

On February 27, 2023, Knowledge First Foundation and Knowledge First Financial Inc. filed articles of amendment to effect the change of their names to Embark Student Foundation and Embark Student Corp., respectively. Accordingly, effective immediately, any reference to "Knowledge First Foundation" should now be considered referring to "Embark Student Foundation" and any reference to "Knowledge First Financial Inc." should now be considered referring to "Embark Student Corp."

If you require any further information about this change, please contact us by email at [contact@embark.ca](mailto:contact@embark.ca).

Yours truly,  
EMBARK STUDENT FOUNDATION & EMBARK STUDENT CORP.

## **Annual Report of the Independent Review Committee of the Knowledge First Foundation**

March 14<sup>th</sup>, 2023

Dear Plan holder,

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** ("NI 81-107" or the "Instrument"), Knowledge First Financial Inc. (the "Manager") established an Independent Review Committee (the "Committee" or "IRC") for the plans (the "Plans"). The IRC has functioned in accordance with the applicable securities laws and is composed of three individuals, each of whom is independent of the Plans, the Manager and each entity related to the Manager (as defined in the Instrument).

The IRC is pleased to publish its annual report to Plan holders, covering the period from January 1, 2022 to December 31, 2022 (the "Reporting Period").

### **Mandate of the IRC**

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest matters to which the Manager may be subject when managing the Plans. A conflict of interest matter is defined as a situation where a reasonable person would consider a manager to have an interest that may conflict with the Manager's ability to act in good faith and in the best interest of the Plans. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Plans, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC's prior approval, in most cases the IRC will provide a recommendation to the Manager as to whether, in the opinion of the IRC, the Manager's proposed action provides a fair and reasonable result for the Plans. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions ("SI") that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SI.

The IRC is empowered to represent the best interest of the plans in any matter where the Manager has referred a conflict of interest matter to it. Where a conflict is referred to the IRC, its responsibility is to determine whether the Manager's proposed course of action provides a fair and reasonable result for the Plans.

## Composition of the IRC

The current members of the IRC, and their principal occupations, are as follows:

<b>Name and municipality of residence</b>	<b>Principal Occupation</b>	<b>Term of Office</b>
Chair, Don Hathaway, Stratford, Ontario	Corporate Director and risk management advisor	Initial Appointment: June 1, 2017, for a period of three years.  Renewed for a period of three years with effect from June 1, 2020.
Ann Harris, Toronto, Ontario	Securities Compliance Professional, former regulator with IIROC & ex-Chief Compliance Officer	Initial Appointment: May 1, 2013.  Renewed for a period of two years with effect from May 1, 2021.
William McNeill, Toronto, Ontario	Legal and Compliance Professional. Previously employed in Legal and Compliance roles	Initial Appointment: May 1, 2013  Resigned September 30, 2022
Audrey Robinson, Toronto, Ontario	Investment professional, Board director	Initial Appointment: October 1, 2022 until April 30, 2025

William McNeil resigned effective September 30, 2022. As part of its succession process, the IRC reviewed several candidates. On October 1, 2022, the IRC met and appointed Audrey Robinson to the IRC effective October 1, 2022 until April 30, 2025.

## Compensation and Indemnification

### **Review of Compensation**

At least annually, the IRC reviews its compensation considering the following:

- the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- the number of meetings required by the IRC including special meetings to consider conflict issues brought to the Committee;
- industry best practices, including industry averages and surveys on IRC compensation; and,
- the complexity of the conflict issues brought to the IRC.

After a review of the above factors, the IRC determined that its compensation was satisfactory, and no changes were recommended.

## **Members' Fees**

In aggregate, the KFF IRC members and Independent Review Inc., the Secretariat, were paid \$92,700 during the Reporting Period, plus applicable taxes.

## **Indemnities Granted**

The Plans and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No indemnities were paid to the IRC Members by the Plans or the Manager during the Reporting Period.

## **Disclosure of IRC Member Holdings**

As of December 31, 2022, the:

- IRC Members did not beneficially own, directly or indirectly any interests in the Manager;
- IRC Members' interests in a company or person that provides services to the Manager or any Plan, if any, were insignificant; and,
- IRC Members were not subscribers of any of the Plans.

## **Recommendations and Approvals**

**On January 20, 2022**, the Manager informed the IRC that as of December 31, 2021, the income pool for the Heritage Plans that have matured in the years of eligibility 2016 to 2019, were significantly overdrawn. ("**Overdrawn Cohorts**") Management reviewed with the IRC potential available pools and actions it considered appropriate to remediate the overdrafts. These actions would still leave a shortfall of up to \$500,000 which the Manager proposed it would pay.

The Manager also informed the IRC that as of January 13, 2022, in its review of the Heritage Administration system for the Heritage Plans it uncovered 7,234 plans still eligible to receive an EAP grant for years of eligibility 2016 to 2019. ("**Determination of Eligible Units**") These plans contain 82,586 Eligible Units that are expecting to receive a transfer upon the merger which could require significant capital to remediate. The Manager identified potential available pools and actions needed to pay the appropriate EAP payouts and set these out for the IRC. These actions would still leave a shortfall of up to \$3,000,000 which would be made up by the Manager.

The IRC determined that after reviewing the Manager's written materials and after making reasonable enquiry as set out above, in its opinion, the Manager's proposed course of action to i) address the shortfall in the overdrawn pools; and ii) correct the number of eligible units for each cohort for the purposes of calculating the EAP provides a fair and reasonable result for the Heritage Group Plan.

