

Community Foundation of Singapore

TERMS OF REFERENCE FOR INVESTMENT COMMITTEE

1. PURPOSE

- 1.1. The purpose of the Investment Committee (the Committee) is to direct and monitor the cash management and investment of the assets in our reserves and donor advised funds (the Funds). The Committee is to discharge its duties with due care, skill and diligence as a prudent investor.

2. MEMBERSHIP

- 2.1. The Chairperson of the Committee shall be appointed by the Board and the must be a CFS Board member.
- 2.2. The Committee members shall be appointed by the Chair of the Committee.
- 2.3. The Committee will have at least three (3) members, all non-executive.
- 2.4. The membership term limit will correspond with CFS Board's term and renewal process. Members of the Committee can serve a maximum of six (6) years and each term can be a maximum of three (3) years. Any member of the Committee, after completion of six (6) consecutive years of service, may be reappointed after a break of one (1) year.
- 2.5. The members of the Committee must be appropriately qualified to discharge their responsibilities. At least one member of the Committee should have financial and fund management expertise or experience.

3. DUTIES

- 3.1. The specific responsibilities of the Committee include:
 - 3.1.1. Manage the cash and other financial assets of CFS, including our reserves;
 - 3.1.2. Determine the investment objectives and spending policy for each Endowment Fund.
 - 3.1.3. Determine each Fund's time horizon and other specific investment constraints.
 - 3.1.4. Ensure that the investment objectives, policies and guidelines are consistent and appropriate.
 - 3.1.5. Evaluate and appoint external fund managers to manage assets according to the relevant investment mandates. Please see Annex

A for the criteria for selecting and reviewing an external fund manager.

- 3.1.6. Evaluate the performance of the external fund managers regularly.
 - 3.1.7. Develop KPI's relating to the hiring and termination of Fund Managers.
 - 3.1.8. Review asset allocation annually to ensure the allocations are in keeping with the changing needs of the Funds and/or the investment climate.
 - 3.1.9. Report on investment performance and financial condition of each Fund to the Board and donor every 6 months.
 - 3.1.10. Appoint a custodian to hold all the assets of the Funds and who provide reports on the portfolio asset allocation and valuation.
 - 3.1.11. To conduct an external fund manager search every 3 years, or when necessary. The Committee may recommend the retention of an existing fund manager after a careful selection process and is satisfied with the services provided and the investment performance.
- 3.2. The Committee shall review and recommend changes to a set of investment guidelines which should be approved by the Board. The guidelines shall include the recommended range of investment objectives (returns and risk objectives), the investment constraints, the asset allocation guidelines and review guidelines. The guidelines should be reviewed annually and changes if any should be approved by the Board.

4. AUTHORITY

- 4.1. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek information from any employee. All employees will be directed to co-operate with any request made by the Committee.
- 4.2. The Committee is authorised to delegate certain responsibilities to professional experts in the management of the Funds' asset based on prudence and due diligence principles. All expenses for such experts must be customary and reasonable, and be borne by the Funds.
- 4.3. The external fund managers must be aware of their roles and responsibilities as fiduciaries. They should acknowledge this in writing. They will be given full discretion to make all investment decisions as long as they operate within the policies, guidelines, constraints and philosophy as outlined in the Investment Policy Statement.

- 4.4. Specific responsibilities of the external fund manager include:
- 4.4.1 Discretion in making decisions to buy, sell or hold with deviations from the asset allocation targets within limits established in the policy.
 - 4.4.2 Reporting on the investment performance and financial condition of the Fund on a quarterly basis.
 - 4.4.3 Keeping the Committee informed in a timely manner on changes to economic outlook, investment strategy or any other factors that may affect the Fund and the fulfilment of its investment objectives.
- 4.5. The Committee is authorised to determine the annual pay-outs from CFS endowment funds.

5. MEETINGS

- 5.1. The quorum of members of the Committee shall be three (3). A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.2. The Committee shall meet at least twice a year and at such other times as the Chair of the Committee shall require.
- 5.3. Any member of the Committee or Management may request for a meeting at any time if they consider it necessary.
- 5.4. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be given to the members of the Committee prior to the meeting in a timely manner.
- 5.5. The proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, shall be duly minuted
- 5.6. After each Committee meeting, the Chairperson shall report the Committee's findings and recommendations to the Board.
- 5.7. Minutes of Committee meetings shall be circulated to all members of the Committee, Management and the CFS Board.

6. TERMS OF REFERENCE

- 6.1 CFS Management will review, adjust and seek approval for the terms of reference when necessary to ensure that they remain relevant.

Annex 1 Criteria for selecting an external fund manager

1. Selecting an External Fund Manager

When selecting an External Fund Manager (EFM) to manage the Funds, the Investment Committee (IC) will take into consideration the following 5 areas:

1.1 Organisation

The IC will evaluate the key professionals' experience, skills and qualifications, as well as review the organizational structure, ownership structure and incentive structure of the fund management company.

The EFM should have at least five years of operating history, and to be able to demonstrate sustainability of their operations and the integrity of their risk management process. Turnover and key man risk will be taken into consideration.

The IC should also evaluate the alignment of interest and identify any possible conflicts that may arise.

Other areas of evaluation will include (but not limited to) size of assets under management and research capabilities. CFS's investment should not be more than 10% of a manager's total AUM, so as to avoid any reputational risk that might arise should the EFM experience financial difficulties when CFS withdraws our funds.

1.2 Investment Process

The IC will evaluate the EFM's investment approach, philosophy, consistency of process and competitive advantage. The EFM's approach to risk measurement and risk control will also be taken into consideration.

1.3 Performance

The IC will analyze the EFM's historical performance vs a relevant benchmark(s) and vs their peers. The IC may do a performance attribution analysis of the EFM.

1.4 Compliance

The IC will review the EFM's regulatory filings, back office and operations procedures, as well as their in-house code of ethics and personal trading rules.

1.5 Fees, Costs, and Terms

The IC will review the key business terms and structure vs industry standards and the fees and expenses charged by the EFM.

2. Review of External Fund Managers

- 2.1 EFMs may be reviewed, replaced or eliminated whenever the Committee loses confidence in the management of the strategy; when the characteristics of the portfolio no longer satisfy the desired or expected elements of the mandate; or when the current style is no longer deemed appropriate by the Committee.
- 2.2 The following are some examples for reasons that may cause the Committee to lose the confidence in a manager:
- a. Change in organizational structure or personnel – A significant change in culture through a merger or acquisition that is likely to distort incentives and promote turnover; or if the investment team leaves the firm.
 - b. Changes in strategy and style – If the manager departs from the strategy and style that they were hired to implement; such as a switch from a quantitative process to a fundamental one; and
 - c. Performance – Continued performance shortfalls versus a peer group of managers with similar style and/or a market index. Performance is most meaningfully evaluated over a medium- to long-term time horizon of three to five years.
- 2.3 The Committee may review managers at any time, but will normally do so at least annually, at the Investment Committee meeting.

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Notified Board: 27 May 2022

Remarks: Change to reflect updated Constitution