INVESTMENT POLICY

Policy #: 006

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1. PURPOSE

The purpose of this Investment Policy is to establish a prudent, transparent and disciplined framework for the investment and management of funds owned and controlled by the Bereavement Authority of Ontario (BAO).

The Policy is intended to ensure that the BAO funds are invested in a manner that:

- Preserves capital;
- Maintains sufficient liquidity to meet operational and financial obligations;
- Protects the BAO from undue investment risk;
- Generates an appropriate risk-adjusted return;
- Supports the BAO's long-term financial sustainability;
- Provides appropriate diversification; and
- Establishes clear governance, accountability and reporting requirements.

The primary investment objectives of the BAO are, in order of priority:

1. **Preservation of capital;**
2. **Maintenance of liquidity;**
3. **Prudent management of investment risk; and**
4. **Achievement of an appropriate rate of return.**

Investment return shall not be pursued at the expense of capital preservation or the BAO's liquidity requirements.

2. SCOPE

This Policy applies **exclusively to funds and financial assets owned and controlled by the BAO** that are available for investment.

These funds may include:

- Operating cash;
- Unrestricted cash reserves;
- Strategic reserves;
- Contingency reserves;
- Sinking or designated funds established by the Board; and
- Other unrestricted BAO funds available for investment.

2.1 Compensation Fund Exclusion

The **Compensation Fund is expressly excluded from the scope of this Policy**.

The Compensation Fund:

- Has its own separate accounting books and financial records;
- Is maintained separately from the BAO's operating and reserve funds;
- Is not commingled with BAO funds; and
- Is subject to its own applicable legislative, regulatory, governance and investment requirements.

Nothing in this Policy shall be interpreted as establishing an investment mandate, authority or governance framework for the Compensation Fund.

Funds that are not owned by the BAO or that are maintained separately from BAO funds are outside the scope of this Policy.

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3. INVESTMENT GOVERNANCE PRINCIPLES

All investment activities undertaken under this Policy shall be guided by the following principles.

3.1 Preservation of Capital

The BAO shall prioritize the protection of its invested capital and shall avoid investment strategies that expose the organization to an unreasonable risk of loss.

3.2 Liquidity

Sufficient funds shall be maintained in cash or readily marketable investments to meet forecast operational and financial obligations.

3.3 Diversification

BAO investments shall be appropriately diversified by issuer, financial institution, maturity and, where appropriate, asset class to reduce concentration risk.

3.4 Prudent Risk

The BAO shall maintain a conservative investment risk profile appropriate to the nature of its mandate, financial obligations and reserve requirements.

3.5 Appropriate Return

The BAO shall seek a reasonable return on funds that are not required for immediate operating purposes, consistent with its capital preservation, liquidity and risk objectives.

3.6 Accountability and Transparency

Investment decisions shall be appropriately authorized, documented, monitored and reported.

3.7 Segregation of Duties

Investment activities shall be subject to appropriate internal controls and segregation of responsibilities among authorization, execution, recording, custody and reconciliation.

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4. INVESTMENT OBJECTIVES

The BAO's investment objectives shall be considered in the following order:

1. Capital Preservation
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2. Liquidity
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3. Risk Management and Diversification
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4. Investment Return

Where these objectives conflict, the higher-ranked objective shall take precedence.

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5. RISK TOLERANCE

The BAO shall maintain a **conservative investment risk tolerance**.

Investment decisions shall take into consideration:

- The BAO's regulatory mandate;
- Stability and predictability of revenues;
- Annual operating requirements;
- Cash flow forecasts;
- Cash reserve requirements;
- Anticipated capital expenditures;
- Economic and market conditions;
- Interest-rate risk;
- Credit risk;
- Market risk;
- Inflation risk;
- Liquidity risk; and
- Concentration risk.

The BAO shall not undertake investment strategies that could reasonably impair its ability to meet its obligations or maintain continuity of operations.

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6. INVESTMENT HORIZON

Investment decisions shall be aligned with the BAO's expected cash requirements.

Short-Term Funds

Funds expected to be required within twelve (12) months should generally be invested in highly liquid and low-risk instruments.

Medium- and Long-Term Funds

Funds not expected to be required for longer periods (such as funds in the Strategic and Contingency Reserves) may be invested for longer maturities, provided that:

- The investment remains consistent with this Policy;
- The BAO's liquidity requirements are satisfied;
- The investment is consistent with the approved risk tolerance; and
- The investment horizon is supported by the BAO's financial forecasts.

