



REPORT FOR ACTION

Investment Committee Terms of Reference

Date: May 5, 2020
To: Toronto Atmospheric Fund Board of Directors
From: Chief Executive Officer

SUMMARY

This report recommends amendment of the Terms of Reference for TAF's Investment Committee. In addition to some housekeeping, a new Direct Investment Subcommittee is proposed for the purpose of providing the specialized and responsive guidance needed to significantly increase the Direct Investments portfolio as TAF's endowment is increased and in keeping with the Target Portfolio recommended by the Investment Committee.

RECOMMENDATIONS

The Chief Executive Officer recommends that the TAF Board of Directors approve the Investment Committee Terms of Reference, as amended.

DECISION HISTORY

At its meeting 21 April 2017, the TAF Board of Directors approved Terms of Reference for the Investment Committee.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.TA15.7>

At its meeting of November 8, 2019 the Investment Committee recommended the Board approve amendments to the Statement of Investment Objectives & Principles, including a Direct Investment Subcommittee. Members of the Investment Committee have reviewed the proposed amendments and indicated their agreement to the Chair.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.TA4.10>

COMMENTS

Several members of the Investment Committee and staff have been discussing mechanisms to improve the strategy, processes, documentation, tools and governance that support TAF making prudent investments, including Direct Investments which meet risk/return and impact criteria. This is especially critical to TAF's ability to increase the volume and diversification of investments once the federal endowment is received. The Investment Committee has discussed the proposed amendments and recommends their adoption.

Two housekeeping amendments are proposed:

- Clarify that the Board is not delegating all its responsibility to the IC since it approves all investments but may specifically delegate. For instance, the Board could approve a funding envelope for investments meeting specific criteria and authorize the IC to approve individual transactions, which would be reported to the Board and in the Audited Financial Statements.
- Clarify requirements for declarations of Conflict of Interest and electronic participation.

Three substantive amendments proposed:

- Allow the Investment Committee to create a Direct Investments Subcommittee.
 - Mandate focused on policies and practices required for prudent direct investing, recommending direct investments, and monitoring/oversight of direct investment implementation and compliance; outlined in Schedule A.
 - The full IC would continue to oversee policy, performance and compliance of the full portfolio, and make recommendations on investments in marketable securities (fixed income, global equities) and receive reports from the Subcommittee.
 - Would meet up to 8 times per year -- up to 4 times separately and 4 times integrated with the full Investment Committee to ensure the Investment Committee is not 'out of the loop' and Direct Investments are always considered in the context of the full portfolio.
 - Enabled to make recommendations via the Investment Committee or directly to the Board.
- Allow the Investment Committee to create of Ad Hoc Subcommittees, as needed, to undertake specialized, time-limited tasks, for instance the Asset Mix Subcommittee or Search/Selection Committees for new investment managers.
- Allow the Investment Committee to provide final approval for individual direct investments that have been conditionally approved by the Board and/or specifically delegated based on the nature of the transaction; outlined in Schedule B

CONTACT

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SIGNATURE

Julia Langer
Chief Executive Officer

ATTACHMENTS

Draft Terms of Reference for the Investment Committee