



Making a difference...together

**CAPITAL REGIONAL DISTRICT  
CORPORATE POLICY**

Policy Type	<i>Board</i>		
Section	<i>Finance and Technology</i>		
Title	INVESTMENT POLICY		
Adopted Date	September 22, 2013	Policy Number	BRD07
Last Amendment	March 9, 2022		
Policy Owner	Financial Services		

**1. POLICY:**

This ~~investment~~ policy **establishes** the framework for investment portfolio management for the Capital Regional District (CRD), Capital Regional Hospital District (CRHD), and Capital Region Housing Corporation (CRHC), **collectively referred to as the 'CRD'**.

It is the policy of the CRD to invest funds in a manner that provides the optimal **balance** of investment security and return, while meeting short- and long-term cash flow requirements in support of corporate plan priorities **and** maintaining compliance with statutory requirements.

**2. PURPOSE:**

The purpose of this policy is to establish the objectives, requirements, and guidelines associated with CRD's investment program.

**3. SCOPE:**

This ~~investment~~ policy applies to all ~~cash~~ operating funds, capital funds, and reserve funds invested by the CRD. It does not replace any laws or other CRD requirements for cash management, payments, or disbursements.

This policy is intended to support compliance with the investment authorities applicable to each CRD legal entity. For the CRD, the *Local Government Act* applies the *Community Charter's* investment provisions to regional districts, including the permitted investment types set out in section 183 of the *Community Charter*. Where a legal entity, fund, grant, trust, or other restriction imposes stricter requirements than this policy, the stricter requirement applies.

As a governance standard, and to support consistent risk management across the consolidated investment program, the CRD requires that funds invested by the CRD and the Capital Region Housing Corporation (CRHC) under this policy follow a permitted investment framework aligned with section 183 of the *Community Charter*.

**4. DEFINITIONS:**

For the purposes of this policy:

**"Consolidated Portfolio"**: means investing multiple CRD funds together as one portfolio to improve diversification and efficiency and to support better execution, while still tracking each

fund's balance separately and complying with any legal or fund-specific restrictions.

**“Counterparty”**: means any financial institution, broker-dealer, or investment dealer that the CRD engages with to purchase, sell, or hold an authorized investment. Counterparties must be prequalified and approved by the Chief Financial Officer (CFO), the Manager, Corporate Finance, or their designate.

**“Credit Risk”**: means the risk of loss if an issuer or counterparty cannot meet its financial obligations (for example, cannot repay principal or interest).

**“Credit Rating”**: means an independent opinion of credit quality issued by a recognized rating organization (for example, DBRS, S&P, Fitch, or Moody's).

**“Guaranteed Investment Certificate (GIC)”**: means a deposit investment with a financial institution for a set term, where the institution agrees to repay the principal at maturity and pay interest as specified (fixed or variable). Repayment is subject to the credit risk of the issuing institution, and early redemption may be limited or not permitted.

**“Highly Liquid Investments”**: means investments that can be converted to cash quickly, at low risk of loss, to meet near-term payment obligations.

**“High Interest Savings Account (HISA)”**: refers to an interest-bearing deposit account with a regulated financial institution that provides same-day or short-notice access to cash and is used for liquidity management. HISAs typically earn a variable rate of interest, are intended to maintain principal value, and are subject to the credit risk of the deposit-taking institution.

**“Interest Rate Risk”**: means the risk that changes in interest rates reduce the market value of an investment before it matures.

**“Inter-service Borrowing (Internal Loans)”**: means lending between CRD services or funds, documented and repaid in accordance with applicable legislation.

**“Investment”**: means an authorized deposit, security, pooled fund, or internal loan permitted under this policy and applicable legislation.

**“Investment Program”**: means the CRD's overall approach and activities for investing funds under this policy, including planning, execution, monitoring, and reporting, administered by Treasury staff under the authority of the Chief Financial Officer (CFO) or designate.

**“Investment Portfolio”**: means the collection of all investments held under this policy.

**“Issuer”**: means the organization legally responsible for the obligations of a security or deposit, including paying interest, dividends or other distributions (as applicable), and returning principal or redemption proceeds in accordance with the terms of the instrument.

**“Liquidity”**: means the ability to access cash when needed to meet payment obligations without selling investments at a material loss.

**“Market-linked GIC”**: means a guaranteed investment certificate or other structured deposit issued by a regulated deposit-taking institution where the return is determined by a formula linked to a market index or other reference. Principal is repayable at maturity, subject to issuer credit

risk, and early redemption may be restricted.

