Financial Statements of

UNIVERSITY OF WESTERN ONTARIO - ADMINISTRATION PLAN

(PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF)

And Independent Auditor's Report thereon

Year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Administrative Staff Pension Board of University of Western Ontario - Administration Plan

Opinion

We have audited the financial statements of University of Western Ontario - Administration Plan (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2025 and the changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 22, 2026

UNIVERSITY OF WESTERN ONTARIO - ADMINISTRATION PLAN

(PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF)
Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Investments (note 3)	$ 705,010,950	$ 656,393,601
Liabilities		
Accrued liabilities	198,538	184,708
Net assets available for benefits	704,812,412	656,208,893
Pension obligations (note 1(a))	704,812,412	656,208,893
	$ -	$ -

See accompanying notes to financial statements.

On behalf of the Administrative Staff Pension Board:

A. Bruce Chair

L. Koza Pension Board Secretariat

UNIVERSITY OF WESTERN ONTARIO - ADMINISTRATION PLAN

(PENSION PLAN FOR MEMBERS OF THE ADMINISTRATIVE STAFF)
Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Investment income (note 3)	$ 80,445,531	$ 90,157,260
Increase in net assets:		
Contributions (note 5)	36,932,087	35,985,896
Transfers in to plan	1,021,488	1,150,247
	37,953,575	37,136,143
Decrease in net assets:		
Benefit payments (note 6)	69,404,071	47,461,151
Administrative costs recovered by the University (note 8)	391,516	357,944
	69,795,587	47,819,095
Net increase for the year	48,603,519	79,474,308
Net assets available for benefits, beginning of year	656,208,893	576,734,585
Net assets available for benefits, end of year	$ 704,812,412	$ 656,208,893

See accompanying notes to financial statements.

Nature of operations:

These financial statements present the activity of The University of Western Ontario Pension Plan for Members of the Administrative Staff (the "Plan"). The following description of the Plan is a summary only. For more complete information, reference should be made to the Pension Plan Document and Group Annuity Policy Number 99027.

The Plan is a contributory defined contribution plan for members of the Administrative Staff of The University of Western Ontario (the "University") and other participating employers. The Plan is sponsored by the University and the legal plan Administrator is the Administrative Staff Pension Board (the "Pension Board"). The Pension Board is independent of the University and is responsible for selecting the Plan's custodian, investment managers, auditors and professional advisors.

Under the terms of the Plan, members, the University and other participating employers contribute to the Plan. Upon retirement, death or termination of employment, an employee's total accumulated entitlement is equal to the amounts he or she has contributed and those that have been contributed on his or her behalf plus the pro-rata share of net investment earnings. On retirement, the employee's pension is provided through the purchase of annuity contracts from life insurance companies selected by the Administrators of the Plan, or at the direction of the member, the funds may be transferred to a registered retirement savings plan ("RRSP") or a registered retirement income fund ("RRIF"). Locked in funds, which are transferred, must go to a locked in retirement account ("LIRA"), a life income fund ("LIF") or a locked in retirement income fund ("LRIF"). The University may purchase deferred annuities on behalf of members eligible for retirement under the Plan. The assets related to these purchases are transferred at the time of purchase.

Nature of operations (continued):

Contributions are invested by the Plan, at the option of the employee, into units of segregated funds and other investments. The investment policies of the Plan are determined jointly by the Academic and Administrative Staff Pension Boards. The Plan consists of the following investments:

- Guaranteed Daily Interest Account
- Money Market Segregated Fund
- Balanced Income Fund
- Balanced Growth Fund
- Diversified Bond Segregated Fund
- Canadian Bond Segregated Fund
- Long Term Bond Segregated Fund
- Diversified Equity Segregated Fund
- Canadian Equity Segregated Fund
- U.S. Equity Hedged Segregated Fund
- U.S. Equity Unhedged Segregated Fund
- Non-North American Equity Segregated Fund
- Sustainable Global Equity Segregated Fund
- Islamic Global Equity Segregated Fund

The Balanced Income Fund and the Balanced Growth Fund are portfolios that hold units of the Diversified Bond Segregated Fund and Diversified Equity Segregated Fund. They were established in September, 2001.

Each segregated fund consists of a portfolio of securities that is held and managed by Sun Life or managed by an investment management firm for Sun Life. Each segregated fund is invested subject to the requirements of applicable federal and provincial legislation in securities appropriate to the segregated fund (bonds, stocks, short-term securities, mortgages, pooled fund trust units, mutual fund trust units and similar instruments, etc.) to reflect contributions directed to the segregated fund.

