



Council of Canadian Academies
Conseil des académies canadiennes

*Science Advice in the Public Interest
Le savoir au service du public*

**ANNUAL REPORT
for the Fiscal Year
2006-07**

31 JULY, 2007

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MESSAGE FROM THE PRESIDENT

The fiscal year 2006-07 marked the first year of regular operations of the Council of Canadian Academies. It was a building year, and a learning year. But it was also a successful year in which the Council completed its first assessment – *The State of Science & Technology in Canada* – and became engaged in five new assessments dealing with the subjects of groundwater, gas hydrates, nanotechnology, influenza and protective equipment, and private sector innovation.

The Council staff devoted considerable time and energy during the year to outreach activity with our member academies and with stakeholders in universities, government and businesses throughout Canada. This was complemented by considerable contact with counterpart organizations in the U.S. and Europe – specifically the National Research Council and Institute of Medicine in Washington; the Royal Society in London and academies in France, Germany and Sweden, as well as the InterAcademy Council. The aim of our international outreach is to learn from the assessment experience of others – and particularly from the U.S. and U.K. – and to build personal relationships with those academies abroad that undertake assessments of science as it relates to important public issues.

During this first year, the Council also built the nucleus of a strong staff which, by mid-July, 2007 will number eleven. On behalf of the staff, it is a pleasure to acknowledge with thanks the excellent support and wise guidance of the Council's Board and Scientific Advisory Committee.

As described in the pages that follow, the Council is now well-launched and fully engaged in its primary mandate to provide independent, expert assessments of the science underlying important matters of public interest.



Peter J Nicholson
President & CEO
Council of Canadian Academies

OVERVIEW OF THE COUNCIL OF CANADIAN ACADEMIES

Mandate

The primary mandate of the Council of Canadian Academies is to be a source of independent, expert assessment of the science underlying pressing issues and matters of public interest.

The Council employs the broad spectrum of knowledge in its work – encompassing the natural, social and health sciences, engineering, and the humanities.

The Council provides for Canada an independent and authoritative, and therefore credible, way to build public confidence that policy and regulatory decisions are being based on broadly-accepted scientific knowledge and evidence. The Council will also provide a focal point for dealing with academies and related bodies from around the world regarding scientific assessments and related matters.

The Council of Canadian Academies is a not-for-profit organisation registered under the Canada Corporations Act.

Mission

The primary mission of the Council is to manage the conduct of assessments. The Council does this by establishing panels of independent experts who will assess what is known and what is not known about the science that is relevant to key public policy issues. Membership on the panels comes primarily from the academic sector and includes both Canadian and international experts.

Assessments are currently being undertaken in response to requests from the Government of Canada, but eventually may also be undertaken on behalf of provincial governments, foundations, NGOs and the commercial sector. Once a proposal for a study is conveyed to the Council, it is reviewed by a Scientific Advisory Committee appointed by the Council, and then referred to the Council's Board of Governors for final approval.

The Council pays the costs of carrying out an assessment, but panel members serve *pro bono* – i.e. without fee. Expert panel assessments undergo formal peer review to assure quality and objectivity. The sponsor of an assessment – whether the federal government or otherwise – does not participate in the conduct of an assessment and does not review reports before their release, thus ensuring the complete independence of the process. Final reports are posted on the Council's website, www.scienceadvice.ca, to ensure wide dissemination to the public.

History

In the late 1990s, the Royal Society of Canada, the Canadian Academy of Engineering and the Canadian Institute of Academic Medicine* jointly initiated efforts to create a new national organization with a mandate and mission as outlined above.

The *Canadian Academies of Science* was incorporated in April 2002. But without initial funding, the project lay dormant until a founding grant of \$30 million was provided by the Government of Canada in the February 2005 budget. The grant is to sustain the basic operation of the Council for 10 years, through 2015.

