any non-compliance disclosed by the Sub-Investment Manager.

Additionally, nothing in this IPS prevents MNRI from being periodically held in cash and short-term money market instruments, including treasuries or overnight deposits.

5.2.3 MNRI: Ineligible Investments

Municipal Services Corporations ("MSCs")

The ownership in Municipal Services Corporations ("MSCs") established under section 203 of the Act, such as Durham OneNet, Inc., and any future facilities that the Municipality establishes for providing municipal services do not qualify as MNRI investments under the Regulation.

Durham Region Municipal Insurance Pool ("DMIP")

The DMIP was established to protect the member municipalities, or subscribers, from increasing insurance premium costs. The DMIP provides an integrated insurance program which effectively combines the insurance and risk management requirements of the member municipalities into a single common "pool".

Contributions to the pool are restricted for insurance purposes of its subscribers and do not qualify as MNRI.

Durham York Energy Centre ("DYEC")

The DYEC Co-owners Agreement establishes terms to ensure clarity around the Region's and The Regional Municipality of York's shared obligations with respect to the operation of the waste management facility including site servicing and owner obligations and responsibilities with respect to the executed Project Agreement with Covanta.

The Region's share of ownership in the DYEC does not qualify as MNRI.

York Durham Sewage System ("YDSS")

Under the YDSS Co-Owners Agreement, York and Durham Regions share the cost of operating and maintaining the co-owned assets, and investment in new assets to service growth. An operating agreement outlines the roles and responsibilities for

York Region and Durham Region (the Co-owners) and Durham Region (the Operator) of the York Durham Sewage System Primary System to ensure regulatory requirements are met.

The Region's share of ownership in the YDSS does not qualify as MNRI.

5.3 MNRI: Sinking Funds

Sinking Fund Portfolios established by the Municipality to retire sinking fund debentures issued by the Region on behalf of itself and/or the Local Municipalities are MNRI and managed by ONE JIB. Sinking Funds shall not be combined with other funds, and all investments, bank accounts, reporting and audits will be separate and distinct from other investments made with MNRI. For additional transparency, Sinking Fund investments will be tracked separately and require separate custodial accounts for each separate issuance of sinking fund debentures. In the case of the reopening of a particular sinking fund debenture, the same custodial account used for the original sinking fund debenture shall be used for any subsequent reopening of the debentures.

Annual contributions will be based on the required return to retire outstanding sinking fund debentures at maturity. For effective asset-liability matching, the expected return, net of fees, of the relevant Sinking Fund should, at a minimum, keep pace with the required repayment of the principal of the underlying debt to avoid the need for additional contributions/possibility of annual deficits, preserve capital, and minimize volatility. The funded status (Market value of Assets less the Market value of Liabilities) will be reviewed annually by the Treasurer of the Municipality and the Municipality's auditor. The Region and/or Local Municipalities must fund their proportionate share of any annual deficits in each respective Sinking Fund account within 12 months.

A minimum of 95% of each Sinking Fund account shall be invested in fixed income securities and/or fixed income funds. Securities and fund holdings must be rated A (low) or higher by Dominion Bond Rating Service ("DBRS"), or equivalent credit rating per Appendix 3. To match the risk characteristics of the underlying debentures, low risk, fixed income securities will be held in the portfolio to minimize volatility and the possibility of annual deficits. Total equity exposure in each Sinking Fund account comprising the Sinking Fund Portfolio shall not exceed 5%.

The Region will consider permitting additional asset classes in the Sinking Fund Portfolio through this IPS as its borrowing program matures.

ONE JIB and/or the Municipality must adhere to Section 409 of the Act and Section 4 of the Regulation when managing investments for the Sinking Fund Portfolio.

5.4 Restricted Special Assets

All assets, listed in Schedule A of this IPS and held by the Municipality on or after the Prudent Effective Date, are Restricted Special Assets, and shall *not* be held by ONE JIB as MNRI. At their discretion, the Treasurer may choose to liquidate these

investments and determine that the proceeds are MNRI, to be invested as per this IPS and the approved ONE JIB Investment Plan.