**“Market Value”**: means the estimated price an investment could be sold for on the valuation date in an orderly transaction between willing parties, based on observable market prices where available.

**“Principal Protection at Maturity”**: means an obligation to repay 100% of original principal at the stated maturity date, subject to issuer (and/or guarantor) credit risk. It does not imply that the investment can be redeemed or sold prior to maturity at par.

**“Principal-Protected Note (PPN)”**: means a structured note or security where the return is determined by a formula linked to a reference and the issuer promises repayment of the original principal at maturity, subject to issuer and/or guarantor credit risk. Liquidity may be limited and sale prior to maturity may result in proceeds below original principal.

**“Responsible Investing”**: means considering environmental, social, and governance (ESG) factors and/or selecting investment products aligned with the Municipal Finance Authority (MFA) ESG Framework, where consistent with this policy’s safety, liquidity, and return objectives.

**“Return”**: means the income earned on investments (such as interest) and any change in value, measured over a period and net of investment costs, as applicable.

**“Structured Deposit”**: means a deposit product where the return is determined by a formula (often linked to a market index) rather than a fixed interest rate, and where liquidity may be limited.

**“Treasury Staff”**: means CRD employees assigned by the CFO to carry out day-to-day cash and investment administration under this policy.

## **5. PROCEDURE:**

### **5.1 Investment Principles**

The investment of funds must reflect a management philosophy based on **the following fundamental principles**:

#### ***5.1.1 Safety of Principal:***

Investments must be made to ensure the preservation of principal within the portfolio. This is accomplished through placement of funds with creditworthy institutions and through portfolio diversification to reduce the risk of material losses. ~~Diversification is required to minimize potential losses on financial products.~~

#### ***5.1.2 Liquidity:***

The investment portfolio **must** remain sufficiently liquid to meet all reasonably anticipated cash flow requirements, **as determined by Treasury staff under the oversight of the CFO.** This is based on cash flow forecasts and approved budget plans for each legal entity. Treasury staff will maintain a reasonable liquidity buffer to address timing differences and unforeseen cash needs.

#### ***5.1.3 Responsible Investing:***

The CRD investment program will consider ~~socially~~ Responsible Investing opportunities that meet the objectives of this policy. Investment products aligned with the published Municipal Finance Authority (MFA) Environmental, Social & Governance (ESG) Framework are preferred, where such alignment is consistent with the risk, return, and liquidity objectives of the investment program.

#### **5.1.4 Return on Investment:**

The investment portfolio ~~must~~ be designed ~~with the objective of maximizing to earn a~~ market rate of return, subject to the ~~investment~~ risk constraints, liquidity requirements, and responsible investing objectives ~~of this policy~~.

### **5.2 Application of Investment Principles**

#### **5.2.1 Safety of Principal:**

The ~~investment~~ program will diversify cash ~~and~~ reserve investments by security type and institution, taking into consideration the impact on return ~~on investment~~. Subsection 5.2.5 outlines the authorized and suitable investments permissible to support portfolio diversification.

~~Investments must be selected to support preservation of capital by minimizing credit risk and interest rate risk.~~

#### **5.2.2 Liquidity:**

To the extent possible, ~~Treasury staff~~ will align investments with anticipated cash flow requirements. However, a portion of the portfolio ~~must~~ be continuously invested in ~~highly liquid~~ investments to meet ongoing obligations.

~~A long-term financial plan will be established or maintained for major capital reserves and used to inform investment term decisions to meet anticipated liquidity requirements.~~

~~While the investment portfolio is managed to meet near-term liquidity needs, investment term decisions for certain reserves may be informed by approved long-term financial plans and expected cash flow requirements, provided the overall risk, liquidity, and diversification objectives of this policy continue to be met.~~

#### **5.2.3 Responsible Investing:**

~~Where responsible investment products provide comparable risk, return and liquidity, such products will be prioritized.~~ Investments are considered in alignment with responsible investing objectives when they meet the criteria defined by the MFA within the published MFA ESG Framework.