In March 2006, the Board of Governors agreed to change the name of the organization from the Canadian Academies of Science to the *Council of Canadian Academies*, to better reflect the organization's role to oversee science-based assessments, rather than the traditional academy function of honouring exceptional achievement in various fields.

Governance and Structure

The Council is governed by a 12-member board. The founding member academies – RSC: The Academies of Arts, Humanities and Sciences of Canada; Canadian Academy of Engineering (CAE); and Canadian Academy of Health Sciences (CAHS) – each appoint two governors. These six appoint two additional governors from the general public. The federal Minister of Industry proposes four governors which, in the normal course, would then be appointed to the board by the eight academy-related governors. Brief biographies of board members will be found at Annex I.

A Scientific Advisory Committee – currently numbering 16 eminent members and representing a broad range of disciplines and knowledge of the role of science and technology in the public sphere – provides advice to the Council board and staff on all matters related to the assessment process. A list of Scientific Advisory Committee members and the Committee's terms of reference will be found at Annex II.

The Council is managed by a full-time president and small staff. Information about current staff will be found at Annex III.

* The CIAM was eventually disbanded and the Canadian Academy of Health Sciences was created in its place, though with a somewhat different mandate.

Assessments

In recognition of the \$30 million founding grant from the Government of Canada, the Council has undertaken to make best efforts to perform five assessments per year on topics proposed by the government. Conditions on the use of the funds provided by the government are set out in a formal funding agreement between the Council and the Government of Canada as represented by the Minister of Industry.

The topics for government-requested assessments are selected by a cross-government procedure and submitted to the Council for consideration by the Scientific Advisory Committee with final approval resting with the Board of Governors.

Proposals are: (a) selected by the government, and (b) agreed to be undertaken by the Council, based on the following considerations:

- importance of the assessment topic to the Canadian public policy agenda;
- degree to which science considerations are central to answering the assessment question;
- extent to which the existing state of knowledge allows for, or is appropriate for, assessment;
- likelihood that the necessary expertise will be available and that the requested timetable can be met;
- extent and nature of the unique value that the Council would bring to the assessment.

The content of an assessment report is the responsibility of the expert panel. The panel is the “author.” All reports are peer reviewed before they are finalized and the Council ensures that peer reviews are fully considered by the expert panel. The role of Council staff is to support the panel with research and writing (as required) and overall logistics in respect of all aspects of an assessment. The Scientific Advisory Committee advises the Council’s Board and staff on the appropriateness of proposed assessment topics; on chair and panel selection; peer review and other questions associated with assessments. The Board oversees the integrity of the entire assessment process – e.g. approving the final question; the chair and panel; the budget and timeframe; the peer reviewers; and authorizing release of the assessment report.

The Council may undertake assessments requested by bodies other than the Government of Canada – e.g. provincial governments, non-governmental or quasi-governmental organizations and foundations. The cost of studies, beyond those proposed by the Government of Canada, must be paid for by the requesting bodies. Until the Council gains further experience in the conduct of assessments, the primary client will be the federal government with assessments selected and funded under procedures established pursuant to the government’s \$30 million founding grant. Some projects may nevertheless be undertaken by the Council and funded separately, perhaps as early as the 2007-08 fiscal year.

THE YEAR IN REVIEW: 2006-07

The fiscal year of the Council of Canadian Academies is April 1 through March 31. The principal accomplishments of the 2006-07 year were:

- Completion and release of the Council's first assessment;
- Initiation of five new assessments;
- Expansion of the public profile of the Council;
- Building relationships with member academies and international counterparts;
- Release of Council's first newsletter and development of website; and
- Preparation of a 10-year corporate plan

The State of Science & Technology in Canada

In September 2006, the Council released its first assessment – *The State of Science & Technology in Canada*. The report responds to a request in June 2006 from the Government of Canada, via the Minister of Industry, for advice as to Canada's strengths and capacity in science and technology (S&T), so as to better understand:

- The scientific disciplines in which Canada excels in a global context
- The technology applications where Canada excels in a global context
- The S&T infrastructure that currently provides Canada with unique advantages
- The scientific disciplines and technological applications that have the potential to emerge as areas of prominent strength for Canada and generate significant economic or social benefits.