Restricted Special Assets are not MNRI of the Municipality, and such assets are not under the control or management of ONE JIB.

5.4.1 Local Distribution Corporation (“LDCs”)

The direct investment in LDC shares and/or promissory notes, as may be applicable, acquired after the Prudent Effective Date, shall be excluded from MNRI. LDC shares and/or other LDC securities are separate standalone investments, with the subject matter expertise and administrative functions remaining under the purview of the Region. Council would control all acquisition and disposition decisions related to any future LDC assets and any voting related to LDC shares would be undertaken solely by the Municipality.

Any direct investment in LDC shares and/or promissory notes listed in Schedule A of this IPS, are Restricted Special Assets and shall not be held by ONE JIB as MNRI.

5.4.2 Durham Region (Own) Debt

Long-term debt securities issued and acquired by the Region at the time of their issuance, or Own Debt, shall be excluded from MNRI. As part of the Region’s overall debt strategy, debt securities issued by the Region with maturities over three years may be acquired from time to time and are considered long-term investments to be held to maturity.

Any Own Debt listed in Schedule A of this IPS, are Restricted Special Assets and shall not be held by ONE JIB as MNRI.

5.5 Third-Party Trust Funds and Designated Funds

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.

For certainty, Third-Party Trust Funds and the Designated Funds listed in Schedule B are not MNRI of the Municipality, and such assets are not under the control or management of ONE JIB.

5.6 Investment Management

5.6.1 Investment Management of MRI

The investment of MRI shall be controlled and managed by the Treasurer in accordance with this IPS.

5.6.2 Investment Management of MNRI

The investment of MNRI shall be controlled and managed by ONE JIB in accordance with this IPS, the ONE JIB Agreement and the Investment Plan.

The selected Sub-Investment Manager shall enter into an agreement with ONE Investment related to the OCIO Offering, that complies with this IPS and Part II of the Regulation and will provide compliance and performance reports to ONE JIB and One Investment. ONE JIB shall make any investment management changes deemed in the best interest of the Municipality.

5.7 Investment Constraints

5.7.1 Environmental, Social and Governance (ESG) Investing

The Municipality supports ESG investing for MRI and MNRI. 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.

For the investment of MRI, the Municipality has chosen to monitor the developments of ESG factors and will reconsider its approach to ESG investing for the MRI Investment Portfolio as and when appropriate to do so by incorporating the International Capital Market Association's ("ICMAs") Green, Social and Sustainability principles and guidelines.

For the investment of MNRI, ONE JIB is required to explore and consider how the OCIO is implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested.

5.7.2 Securities Lending

For investments made with MRI, the Municipality may engage in the practice of securities lending as provided in Section 418 of the Act to enhance returns on the custodial portfolio by lending certain securities to approved borrowers for a fee.

For the investment of MNRI, the Municipality may invest in pooled funds, and other investment funds that are managed by the Sub-Investment Manager who may engage in Securities Lending if the policies of the OCIO permit such an action.

5.7.3 Derivatives

Derivatives shall not be utilized for speculative purposes but as a risk management and mitigation tool to insure against or to protect investments against undesired market and credit risk exposure.

The Region may enter into Forward Rate Agreements (“FRAs”), to reduce the cost or risk associated with short-term investments due to fluctuations in interest rates in accordance with the applicable legislation.

For the investment of MNRI, futures and forwards contracts, options and other derivative instruments may only be used to (a) create an asset mix position that does not leverage the portfolio, (b) replicate the performance of a capital market index, or (c) reduce risk as part of a hedging strategy

5.7.4 Use of Leverage

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 should not be exercised for speculative purposes but may be used as a hedging tool.

5.7.5 Pooled Funds

Investments in open-ended pooled funds, closed-ended pooled funds, limited partnerships and other specialist corporate structures (e.g. LLCs), are permitted provided that the assets of such funds are permissible investments under this IPS.