#### **5.2.4 Return on Investment:**

The investment program will seek to maximize total return on all funds under management, ~~subject to the~~ protection of principal, liquidity requirements, and responsible investing objectives outlined in subsection 5.2.3 of this policy. ~~Return will be monitored through performance benchmarks to ensure program activities are~~

~~providing benefits in excess of the costs and with the goal to preserve capital against inflation over time. Due to the nature of the CRHC business activities, delivering affordable housing within the social service sector, CRHC will be excluded from holding lower return products.~~

Notwithstanding subsection 5.2.3, CRHC's investment priority is to maximize risk-adjusted returns in support of affordable housing delivery. CRHC will consider responsible investing factors; however, CRHC must not accept a lower expected risk-adjusted return solely to obtain ESG alignment where the alternative investment is otherwise comparable in credit quality, term, liquidity, and other material risk characteristics.

### **5.2.5 Authorized and Suitable Investments:**

**Funds** may be invested or reinvested according to section 183 of the BC *Community Charter*, subject to the following conditions:

- a) Investments in marketable securities of a chartered bank, savings institution, or a province must have a DBRS risk rating of R-1 (low) or higher for short-term debt and a rating of A (low) for long-term debt or comparable ratings of another rating organization indicating equal or superior credit quality (**Schedule A**);
- b) ~~Investments must conform to the portfolio diversification constraints listed in Schedule B. Any exceptions to constraints listed in Appendix A require CFO approval and shall be reported to the Board through Standing Committee at the next available meeting. Exceptions that are expected to be material, involve elevated credit risk, or persist beyond normal portfolio operations must be approved by the CFO and reported in accordance with subsection 5.3.6. Timing-related exceptions may be managed and documented administratively;~~
- c) Internal loans to CRD projects (inter-service borrowing) may be used as an investment option when ~~capital reserves are not immediately required and can be accessed through inter-service borrowing,~~ where permitted by legislation. ~~Inter-service borrowing will be in compliance with legislation and the CRD Inter-Service Borrowing Guidelines.~~ Each internal loan must be approved by the CFO and documented with a term, interest rate, and repayment plan, and managed in accordance with Treasury policies, procedures, and guidance materials; and
- d) Structured deposit products, including market-linked Guaranteed Investment Certificates (GICs) and principal-protected notes (PPNs), may be used where permissible under section 183 of the *Community Charter*, provided issuer credit quality requirements (**Schedule A**) are met and the product's term and liquidity features align with anticipated cash flow needs and **Schedule B** diversification limits.

### **5.2.6 Structured Products – Minimum Requirements:**

Structured deposit products and principal-protected notes (PPNs) may be used only where they provide principal protection at maturity (as defined in Section 4) and where the product's term and liquidity features align with anticipated cash flow needs.

## **5.3 Standard of Care**

### **5.3.1 Prudence:**

The CFO (or delegate) must ensure that investments are made with the judgement, care, skill, and diligence that a prudent investor would exercise under prevailing circumstances. Investments must not be made for speculative purposes. Primary consideration will be given to the safety of capital and maintenance of sufficient liquidity to meet reasonably anticipated cash flow requirements.

Treasury staff must monitor reasonably foreseeable risks, market trends, and market conditions, and must manage investment decisions to avoid taking risks that are inconsistent with this policy. Material emerging risks or adverse market conditions must be escalated to the CFO (or designate) as appropriate.

Treasury staff will maintain appropriate records of monitoring, due diligence, and material decisions to support compliance and reporting.

### **5.3.2 Ethics and Conflict of Interest:**

Staff responsible for the investment program must comply with all applicable CRD policies and procedures and must refrain from personal or business activities that could conflict with, or appear to conflict with, the unbiased execution of the investment program or impair the ability to make impartial investment decisions.

### **5.3.3 Delegation of Authority:**

Authority to manage the investment program (~~“the Program”~~) is delegated to the CFO and is derived from section 237 of the *Local Government Act*. The CFO may delegate the day-to-day investment administration and execution to designated Treasury staff, consistent with applicable CRD bylaws, policies, and procedures. The CFO remains accountable for compliance with this policy. In the CFO’s absence, an acting CFO or authorized delegate may exercise this authority.

### **5.3.4 Credit Risk Monitoring:**

To meet the objectives of this policy and ensure suitability of investment offerings, credit risk monitoring must be conducted by CRD staff independent of vendor representations.

