



POET TECHNOLOGIES INC. (the “COMPANY”)

INVESTMENT POLICY

1. PURPOSE

The purpose of this Policy is to document a governance framework for the prudent management by the Treasurer of POET Technologies Inc. (the “Company’s”) investment portfolio (the “Fund”) within an acceptable risk tolerance.

2. POLICY

It is the policy of the Company to invest its surplus funds in a manner which will provide the optimal blend of investment returns and principal protection while meeting its daily cash flow and liquidity demands.

2.1 Scope

This Policy applies to the investment of all cash, short-term and long-term assets of POET Technologies Inc.

2.2 Objectives:

(a) Capital Preservation. Preservation of capital is the foremost objective of the Fund. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Fund whilst managing credit risk and interest rate risk.

(b) Liquidity. Investments shall remain sufficiently liquid in order to meet all reasonably anticipated operating and capital requirements. Since all possible cash requirements cannot reasonably be anticipated, the Fund should consist largely of securities with active secondary markets or immediate liquidity features for non-market traded securities.

(c) Return on Investment. The Fund shall be constructed with the objective of attaining a competitive rate of return while meeting the above objectives.

2.3 Standard of Care - Prudence

Investments by the Treasurer shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise.

3. INDIVIDUAL RESPONSIBILITIES

3.1 Delegation of Authority

Any purchase or sale transactions or movement of cash or securities between financial institutions for the Fund must be authorized by the CEO or the CFO.

3.2 Treasurer Responsibilities

(a) Establish an Investment Strategy. Considerations include:

- (i) Asset allocation.
 - (ii) Portfolio diversification.
 - (iii) Current market environment and Bank of Canada policy.
- (b) Select investments for the Fund, subject to this Policy.
- (c) Maintain adequate liquidity of the Fund to ensure cash disbursements can be met.
- (d) Review the Fund's performance on a regular basis.
- (e) Select investment dealers and institutions (the "Brokers") to assist the Treasurer in meeting objectives for the Fund.
- (f) Delegate any responsibility not specifically mentioned in this Policy.
- (g) At the end of each fiscal year or at the request from the Board of Directors of POET Technologies Inc., the Treasurer will provide a report detailing the following of the Fund:
- (i) Description of each investment.
 - (ii) Cost of investment and market value of each security.
 - (iii) Coupon rate and yield to maturity.
 - (iv) Investment date and maturity date.
 - (v) Rates of return on the entire Fund.
- (h) Review the Policy periodically and if appropriate make recommendations to the Board of Directors for changes.

The Treasurer and designated Officers of POET Technologies Inc. may engage consultants or other advisors to assist them in fulfilling their responsibilities.

3.3 Authorized Investment Dealers and Financial Institutions

A list will be maintained by the Treasurer of approved investment dealers and financial institutions authorized to provide investment services.

Investment dealers and financial institutions that provide POET Technologies Inc. with the broadest range of investment instruments will be viewed as front runners in the qualifying bidder's process.

4. ELIGIBLE INVESTMENTS

4.1 Money Market Securities

Cash held by POET Technologies Inc. that is not immediately required may only be invested in one or more of the following:

- (a) Federal & Provincial T-bills
- (b) Federal or Provincial government or government guaranteed instruments
- (c) Banker's Acceptances (BAs)
- (d) Bearer Deposit Notes (BDNs)
- (e) Commercial Paper (CP)
- (f) High Interest Savings Accounts (HISAs)
- (g) Money Market ETFs
- (h) Money Market Funds
- (i) Floating Rate Notes (FRNs)
- (j) Securities guaranteed by a bank, treasury branch, credit union, cooperative or trust company



Investments in shares, warrants, or other equities, convertible debt securities, derivatives, swaps, options or futures are prohibited, and all investment categories that are not explicitly permitted are prohibited.

