



INVESTMENT COMMITTEE TERMS OF REFERENCE

Section 1: Objective

- 1.1 The Investment Committee (“the Committee), is a committee appointed by the Board charged with the responsibility of overseeing the management of the AFI Endowment Fund. The purpose of the Committee is to assist the Board in monitoring the effectiveness of the Board-approved AFI Endowment Fund Policy and Investment Guidelines.
- 1.2 Committee members are appointed by the Board on the recommendation of the Management Unit.
- 1.3 The Committee may, within the scope of its responsibilities:
 - (a) Perform activities and make recommendations to the Board consistent with these terms of reference;
 - (b) Engage consultants and advisors as it considers necessary to carry out its duties; and
 - (c) Have unrestricted access to management, employees, and information it considers relevant to its responsibilities under these Terms of Reference.
- 1.4 The Committee has no management role.

Section 2: Membership

- 2.1 The membership of the Committee will consist of a minimum of three (3) members all of whom are non-executive directors with experience and knowledge in investment sectors. The Committee shall elect a Chair from among themselves. The Secretary of the Committee shall be nominated by the AFI Executive Director from among the AFI staff.
- 2.2 One (1) term of office for the Committee is two (2) years and a Committee member may, subject to re-nomination, serve a maximum of two (2) consecutive terms. To ensure continuity, only one (1) Committee member shall be replaced at the end of a term of the Committee unless no member qualifies owing to the two-term limit.

Section 3: Meetings

- 3.1 The Committee shall meet formally at least two (2) times a year and the schedule of meetings will be agreed in advance.
- 3.2 Additional meeting(s) may be convened as required or requested by any member of the Investment Committee.
- 3.3 The number of times the Committee meets and the individual attendance by members at Committee meetings must be disclosed in the annual report.
- 3.4 A meeting quorum shall consist of two (2) members of the Committee together with the Secretary.
- 3.5 The Executive Director shall be invited to attend all meetings, unless otherwise determined by the Committee. Other senior executives may be invited to attend as required.
- 3.6 The agenda and supporting papers should be delivered to the Committee members by the Committee's Secretary at least five (5) working days in advance of each meeting.
- 3.7 Draft minutes of each Committee meeting are to be approved by the Committee Chair and circulated to all Committee members by the Secretary within a reasonable time frame following the Committee meeting.
- 3.8 Once the minutes have been approved by the Committee Chair, a copy of the minutes will be included in the papers for the next Board meeting.
- 3.9 Minutes are not a verbatim recording of the meeting but should accurately record the resolutions of the committee, key reasons for those decisions (where appropriate) and actions arising.
- 3.10 The action list from each Committee meeting will be approved by the Committee Chair and circulated to all Committee members with the minutes of the meeting.
- 3.11 The action statement will include accountabilities and the nature and timing of subsequent reporting.
- 3.12 Reports and other papers of the Committee shall be made available to the Board of Directors upon request, provided no conflict of interest exists.

Section 4: Responsibilities on Investment Activities

The Committee shall have the responsibility to:

- (a) Monitor the strategic context for the development and maintenance of the Fund's new and existing investment assets and mandates;
- (b) Review the appropriateness of investment strategies used to support the Fund's investments;
- (c) Review whether investment performance and investment risk levels appropriately reflect the chosen investment strategies;
- (d) Monitor whether investment and fund performance meet performance expectations relative to projected performance and fund objectives;
- (e) Monitor risk exposure for various assets classes and guide the Investment Manager on corrective action;
- (f) Monitor asset levels across asset classes and investment products with regard to capacity constraints;
- (g) Carry out any other related function as delegated by the Board; and
- (h) Review the potential Investment Managers and the remuneration structure and recommend the selected Investment Manager for approval and appointment by the Board of Directors.

Section 5: Performance Monitoring and Review

- 5.1 The Investment Committee will monitor the performance of the Funds, relative to the objectives and performance goals specified in the Investment Guidelines on quarterly basis.
- 5.2 The success of the investment program is to be measured in both in terms of relative performance versus appropriate benchmarks and absolute performance.
- 5.3 If an investment manager fails to achieve the performance goal over six consecutive quarters, the Committee will place the investment manager 'on watch' and consider if a review is required.
- 5.4 The Committee will also consider reviewing an investment manager when one or more of the following circumstances prevail:
 - (a) the investment manager's short-term underperformance is found to be a result of a change in the investment manager's investment strategy, process or discipline or a change in the key investment personnel;
 - (b) there is a significant change in the risk profile of the investment manager;

- (c) the investment manager's investment strategy is no longer appropriate given the Fund's requirements;
- (d) the investment manager's reporting and service are unsatisfactory; or
- (e) the Committee has concerns regarding the investment manager's ethics.

Notwithstanding the above, the Committee may recommend to the Board of Directors that a manager be terminated for any reason that the Committee deems appropriate.