The Sub-Investment Manager will observe the constraints identified in this IPS to the extent possible within pooled fund investments, however, where satisfying a constraint is not feasible, the Sub-Investment Manager’s policies will take precedence over this IPS.

Any non-compliant investments must be disclosed by the Sub-Investment Manager in a timely manner and alternative options such as substitute funds or custom portfolios will be considered.

5.7.6 Currency Hedging

The MRI Investment Portfolio will not utilize currency hedging.

The Municipality’s funding requirements are in Canadian dollars. However, some exposure to foreign currencies in the MNRI Investment 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.

5.7.7 Alternative Assets

The applicable legislation does not prevent the direct/ or indirect placement of MNRI in Alternative Assets, however, this IPS restricts investments in alternative investments for the purpose of management of MNRI under ONE JIB.

Alternative Assets, such as infrastructure or real estate, may have uncorrelated return characteristics with traditional asset classes that may improve diversification within the portfolio, which may lead to better risk adjusted returns. Typically, these investments may not be fully liquid and are only appropriate for inclusion in portfolios with long-term investment horizons.

As the Region's Long-Term investment strategy evolves, Alternative Assets as defined in this IPS may be considered for inclusion in the portfolio to further enhance returns and protect against downside risk in future years.

5.7.8 Prohibited Investments

Currently, the Municipality does not have any prohibited investments beyond the constraints outlined in the Regulation, the Act, and this IPS.

5.8 Performance Monitoring, Rebalancing and Management

5.8.1 MRI

Performance benchmarks may vary from time to time, as decided by the Treasurer, subject to the investment constraints listed in the IPS.

5.8.2 MNRI

For the investment of MNRI, ONE JIB shall establish parameters for monitoring investments and rebalancing through policy or directly within the Investment Plan.

Investments in pooled funds 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 below that shows the Municipality's holdings, confirms compliance with this IPS, and reports on the Sub-Investment Manager's performance.

6. ADMINISTRATIVE POLICIES

6.1 Flow of Money and Annual Municipal Budget

6.1.1 Transfer to ONE JIB as Part of Annual Review Process

As part of the Municipality's annual review process, the Municipality shall identify the amount, if any, of MNRI that it holds. Any MNRI not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

6.1.2 Transfer to Municipality as Part of Annual Review Process

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

6.2 Flow of Money Otherwise than through the Budget Process

6.2.1 Surplus Funds

MRI captures revenues received by the Municipality each year after the approval of the Municipality's budget for the year. Any amounts deemed to be MNRI by the Treasurer during the year shall be transferred to ONE JIB. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

6.2.2 Contingencies

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 MNRI under the control and management of ONE JIB as at the date that the Municipality approved its budget for the current year (the Budgeted MNRI). In determining the Budgeted MNRI for purposes of calculating the 25% limit, any MNRI to be transferred to the control and management of ONE JIB in accordance with that year's annual review pursuant to Section 6.1.1 above shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to Section 6.1.2 shall be excluded. ONE Investment should be made aware of material transactions in advance to ensure the orderly sale of securities to fund withdrawals.

6.3 Valuation of Investments

Investments shall be valued according to the values provided by the Custodian(s). For the investment of MNRI, 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 Sub-Investment Manager to ONE Investment no less frequently than quarterly.

6.4 Voting Rights

The Sub-Investment Manager shall assume the responsibility of exercising voting rights in respect of the Municipality's MNRI and will report its voting policies to ONE JIB annually. The Municipality may access these policies at any time.

6.5 Internal Controls

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.

6.6 Custodian

All municipal investments and assets of the investment portfolios may be held by a Custodian and any of the Custodian's sub-custodians or nominees. For MNRI, the Custodian shall be acceptable to ONE Investment. For MRI the Custodian shall be acceptable to the Municipality.

6.7 Reporting

6.7.1 MRI

For the investment of 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. 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.

6.7.2 MNRI

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of MNRI at least annually. This report shall include the following.