Plan units are redeemed at net asset value per unit at the close of business day in which the request for redemption is made by the member. The redemption amount is paid within 7 business days following the request.

The contributions of each member are credited to an individual account in the members' name and accumulated together with pro-rata net investment earnings. This account is fully vested and payable to the member on termination of employment, or to the members' beneficiary on death.

Nature of operations (continued):

Members can choose at any time, the proportion of his or her personal account which is to be invested in any of the active segregated funds. The net asset value of a segregated fund as at any particular time on a valuation date is the value as at such time of all assets of that segregated fund minus all of the liabilities of that segregated fund as at such time (the "Net Asset Value").

1. Basis of presentation:

(a) Basis of presentation:

The Plan is part of a group annuity policy issued by Sun Life Assurance to The University of Western Ontario, to fund The University of Western Ontario Pension Plan for Members of the Administrative Staff bearing registration number 99027.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, the Plan complies on a consistent basis with Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Canada Handbook - Accounting.

These financial statements have been prepared by management and present the information of the Plan as a separate financial reporting entity independent of the University and Plan members. These financial statements meet the accounting requirements under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario) since they have primarily been prepared for filing with the Financial Services Regulatory Authority ("FSRA").

For a defined contribution pension plan, benefits are determined by the employer's and employees' contributions and the performance of the plan. Actuarial valuations are not required as the pension obligation equals the net assets available for benefits allocated to member accounts.

A statement of changes in pension obligations has not been provided, since the change in the pension obligation for member's accounts is equal to the change in net assets available for benefits for that year.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for investments which are measured at fair value through the statement of changes in net assets available for benefits.

2. Significant accounting policies:

(a) Revenue:

Interest earned, net realized gains (losses) and changes in unrealized gains (losses) of investments within the segregated funds, are recorded on an accrual basis. Dividends and distributions are recorded as income, within the segregated funds, on the date the dividend is declared or distribution received. Investment income is allocated daily among the members' accounts under the assumption that all interfund transfers of assets occurred at the business day end following the request for transfer. All contributions from the University and the members are reflected in the year in which they are due. Transfers into the Plan are allocated to members' records effective the end of the business day in which the transfer is received by the record keeper.

(b) Financial assets and financial liabilities:

Investment transactions are recorded on the trade date of the transactions, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits when incurred.

The assets are exposed to market, interest rate, exchange rate and liquidity risks.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits. The change in the difference between fair value and cost of investments at the beginning and end of each year is reflected as the change in unrealized gains (losses) of investments. Net realized gains and losses on sales of investments is the difference between proceeds received and the average cost of the investment. Net realized gains and losses and changes in unrealized gains (losses) of investments are not separately disclosed in investment income because the cost information is not readily available from the Plan's trustee.

All other financial assets and liabilities, being accrued liabilities, are measured at amortized cost.

2. Significant accounting policies (continued):

(c) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan has adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Canada Handbook - Accounting. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then fair value is established using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

2. Significant accounting policies (continued):

(c) Fair value measurement (continued):

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the net realized and change in unrealized gains (losses) of investments. Fair values are determined as follows:

(i) Units in segregated funds are valued based on published unit values supplied by the fund administrator, which represents the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

(ii) Cash equivalents maturing within a year are stated at cost, which together with accrued interest approximates fair value given the short-term nature of these investments.

(d) Foreign currency translation:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency. Transactions in foreign currencies are accounted for using the exchange rates in effect at the transaction date. At year end, investments in foreign currencies are accounted for at the rates of exchange in effect at year end and the resulting unrealized gains or losses are included in the changes in unrealized gains (losses) of investments.

(e) Capital risk management:

The capital of the Plan is represented by the net assets available for benefits. The capital is managed individually by the participating members of the Plan, via the segregated fund investments outlined in note 3. The members manage their individual account balance by monitoring the asset allocation among the offered investments for their individual risk tolerances, time horizons and expectations for investment returns.

2. Significant accounting policies (continued):

(e) Capital risk management (continued):

The benefits an employee receives at retirement or on termination are not predetermined. Income distribution or benefits are based on the assets within the member individual plan account at the time they retire. Under this Plan, the member determines which investments his/her contributions, along with the contributions of the University, are invested in from a selection of investment options available within the Plan. This allows the member to create a portfolio suited to his/her own investment goals and tolerance for risk. The amount of money an individual employee has in the Plan account at retirement or termination is based on the amount of contributions made over the years and the earnings these investments have made.

Increases in net assets of the Plan are a direct result of investment income generated by investments held in the Plan and contributions into the Plan by members and by the University.