The CFO shall maintain and regularly update a rolling cash flow forecast to inform investment decisions.

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7. PERMITTED INVESTMENTS

Subject to the limits and requirements of this Policy, the BAO may invest in the following instruments:

7.1 Cash and Cash Equivalents

- Canadian-dollar bank deposits;
- High-interest savings accounts;
- Term deposits;
- Money market instruments; and
- Other cash equivalents approved by the Audit, Risk and Finance Committee.

7.2 Government Securities

- Government of Canada treasury bills and bonds;
- Securities issued or guaranteed by the Government of Canada;
- Securities issued or guaranteed by a Canadian provincial government; and
- Securities issued by Canadian municipalities where appropriate credit quality has been established.

7.3 Guaranteed Investment Certificates

The BAO may invest in GICs and comparable guaranteed deposits issued by federally or provincially regulated financial institutions.

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8. PROHIBITED INVESTMENTS

Unless specifically approved by the Board through a formal amendment to this Policy, the BAO shall not directly invest in:

- Cryptocurrency or digital assets;
- Speculative derivatives;
- Leveraged investment products;
- Commodities;
- Private equity;
- Venture capital;
- Individual speculative equities;

- Unrated corporate securities;
- Foreign currency investments undertaken for speculative purposes;
- Investments that expose the BAO to unlimited financial liability; or
- Investments involving an undisclosed material conflict of interest.

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9. STRATEGIC ASSET ALLOCATION

The BAO shall maintain a conservative strategic asset allocation appropriate to its liquidity requirements, investment horizon and risk tolerance.

The following allocation provides the Board-approved policy framework:

Asset Class	Target	Minimum	Maximum
Cash & Cash Equivalents	20%	10%	100%
Government Securities	20%	0%	50%
Guaranteed Investment Securities	60%	0%	60%
Equities / Other Approved Investments	0%	0%	0%
Total	**100%**		

The asset allocation targets are intended to provide flexibility rather than require investment in every asset class.

Given the BAO's conservative investment objectives, the portfolio may be maintained entirely in cash, GICs, government securities and other high-quality fixed-income investments where this is appropriate.

Any material change to the strategic asset allocation shall be recommended by the Finance, Risk & Audit Committee and approved by the Board.

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10. LIQUIDITY REQUIREMENTS

The BAO shall maintain sufficient liquidity to meet its forecast financial obligations.

As a general guideline:

- Individual investments should not exceed a 36-month term.
- Cash and highly liquid investments shall be sufficient to meet near-term operating requirements; The BAO shall maintain a minimum cash balance of $700,000 in the operating and High Interest Savings account to support day to day operations of the organization.
- Funds expected to be required within three (3) months should generally remain in cash or highly liquid instruments; Total investments held should have no less than

$5.6M maturing or cashable in May or June of each year to support the organization's net cash outflow anticipated during the period of July to November of each year.

- Investments maturing within twelve (12) months should be sufficient, together with forecast revenues and available cash, to meet known financial requirements; and
- Investment maturities should be staggered where practical to reduce liquidity and reinvestment risk.

Liquidity requirements shall be reviewed regularly in conjunction with the BAO's cash flow forecast and annual budget.

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11. CREDIT QUALITY

The BAO shall invest primarily in high-quality securities.

For direct fixed-income investments, the following minimum credit-quality guidelines shall apply:

Investment Type	Minimum Credit Quality
Short-term securities	R-1 (mid) or equivalent
Long-term securities	A- or equivalent

Government of Canada and other qualifying government-guaranteed securities are exempt from these minimum rating requirements.

Where an investment falls below the minimum credit rating due to a subsequent downgrade, the CFO shall assess the investment and determine an appropriate course of action.

Material credit-quality concerns shall be reported to the Finance & Audit Committee.

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12. INVESTMENT MANAGERS AND FINANCIAL INSTITUTIONS

The Board may approve the appointment of qualified external investment managers to manage all or a portion of the BAO's investment portfolio.

Investment managers and financial institutions shall:

- Be appropriately registered and regulated;
- Demonstrate relevant institutional investment experience;
- Operate within an approved investment mandate;

- Provide regular performance and risk reporting;
- Disclose actual or potential conflicts of interest;
- Comply with applicable legislation and professional standards; and
- Notify the BAO promptly of material changes affecting the portfolio.

The appointment of an investment manager does not transfer the Board's ultimate responsibility for oversight of BAO investments.

