

## **Investment Committee Terms of Reference**

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### **Purpose**

The Investment Committee is a committee of the Board of Directors and reports to the Board on the corporate investment plans, policies and issues with respect to the Guarantee Fund and pension plan(s) that affect Tarion Warranty Corporation. Unless specifically identified, its roles and responsibilities are applicable to both the corporate funds and the pension plans.

### **Committee Mandate**

1. To review and recommend to the Board of Directors investment strategies, plans, internal controls, and policies that support and align the corporation's goals and capital and liquidity management needs.

The goals of the investment strategies and policies include the following:

- a) to maximize return and minimize risk to the corporation within approved parameters; and
  - b) to satisfy itself that funds are invested appropriately, recognizing the liquidity, timing and security considerations of corporate operational & reserve requirements.
2. To review and recommend an annual corporate and pension plan(s) investment strategy to the Board of Directors by means of the investment policy guidelines, permissible investment classes, suitable investment constraints, with regard to pension regulatory requirements and the Ontario New Home Warranty Plan Act ("ONHWPA"). Management will be responsible for detailed budget planning to support the approved strategy and will appoint the person(s) responsible for day to day investment requirements.
  3. To develop a Statement of Investment Policies and Procedures (SIPP) in respect of all corporate investments and the pension plan(s), and to update the SIPP, as necessary, so that it continues to be appropriate and is in accordance with pension regulatory requirements and the ONHWP Act.
  4. To recommend to the Board of Directors to enter into and/or terminate the agreements with investment managers, Investment advisor and the Investment Committee will be authorized to negotiate the terms of the agreement with any investment manager and investment advisor.
  5. To monitor and evaluate the performance of any investment manager against performance benchmarks established and approved by the Board and communicated/accepted by the investment managers., either internal or external, of the corporate or pension funds.
  6. To recommend to the Board of Directors to enter into and/or terminate the agreements for custodial services, as appropriate. The Investment Committee will ensure with respect to any custodial agreements entered into that reports regarding securities held, purchased and sold are issued regularly.

7. To monitor and report to the Board of Directors on the implementation and ongoing compliance of any strategies, policies, and plans that are authorized, to ensure that a sound governance process is in place.
8. To provide oversight on investment related risks (e.g., market, interest rate and credit risks that feed into the selected investment risk appetite level) and satisfy that these are managed as expected within the stipulations of enterprise risk framework.
9. Review and make recommendation to the Board with respect to Key Risk Indicators or Key Performance Indicators specifically assigned to the committee that derive from the Strategic and Business Plans.
10. To liaise with other committees such as Audit & Risk Committee, as well as the Human Resources & Compensation Committee as appropriate.
11. The Committee has the authority to review and approve the contents and distribution of the RFP, as well as select of the service providers, fix their term and remuneration.
12. To provide oversight over the services by the Investment Manager, Investment Advisor, and the Custodian to Management.
13. To review and approve the results of the Asset Liability Management Review (including the Investment Structure review). The Asset Liability report is produced in conjunction with the Investment Advisor, the Actuary (as required), and Management. The Asset Liability report is produced at least every four years or prior to the quinquennial Investment Manager RFP process in accordance to the Statement of Investment Policies & Procedures.

### **Committee Responsibilities**

The Investment Committee will carry out the following responsibilities:

#### ***Annual Reporting***

1. Review and recommend to the Board of Directors annually on investment strategy, policies, and plans, including significant investment decisions or allocations and any significant changes in risk exposure from the previous year's report.
2. Advise the Board of Directors of the governance process followed during the year, identifying significant actions taken, any concerns regarding compliance or weaknesses in the governance process, proposed course of action and progress.

#### ***Reporting Responsibilities***

1. Regularly report to the Board of Directors about Committee activities, issues and related recommendations.
2. Report to the Board of Directors as deemed appropriate by the Committee, on any areas of non-compliance with policies, corrective action taken, and current status.

