

## CANADIAN SCHOLARSHIP TRUST FOUNDATION

### Terms of Reference for Board Committees: 2.4

#### 2.4.3 Investment Committee

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### TERMS OF REFERENCE

#### 1. **Mandate**

The Investment Committee is a standing committee of the board of directors of Canadian Scholarship Trust Foundation (the “Foundation”). Its mandate is to assist the board in fulfilling its oversight responsibilities in respect of the investment of the assets of the Foundation and the entities it controls, including the trusts, plans, funds and investment vehicles it promotes from time to time (collectively, the “CST Group”), so that such assets are prudently invested in a manner which (a) fulfils applicable regulatory requirements, (b) meets the objectives of the CST Group to third parties, including contributors, and (c) achieves the policy objectives of the Foundation. The committee is also responsible for overseeing the controls and activities of the CST Group in managing those risks delegated to the committee by the board of directors. In addition, the committee is to assist the board in fulfilling its oversight responsibilities related to the plan liabilities, such as the return of principal, the return of sales charges paid by contributors and education assistance payments (EAPs) to beneficiaries.

It is the responsibility of the committee to oversee the investment governance structure through review and approval of associated policies recommended by management. It is the responsibility of management to manage the investment process of the CST Group. In particular, it is management and not the committee that is responsible for maintaining the effective operation of the investment governance structure, including the establishment of investment objectives, strategic asset allocation, benchmark design, manager structure and selection, as well as, performance monitoring and manager evaluation. In addition, it is management that is responsible for actively managing any funding deficits related to the product obligations of the Plans sponsored by the Foundation.

In exercising its business judgment, the committee shall rely on the information and advice provided by management, external actuaries and investment consultants and external portfolio managers. The committee shall endeavour, with that support, to ensure that the investment governance structure for the CST Group is operating effectively and optimizes the investment returns for all third parties, including subscribers.

## **2. Duties**

In order to discharge its mandate, the Investment Committee shall:

- 2.1 Regularly review the public policy and regulatory frameworks applicable to the investment of assets of the CST Group and the policies and practices adopted to fulfil those requirements.
- 2.2 Approve investment policies as recommended by management so that the assets of the CST Group are invested:
  - (a) in a manner which meets the requirements of all applicable laws, regulations, policies and guidelines of regulatory bodies.
  - (b) prudently and in a manner which will provide for the provision of financial assistance in accordance with the commitments of the CST Group to its subscribers.
  - (c) within a framework designed to (i) preserve capital, (ii) obtain a reasonable return within policy guidelines and risk tolerances, (iii) provide reasonable liquidity, (iv) provide reasonable asset/liability matching, and (v) maintain a diversified portfolio within policy guidelines.
- 2.3 Approve policies and criteria proposed by management for the selection, monitoring and termination of external managers,
- 2.4 Approve policies proposed by management for the investment management of assets, including investment guidelines, performance objectives and the method for measuring performance of investment managers, either internal or external.
- 2.5 Approve practices and policies established by management in respect of conflict of interest, business ethics and other market conduct and compliance issues relating to the investment management activities of the CST Group and provide regular oversight in respect thereof.
- 2.6 Approve policies and special funding arrangements as proposed by management for the financial management of product obligations (such as Sales Charge Refund Entitlements) for plans sponsored by the Foundation
- 2.7 The committee may, with the approval of the chair of the board, engage independent advisors in respect of matters within its mandate if it determines that this is necessary to enable it to properly discharge its responsibilities.

- 2.8 Provide oversight in respect of the risks delegated to the committee by the board of directors, including the review of the status of the risks and the monitoring of processes and actions taken to mitigate risks and the specific controls and activities in the management of those risks. See Appendix A for a listing of assigned risks.
- 2.9 The Investment Governance Structure is incorporated as an Appendix B to these Terms of Reference.