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13. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board shall:

- Approve this Investment Policy;
- Approve material amendments to the Policy;
- Approve the BAO's investment risk tolerance;
- Approve material changes to strategic asset allocation;
- Approve the appointment of external investment managers where required;
- Ensure appropriate oversight of the BAO's investment activities; and
- Receive regular reports on investment performance and compliance.

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14. RESPONSIBILITIES OF THE FINANCE & AUDIT COMMITTEE

The Finance & Audit Committee shall:

- Review this Policy at least annually;
- Recommend the Policy and material amendments to the Board;
- Review investment performance;
- Review compliance with approved investment limits;
- Monitor investment risk and concentration;
- Review the adequacy of the BAO's investment strategy;
- Review recommendations regarding investment managers;
- Review material investment policy exceptions; and
- Report significant investment matters to the Board.

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15. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

The CFO is responsible for administering this Policy and shall:

- Develop and implement investment recommendations;
- Monitor the BAO's cash requirements;
- Maintain appropriate cash flow forecasts;
- Manage relationships with investment managers and financial institutions;
- Monitor compliance with investment limits;
- Review investment performance;
- Recommend investment strategies and asset allocation;
- Ensure investment decisions are appropriately documented;
- Provide regular investment reports to the Finance & Audit Committee;
- Escalate material investment risks or policy breaches; and
- Recommend amendments and updates to this policy to the Board as needed.

The CFO shall operate within the authority delegated by the Board and CEO.

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16. RESPONSIBILITIES OF MANAGEMENT

Management shall:

- Maintain accurate investment records;
- Reconcile investment accounts regularly;
- Monitor investment maturities;
- Monitor credit ratings;
- Ensure appropriate segregation of duties;
- Maintain documentation supporting investment transactions;
- Ensure appropriate authorization of investment transactions; and
- Report material issues promptly to the CFO.

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17. CONFLICTS OF INTEREST

All persons involved in the BAO's investment activities shall comply with applicable BAO conflict-of-interest requirements.

Individuals shall not:

- Use confidential BAO information for personal benefit;
- Accept inappropriate benefits from investment providers;
- Direct BAO investments for personal or related-party benefit; or
- Participate in an investment decision where they have an undisclosed material conflict.

Actual, potential or perceived conflicts shall be disclosed promptly and managed in accordance with applicable BAO policies.

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18. RELATIONSHIP TO THE CASH RESERVE POLICY

This Investment Policy shall be read together with the BAO's Cash Reserve Policy.

The **Cash Reserve Policy establishes the appropriate level of unrestricted financial reserves to be maintained by the BAO**, while this Investment Policy establishes the framework for investing BAO funds that are available for investment.

Reserve requirements, liquidity requirements and cash flow forecasts established through the BAO's financial planning processes shall guide investment decisions.

The Compensation Fund is not subject to either the BAO Cash Reserve Policy or this Investment Policy.

The Compensation Fund is separately accounted for, maintained independently from BAO operating and reserve funds, and is not commingled with BAO funds.

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19. ANNUAL REVIEW

This Policy shall be reviewed at least annually by the CFO and Finance & Audit Committee and recommended to the Board for approval.

An earlier review shall be undertaken where there is a material:

- Change in legislation or regulatory requirements;
- Change in the BAO's financial circumstances;
- Change in the BAO's investment portfolio;
- Change in risk tolerance;
- Change in liquidity requirements; or
- Change in the nature or scale of BAO funds available for investment.

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20. POLICY AUTHORITY

The Board of Directors retains ultimate authority for approving this Investment Policy.

Nothing in this Policy limits any authority or obligation imposed upon the BAO by applicable legislation, regulation, Board resolutions or other governing requirements.

APPENDIX A – AUTHORITY MATRIX

Activity	CFO	CEO	Finance, Audit & Risk Committee	Board
Routine investment within approved Policy	**Execute**	Approve	Oversight	Oversight
Investment strategy	Recommend	Review	Recommend	Approve
Appointment of investment manager	Recommend	Review	Recommend	Approve
Material asset allocation change	Recommend	Review	Recommend	Approve
Investment Policy amendments	Recommend	Review	Recommend	Approve
Material policy exception	Recommend	Recommend	Recommend	Approve
Emergency temporary exception	Recommend	**Authorize**	Chair notified	Report
Quarterly investment reporting	**Prepare**	Review	Review	Receive
Annual Policy review	**Prepare**	Review	Recommend	Approve