The net assets of the Plan are invested in accordance with the Statement of Investment Policies and Procedures (the "SIPP") for the Pension Plan for Members of the Administrative Staff, which is reviewed annually by the Pension Board. The SIPP was amended in May 2025 to update for changes in investment managers, portfolio allocations, and mandate and performance standards. The SIPP enables the engagement of knowledgeable investment managers who are charged with the responsibility of investing the segregated funds available to the members, in accordance with the approved SIPP. Comprehensive reviews relating to the Plan are conducted at meetings of the Pension Board, which includes measurement of returns, comparison of returns to appropriate benchmarks, evaluation of investment managers, and contribution and allocation decisions of members, and returns and risk analysis.

Although there are no regulatory requirements relating to the level of net assets and/or funding to be maintained by the Plan, the Plan is required to file financial statements with FSRA in connection with the requirements of the Plan. There is no change in the way capital is managed this year.

2. Significant accounting policies (continued):

(f) Related party transactions:

Related party transactions with the University, in the form of employer contributions and administrative cost recoveries, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by both parties. A segregated fund may not invest in any securities that constitute "related party" investments as defined under the Pension Benefits Standards Regulation unless such investment is nominal or immaterial to the segregated fund and Plan based upon a 1% of market value of asset threshold.

(g) Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual amounts could differ from these estimates.

(h) Income taxes:

The Plan is governed by the Pension Benefits Act (Ontario). As a registered pension plan under the Income Tax Act, Canada, the Plan is not liable for any income taxes.

3. Investments:

The fair value of the assets of the Plan are invested as follows:

	2025	2024
Cash equivalents:		
Guaranteed Daily Interest Account	$ 15,691,281	$ 16,439,434
Segregated funds:		
Short term:		
Money Market Segregated Fund	19,118,745	17,033,194
Balanced funds:		
Balanced Growth Fund	257,207,794	228,954,686
Balanced Income Fund	25,886,180	25,954,566
Bonds:		
Diversified Bond Segregated Fund	55,643,729	56,885,848
Canadian Bond Segregated Fund	7,118,527	6,038,515
Long Term Bond Segregated Fund	4,889,572	4,845,291
Equities:		
Diversified Equity Segregated Fund	195,522,567	191,221,892
Canadian Equity Segregated Fund	45,683,290	37,299,379
U.S. Equity Hedged Segregated Fund	23,506,813	21,948,965
U.S. Equity Unhedged Segregated Fund	30,745,966	30,441,632
Non-North American Equity Segregated Fund	17,263,396	12,176,808
Sustainable Global Equity Segregated Fund	5,778,749	6,093,212
Islamic Global Equity Segregated Fund	954,341	1,060,179
	$ 705,010,950	$ 656,393,601

The investment income of the Plan consists of the following:

	2025	2024
Interest	$ 6,199,071	$ 4,182,441
Distributions and dividends	47,893,060	32,720,219
Net realized and change in unrealized gains on investments	26,353,400	53,254,600
	$ 80,445,531	$ 90,157,260

4. Individually significant investments:

The following information is provided in respect of individual investments in the Plan with a fair value in excess of 1% of the fair value of the Plan as at December 31, 2025, as required by the Pension Benefits Act (Ontario).

The Plan consists of investments as described in the nature of operations, and as disclosed in note 3. Within these investments are units of pooled funds and some investments in individual securities.

Fund operator / Fund name	Nature of investments	Fair value
BlackRock Canada Universe Bond Index, Class D	Fixed Income	$ 37,911,159
PH&N Core Plus Bond Fund, Series O	Fixed Income	34,711,782
Leith Wheeler Core Plus Bond Fund, Series A	Fixed Income	34,696,066
PIMCO Canada Monthly Income, Series I	Fixed Income	21,411,328
233365 Ontario Inc - Romspen Mortgage Investment Fund	Fixed Income	19,353,546
CC&L Group Canadian Q Growth	Equities	64,898,769
BG Fundamental Canadian Equity Fund, Class I	Equities	64,279,103
T. Rowe Price Global Growth Equity Pool	Equities	48,536,768
Fiera Capital Oakmark Global Pooled Fund A	Equities	48,033,295
CC&L Q Emerging Markets Equity Fd	Equities	39,786,555
BlackRock CDN US Equity Index Non-Tax D	Equities	38,693,487
Fidelity Glb Lw Vol Eq Instl Trust (IP)	Equities	38,379,834
Boston Partners Int Equity Pool	Equities	30,465,242
MFS International Equity II Fund	Equities	30,151,137
Arrowstreet Capital LP Global Small Cap I	Equities	19,247,272
Brookfield Properties BSIP CAD Feeder LP	Equities	18,499,594
CBRE Global Alpha Fund US	Equities	17,152,645