### **3. Membership**

- 3.1 The Investment Committee shall be comprised of a minimum of four directors appointed by the board.
- 3.2 The Chair of the Board of the Foundation shall be an ex officio member of the committee who shall have the same rights as other members of the committee including being counted towards a quorum and the right to vote.
- 3.3 A director appointed by the board shall serve as chair of the committee. If the committee chair is not present at a meeting or is unable to act as chair, the committee shall select a chair for the meeting in question.
- 3.4 The appointment of the committee chair will be on an annual basis. However, the normal rule will be that a committee chair will serve in the position for three successive one-year terms, unless determined otherwise by the board based on an annual evaluation of the committee chair overseen by the Corporate Governance and Human Resources Committee.

### **4. Meetings**

- 4.1 The Chief Executive Officer, at the direction of the committee chair, shall call meetings of the Investment Committee upon notice as required in the bylaws. The committee chair shall call a meeting if requested by the Chief Executive Officer or the chair of the board.
- 4.2 Meetings may be held in person, by telephone or videoconference hook-up, or by any individual member participating by telephone or videoconference hook-up.
- 4.3 A quorum of any meeting of the committee shall be a majority of its members and decisions taken by a majority of those present shall constitute a decision of the committee.
- 4.4 The Chief Executive Officer shall be entitled to receive notice of, and attend, all meetings of the Investment Committee. The committee chair may determine that it would be appropriate for an item of business at the meeting to proceed in their absence. This could occur, for example, if the item of

business relates to some alleged conflict of interest. The Chief Executive Officer is not a member of the Committee and shall not be counted for the purposes of determining whether a quorum is present.

- 4.5 Each meeting of the committee shall include an in-camera session with only committee members present. In addition, meetings shall be structured to provide an opportunity at each meeting for separate in-camera discussions with the Chief Executive Officer and the Chief Investment Officer. If any material issue arises during such a session, the Investment Committee Chair shall discuss it with the Chief Executive Officer.

## **5. Reporting**

- 5.1 Minutes of meetings of the committee shall be maintained in such fashion as the committee shall direct and copies of the minutes shall be distributed to the board prior to its next regular meeting. The committee may determine that minutes of its private sessions shall not be made available to management, including management directors.
- 5.2 At each meeting of the board, the committee chair shall report on the work of the committee which has been undertaken since the last report.

**Appendix A – Risks Assigned by Board of Directors**

Category and Risk	Board	AC	IC	GHR
Market Risk – Interest Rate Risk			✓	
Market Risk – Other Price Risks			✓	
Market Risk – Currency Risk			✓	
Market Risk – Credit Risk			✓	
Strategy Risk – Competitive Risk	✓			
Strategy Risk – Strategic Change and Disruption	✓			
Strategy Risk – Political Risk	✓			
Strategy Risk – Regulatory Risk	✓			
Strategy Risk – Economic Risk	✓			
Strategy Risk – Governance Risk	✓			
Strategy Risk – Capital Planning and Management	✓			
Operational Risk – Model		✓	✓	
Operational Risk – Business Disruption	✓			
Operational Risk – Product	✓			
Operational Risk – Physical Security	✓			
Operational Risk – Human Capital				✓
Operational Risk – Financial Management		✓		
Operational Risk – Technology	✓			
Operational Risk – Change Management				✓
Operational Risk – Legal	✓			
Operational Risk – Third Party	✓			
Operational Risk – Execution, Delivery and Process Management		✓	✓	✓
Operational Risk – Fraud		✓		
Operational Risk – Sales Channel	✓			
Operational Risk – Records Retention		✓		

March 2019

Category and Risk	Board	AC	IC	GHR
Liquidity Risk			✓	
Compliance Risk – Financial Crime Compliance		✓		
Compliance Risk – Integrity Risk		✓		
Compliance Risk – Regulatory Compliance Risk		✓	✓	✓
Reputational Risk – Brand and Image	✓			
Reputational Risk – Failure to identify sources of reputational risk	✓			
Reputational Risk – Failure to manage the message and respond	✓			