The following due diligence **must** be performed:

- a) In-house credit analyses must be conducted on all financial institutions and investment counterparties;
- b) Credit reports and analyses published by DBRS, S&P, Fitch, or Moody’s **must** be obtained from financial institutions, investment dealers, and rating agencies **for regular review**;
- c) Credit reports and analyses are recognized as opinions and do not **constitute a guarantee of the safety of principal**; **and**
- d) **When more than one credit rating is available for an individual marketable security, the lowest of the available ratings must be used.**

### **5.3.5 Consolidated Basis:**

All funds covered by this policy **may be invested together in a consolidated portfolio to ensure the best possible return by providing where appropriate to achieve economies of scale and support diversification and liquidity.** Treasury must continue to track each fund

separately and comply with any fund-specific legal or operational constraints. Segregated investment arrangements are expected to be rare and will be permitted only where justified, subject to CFO approval and Treasury oversight.

**5.3.6 Program Requirements – Reporting:**

The CFO must report at least annually to the Finance Committee (and, where applicable, the CRD Board) on:

- (a) Investment holdings and composition;
- (b) Compliance with this policy, including Schedule B diversification limits;
- (c) Any material approved exceptions from this policy and the rationale; and
- (d) Any material credit downgrades, credit events, or other significant emerging risks that could affect the safety or liquidity of the portfolio.

**5.4 Investment Performance Objectives and Benchmarks**

**5.4.1 Performance Objectives:**

The performance objective of the investment program is to earn a market-based rate of return that is appropriate for the portfolio’s risk profile and term structure, net of investment costs, while meeting the safety and liquidity requirements of this policy.

**5.4.2 Benchmarks:**

The CFO will establish one or more benchmarks that align with the portfolio’s objectives and composition (for example, separate benchmarks for short-term liquidity and longer-term reserves where appropriate). Benchmarks will be reviewed periodically against benchmark-quality criteria, and any material benchmark changes will be applied prospectively and disclosed in performance reporting.

**5.4.3 Performance Reporting:**

Investment performance will be reported at least annually to the Finance Committee (and, where applicable, the CRD Board) and will include:

- (a) Results compared to the benchmark(s), net of investment costs; and
- (b) An explanation of any material variances, including the key drivers and any material changes in portfolio risk, liquidity, or constraints.

**6. SCHEDULES:**

- A. DOMINION BOND RATING SERVICE (DBRS) CREDIT QUALITY RATINGS
- B. PORTFOLIO DIVERSIFICATION CONSTRAINTS

**7. AMENDMENTS:**

<b>Adoption Date</b>	<b>Description:</b>
September 22, 2013	Policy Adopted.
March 10, 2021	Revised.

March 9, 2022	Revised.
March 11, 2026	Revision Proposed.

**8. REVIEWS:**

Review Date	Description:
March 2029.	<p>3-year review, unless an earlier review is triggered.</p> <p>This Policy must be reviewed at the earlier of:</p> <ol style="list-style-type: none"> <li>1. a change in the relevant legislation governing the investment activities of local governments;</li> <li>2. the Municipal Finance Authority of British Columbia establishing a new pooled fund investment product; or</li> <li>3. every three calendar years.</li> </ol>

**9. RELATED POLICY, PROCEDURE OR GUIDELINES:**

- *Conflict of Interest Policy (ADM01)*

**SCHEDULE A**

**DOMINION BOND RATING SERVICE (DBRS) CREDIT QUALITY RATINGS**

For clarity, and consistent with Section 5.2.5 of this policy, investments are restricted to issuers with a minimum DBRS rating of **R-1 (low)** for short-term debt and **A (low)** for long-term debt.

Ratings below this threshold are not permissible.

Commercial Paper & Short-Term Debt	Bond & Long-term Debt	DBRS Category	Description	CRD/CRHD/CRHC Policy Treatment
R-1 (high)	AAA	Investment Grade	Superior	Permissible
R-1 (high)	AA (high)			
R-1 (middle)	AA			
R-1 (middle)	AA (low)			
R-1 (low)	A (high)			
R-1 (low)	A		Good	
R-1 (low)	A (low)			
R-2 (high)	BBB (high)	Speculative Grade	Adequate	Not Permissible
R-2 (middle)	BBB			
R-2 (low) / R-3	BBB (low)			
R-4	BB (high)			
R-4	BB			
R-4	BB (low)			
R-4	B (high)			
R-5	B			
R-5	B (low)			
R-5	CCC			
R-5				
R-5				
R-5	CC			
R-5	C			
D	D			
			Default	

## SCHEDULE B

### PORTFOLIO DIVERSIFICATION CONSTRAINTS

#### How to Read This Table:

These limits apply to the consolidated portfolio of funds covered by this policy. The Portfolio limits are designed to manage concentration risk and ensure access to multiple liquidity channels under conditions of market stress. Liquidity needs and investment terms are managed separately under section 5.2.2 (Liquidity).