### ***Specific to Guarantee Fund***

1. To provide oversight so that Tarion's investment strategy reflects a fair, accurate and balanced representation of Tarion's goals, policies and achievements.
2. To provide oversight so that investment strategies address both the short-term and long-term operational and reserving financial needs of the company.
3. To ensure that investment strategies and initiatives are monitored and evaluated for effectiveness in meeting the goals outlined in the immediately preceding paragraphs 1 and 2.

### ***Specific to the Defined Contribution Pension Plan***

1. Provide oversight over Management's governance processes dealing with the suitability of Plan investment fund choices to appropriately address diverse employee retirement savings objectives.

### ***Other Responsibilities***

1. Perform other activities related to the mandate of the Committee as requested by the Board of Directors.
2. Review and assess the adequacy of the Committee mandate annually and request Board approval for any proposed changes.
3. Confirm that all responsibilities outlined in these terms of reference have been carried out.

### ***Committee Authority***

1. This is a standing Committee of the Board and its authority will be such as is delegated to it by the Board of Directors.
2. The Committee is accountable to the Board of Directors and has authority to conduct or authorize studies or investigations with respect to any matters within its scope of responsibility. It is empowered to:
  - a) Retain investment consultants, lawyers or others to advise the Committee or to assist in the conduct of a study or investigation;
  - b) Seek any information it requires from external parties or employees; and
  - c) Meet with company officers, external and internal auditors or parties engaged by Tarion, as necessary.
3. The Committee Chair has the authority to speak to Directors who act out of self-interest, with distraction, but more importantly potential diversion of fiduciary duty and its effect on the Committee. If a Director cannot refrain from pursuing self-interest, the Committee Chair shall advise the Chair, GRAN Committee and the Board Chair.

## **Committee Composition**

1. The Committee will be composed of five members appointed annually by the Board of Directors and will be selected taking into consideration the need for the membership as a whole to have sufficient investment and financial literacy and expertise for its purposes.
2. The Chair of the Committee will be appointed by the Board of Directors. The Chair of the Committee must possess a requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
3. The Vice-Chair of the Committee will be appointed by the Board of Directors.
4. A quorum for a meeting of the Committee will be 50% of its members.
5. Any member of the Committee may be removed or replaced at any time by the Board of Directors. A committee member will cease to be a member of the Committee as soon as such member ceases to be a director.

## **Committee Administration**

1. The Investment Committee will meet four times per year, at a minimum, but may have additional meetings as required.
2. A meeting agenda will be prepared by the Corporate Secretary in conjunction with the Chair and provided to members in advance of each committee meeting, along with appropriate briefing materials.
3. The Secretary of the Corporation will attend all meetings of, and act as Secretary to the Committee, unless excused by the Chair of the Committee.
4. Minutes will be taken for each Committee meeting, and these minutes will record all decisions and recommendations made at the meetings of the Committee. The minutes will be accepted and approved by the Committee at its next meeting. The minutes will be distributed to the Board of Directors at its next meeting.
5. The Committee Chair will report to the Board of Directors on any meetings of the Committee held between Board Meetings. The Chair may provide an oral report to the Board on matters not yet minuted and may elect to report on in-camera matters during in-camera meetings of the Board.
6. Committee Members will treat all discussions and resolutions of the Committee in confidence and will not disclose any information relating to any materials tabled at the meeting, until the release of such information is authorized by the Chair of the Board of Directors.
7. Where a Committee member believes that he or she has a potential conflict of interest in respect of a matter before the Committee, that member will declare the conflict and will leave the room during discussion of such matters, unless authorized by the Committee to participate.

8. The Annual report will include a report on the number of meetings of the Committee and the individual Directors attendance.
9. An in-camera session will be held at each meeting of the Committee at the discretion of the Committee Chair.