**Appendix B – Investment Governance Structure**

CSTF Investment Governance Structure	Board of Directors	Governance and H.R. Committee	Investment Committee "IC"	VP, Investments and Compliance	Consultant <sup>1</sup>	Terms of Reference Section
<b>Statement of Investment Policies and Goals ("SIP&amp;G")</b>			Approves the SIP&G  Annually reviews SIP&G compliance	Updates SIP&G and recommends changes to the IC  Monitors SIP&G for compliance  Performs Tri-annual Asset / Liability review		2.1 2.2  2.1  2.1
<b>Investment Managers:</b>						
<b>Selection / Termination</b>	Receives quarterly reporting at Board Meeting from Committee Chair		Approves the policy for recruitment, terminations, and changes to investment managers	Approves the appointment/ termination of investment managers.	Assist VP, Investments and Compliance with manager search/due diligence reports if required	2.3
<b>Evaluation</b>				Approves manager benchmarks, performance goals, and other criteria used for evaluation purposes	Investment managers and custodian provide VP, Investments and Compliance with performance and compliance reporting	2.4
<b>Monitoring</b>			Receives quarterly reporting	Provides quarterly plan and manager performance, including updates on appointment/ termination of investment managers		2.3
<b>Governance conduct and compliance policies and practices relating to investment management activities e.g. conflict of interest, business</b>			Approves governance and compliance policies	Develops, presents and recommends policies and amendments to policy		2.5

CSTF Investment Governance Structure	Board of Directors	Governance and H.R. Committee	Investment Committee "IC"	VP, Investments and Compliance	Consultant <sup>1</sup>	Terms of Reference Section
ethics, market conduct, etc.						
Product Liabilities Sales Charge Refunding Funding Policy			Reviews Funding Valuation result and approves the SCR Funding Policy	Performs Bi-annual SCR Funding Valuation and recommends changes to funding policy. Manages funding deficits through corporate entities.		2.6 2.7
Investment Plan Risk Reporting			Receives Investment and Mgmt. reports on Plan risks (quarterly)  Reviews Management's plan to mitigate risks assigned to Investment Committee by Board of Directors	Prepares and provides reports including Risk Dashboard (quarterly)  Prepares a plan to mitigate risks assigned to Investment Committee by Board of Directors	Custodian and managers support VP, Investments and Compliance	2.8
Monitors, measures and evaluates costs and standards of service providers. (actuaries, investment consultants)			Receives Management Reports re: service provider evaluations.	Evaluates vendors at a minimum of every 5 years and approves recruitment, changes and terminations of service providers		2.7
Evaluates and reviews Committee's, structure, terms of reference and membership	Approves Committee's: * Structure * Terms of Reference * Membership	Reviews and recommends (all Committees) annually to the Board: * Structure * Terms of Reference * Membership	Reviews and recommends annually to the Governance & H.R. Committee terms of reference	Presents and recommends changes to the terms of reference annually		3.1 3.2 3.3 3.4
Director - Selection Criteria, Recruitment and Membership	Approves: * Selection Criteria * Recruitment * Directors	Recommends to the Board changes to: * Selection Criteria * Directors	Reviews & recommends Director Criteria, Recruitment and Membership changes to	Support Investment Committee with: * Research * Best Practices		3.1 3.2 3.3 3.4



CSTF Investment Governance Structure	Board of Directors	Governance and H.R. Committee	Investment Committee "IC"	VP, Investments and Compliance	Consultant <sup>1</sup>	Terms of Reference Section
			Governance & HR Committee			
Regulatory and investment strategy updates			Approves calendar and receives regulatory and investment strategy updates	Develops the annual calendar and meeting agendas to include regulatory and investment strategy updates		2.1
Governance Documentation	Receives quarterly reporting at Board meetings from Committee Chair		Ensures that decisions, policies and activities are documented and approved by the members  Reviews and approves Minutes			2.1 4.4 4.5 5.1 5.2
Investment Regulatory Reporting	Approves regulatory reporting		Reviews regulatory reporting	Advises Committee on changes and the impact on investments		2.1

1. Additional 3rd party consultants may be engaged to assist the VP, Investments and Compliance in preliminary his/her duties.