Due to market movements, cash inflows, or the timing of maturities and transfers, portfolio limits may be temporarily exceeded.

Temporary breaches that arise from normal cash management activities do not require immediate corrective action, provided they are monitored and addressed through future investment decisions.

Securities are not required to be sold solely to correct short-term or timing-related breaches. Where a diversification limit exception is expected to be material in nature, reflects elevated credit risk, or is not expected to be resolved through normal portfolio management within a reasonable period, the exception must be approved by the CFO and reported to the Finance Committee in accordance with Section 5.3.6 (Program Requirements).

#### Diversification Limits

*(Consolidated Portfolio)*

Investment Type	Maximum % of Total Portfolio	Maximum % per Institution / Product / <del>pooled funds</del>
<b><u>Short-Term (&lt; 2 year holding period)</u></b>		
Canadian Banks (Schedule I) – HISAs / Deposits / GICs / Term Deposits / Principal-Protected Notes (PPNs)	75%	35% per bank
MFA Pooled Fund Products	60%	35% per pooled fund product
Credit Unions (Rated / Insured) – Deposits / GICs	35%	20% per credit union
<b><u>Long-Term (&gt; 2 year holding period)</u></b>		
<del>Canadian Banks (Schedule 1) Deposits and/or GIC's</del>	<del>65%</del>	<del>35%</del>
<del>MFA Pooled Funds Products</del>	<del>60%</del>	<del>30%</del>
<del>Credit Unions (rated/Insured) Deposits and/or GIC's</del>	<del>35%</del>	<del>20%</del>
Internal Projects (5+ years)	30%	n/a
Federal <b>Government</b> Bonds	20%	n/a per issuer / 10% per security

Investment Type	Maximum % of Total Portfolio	Maximum % per Institution / Product / <del>pooled funds</del>
Municipal Finance Authority of BC Bonds	20%	n/a per issuer / 20% per security
Provincial <del>Government</del> Bonds	15%	15% per issuer / security
Municipal / Regional District / Greater Board Bonds	15%	15% per issuer / security

### Treatment of Structured Deposits / PPNs

Structured deposit products (including market-linked GICs and principal-protected notes) are treated as exposure to the issuing/guaranteeing institution for the principal amount. For diversification testing, exposure to structured deposits/PPNs is measured on principal amount (book value) rather than market value.

In addition, and within the Schedule I limit above, the total portfolio exposure to structured deposits / PPNs is limited to 25% of the total portfolio, measured on principal amount (book value).

Any subsequent reinvestment of amounts received must comply with this policy's permitted investments and diversification limits.

### Measurement Conventions for 'Schedule B' Testing

For the purposes of Schedule B diversification testing, exposures and portfolio percentages are calculated as of the valuation date using the following measurement conventions, applied consistently across the consolidated portfolio:

#### 1. Denominator - Total Portfolio Value

The "Total Portfolio" used for percentage limits is the sum of the measured exposure amounts described below for each investment holding, on a consolidated basis across all funds covered by this Policy, as of the valuation date.

#### 2. Deposits and Internal Loans

Deposits (including HISAs, term deposits, and GICs) and internal loans are measured at principal outstanding (book value).

#### 3. Marketable Securities

Marketable securities (including bonds and other traded debt instruments) are measured at market value, where observable market pricing is available. Where market value is not readily observable, Treasury may use amortized cost as a proxy and will document the approach.

#### 4. MFA Pooled Funds

MFA Pooled fund products are measured at fair value / net asset value (NAV) as reported by the fund manager for the valuation date (or the most recent valuation available). For Schedule B compliance, pooled fund exposure is assessed at the product level (i.e., the CRD's units in the pooled fund) and is not "looked through" to underlying holdings, unless the CFO directs supplementary look-through analysis for risk management purposes. Any supplementary look-

through analysis does not change the Schedule B compliance determination unless explicitly approved by the CFO.

### **5. Foreign Currency Conversion**

Where an investment is denominated in a foreign currency, exposure amounts will be converted to Canadian dollars using the exchange rate applicable on the valuation date (or the most recent available rate) and the method will be applied consistently.

### **6. Classification and Documentation**

Where an instrument could reasonably fall into more than one category above, Treasury will apply professional judgement, classify it in the category that best reflects its primary risk exposure for concentration purposes, and retain documentation supporting the treatment.