The assessment found that, overall, Canada is strong in research; generally well-equipped technologically; but lagging in translation of research strength to innovation strength. More specifically, the report identified four clusters of particular Canadian strength – the natural resource sectors; information and communications technologies; health and related life sciences; and environmental S&T. Clean energy technology was identified as a field of great opportunity for Canada but the assessment concluded that Canadian competence in most areas of clean energy technology – with the notable exception of fuel cells – is not currently an area of strength by international standards. The report can be found on the website www.scienceadvice.ca.

The assessment of Canada's strengths in S&T employed a range of methods, or "lenses", including a survey of literature; external perspectives gathered with the help of Canadian government missions abroad; bibliometric analysis of the quality of Canadian research publications relative to international standards; and an extensive web-based survey of expert opinion on Canada's S&T performance.

The survey – which elicited over 1,500 responses – provided a unique opportunity to engage the S&T community throughout Canada, including Fellows of member academies, university researchers and the S&T communities in government and industry. After the report's release in September, 2006, the Council President presented the findings to more than 30 groups including day-long visits to the University of Waterloo,

University of Western Ontario and Queen's University (see Annex IV for a complete list of external presentations by Council staff.)

While offering no explicit policy recommendations, the report nevertheless has helped to set the context for the consideration of S&T policy. The federal government's new S&T strategy was released on 17 May, 2007 in a document entitled, *Mobilizing Science and Technology to Canada's Advantage*. In it, the government asked the Council "to undertake periodic assessments of Canada's S&T strengths, weaknesses and opportunities" (p 64).

Initiation of New Assessments

By 31 March, 2007, the Council had launched – or was well-advanced in the preparation of – five new assessments dealing with groundwater; gas hydrates; nanotechnology; influenza; and private sector innovation. Brief descriptions follow.

Groundwater: In September 2006, the Council was asked – "From a science perspective, what is needed to achieve sustainable management of Canada's groundwater resources?" The sponsor (i.e. client) for this assessment is the Minister of Natural Resources.

The Council has identified an expert panel that will produce a report describing the state of knowledge and main knowledge gaps relating to management of Canada's groundwater. (The members of this, and other, expert panels are listed on the Council's website.) The assessment is intended to support scientifically-informed policy making and regulation at the federal, provincial and local levels, and to better inform Canadians of the value and possible vulnerabilities of the nation's groundwater resources.

The report of the assessment is expected to be released in May 2008.

Gas Hydrates as an Energy Resource: In September 2006, the Council was asked – "What are the challenges for an acceptable operational extraction of gas hydrates in Canada?" The sponsor for this assessment is the Minister of Natural Resources.

A gas hydrate is a geological formation in which a gas – typically methane – is embedded at high density within a "cage" of water molecules under conditions of low temperature (e.g. in permafrost) and/or high pressure (typically under coastal seabeds). Gas hydrates are believed to contain potentially enormous amounts of fossil energy worldwide but important scientific, engineering, economic and environmental uncertainties need to be better understood before the commercial potential of this novel resource can be fully evaluated.

The Council has appointed an expert panel whose task is to assess the science and technology needed to extract gas hydrates in Canada in a way that is environmentally acceptable and commercially viable.

The report of this assessment is expected to be released in June 2008.

Nanotechnology: In February 2007 the Council was asked – “What is known about the risks that nanomaterials may pose to human health and the environment?” The sponsor for this assessment is the federal Minister of Health.

Once the expert panel is selected, it will assess the novel risks to health and the environment potentially arising from nanotechnologies. The assessment will inform policy making, particularly in respect of regulation. This is a subject of intense activity internationally and there is a need for greater Canadian engagement in the field.

The assessment report is expected to be released in April 2008.