**MONITORING METHODOLOGY**

Committee Review:	08/26/10; 02/22/11; 05/18/12; 09/15/15; 09/16/16; 09/14/17; 05/24/18; 05/20/20; 03/04/21
Governance Committee Review:	04/05/11; 09/20/12; 04/04/13; 04/02/14; 04/10/15; 04/06/16; 04/06/17; 04/06/18; 04/04/19; 04/09/20; 04/01/21
Board of Directors Approval:	04/21/11; 10/04/12; 04/25/13; 04/16/14; 04/16/15; 10/08/15; 04/21/16; 10/26/17; 04/26/18; 04/25/19; 06/10/20; 04/22/21

## 2021 Investment Committee Annual Work Plan

<b>March Meeting</b>		
	<b>Item</b>	<b>Status</b>
1.	Review Q4 Investment Results – AON & Mgmt	
2.	Review of Investment Results - Beutel Goodman	
3.	Review of Investment Results – PH&N ( <i>info only</i> )	
4.	Review of Investment Results – Sprucegrove ( <i>info only</i> )	
5.	Review of Investment Results – Manulife Pension Platform	
6.	Update of Asset Mix Implementation	
7.	Key Risk Metrics for Investment – Q4 2020	
8.	Education session:	
9.	*Recurring Items	
<b>May Meeting</b>		
1.	Annual Review of Terms of Reference	
2.	Review Q1 Investment Results – AON & Mgmt	
3.	Review of Investment Results – PH&N (Fixed Income & Global Equities)	
4.	Review of Investment Results - Mawer (Global Equities)	
5.	Review of Investment Results - Beutel Goodman ( <i>info only</i> )	
6.	Review of Investment Results – ACM ( <i>info only</i> )	
7.	Review of Investment Results – PIMCO ( <i>info only</i> )	
8.	Review of Investment Results – Axiom ( <i>info only</i> )	
9.	Review of Investment Results – IFM ( <i>info only</i> )	
10.	Investment Advisor Annual Performance Review	
11.	Key Risk Metrics for Investment – Q1 2021	
12.	Update on Currency Hedge Program	
13.	Asset Mix Study (next one will be 2025)	
14.	Education:	
15.	*Recurring Items	
<b>September Meeting</b>		
1.	Review Q2 Investment Results – AON & Mgmt	
2.	Review of Investment Results – PIMCO (Return Seeking Bonds)	
3.	Review of Investment Results – ACM – Mortgages	
4.	Review of Investment Results - Beutel Goodman ( <i>info only</i> )	
5.	Review of Investment Results –PH&N ( <i>info only</i> )	
6.	Review of Investment Results – Mawer ( <i>info only</i> )	
7.	Review of Investment Results – Axiom ( <i>info only</i> )	
8.	Review of Investment Results – IFM ( <i>info only</i> )	
9.	Review of Investment Results – Manulife Pension Platform	
10.	Key Risk Metrics for Investment – Q2 2021	
11.	Review of Asset Mix Study (2025)	
12.	Terms of Reference Review	
13.	Education Session:	
14.	*Recurring Items	
<b>November Meeting</b>		
1.	Review Q3 Investment Results – AON & Mgmt	
2.	Review of Investment Results – IFM (infrastructure)	
3.	Review of Investment Results – Axiom (infrastructure)	
4.	Review of Investment Results - Beutel Goodman ( <i>info only</i> )	
5.	Review of Investment Results – PH&N ( <i>info only</i> )	
6.	Review of Investment Results – ACM ( <i>info only</i> )	
7.	Review of Investment Results – Mawer ( <i>info only</i> )	
8.	Review of Investment Results - PIMCO ( <i>info only</i> )	

9.	Review Statement of Investment Policies & Procedures (SIPP)	
10.	Key Risk Metrics for Investment – Q3 2021	
11.	Evaluation of Investment Advisor	
12.	Investment Advisor RFP (delayed until Fall 2022)	
13.	Education Session:	
14.	*Recurring Items	
<b>*Recurring Items</b>		
1.	Adoption of Meeting Minutes	
2.	Review of Committee Work Plan	
3.	RFP Investment Managers* – completed in 2020; next review 2025	
4.	RFP Investment Advisor* – 2021 – RFP Fall 2022	
5.	Formal Review of Asset Mix* – Completed in 2020; next review 2025	
6.	Reports and Discussions of Current and Evolving Issues	
7.	Amendments to Statement of Investment Policies & Procedures	

\* RFP process to be conducted at least once every five years.