

To: ONE Joint Investment Board
From: Donna Herridge, Co-President/Co-CEO, ONE Investment
Date: February 26, 2026
Re: Risk and Audit Committee Update – Q1 2026
Report: ONE JIB 2026-009

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

At the November 19, 2025, ONE Investment Risk and Audit Committee meeting, the following topics were addressed:

- John Wilkinson from WeirFoulds provided Enterprise Risk training;
- The Enterprise Risk Assessment was updated, including four new risks;
- Compliance Manual and Task List was updated to formally incorporate the Legal List portfolios into the compliance regime;
- Quarterly performance for 2025 and the 2026 re-appointment of CIBC Mellon and RBC IS;
- Updated policies for the External Manager Review (Prudent Investment and Legal List), and ONE JIB Renumeration
- A new internal procedure for adding or deleting funds from the Prudent Investment Management Agreement with PH&N

3. BACKGROUND

The ONE Investment Risk and Audit Committee is comprised of five representatives as follows:

- James (Jim) Giles (Chair) from ONE JIB
- Trevor Pinn (Vice Chair) from the ONE Investment Board
- Heidi Franken from ONE JIB
- Duane Ramkissoon, Manager, Investment Portfolio, Durham Region, and
- Anna Lisa Barbon, Deputy City Manager, Finance Supports, City of London

The Risk and Audit Committee's next meeting is scheduled for April 1, 2026.

4. ANALYSIS

With the expanded scope of the Committee to include risk, John Wilkinson from WeirFoulds LLP provided risk training

With the renaming of the Committee to include risk, the committee members requested additional training on enterprise risk. John Wilkinson from WeirFoulds provided a presentation that included the following topics:

- Board of Director – Duties
- Good Governance
- Purpose of Risk Management
- Risk and Audit Committee Function
- Committee interactions
- Emerging Risk, Review, Evaluation & Trends

The Committee reviewed and approved its 2026 workplan and the timing of quarterly meetings for 2026

The Committee meetings fall into a regular pattern of work/reports, which are timed around availability of Financial Statements. The annual workplan typically follows a similar pattern year over year, but additional items included in 2026 are:

- Review of compliance activities, given the approval of the Compliance Manual and Task List
- Ongoing oversight of the compliance regime for PH&N Institutional
- Review of the custodians in 2026 with review of the auditor scheduled for 2027

Staff provided a follow-up to an inquiry as to the scope of securities lending permitted in PH&N funds

As a follow up to a committee member inquiry from a prior meeting, CCO Foo provided an email from PH&N outlining the list of 17 PH&N funds which are engaged in security lending. The presentation included key requirements of PH&N's policy including at least \$10 million in capitalization and maintaining a minimum collateral of 102% of the value of the loaned securities.

After a performance review of CIBC Mellon and RBC IS, the Committee recommended re-engaging both custodians for 2026

Staff reviewed the performance of CIBC Mellon and RBC IS, including the Key Performance Indicators quarterly presentation. No performance shortfalls were noted but staff have added a comprehensive review of custodial services and fees to the 2026 staff workplan.

The Compliance Manual and Task List were updated for compliance activities related to addition of the Legal List program

Prior to the transition to the Outsourced Chief Investment Officer (OCIO) with PH&N, two ONE PI funds were mirrored with the ONE Legal List portfolios, which is no longer the case. The Compliance Manual and Task List was updated to incorporate the Legal List

portfolios. With the Task List approved, this document will form the basis for the review of ONE's compliance regime in early 2026.

The annual Committee self-evaluation was completed and shows a high level of support for committee activities

Not-for-profit best practice contemplates an annual evaluation of the Board and related Committees. The self-evaluation was done online with a 100% response rate. All scores are high with no score below 4.0.

ONE JIB remuneration was reviewed with an annual inflation provision

Benchmarking of ONE JIB compensation is conducted on an annual basis and staff recommended an increase in compensation based on the Annual Consumer Price Index.

Prudent Investment and Legal List External Manager Review policies were reviewed

The Prudent Investment and Legal List External Manager Review policies provide a framework that helps guide the regular review of the performance of the Portfolio Managers to ensure that performance meets the expectations of ONE Investment. Further, it provides a mechanism for identifying and resolving issues arising from reviews of the Portfolio Managers. The Prudent Investment External Manager Review Policy is before the ONE JIB for approval.

Additionally, ONE Investment has developed an internal procedure to facilitate timely changes to the approved mandates. Documenting this process will give staff clear guidance when changes are necessary.

CCO Foo summarized the key activities that have occurred during the past quarter

Quarterly activities included the transition of four municipalities from the outcomes framework to the PI model portfolios. Compliance oversight with PH&N and RBC Global Asset Management was refined and work on integrating data into ONE's Harmony system to facilitate internal and investor reporting continues.

A comprehensive enterprise risk assessment has been completed. It now includes four new risks; 1) Reduced AUM, 2) Impact of Strong Mayors Legislation, 3) ONE JIB Capacity and 4) Limitation of the Legal List Products & Lack of Diversification

Key themes driving most of the changes include potential impacts of the new Strong Mayors legislation, upcoming 2026 council elections and reduced AUM due to delays in development charge revenues as investments may be liquidated to fill the funding shortfall.

The *Strong Mayors, Building Homes Act 2022* is new legislation for most municipalities and removes the need for a majority of the Council to approve changes which may either be detrimental or beneficial for ONE, depending on the perspective of an individual Mayor.

ONE has been very successful at attracting municipalities and expanding the Prudent Investment Program, which challenges the capacity of the ONE JIB as well as ONE staff. This will be addressed through an additional ONE JIB meeting and additional staff in the 2026 Budget. Lastly, limitations within the existing Legal List legislation (of permitted investments) decrease diversification and increase the risk of poor outcomes.

Updates on the ONE Investment Board meeting were provided

This report provides a summary of developments from the recent meeting of the ONE Investment Board at their meeting held on October 1, 2025.

5. CONCLUSION

The Risk and Audit Committee assists the ONE Investment Board in its oversight responsibilities, including the approval of Financial Statements and regular review of compliance and enterprise risks.

Drafted by: Donna Herridge, Co-President/Co-CEO, ONE Investment

Approved by: Afshin Majidi (interim) and Donna Herridge, Co-Presidents/CEO