Influenza: Although the formal request to begin an assessment of the modes of influenza transmission and infection prevention was not received by the Council until May 28, 2007 substantial preparatory work had been done on this topic prior to the end of fiscal year 2006-07.

The Council has been asked a series of questions – “How and where are seasonal influenza and pandemic influenza transmitted?” and, “Based on the conclusions of this review, what is your assessment of the contribution that N95 respirators or surgical masks will make to the prevention of transmission of seasonal and pandemic influenza?” The sponsor of the assessment is the Minister of Health, and more specifically the Public Health Agency of Canada.

The assessment will provide scientific information germane to the impending update of Canada’s pandemic influenza plan. The report of the expert panel is expected to be released in November 2007.

Private Sector Innovation: As with the influenza assessment, a formal request from the Minister of Industry was received after the end of fiscal year 2006-07. The assessment was requested officially as part of the government’s S&T strategy – *Mobilizing Science and Technology to Canada’s Advantage* – released on 17 May 2007 (pages 28 and 87).

The Council has been asked a series of questions – “How should the innovation performance of Canadian firms be assessed? How innovative are Canadian firms, and what do we know about their innovation performance at a national, regional and sector level? Why is business demand for innovation inputs (for example, research and development, machinery and equipment, and skilled workers) weaker in Canada than in many other OECD countries? What are the contributing factors, and what is the relative importance of these contributing factors?”

The Council staff had begun preliminary work on this general topic prior to fiscal year-end 2006-07 and the assessment is expected to be released early in 2008.

Outreach

The Council of Canadian Academies has been active in creating a more prominent profile with stakeholders by participating in workshops, conferences, and meetings on topics relevant to the Council's activities. Council staff have made presentations to a very wide variety of organizations – domestic and international, governmental and non-governmental – on science and policy issues and particularly on the work of the Council.

Presenting the results of the first assessment: Outreach activities related to *The State of Science & Technology in Canada* have significantly increased the Council's profile in academic and federal government circles. A list of presentations on the key findings of the Council's first assessment as well as other outreach activities in 2006-07 can be found at Annex IV.

Building relationships with international counterparts: The Council is committed to active, on-going relationships with counterpart organizations in other countries with a view to learning about other academies' assessment processes and to exploring opportunities for collaboration in that regard. (The Council does not purport to represent individual member academies in respect of the academies' international activities.) While the Council's principal focus is on domestically-initiated assessments, it has begun to pursue the international component of its mandate through development of relationships with counterparts in the United States – the National Research Council of the U.S. National Academies – the Royal Society in the U.K., and other European academies.

In mid-February 2007, the Council's President and Executive Vice-President visited a number of European academies and organisations to expand and deepen a network of international contacts. Peter Nicholson and Marc Saner met with senior officials of the French Académie des Sciences, the Royal Society, the Union of German Academies and the Berlin-Brandenburg Academy of Sciences, the German Academy of Technical Sciences, and the Royal Swedish Academy of Sciences. The meetings afforded a rich variety of perspectives on the assessment processes of other academies and on ways in which different national academies are integrated into the science agendas of their respective nations, as well as their role on the international stage. A common thread of discussion throughout the meetings was the issue of post-assessment activities – i.e. what happens with an assessment once the report is completed.

Drs. Nicholson and Saner also met with the Executive Director of the International Council for Science (ICSU) and the InterAcademy Council (IAC) to learn about cross-academy expert assessments on issues of global importance. Meetings were also held with senior staff at UNESCO in Paris and the OECD (including Secretary General Angel Gurría), to discuss the Council's current assessment topics and possible avenues of co-operation.

The Council has been particularly active in developing a working relationship with the U.S. National Academies and particularly with the operating arm, the National Research Council, whose procedures are the principal model for those of the Council.