5.5 The Board of Directors may terminate a manager for any reason in the Board's sole discretion upon issuance of a written notice of termination, including but not limited to the following event:

- (a) the manager ceases or threatens to cease to carry on business, voluntarily or due to any regulatory restriction;
- (b) the manager is involved or alleged to be involved in illegal/ criminal activities; or
- (c) the manager becomes insolvent or if an order is made or a resolution is passed for the winding up of the manager (other than voluntarily for the purpose of solvent amalgamation or re-construction), or if an administrator, administrative receiver or receiver is appointed in respect of the whole or any part of the manager's assets or business, or if the manager makes any composition with its creditors or takes or suffers any similar or analogous action in consequence of debt.

5.6 A formal review triggered by any of the above criteria will be conducted by the Committee, or a delegated party, and the process will include the following:

- (a) A qualitative review of the manager will be prepared addressing the following criteria:
 - Organizational structure or changes;
 - Personnel changes;
 - Investment strategy or process;
 - Risk controls;
- (b) A quantitative report will be prepared considering risk and return performance relative to any appropriate benchmarks and peer universes;
- (c) The Committee will consider whether the benchmark objective(s) continue to be appropriate;
- (d) The Committee will decide whether there has been a fundamental change at the investment manager's operation which renders them no longer appropriate for the Fund's mandate; and
- (e) If required, the Committee will conduct an investment manager search for the identified asset class.
- (f) If the Committee has concerns in relation to non-adherence to plans or guidelines by the investment manager, the Committee reserves the rights to appoint an independent auditor or AFI MU to undertake an audit or investigation as deemed appropriate.

Section 6: Responsibilities on Reporting

The Committee will through its Chair, regularly update the Board about matters relevant to the Committee's role and responsibilities and make appropriate recommendations for approval by the Board.

Section 7: Review of Terms of Reference

The Committee will review the Committee's terms of reference periodically, discuss any required changes with the Board and ensure any revisions to the Terms of Reference are approved by the Board.

AFI Management Unit
November 2020



Appendix 1

Administrative Guidelines for the AFI Endowment Fund

- 1.0 The Investment Committee is responsible to the Board of Directors of AFI. The Committee's purpose is to oversee the investment management and related administration of the AFI Endowment Fund.

- 2.0 The functions and responsibilities of the Committee with respect to the AFI Endowment Fund are to:
 - (a) Identify providers of investment management, custody, and/or fund record-keeping. Such services may be provided by a single organization or by multiple vendors, and after due consideration the Committee shall select and recommend to the Board of Directors the most appropriate offerings for the Fund.
 - (b) Identify investment vehicles, whether segregated or pooled or mutual funds, that will satisfy the requirements of the Fund given investment preferences and tolerances for risk.
 - (c) Recommend to the Board of Directors the appointment of an investment performance measurement service to monitor the performance of the managers on a periodic basis.
 - (d) Recommend to the Board of Directors the replacement of investment managers or vehicles if managers have not performed satisfactorily or are not able to address the needs of beneficiaries or requirements of the Committee.
 - (e) Periodically review various alternatives for more cost-effective or efficient management and administration of the Fund's investments.
 - (f) Recommend to the Board of Directors, one or more investment management consultants to assist in any of the foregoing or other related functions and approve the fees.
 - (g) Review this Statement periodically and recommend appropriate changes to the Board of Directors for approval.

- 3.0 The investment manager(s) is expected to meet the Committee at least annually or upon request of the Committee. Additionally, the investment manager(s) are expected to provide:
 - (1) INITIALLY, a written statement acknowledging acceptance of the Statement of Investment Guidelines and the performance standards therein stated;

 - (2) Statements to be provided include:
 - (a) the monthly cost and market value of fund shares, the number of shares owned and all principal and income cash transactions for the various funds;

- (b) on a quarterly basis, in addition to the monthly report, the investment manager(s) will supply a statement showing for the Fund offering:
 - (i) the fund holdings broken out, minimally, by equity, fixed income, cash equivalents and uninvested cash balances; and
 - (ii) fund positions, by individually-named securities;

- (c) quarterly, a report within 30 days after the end of each calendar quarter, in the following format:
 - (i) Review of the organizational structure (if applicable)
 - Organizational changes of investment managers (i.e. ownership, staff, clients);
 - Assets and accounts under management for those firms in total and by product;

 - (ii) Summary of the Investment Guidelines:
 - Summarize guidelines and objectives;
 - Discuss adherence to guidelines;
 - Provide any comments and suggestions regarding policy constraints, guidelines, etc.;

 - (iii) Review of the investment process and evaluation of portfolio management process for investment manager(s):
 - Brief review of investment process;
 - Discussion of any changes to the investment process;
 - Investment strategy used over the past year and underlying rationale;
 - Evaluation of current strategy's success/disappointments; and
 - Current investment strategy and underlying rationale;

 - (iv) Performance review:
 - Present total fund and asset class returns for last quarter, year-to-date, last year, last four years and since inception versus benchmarks designated in the guidelines;
 - Discuss performance relative to benchmarks;
 - Provide portfolio characteristics relative to benchmarks;

 - (v) Listing of portfolio holdings:
 - Present the book value and current market value;
 - List individual securities by sector;

 - (vi) Other business including any other comments or information upon written or verbal request.