- Investment performance during the period covered by the report;
- Asset mix of the total portfolio;
- 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;
- A list of all transactions including the security name, trade date, and the purchase and/or sale price;
- 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
- Any other pertinent information in the opinion of the Treasurer.

All MNRI invested on behalf of the Municipality by ONE JIB shall be held for safekeeping in the name of the Municipality by a Custodian.

7. APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

7.1 Revocation / Amendment of Previous Investment Policy

This IPS amends, and restates as so amended, the existing Investment Policy Statement approved by Council on May 28, 2025.

7.2 Modifications to the IPS

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 MRI and from ONE JIB with respect to the investment of MNRI.

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

At a minimum, the annual IPS review will consider:

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

7.3 Effective Date

This IPS is approved as of May 27, 2026, and will be effective July 15, 2026. The Treasurer is directed to deliver a copy of this IPS to ONE JIB to assist in the management of MNRI.

Schedule A: Restricted Special Assets**Own Debt**

Balance as at December 31, 2025):

Issuer	Cusip	Principal	Maturity
The Regional Municipality of Durham	26682CMM2	\$ 1,538,000.00	16-Oct-29
The Regional Municipality of Durham	26682CMN0	\$ 1,602,000.00	16-Oct-30
The Regional Municipality of Durham	26682CMP5	\$ 1,669,000.00	16-Oct-31
The Regional Municipality of Durham	26682CMQ3	\$ 1,740,000.00	16-Oct-32
The Regional Municipality of Durham	26682CMR1	\$ 1,814,000.00	16-Oct-33
The Regional Municipality of Durham	26682CTT0	\$ 1,500,000.00	05-Jul-38
The Regional Municipality of Durham	26682CTU7	\$ 1,571,000.00	05-Jul-39
The Regional Municipality of Durham	26682CTV5	\$ 1,647,000.00	05-Jul-40
The Regional Municipality of Durham	26682CTW3	\$ 1,726,000.00	05-Jul-41
	Total	\$ 14,807,000.00	

Schedule B: Third-Party Trust Funds and Designated Funds**Third-Party Trust Funds**

Balance as at December 31, 2024:

1.	Fairview Lodge Trust	\$ 58,920.95
2.	Hillsdale Estates Trust	\$ 72,357.36
3.	Hillsdale Terraces Trust	\$ 53,729.93
4.	Lakeview Manor Trust	\$ 52,911.04
5.	Department of Social Services Trust	\$ 678,960.77

Designated Funds

Not Applicable

Appendix 1: Authorized Investments and Sector Guidelines

Security or Institution	Minimum Credit Rating	Money Market Rating	Maximum % of Portfolio ¹	Issuer % Limit ¹
Government of Canada Debt ²	n/a	n/a	100%	n/a
Provincial Government Debt ³	A (low)	n/a	75%	25%
Region of Durham Debt	n/a	n/a	25%	25%
Other Canadian Municipal Debt ⁴	A (low)	n/a	30%	10%
Applied Arts, Housing Corporations, Education & Hospitals	AAA	n/a	15%	5%
Other Country Debt	AAA	n/a	10%	5%
Supranational Debt	AAA	n/a	10%	5%
Canadian Corporate Debt	A (low)	n/a	25%	5%
Schedule I Banks ^{5,6,7}	A (low)	R-1 (low)	50%	25%
Schedule II Banks ^{5,6,7}	A (low)	R-1 (mid)	10%	5%
Schedule III Banks ^{5,6,7}	A (low)	R-1 (mid)	5%	2%
Loan or Trust Corporations ^{5,6,7}	A (low)	R-1 (mid)	10%	5%
Credit Unions ^{5,6,7}	n/a	n/a	10%	5%
Asset Backed Securities (< 1 year) ⁹	n/a	R-1 (high)	10%	10%
Asset Backed Securities (> 1 year) ⁹	AAA	n/a	10%	10%
Commercial Paper (< 1 year) ⁹	n/a	R-1 (mid)	10%	10%
ONE Investment High Interest Savings Account ⁷	n/a	n/a	10%	10%
ONE Investment 'Other' ¹⁰	n/a	n/a	10%	5%

Notes:

1 - e.g. Other Canadian Municipal Debt maximum share of the total par value of the portfolio is 30%, and no individual municipality can exceed 10% of the Portfolio.