Academy Affairs: The Council of Canadian Academies is governed by a board, a majority of whose members – eight of twelve – are selected either directly or indirectly by the three member academies. The Council is a *staff* body created to support assessments by panels of experts that include, among others, Fellows of various academies. The relationship between the member academies and the Council is designed to be mutually supportive – with the Council functioning as an “operating arm” able to harness the expertise and prestige of the academies to provide a public service in the form of expert panel assessments. A majority of the Council’s Scientific Advisory Committee are Fellows of member academies and preference is given, in the selection of panel chairs, to academy Fellows. The Council and member academies are currently seeking other ways to forge even closer institutional ties. To this end, there are regular weekly consultations between the senior staff of the Council and member academies. (These regularly include the Executive Directors of the RSC and CAE. The CAHS does not yet have permanent staff.)

Additionally, on September 27, 2006, the Council’s President addressed the annual meeting of the Canadian Academy of Health Sciences. In his remarks, Dr. Nicholson emphasized the points of contact between the CAHS and the Council and, in particular, the ways in which the two can cooperate to make the whole greater than the sum of the parts. The Council staff met with the President and senior officers of the RSC on March 5, 2007 to discuss the activities of the respective organizations and to explore ways to maximize co-operation. A meeting of a similar nature is being discussed with the CAE.

Further to this end, the Presidents of the member academies have agreed to nominate a small task force – one representative from each academy – to explore ways of achieving the opportunities flowing from creation of the Council. The task force will be chaired by board member, Elizabeth Parr-Johnston, and is expected to complete its work by fall, 2007.

Website and Newsletter: The Council’s website (www.scienceadvice.ca) is maintained and updated on a regular basis. In addition to basic information about the Council, the site includes final assessment reports and the current status of all assessments, as well as newsletters, annual reports and occasional papers by Council staff. Regular updates on the website’s “What’s New” page provide current information about Council activities.

The Council released its inaugural newsletter on March 6, 2007. The aim of the newsletter – which is to appear quarterly – is to provide member academies, stakeholders, and the public with a concise and lively way to stay informed about the Council’s activities. The newsletter is posted on the website, and a limited number of hard copies are printed for targeted distribution.

10-Year Financial Plan

Based on the experience of this first year of operation, the Council has prepared a financial model to facilitate planning, through 2015, of those activities that are to be funded from the government's \$30 million founding grant (the "Fund"). Additional financial means will be built into the Council's financial plans as funds become available from other assessment work. The model traces projected annual expenditures – allocated between overhead and assessments – and the declining balance of the Fund over 10 years. A "base case" scenario was developed with the following features:

- 50 assessments are completed by 2015 – consistent with the stipulation in the Funding Agreement (between the Council and the federal government) that the Council make best efforts to complete five assessments per year in response to requests from the government.
- The proportion of expenditure directly associated with the conduct of assessments is 65%, slightly greater than the 64% minimum proportion stipulated in the Funding Agreement. (At most 36% is permitted to be spent on Council "overhead" in the period through 2015.)
- The balance in the Fund at the end of 10 years is zero, consistent with the expectations in the Funding Agreement.

Some further statistics associated with the base case scenario are tabulated below.

Base Case Financial Scenario: 2006-15	
(Activities funded by \$30M grant and interest)	
▪ Total assessments completed	50
▪ Total Expenditure (includes interest on Fund)	\$37.7M
▪ Average direct cost per assessment	\$450K
▪ Staff complement	
2008	15
2015	21
▪ Economic assumptions	
Interest Rate (Ave)	4.2%
Inflation (Ave)	2.5%

It is emphasized that the financial model and base case scenario are estimates based on very limited experience. The model, and scenarios, will be refined continuously as the Council's experience accumulates.

It is also emphasized that the foregoing financial model and base case deal only with the \$30 million founding grant. The model does not incorporate funds from any other source. The Council intends to undertake assessments, and other activities, beyond those funded by the federal grant. These activities will be included in future versions of the financial planning model once realistic assumptions can be made regarding the new activity.

