

Direct Investment Committee Terms of Reference Amendments

Date: November 19, 2024
To: Board of Directors of the Toronto Atmospheric Fund
From: Chief Executive Officer

SUMMARY

This report recommends updating and amending the Terms of Reference for the Toronto Atmospheric Fund's Direct Investment Committee to clarify the scope, process, roles and responsibilities when matters are delegated to the Committee by the TAF Board.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board of Directors of the Toronto Atmospheric Fund:

1. Approve the proposed changes to the Direct Investment Committee Terms of Reference as presented in Attachment 1.

FINANCIAL IMPACT

There is no financial impact to the City of Toronto resulting from the adoption of the recommendation in this report.

DECISION HISTORY

At its meeting February 14, 2021, the TAF Board of Directors approved revised Terms of Reference for the Direct Investment Committee.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.TA15.7>

At its meeting July 9, 2021, the TAF Board of Directors established a Direct Investment Committee and approved duties for the Committee, some of which were previously fulfilled by the Investment Committee.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.TA13.4>

Amended Terms of Reference for the Investment Committee were approved by the TAF Board on May 21, 2020.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.TA6.10>

COMMENTS

While the Board must approve all TAF investments, the Board may delegate approval of specific terms and conditions to the Direct Investment Committee (DC). Such delegation is reserved for situations where an investment is close to finalization but aspects of due diligence or the negotiation of deal terms have not been completed in advance of a scheduled Board meeting.

Delegation cannot be so broad as to pass on the Board's governance responsibilities to the DC and therefore must be limited to assessment and determination of whether specified terms and/or conditions have been met. When the Board receives a recommendation to approve an investment which involves a delegation resolution to the DC, the expectation is that staff have sufficiently outlined the parameters and boundaries of the terms and/or conditions acceptable for the investment. When the Board approves an investment with a delegation resolution, advancement of the investment is dependent on the DC confirming the terms and/or conditions specified by the Board in the delegation resolution have been met.

To clarify what is suitable for the Board to delegate to the DC an update and amendment of the DC Terms of Reference (ToR) has been developed with input from Board and Committee members. The approach is to provide additional detail by outlining key investment criteria suitable to include and specifically defining them in a definition for "Delegation Resolution". As such, a new definition section has been proposed for the ToR with the following suggested wording:

"Delegation Resolution" refers to a resolution of the Board (whenever passed) delegating to the Direct Investment Committee (or confirming past delegation thereto) the Board's authority to approve TAF's making of such one or more Direct Investments as are defined in such a resolution and setting out any terms and/or conditions upon which such Direct Investment may be made which may include, but are not limited to, the following matters:

- a) amount of investment by TAF and/or others;
- b) rate of return expected for TAF;
- c) rate of return expected for the total investment;
- d) investment currency and/or rate of exchange;
- e) co-investment terms such as the number of co-investors, amount of co-investment, and/or calculated value of mobilized capital;
- f) amount of potential GHG emissions reduction;
- g) investee reporting requirements and/or timeframes;
- h) completion of due diligence satisfactory to the Direct Investment Committee;
- i) confirmation by TAF's solicitor the investment documentation is aligned with the Committee and/or Board memoranda.

The terms and conditions set out in the Delegation Resolution may specify acceptable parameters for the decision-making of the Direct Investment Committee including, but not limited to, a range, minimum, maximum, and/or target, or establish what constitutes a satisfactory assessment under a referenced framework.

The additional section also includes a definition for “Direct Investments”. This definition more accurately defines the types of investments the DC is responsible for, in alignment with the Statement of Investment Objectives & Principles (SIOP).

The ToR maintains the ability for the DC to refer an investment back to the Board if the DC does not make the required assessment or considers that any of the specified criteria and corresponding parameters in a delegation resolution have not been met. The minutes of DC meetings record the DC’s decisions regarding any investments subject to a Delegation Resolution which is sufficient for accountability and governance, but the Board may also request separate or additional reporting on the investment in a Delegation Resolution.

Several housekeeping amendments to the ToR are also proposed to improve the wording associated with the DC’s responsibilities, but no change to these responsibilities are proposed.

CONTACT

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SIGNATURE

Julia Langer
Chief Executive Officer

ATTACHMENTS

1. Proposed Terms of Reference of the Direct Investment Committee of the Toronto Atmospheric Fund