5. Contributions:

Contributions received by the Plan were as follows:

2025	Regular	Voluntary	Total
Members	$ 11,446,738	$ 3,398,008	$ 14,844,746
Employer	22,087,341	-	22,087,341
	$ 33,534,079	$ 3,398,008	$ 36,932,087

2024	Regular	Voluntary	Total
Members	$ 11,164,369	$ 3,220,899	$ 14,385,268
Employer	21,600,628	-	21,600,628
	$ 32,764,997	$ 3,220,899	$ 35,985,896

6. Benefit payments:

	2025	2024
Termination benefit payments	$ 67,057,966	$ 43,998,913
Death benefit payments	1,225,090	1,768,096
Annuity purchases	58,578	-
Other withdrawals	1,062,437	1,694,142
	$ 69,404,071	$ 47,461,151

7. Fund managers' fees:

Fund managers' fees include any fees paid by the custodian to the various fund managers and may include transaction costs that are not separately identifiable. Fund managers' fees are netted against the unit value of the segregated funds, and accordingly are not presented separately on the statement of changes in net assets available for benefits.

8. Administrative costs recovered by the University:

Non-investment administrative expenses for participants of the Plan are incurred by the University on behalf of the Plan and are funded by various methods as follows:

(i) For active employees of the University, the costs are paid by the University out of the corporate benefits budget.

(ii) For employees of other participating employers and former employees of the University, certain costs are recovered by the University through bi-annual redemptions of investments from the individual members' accounts.

The following summarizes the total non-investment administrative expenses incurred by the University for the Plan and the recovery of those costs:

	2025	2024
Administrative expenses incurred:		
Salaries and benefits	$ 233,424	$ 225,075
Other professional fees	745,981	932,403
Filing fees	47,211	54,825
Audit fees	10,261	14,219
	1,036,877	1,226,522
Recoveries:		
Paid by the University out of corporate benefits and HR operating budget	645,361	868,578
Administrative costs recovered by the University	391,516	357,944
	1,036,877	1,226,522
	$ -	$ -

Administrative costs recovered by the University were funded as follows:

	2025	2024
Fees from former employees	$ 344,913	$ 300,939
Fees from other participating employers	46,603	57,005
	$ 391,516	$ 357,944

9. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 2(c) and disclosed in note 3. The fair values of other financial assets and liabilities, being accrued liabilities, approximate the carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

All of the Plan's investments have been classified as Level 2.

(b) Associated risks:

In this defined contribution pension plan, the members direct the investment decisions for the assets in their accounts. As a result, the Plan does not need to provide the quantitative sensitivity analysis disclosure for these risks.

(i) Market price risk:

Market price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly affect the change in net assets available for benefits. Market price risk is managed by the Administrator by making available to the members and annuitants a diversified portfolio of instruments traded on various markets and across various industries. In addition, market price risk may be hedged using derivative financial instruments such as futures contracts.

9. Financial instruments (continued):

(b) Associated risks (continued):

(ii) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. Certain segregated funds held by the Plan invest in financial instruments and enter into transactions denominated in currencies other than the Canadian dollar. Consequently, the Plan is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse affect on the value of the portion of the Plan's assets or liabilities denominated in currencies other than Canadian dollars. The Plan's overall currency positions and exposures are monitored on a regular basis by the Administrator.

(iii) Interest rate risk:

A portion of the Plan's segregated funds hold investments that are interest bearing and as a result, the Plan is subject to a certain level of interest rate risk. In general, bond returns are sensitive to changes in the level of interest rates, with longer term bonds being more sensitive to interest rate changes than shorter term bonds.

(iv) Liquidity risk:

Liquidity risk is the risk that the Plan will not be able to meet its obligations as they fall due. The Plan maintains an investment policy, as approved by the Administrator, which contains investment options across various markets which help to ensure the Plan is able to liquidate investments to meet its obligations.

9. Financial instruments (continued):

(b) Associated risks (continued):

(v) Credit risk:

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Plan's most significant exposure to credit risk is through its cash equivalents and its segregated fund investments which invest in debt securities. The Plan mitigates this risk by investing mostly with credit-worthy counter parties and in pooled funds holding debt securities with an investment grade credit rating. One pooled fund is able to invest in non-investment grade securities, however, the Plan requires the average portfolio quality to be a minimum of A. Since the Guaranteed Daily Interest Account is not a segregated fund, but is held in the general accounts of Sun Life, the risk regarding the return of principal and interest is related to the risk of Sun Life itself, although Canadian Life and Health Insurance Compensation Corporation (Assuris) covers this risk up to $100,000 per investor.