

PEO Internal Control Policies
Investment Policy

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Approved by: AFC

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Review responsibility: Director - Finance

Policy Statement	PEO shall preserve, grow, and maximize its return on its short-term and long-term investments by investing in high quality investment vehicles and capitalizing on market opportunities in accordance with Council's direction.			
Policy Objectives	To preserve and grow the value of the fund. The investment counsel is expected to outperform the benchmark by 0.50% annualized over a rolling four-year period. In addition, the fund has the following objectives: 1. Income 2. Growth 3. Protection of principal 4. Liquidity			
Rationale	To have a defined risk profile that ensures funds are provided, as required to meet monthly operating expenses and from time-to-time extraordinary expenditures, which may arise without incurring a loss due to premature liquidation while maximizing the return.			
Scope	This policy applies to the PEO short-term and long-term investments.			
Investment Counsel	Council may appoint the investment counsel to manage PEO's investment either on a discretionary (active) or non-discretionary manner.			
Asset Mix and Benchmarks:	Asset Mix and Benchmarks:			
		ASSET MIX		
	Minimum	Target	Maximum	Benchmarks
	(%)	(%)	(%)	
Cash & Equivalent	0	5	10	FTSE Canada 60 Day T-Bill Index
Bonds	50	60	70	FTSE Canada Short Term Bond Index
Canadian Equities	0	5	10	S&P/TSX Composite Index
U.S Equities	5	10	15	S&P 500 Index (CAD)
International Equities	0	5	10	MSCI EAFE Index (CAD)
Absolute Return Fund	10	15	20	FTSE Canada 91 Day T-Bill Index + 5%

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	As a result of market fluctuations, contributions or withdrawals, the asset mix may on occasion move outside these ranges. In these instances, the asset mix will be adjusted back to established limits within 14 days.
Investment Restrictions	<p>1. <u>Cash and Equivalent (Short Term Securities):</u></p> <p>Authorized Investments:</p> <ul style="list-style-type: none"> A. Cash, demand and term deposits B. T-Bills C. Strip bonds / coupons D. Short term notes E. Bankers' acceptances F. Commercial paper G. Guaranteed investment certificates H. Bonds maturing less than one year I. Floating rate notes <p>Qualitative Limitations:</p> <ul style="list-style-type: none"> A. Securities must have a maximum term of 1 year, except floating rate notes which will use the next coupon re-set date as the maturity date. B. Securities must be rated R-1(low) or better by DBRS or equivalent C. Securities issued by the federal, provincial, municipal government have no qualitative limitations "subject to credit quality" (including securities guaranteed by the above mentioned entities). <p>2. <u>Fixed Income Securities:</u></p> <p>Authorized investments:</p> <ul style="list-style-type: none"> A. Bonds, strip bonds and coupons B. Subordinated bonds and debentures C. Mortgage and asset backed securities D. Foreign Issue Canadian Pay bonds E. Private Placements <p>Qualitative and Quantitative Limitations:</p> <ul style="list-style-type: none"> A. Minimum credit rating of BBB(low) at time of purchase by DBRS or equivalent B. Total exposure to BBB(low) rated bonds is limited to 10% of the fixed income portfolio C. No limitations exist for securities issued or guaranteed by the government of Canada, a province or municipality of Canada or any of their related guaranteed agencies (subject to credit quality). D. Securities issued by supra nationals have the same limitations as securities issued by the Government of Canada. E. Maximum term is 10.5 years F. Private Placements rated single A or better by S&P and/or DBRS G. Corporate issues up to a maximum of 60% of the fixed income portfolio

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	<p>H. Maximum exposure to any single corporate issuer is limited to 10% of the fixed income portfolio.</p> <p>3. <u>Equity Securities:</u></p> <p>Authorized investments:</p> <p>A. Common and Preferred Shares and Income Trusts listed on a recognized stock exchange in Canada, U.S. and/or International markets.</p> <p>B. Rights, Subscription Receipts, Warrants and IPO's to be listed on a recognized stock exchange in Canada, U.S. and/or International markets.</p> <p>Qualitative and Quantitative Limitations:</p> <p>A. Maximum exposure to illiquid securities is limited to 10% of the portfolio. A security will be deemed to be illiquid if its resale is prohibited by agreement or statute or if the security cannot be readily sold into the market at a reasonable competitive price during usual market conditions.</p> <p>B. Preferred shares should have a minimum credit rating of Pfd-3 by DBRS, or equivalent.</p> <p>4. <u>Absolute Return:</u></p> <p>Authorized investments:</p> <p>A. Scotia Institutional Credit Absolute Return Fund</p> <p>Qualitative and Quantitative Limitations:</p> <p>A. The Fund must stay in compliance with the investment guidelines and restrictions as written in the Confidential Offering Memorandum of the Fund, including</p> <p>B. Credit quality must remain investment grade overall.</p> <p>C. Foreign currency exposure must be 100% hedged to mitigate currency risk.</p> <p>D. The use of derivative instruments is permitted for hedging and leveraging purposes.</p> <p>E. Taking short positions is permitted.</p>
General Guidelines	<p>1. Purchase of The Bank of Nova Scotia securities is permitted.</p> <p>2. Pooled funds containing the above mentioned securities (sections 1, 2 and 3) may be used and may include any pooled or mutual fund products. These funds have a built in administration fee to pay for legal, audit and administrative costs of the fund.</p> <p>3. Performance is to be reviewed annually</p>
Proxy Voting Rights for Investment	<p>On the behalf of Council, the exercise of voting rights is delegated to the investment counsel for the proxy issues that may arise in equity portion of PEO's investment.</p>

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Interaction with Investment Counsel	PEO's Director – Finance shall be responsible for required interactions with the investment counsel within the framework of this policy.
Policy Review	By the Review Date, this policy shall be reviewed by the Audit and Finance Committee (AFC) to ensure that it remains consistent with the overall investment objectives. This policy may be reviewed in advance of the Review Date if necessary, by the Director - Finance, and the AFC.
Monitoring and reporting process	Short-term and long-term investment, return on investment, and performance of investment counsel shall be monitored on an ongoing basis and formally reported to Council by the AFC at least at the time: (i) of business planning and budgeting cycle; and (ii) of issuing the year-end financial statements