

TA6.10 Attachment 1



INVESTMENT COMMITTEE TERMS OF REFERENCE

Proposed Amendments
May 2020

1. Endowment Administration

Responsibility for the Toronto Atmospheric Fund's ("TAF") endowment rests jointly with the City of Toronto's Chief Financial Officer ("the CFO") and TAF's Board of Directors ("the Board"). City Council, through the TAF Act, has the sole power to amend or terminate the Toronto Fund. The Ontario Government has the sole power to amend or terminate the Ontario Fund.

2. Delegation

The Board shall delegate their responsibilities with respect to the investment of the endowment to agents and advisors who will act as fiduciaries. In particular, the Board may establish an Investment Committee to guide and oversee the activities of the Fund. The duties of the Board and the Investment Committee are as follows.

The Board of Directors will:

- a. Appoint members of the Investment Committee;
- b. Consider and approve the Investment Committee's recommendations regarding TAF'S Statement of Investment Objectives and Policies ("the SIOP"); and
- c. Consider and approve the Investment Committee's recommendations regarding engaging and terminating any agents or advisors that will assist in the management of the endowment and making direct investments.

3. Investment Committee

The Investment Committee is responsible for:

- a. Formulating, and recommending for approval by the Board, changes to the SIOP and the Mandates and communicating changes to the SIOP and Mandates to the Manager(s) and any other relevant parties, via staff;
- b. Reviewing the SIOP and the Mandates at least once per year for continued alignment with TAF's mandate;

- c. Monitoring the progress and performance of the Manager(s) and other investments and providing quarterly reports to the Board on the performance of the total Fund and any other aspects of investment management that the Investment Committee deems appropriate or as requested by the Board;
- d. Advising the Board on the selection of the Manager(s), the Custodian, and any other agents or advisors that may be necessary to prudently manage the Fund;
- e. Recommending individual direct investments, including financial partners, legal agreements, and any other terms;
- f. Providing 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 including those described in Schedule B;
- g. Recommending actions which TAF should pursue as an investor to influence policies and investment conditions in the interest of TAF's mandate;
- h. Appoint a subcommittee from the members of the IC, which will have the functionality, roles and responsibilities, and interaction with the IC as outlined in Schedule A; and
- i. Appoint ad hoc subcommittees as may be required from time to time.

4. Composition of the Investment Committee

- a. Members of the Investment Committee shall be appointed by the Board on the recommendation of the Investment Committee;
- b. The Investment Committee shall be composed of not fewer than six (6) and not more than thirteen (13) members.
- c. Membership of the Committee shall include at least one City of Toronto councillor and one citizen who are both members of the Board, and at least two qualified investment professionals;
- d. The CEO of the Toronto Atmospheric Fund will be an *ex officio*, non-voting Member of the Investment Committee;
- e. Members of the Investment Committee are appointed for a four-year term and may be reappointed by the TAF Board for a maximum of two additional four-year terms;
- b. A Chair of the Investment Committee will be selected by members of the Investment Committee. The Chair must be a member of the Board.

5. Conduct of the Investment Committee

- a. The Investment Committee meets at least quarterly. Meetings are convened by the Chair, and a minimum three days' notice must be provided (unless waived by all IC Members). Distribution of meeting materials by e-mail is permitted. The open meeting requirements and exceptions under Section 190 of the *City of Toronto Act, 2006* apply.
- b. The Investment Committee will meet with each investment Manager at least once a year to review the portfolio structure and performance and be apprised of any developments that may affect either the investment returns or the service from the Manager.
- c. The quorum for the meeting is a majority of the appointed members of the Committee. Decisions are carried by a simple majority vote. Tied motions fail.
- d. Members of the Investment Committee are reimbursed by TAF for reasonable out-of-pocket expenses, such as travel costs, but are not otherwise entitled to any remuneration in connection with TAF-related activities.

6. Conflict of Interest

- a. Members of the Investment Committee will familiarize themselves with the *Municipal Conflict of Interest Act* and undertake to comply with its requirements.

7. Confidentiality

- a. Member shall not reveal or make known to any person any information disclosed to the member through his or her involvement in the Investment Committee.
 - i. A Member shall not reveal or make known to any person any part of a discussion that took place during the Committee's proceedings, results or decisions made during those proceedings. TAF will make public final results following the official approval process.
 - ii. A Member shall keep confidential any information except as is required for the purposes of assessment or determination of any matter relating to Investment Committee deliberations; and
 - iii. A Member shall not distribute any of the material provided to Investment Committee members that is not generally available to the public.
- b. Firms and advisors providing services to the Fund are expected to comply with the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute.

Schedule A: Example Board Delegated and Conditional Approvals

- a. Delegated approval for repeat investments subject to:
 - i. a maximum investment size;
 - ii. standard conditions; and
 - iii. generally meeting, at a minimum, the following criteria:
 - prior approval of three highly similar transactions;
 - all prior similar transactions are in compliance; and
 - no more than fifty percent of the maximum investment limit prior to requiring City of Toronto Council approval.

For example, ESPAs may be approved by the IC or SC.

- b. Final approval of conditionally approved investments by the Board based on verification of specific conditions established by the Board.

Schedule B: Direct Investment Subcommittee

1. Composition of the Investment Committee

The Investment Committee (IC) will establish a subcommittee (SC) of five of its members, one of which is the Chair of the IC.

2. The Direct Investment Subcommittee is responsible for:

- a. Providing guidance/advice for prudently deploying TAF's assets into Direct Investments that meet TAF's mandate-related objectives, return expectations, and compliance with City of Toronto Council-approved SIOF.
- b. Making Direct Investment recommendations via the Investment committee or directly to the Board.
- c. Advising the IC of any transactions it defers or declines, which can be reviewed by the IC at their discretion;
- d. Providing final approval for direct investments that have been conditionally approved by the Board and/or specifically delegated based on the nature of the transaction, as per the Investment committee Terms of Reference Section 3f.
- e. Informing and integrating its work with that of the full IC.

3. Conduct of the Direct Investment Subcommittee

- a. The Subcommittee will meet separately from the IC.
- b. The Subcommittee (SC) will meet eight times per year. Special meetings may be called if the need arises. Four of the SC meetings to be held in tandem with regularly schedule meetings of the full IC.
- c. Meetings will be convened by the SC Chair, and a minimum three days' notice must be provided (unless waived by all SC Members).
- d. The Open Meeting requirements and exceptions under Section 190 of the *City of Toronto Act, 2006* apply.
- e. The quorum for the meeting is a majority of the SC members. Decisions are carried by a simple majority vote. Tied motions fail.
- f. Materials for each SC meeting will be circulated to all IC members.
- g. Minutes of SC meetings are to be approved by the SC and provided to the IC to receive as part of the regular IC meeting agenda.