

Terms of Reference: Direct Investment Committee

Proposed January 2022

1. Endowment Administration

Governance and accountabilities for the Toronto Atmospheric Fund's ("TAF") endowments is set out in the TAF Act, the TAF/City of Toronto Relationship Framework (RF) and TAF's Statement of Investment Objectives and Principles ("the SIOP"); the latter two may be amended from time to time by City Council. 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; and the Federation of Canadian Municipalities has the sole power to amend or terminate the Canada Fund.

2. Board of Directors

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 a Direct Investment Committee to guide and oversee the activities of the Fund. The duties of the Board are as follows:

- a. Appoint members of the Direct Investment Committee.
- b. Consider and if relevant approve the Direct Investment Committee's recommendations regarding Direct Investments, including any terms and conditions.

3. Direct Investment Committee

The Direct Investment Committee is responsible for:

- a. Considering applications for financing of Direct Investments as defined in the Statement of Investment Objectives & Principles including loans, debentures, mortgages, performance contract financing, purchase order financing, options, securities including, but not limited to, Limited Partnerships, preferred and common share equity in privately and public companies and loan guarantees. For further clarity, Direct Investments do not include Grants;
- b. Recommending investments to the Board along with any terms and conditions that are relevant and may be necessary in keeping with prudent investing;
- c. Overseeing that the conditions of investment established by the Board are duly implemented before investments are advanced;
- d. Approving advancement of individual direct investments that have been conditionally approved by the Board and/or designated by the Board based on the nature of the transaction (see Schedule A);
- e. Receiving and reviewing information about the performance of each Direct Investment made by TAF;

- f. Developing Benchmarks for the Direct Investments asset class, to the satisfaction of the City of Toronto CFO;
- g. Monitoring the performance of Direct investments against relevant benchmarks and compliance with the investment policy; and conveying, via staff and TAF's third-party investment advisor, this information to the Investment Committee to facilitate their monitoring of the performance and compliance of the full portfolio; and
- h. Performing such other functions as the Board may assign to it from time to time.

4. Composition of the Direct Investment Committee

- a. The Direct Investment Committee shall be composed of not fewer than five (5) and not more than nine (9) members.
- b. Members of the Direct Investment Committee shall be appointed by the Board on the recommendation of the Investment Committee.
- c. The Chair of the Direct Investment Committee shall be appointed by the Board and must be a member of the Board.
- d. Membership of the Committee shall include at least one other member of the Board and the balance shall be qualified investment professionals as determined by the Board.
- e. A quorum for the Committee is a majority of the appointed members of the Committee.
- f. The CEO of the Toronto Atmospheric Fund will be an ex officio, non-voting Member of the Direct Investment Committee and shall not be counted toward quorum.
- g. Members of the Direct 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.

5. Conduct of the Direct Investment Committee

- a. The Direct 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 Members). Distribution of meeting materials by e-mail is permitted.
- b. The open meeting requirements and exceptions under Section 190 of the City of Toronto Act, 2006 apply.
- c. Decisions are carried by a simple majority vote. Tied votes fail.
- d. The Chair of the Direct Investment Committee shall meet at least twice per year with the Chair of the Investment Committee to ensure coordinated management of the full portfolio.
- e. At the discretion of the Chair, individuals with relevant expertise may be invited to participate in specific meetings, subject to their agreement with the same confidentiality and code of conduct as a Member
- f. Members of the Direct Investment Committee may be 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. Code of Conduct

- a. Conflict of Interest: Members of the Direct Investment Committee will familiarize themselves with the Municipal Conflict of Interest Act and undertake to comply with its requirements.
- b. Confidentiality: Members shall not reveal or make known to any person any information disclosed to the member through his or her involvement in the Direct 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 results of decisions without identifying the investee and will only name the investee with the prior written permission of the investee 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 Direct Investment Committee deliberations; and
 - iii. A Member shall not distribute any of the material provided to Direct Investment Committee members that is not available to the public.
- c. Professional ethics and conduct: Firms and advisors providing services to the Fund are expected to comply with standards equivalent to CFA, CPA, CBA, Canadian Securities Institute or other standards for ethics and professional conduct.

SCHEDULE A:

- 1. Direct Investments conditionally approved by the Board, where specific conditions have been established by the Board.
- 2. Energy Savings Performance Agreements (ESPAs) undertaken by TAF or Efficiency Capital Inc. (under the Warehouse or Subordinated Debt lines)
- 3. Repeat investments, subject to the following criteria at a minimum:
 - Prior approval of at least three substantively similar transactions.
 - All prior similar transactions are performing as projected and in compliance.
 - The maximum investment size as specified by the Board or no more than fifty percent of the investment threshold requiring City of Toronto Council approval, whichever is less; and
 - Substantively the same and standard conditions will pertain as for previously approved investments.