

## CHATS – COMMUNITY & HOME ASSISTANCE TO SENIORS POLICY & PROCEDURE MANUAL

APPROVED BY: Board of Directors  
Reviewed by: Finance and Audit Committee

EFFECTIVE DATE: June 4, 2001  
Last Revised: March 23, 2022  
Last Reviewed: April 26, 2023

CATEGORY: Governance

PAGE 1 of 6

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### INVESTMENT POLICY

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#### **PURPOSE:**

To maximize the investment return without placing CHATS' assets in undue risk while at the same time maintaining cash flow flexibility.

#### **POLICY:**

##### **Fund Protection**

- The target Stabilization Fund balance required by the Growth and Stabilization Fund Policy will be protected by investing only in Cash or Cash Equivalents (defined below).
- The target Growth Fund balance required by the Growth and Stabilization Fund Policy will be protected by employing socially responsible investment practices as follows:
  - All Growth Fund investment decisions should be made in companies or industries which are rated as socially responsible investments (SRI) and not consistent with the values, vision and mission of CHATS.
- CHATS recognizes that In the event of a bank failure, the investment in the Growth and Stabilization may be covered by deposit insurance provided by Canadian Deposit Insurance Corporation (CDIC) of up to \$100,000 for each depositor account, provided the financial institution is a member of CDIC.
  - To maximize deposit insurance coverage of investments, CHATS could possibly cap the investment amount at any financial institution at \$100,000, however capping the investment to the amount covered by CDIC insurance could result in lower investment income (as the investment rates are likely to be lower), higher cost of maintaining separate accounts in each institution and increased work efforts of CHATS finance staff.
  - CHATS is required to balance investment returns, risk and administrative efforts by limiting investment placements to financial institutions that are unlikely to experience bank failures.

##### **Fund Management**

1. For the purposes of this policy, the following definitions apply:
  - i. Cash and Cash Equivalents:
    - Treasury Bills, cash or deposit receipts, certificates of deposit, money market funds, bankers' acceptances, guaranteed investment certificates and other similar redeemable instruments issued or endorsed by any Chartered Bank or the Federal or Provincial governments.
  - ii. Fixed Income Securities:
    - Holdings shall be diversified among Government of Canada, Provincial and

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Canadian corporate securities to a maximum term of 5 years. Instruments may be redeemed prior to maturity if it is in CHATS' best interest to do so.

- iii. Equities:
  - Equity investments shall be in common as preferred shares or convertible securities of conservative, blue chip Canadian corporations as defined by the Toronto Stock Exchange (TSX).
- 2. Funds should only be invested if the Chief Executive Officer does not foresee a conflicting cash flow need for these funds.
- 3. Funds in the Stabilization Fund must be invested in Cash or Cash Equivalents only.
- 4. Funds in the Growth Fund must be invested according to the following target asset allocation mix:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Fixed Income Securities	0%	100%	60%
Canadian Funds & Equity	0%	50%	40%
Cash and Cash Equivalents	0%	100%	n/a

Investment decisions must take into consideration market conditions, trade-off between investment risk and returns, availability of suitable investment products and the costs of administering these investments.

- 5. Investment transaction costs should be considered prior to recommendations to access the line of credit (also see CEO Authority Limitations policy).
- 6. Investments will be made only through a Chartered Bank or an established and reputable investment firm. The CHATS investment profile is to be reviewed and approved by the Finance and Audit Committee on an annual basis
- 7. Deposit levels in Cash and Cash Equivalents and in Fixed Income Securities to be reviewed monthly by the Vice-President of Finance and Corporate Services.
- 8. Deposit levels in Equities to be reviewed weekly by the Vice-President of Finance and Corporate Services, or more frequently if deemed necessary by the Finance and Audit Committee.

**Investment Management Responsibility**

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PAGE 3 of 6

---

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---

1. The Board of Directors is responsible for the oversight of funds invested by CHATS. The Board has delegated oversight of investment management to the Finance and Audit Committee of the Board.
2. The Vice-President of Finance and Corporate Services, or designated delegate, will report on investment performance to the Finance and Audit Committee monthly.
3. The Finance and Audit Committee is responsible to review investment performance quarterly, and to take action when performance is not in accordance with this policy. The Finance and Audit Committee is also responsible to review investments and investment performance with the Board, at least quarterly.
4. The Vice-President of Finance and Corporate Services, or designated delegate, will report on investment performance to the Finance and Audit Committee quarterly.
5. The Vice-President of Finance and Corporate Services and the Chief Executive Officer are to review the investment performance as described in Items 7 and 8 under Fund Management above and update the Finance and Audit Committee on an ongoing basis.

#### **Investment Guidelines and Constraints:**

- Accept moderate rate of return with some fluctuations in the value of the portfolio over the short to medium term.
- CHATS investment profile is one of **Income and Protection of Capital**.
- Individual investments less than \$10,000 are usually uneconomical and should be avoided.

#### ***Cash and Cash Equivalents***

##### Instruments:

All investments must be 'R1 (low)' or higher rated by the Dominion Bond Rating Service (DBRS). (normally defined as "investment grade")

##### Term

The term for the financial instruments shall not be more than 2 years. Sufficient funds shall be held in instruments or funds of maximum 30-day term to meet one month's non-discretionary operating expenses (payroll plus all other obligatory payments such as rent, pension funding, etc.)

#### ***Fixed Income Securities***

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**PAGE 4 of 6**

---

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Holdings shall be diversified among Government of Canada, provincial, and Canadian corporate fixed income securities. Other securities with a minimum A (low) rating (Dominion Bond Rating Service) or investment grade may be held. Investment may be made in mutual funds operated by the recommended by the financial advisor, provided that the assets contained therein meet CHATS criteria for eligibility.

Convertible securities, depending on the terms of the conversion, will normally classified as equity for purposes of determining the target asset mix.

#### ***Equities***

Equity investments shall be in common or preferred shares or convertible securities of Canadian corporations. No single security shall represent more than 10% of the market value of total equities. This is to be the design of the portfolio, but if a scenario contrary to this design should occur due to market movements, it will be addressed at the next review cycle by the financial advisor. No securities should be invested in any “small-cap” companies (as defined by the Russell 2000 index). Exchange traded funds will not be employed as either an equity or fixed income instrument.

#### **Selection of Financial Advisor**

1. Presentations from at least three firms or investment advisors will be solicited. The firms and advisors must be independent of the audit process and have no actual or potential conflict with the Board of Directors.
2. Selection of financial advisor to follow normal procurement practices of CHATS.
3. Interim oversight of the financial advisor and administrative transaction authority may be delegated to the Vice-President of Finance and Corporate Services.
4. A special meeting may be called to discuss the performance of the financial advisor at any time, at the Board's or a Committee Chair's discretion.
7. The appointment of the financial advisor continues until written notice of termination is given by CHATS to the financial advisor.

#### **Changing the Financial advisor**

Reasons include, but are not limited to, the following factors:

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**PAGE 5 of 6**

---

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The Board or, at its discretion, the Finance and Audit Committee can immediately provide notice of termination to the financial advisor.

During the notice period, the investment financial advisor will make arrangements, if required, to transfer the assets to a new custodian, and will make such other arrangements as are needed for a smooth transition.

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**PAGE 6 of 6**

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**OTHER RELATED POLICIES/PROCEDURES/FORMS:**

1. Growth & Stabilization Fund Policy
2. CEO Authority Limitations Policy
3. Dissolution Policy
4. Procurement Policy

**References:** Imagine Canada Ethical Code