Human Resources

The Council staff at 31 March 2007 numbered eight, an increase of six from a year earlier when the only regular employees of the Council were the President and Executive Vice-President. (Certain other staff were on contract at that time.) Subsequent to fiscal year-end 2006-07, the Council has added three staff – Lisa Price who joined on April 16; Dr. Dan Munro, who joined on June 4; and Dr. David Cashaback who will join on a full-time basis in mid-July, 2007 (see Annex III).

The funding agreement between the Council and the federal government states that the Annual Report shall include: “. . . The total remuneration paid to each senior officer and director in that year . . . including any fee, allowance or other benefit” (Article 5.2(i)). All directors of the Council serve without compensation of any kind. (Out-of-pocket expenses incurred on Council business are of course reimbursed.) The Board is currently considering the appropriate scope of the disclosure for “senior officers” of the Council’s permanent staff.

Governance

On April 2, 2007, **Geoff Flynn** resigned from the Board of Governors. The Council thanks Dr. Flynn for his service and particularly for the benefit of his extensive experience in the management of several expert panel assessments on behalf of the Royal Society of Canada. Professor Flynn was a board nominee of the RSC and will be replaced by **Heather Munroe-Blum** who accepted to join the board on May 4, 2007. Dr. Munroe-Blum is the 16th Principal of McGill University, a member of McGill’s Faculty of Medicine and a Professor in the Department of Epidemiology and Biostatistics. She is an Officer of the Order of Canada and a Specially Elected Fellow in the Academy of Science of the RSC. The Council welcomes Dr. Munroe-Blum and looks forward to working with her and benefiting from her exceptional expertise.

The Council’s Scientific Advisory Committee (SAC) was reduced by two members – from 18 to 16 – in 2006-07 as Dr. Camille Limoges and Dr. Patrick Vinay asked to step down. The Council is pleased that **Dr. Michel G. Bergeron** has accepted an appointment to Committee. Dr. Bergeron is Professor and Director of the Division of Microbiology as well as Founder and Director of the Centre de recherche en infectiologie at the Université Laval in Québec City. Dr. Bergeron is a Fellow of the Canadian Academy of Health Sciences. (A list of current members of SAC will be found at Annex II.)

The Council’s \$30 million founding grant is overseen, on behalf of the board, by the Investment Committee of the board. In 2006-07, the committee appointed Towers-Perrin Inc. (Montréal office) as investment consultant to advise on the development of a Statement of Investment Policy as well as on the selection of both an investment manager and a custodian of the Council’s financial assets. The Statement of Investment Policy was formally approved by the Board of Governors on 14 June, 2007 and is appended as Annex V. After analysing and interviewing several candidate firms, the Council has selected Phillips, Hager & North as its investment manager and Desjardins Trust as custodians.

Report on Objectives for 2006-07

The Annual Report for 2005-06 identified three priority objectives for 2006-07. These objectives, together with comments on the extent to which they were achieved, are as follows.

Priority #1: Establishing the basic infrastructure for the Council of Canadian Academies

This objective has been met – e.g. the Council has established permanent quarters at Suite 1401, 180 Elgin Street, Ottawa; acquired all the necessary office infrastructure; built staff as outlined in Annex III; established systems for financial record-keeping and control; appointed a Scientific Advisory Committee; and adopted a suite of policies and procedures to manage the organization as well as its assessments.

Priority #2: Initiating expert assessment

Last year's Annual Report anticipated the following activities to fulfill this objective. "During the early part of FY 2006-07, the Council anticipates launching the first expert assessment. Up to four assessments might be underway before March 2007, depending on when the first topic is received." The first assessment was completed by 1 September, 2006 as promised. Four new assessments – dealing with groundwater, gas hydrates, nanotechnology and influenza – were in their launch phase by March, 2007. A fifth, on private sector innovation, was under discussion with the government at fiscal year-end.