2 – Includes Agents of the crown, such as Export Development Canada and Canada Housing Trust.

3 - Includes Agents of the crown corporations of provinces where debt is fully guaranteed by the province

4 - Includes BC Municipal Financing Authority, School Boards, Local Boards, & Conservation authorities.

5 - Applies to Debt or Deposit securities, subject to the requirements of the Regulation

6 - Debt securities issued by Schedule I, II and III banks and Loan or Trust Corporations under 2 years must be rated A (low).

7 - Aggregate exposure of the total portfolio par value cannot exceed 50%.

8 - Where total Deposit securities exceed \$250,000, additional Deposit securities maturing beyond 2 years must satisfy the financial indicators prescribed in O. Reg. 438/97. All Debt securities must satisfy the financial indicators prescribed in O. Reg. 438/97.

9 - Investment in these securities is contingent upon the Region maintaining a credit rating at or above AA (low).

10 - ONE Investment 'Other' includes the Canadian Government Bond, & Canadian Corporate Bond portfolios or any other new investment products developed and offered by ONE Investment.

The purchase of eligible securities under Part I of the Regulation not identified above and/or denominated in a foreign currency requires prior approval from the Commissioner of Finance/Treasurer.

Appendix 2: Short-Term Portfolio Term Constraints

Term Limitation*	Minimum	Maximum
Less than 1 year	25%	100%
1 year - 2 year	0%	50%
2 year - 3 year	0%	50%

*excludes Restricted Special Assets and/or Other Municipal Debt

Appendix 3: Credit Ratings

- Part I of the Regulation specifies that certain eligible securities must have a minimum credit rating provided by: Dominion Bond Rating Service (“DBRS”), Moody’s, Standard and Poor’s (“S&P”) or Fitch Ratings. A summary is provided in Table 2 below.
- Credit ratings for securities held in the Region’s Investment Portfolio will be monitored and, for instruments falling below approved credit qualities (listed in Table 1), disposed of, in accordance with the internal control procedures established in this Policy and the requirements of the Regulation.

Credit Rating Guide*

Credit Quality	DBRS		Moody's		Standard & Poor's		Fitch	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Superior	AAA	R-1 (high)	Aaa	P-1	AAA	A-1+	AAA	F1+
	AA (high)	R-1 (high)	Aa1	P-1	AA+	A-1+	AA+	F1+
	AA	R-1 (mid)	Aa2	P-1	AA	A-1+	AA	F1+
	AA (low)	R-1 (mid)	Aa3	P-1	AA-	A-1+	AA-	F1+
Good	A (high)	R-1 (low)	A1	P-1	A+	A-1	A+	F1
	A	R-1 (low)	A2	P-1	A	A-1	A	F1
	A (low)	R-1 (low)	A3	P-2	A-	A-2	A-	F2
Adequate	BBB (high)	R-2 (high)	Baa1	P-2	BBB+	A-2	BBB+	F2
	BBB	R-2 (mid)	Baa2	P-2	BBB	A-3	BBB	F3
	BBB (low)	R-2 (low)	Baa3	P-3	BBB-	A-3	BBB-	F3
Speculative	BB (high)	R-3 (high)	Ba1	Not Prime	BB+	B	BB+	B
	BB	R-3 (high)	Ba2	Not Prime	BB	B	BB	B
	BB (low)	R-3 (high)	Ba3	Not Prime	BB-	B	BB-	B
Highly Speculative	B (high)	R-3 (mid)	B1	Not Prime	B+	B	B+	B
	B	R-3 (mid)	B2	Not Prime	B	B	B	B
	B (low)	R-3 (low)	B3	Not Prime	B-	B	B-	B
	CCC	R-3 (low)	Caa	Not Prime	CCC	C	CCC	C

* Credit rating scales for bond rating agencies may change over time.