**On April 1, 2022**, The Manager informed the IRC that the exposure with respect to the '**Overdrawn Cohorts**' has now been estimated to be several times higher than what was estimated on January 20, 2022.

The exposure with respect to the '**Determination of Eligible Units**' is now considered to be considerably higher than estimated on January 29, 2022. The revised exposure was uncovered after more detailed due diligence. The Manager outlined its three-year pro-active communication plan to advise customers of the availability of these funds. After reasonable enquiry and based on the information provided to the IRC by the Manager (both verbally and in writing) prior to and during the meeting, and the information set out herein generally, the IRC reaffirmed its opinion as set out in the minutes of January 20, 2022.

**On May 10, 2022**, the Manager proposed to increase the management fee from 0.79% to 0.99%. The Manager reminded the IRC that on April 1, 2019, as part of preparations for a subscriber vote, the IRC approved management's proposal to combine the administration fee and custodial and portfolio management fees for the Family Single Student Plan ("FSSP") with an all-in management fee up to one percent (1%) per year. The approval was conditional that before implementation it, the Manager would return to the IRC for final approval of the actual fee to be implemented. The proposed fee increase was ultimately approved by FSSP subscribers in a vote held in May 2019. On January 1, 2020, the Manager implemented the all-in management fee at 0.79%. The IRC raised a number of questions, and the Manager undertook to provide further details. On June 24, 2022, the IRC re-convened to review the additional information and after reasonable enquiry, and based on the information provided to the IRC by the Manager (both verbally and in writing) prior to and during the meeting, and the information set out herein generally the IRC determined that the Manager's course of action to increase its fees from 79 bps to 99 bps provided a fair and reasonable result for the FSSP.

### **Standing Instructions Approved**

The IRC has two (2) Standing Instructions ("SIs") which constitute a written approval or recommendation from the IRC that permits the Manager to proceed with the specific action(s) set out in the SIs on an ongoing basis. It can do so without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SIs. The SIs requires the Manager to comply with the SIs' related policies and procedures and to report periodically to the IRC. The SIs applies only to the KFF Plans. The Heritage Plans are not subject to the SIs.

The Manager relied on the SIs during the Reporting Period. The Manager has confirmed to the IRC that for the Reporting Period it had complied with the requirements of the SIs.

#### **Standing Instruction No. 1: Omnibus**

This SI deals with several conflicts of interest matters including:

1. Charging (or increasing the charge to) a Plan for the costs of services provided or arranged for by the Manager, in addition to charging the Plan a management fee.
2. Allocating shared expenses among different KFF Plans within the same group of KFF Plans.
3. Allocation of investments among KFF Plans in a group of KFF Plans and among KFF Plans.
4. Correcting portfolio pricing errors.
5. Correcting other material subscriber account errors.
6. Soft Dollar arrangements and Best Execution.
7. Marketing a Plan through distributors, whether related to the Manager or not, where the Manager provides incentives to the distributors to sell the Plan.
8. Favoring certain investors to obtain or maintain their investment in a Plan.
9. Voting proxies or taking other corporate action on securities held by a Plan.
10. Changing Portfolio Advisors.
11. The terms, fees and service levels of outsourced services where the Manager stands to benefit financially from any proposed changes to the detriment of a Plan.
12. Personal Trading by the Manager's staff and accepting gifts.
13. Allocation of income, surpluses and scholarships.
14. Handling complaints.
15. A KFF Plan purchases debt securities issued by a company related to a Portfolio Advisor.
16. A KFF Plan invests in an issuer of which a director, officer or shareholder of a Portfolio Advisor or of a related company is a director or officer, or in which any of such people has a material interest.
17. A KFF Plan purchases or sells securities to or from a company related to the Portfolio Advisor.

18. Services are provided to a KFF Plan by parties who are related to the Manager.

**Standing Instruction No. 2: Inter-fund Trades**

The Manager did not rely on the SI during the Reporting Period. The Manager has confirmed to the IRC that for the Reporting Period it had complied with the requirements of the SI.

**The Foundation Plans Served by the IRC During the Reporting Period**

- Family Single Student Education Savings Plan
- Flex First Plan
- Heritage Plans (merged with Family Single Student Plan in June 2022)

This report is available on the Manager's website at <http://www.knowledgefirstfinancial.ca> or you may request a copy, at no cost to you, by contacting the Plans at (905) 270-8777 or 1 800 363 7377 or by emailing the Plans at [contact@kff.ca](mailto:contact@kff.ca). This document and other information about the Plans are available on [www.sedar.com](http://www.sedar.com) under the "Public Company" tab of the "Issuer Profiles" section, and then by selecting the name of each individual Plan.

Yours truly,

*"Don Hathaway"*

Don Hathaway, Chair

**Ann Harris serves as a member of the Independent Review Committees for the following funds:**

Investment Funds that are reporting issuers managed by Caldwell Investment Management Limited

**Audrey Robinson serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers, managed by Educators Financial Group Inc.; and,  
Investment funds that are reporting issuers, managed by Russell Investments Canada Limited.  
Investment funds that are reporting issuers, managed by Knowledge First Foundation  
*(Appointed effective October 1, 2022)*  
Investment funds that are reporting issuers, managed by Ninepoint Partners LP.  
*(Appointed effective January 1, 2023)*