Priority #3: Connecting to partners and clients

Last year's Annual Report anticipated the following activities to fulfill this objective. "The Council will develop ways for the voice of Canadians to be heard both nationally and internationally by those constituencies that have science as a primary interest . . . the Council will develop the means to effectively communicate the results of scientific assessments to government and to the public . . . During its first full year of operations, the Council will develop plans to provide for communications and outreach so that the findings of assessments and reports become part of an enlightened public debate." The report of the Council's first assessment was widely disseminated – e.g. to all Members of Parliament and Senators; and posted on the Council's website – and was the topic of a great many presentations by Council staff to stakeholder audiences (Annex IV).

In addition, the staff initiated, or responded to, a number of outreach opportunities with member academies and international groups, as outlined earlier. The Council staff has focussed its resources and attention on the *assessment* mandate and has not sought to represent the Council as the "voice" of Canadian science either nationally or internationally.

THE YEAR AHEAD: PRIORITIES FOR 2007-08

Looking ahead, the Council's primary objective in 2007-08 is to successfully advance the five assessments currently underway – i.e. those dealing with groundwater, gas hydrates, nanotechnology, influenza, and private sector innovation. It is expected that at least two of these assessments will have been completed by 31 March, 2008, and the other three will be well advanced.

A second key objective is to agree, in co-operation with the federal government, on the next round of assessment topics. A new procedure for topic generation has been adopted by the government which will provide for: (a) an early review by the Council's Scientific Advisory Committee of potential subjects proposed by federal departments and agencies. (Based on feedback from SAC, the most promising proposals would be refined and more fully developed); and (b) an option for the government to propose particularly time-sensitive and important subjects for relatively quick response by the Council. These "reference assessments" would be subject to an expedited approval process in the government. This option will be available, initially on a trial basis, and is expected to be limited to not more than two reference assessments per year. (The current "influenza" assessment is a prototype.)

A third objective, related to the second, is to begin to broaden the range of assessment topics: (a) via a more proactive posture on the part of the Council; and (b) by considering proposals that are outside the scope of the \$30 million founding grant. More specifically, the Council will seek to engage the Scientific Advisory Committee, member academies, and possibly others, in proposing promising topics for potential assessment. Some of these might attract "sponsorship" by federal departments and agencies and thus become candidates for funding from the founding grant, or possibly with new funds. Meanwhile, as the Council becomes better known, it is likely that proposals will begin to originate from outside the federal government. These must of course be funded outside the founding grant and this will require the Council to develop a reliable project budgeting capability, a capability that will improve with experience.

International cooperation on assessments, for example with the U.S. National Research Council is another direction to broaden the range of Council assessments. One project is currently under discussion at the request of the NRC.

The fourth key objective for 2007-08 is to continue to strengthen collaboration among the Council and member academies. This is already very effective at the staff level in Ottawa where both the RSC and CAE have a staff presence. It is anticipated that the academy presidents' task force (noted earlier) will propose practical ways to broaden and deepen the institutional relationship.

FINANCIAL STATEMENTS: FISCAL YEAR ENDED 31 MARCH, 2007

The Council retained the firm of Parker Prins Seel to audit the financial results for the fiscal year 2006-07. Their report, including the Council's financial statements for 2006-07, follows.

**COUNCIL OF CANADIAN ACADEMIES
CONSEIL DES ACADÉMIES CANADIENNES**

**FINANCIAL STATEMENTS
ÉTATS FINANCIERS**

**MARCH 31, 2007
LE 31 MARS 2007**

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AUDITORS' REPORT

To the Board of Governors,
COUNCIL OF CANADIAN ACADEMIES

We have audited the Statement Of Financial Position of the COUNCIL OF CANADIAN ACADEMIES as at March 31, 2007 and the Statements of Operations and Cash Flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the COUNCIL OF CANADIAN ACADEMIES as of March 31, 2007 and the results of its operations and changes in financial position for the year then ended in accordance with generally accepted accounting principles.