5. RATINGS AND CONSTRAINTS

5.1 Risk Tolerance

Investments held in the Fund must be rated by at least one rating agency, namely Dominion Bond Rating Service (“DBRS”), Standard & Poor’s (“S&P”) or Moody’s. All investments must be considered Investment Grade, with a minimum credit rating of R1 (low) by DBRS, or equivalent, as classified in Appendix A. In the case where a security is rated by more than one agency listed, the higher rating will apply.

(a) Cash: The deemed rating for cash, including the current account and any High Interest Savings Accounts, will be equal to the rating of the institution it is being held in.

(b) Credit Unions: The rating for securities issued by a Credit Union that is not rated shall be deemed equal to the rating of the province within which the credit union resides.

5.2 Portfolio Constraints

These primary constraints relate to safety of invested capital and maintaining the liquidity of the portfolio.

(a) Overall Credit Rating: The total Fund will be limited to the following credit rating thresholds on a weighted average basis (as defined by DBRS or equivalent):

Rating	Up to %
R-1 (high)	100%
R-1 (middle)	90%
R-1 (low)	70%

Note: Due to market fluctuations, maximum percentages may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

(b) Investment Limits: The Treasurer will ensure that no single investments total exposure exceeds 25% of the overall portfolio. Exceptions are as follows:

- (i) Gov’t of Canada T-Bills: No limit.
- (ii) Bankers Acceptance/Term Deposit/ Cert. of Deposit: No limit
- (iii) High Interest bank operating accounts: No more than four months of budgeted operating needs without prior approval from the CFO.

(c) Duration Limit: All securities held in the portfolio must provide full liquidity within 366 days or less.

(d) Currency: Unless specifically approved by the CFO, all investments will be made either in United States Dollars or Canadian Dollars.



(e) Diversification: The Corporation will diversify its portfolio by limiting the amount that may be invested in any single institution. The maximum which may be invested in any single institution is as follows:

(i)	Federal Governments of Canada, U.S.	Unlimited
(ii)	Approved Banks (As per quarterly AC review)	\$10,000,000
(iii)	Provincial/State Government	\$5,000,000
(iv)	Commercial Paper R1-M or higher	\$2,000,000
(v)	Commercial Paper R1-L or higher	\$1,000,000

(f) Leverage: The Fund shall not borrow funds to acquire securities or otherwise deal in margin trading.

Approved by the Board of Directors on March 24, 2021

APPENDIX A – CREDIT RATINGS

	Moody's		Standard & Poor's		DBRS Morningstar		Grade
	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	
Highest Quality	Aaa	P-1	AAA	A-1+	AAA	R-1 (high)	Investment Grade
High Quality	Aa1	P-1	AA+	A-1	AA (high)	R-1 (high)	
	Aa2	P-1	AA	A-1	AA	R-1 (middle)	
	Aa3	P-1	AA-	A-1	AA (low)	R-1 (middle)	
Upper Medium Grade	A1	P-1	A+	A-2	A (high)	R-1 (low)	
	A2	P-1	A	A-2	A	R-1 (low)	
	A3	P-1	A-	A-2	A (low)	R-1 (low)	
Medium Grade	Baa1	P-2	BBB+	A-3	BBB (high)	R-2 (high)	
	Baa2	P-2	BBB	A-3	BBB	R-2 (middle)	
	Baa3	P-3	BBB-	A-3	BBB (low)	R-2 (low)	
Speculative	Ba1	NP	BB+	B	BB (high)	R-3	Speculative Grade
	Ba2	NP	BB	B	BB	R-4	
	Ba3	NP	BB-	B	BB (low)	R-4	
Highly Speculative	B1	NP	B+	B	B (high)	R-4	
	B2	NP	B	B	B	R-5	
	B3	NP	B-	B	B (low)	R-5	
Substantial Risk	Caa1	NP	CCC	C	CCC	R-5	
	Caa2	NP	CCC	C	CCC	R-5	
	Caa3	NP	CCC	C	CCC	R-5	
Extremely Speculative	Ca	NP	CC	C	CC	R-5	
Possibly in Default	C	NP	R	R	C	R-5	
Default			D	D	D	D	