Parker Prins Seel Chartered Accountants Professional Corporation
Authorized to practice public accounting by The Institute of Chartered Accountants of Ontario

Ottawa, Canada
May 2, 2007

RAPPORT DES VÉRIFICATEURS

Au conseil d'administration,
CONSEIL DES ACADÉMIES CANADIENNES

Nous avons vérifié l'état de la situation financière du CONSEIL DES ACADÉMIES CANADIENNES au 31 mars 2007 ainsi que les états de l'exploitation et des flux de trésorerie pour l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de l'organisme. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des éléments probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière du CONSEIL DES ACADÉMIES CANADIENNES au 31 mars 2007, ainsi que les résultats de son exploitation et de l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus.



Parker Prins Seel Comptables agréés Société professionnelle
Autorisée à exercer l'expertise comptable par l'Institut des comptables agréés de l'Ontario

Ottawa (Canada)
le 2 mai 2007

**COUNCIL OF CANADIAN ACADEMIES
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2007**

**CONSEIL DES ACADEMIES CANADIENNES
ÉTAT DE LA SITUATION FINANCIÈRE
AU 31 MARS 2007**

	2007	2006	
ASSETS			ACTIF
CURRENT			À COURT TERME
Cash	\$ 29,467,143	\$ 29,982,009	Encaisse
Accounts receivable	61,858	37,695	Comptes débiteurs
Prepaid expenses	<u>33,625</u>	<u>49,527</u>	Frais payés d'avance
	29,562,626	30,069,231	
Capital (note 3)	<u>199,496</u>	<u>206,352</u>	Immobilisations (note 3)
	<u><u>\$ 29,762,122</u></u>	<u><u>\$ 30,275,583</u></u>	
LIABILITIES			PASSIF
CURRENT			À COURT TERME
Accounts payable	14,828	121,912	Comptes créditeurs
DEFERRED CONTRIBUTIONS (note 4)	29,747,294	30,153,671	CONTRIBUTIONS REPORTÉES (note 4)
NET ASSETS (note 6)	<u>-</u>	<u>-</u>	ACTIFS NETS (note 6)
	<u><u>\$ 29,762,122</u></u>	<u><u>\$ 30,275,583</u></u>	

On behalf of the board:

Director

Au nom du conseil:

Directeur

**COUNCIL OF CANADIAN ACADEMIES
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2007**

**CONSEIL DES ACADÉMIES CANADIENNES
ÉTAT DE L'EXPLOITATION
POUR L'EXERCICE TERMINÉ LE 31 MARS 2007**

	2007	2006	
REVENUE			REVENUS
Interest income	\$ 1,200,717	\$ 614,634	Revenus d'intérêts
Less: interest income deferred	-	(153,671)	Moins : les intérêts créditeurs différés
Add: grant revenue	<u>406,376</u>	<u>-</u>	Ajouter : subvention
	<u>1,607,093</u>	<u>460,963</u>	
 EXPENDITURE			 DÉPENSES
Advertising and promotion	20,349	-	Frais de publicité et promotionnels
Amortization	72,773	2,274	Amortissement
Board meetings	32,510	13,818	Réunions de conseil d'administration
Communications	18,197	7,948	Communications
Computer	35,422	-	Ordinateurs
Consulting fees	286,465	39,819	Honoraires de consultation
Hospitality charges	9,003	663	Frais d'accueil
Insurance	12,662	4,326	Assurance
Office operating costs	178,638	5,760	Frais d'exploitation de bureau
Professional fees	24,282	16,016	Honoraires professionnels
Recruitment costs	5,610	139,255	Frais de recrutement
Rent	260,279	21,396	Charges locatives
Salaries and benefits	583,083	202,779	Salaires et avantages
Telecommunications	17,297	1,949	Télécommunications
Travel	<u>50,523</u>	<u>4,960</u>	Déplacement
	<u>1,607,093</u>	<u>460,963</u>	
 EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	 <u>\$ -</u>	 <u>\$ -</u>	 EXCÉDENT DES REVENUS SUR LES DÉPENSES POUR L'EXERCICE

**COUNCIL OF CANADIAN ACADEMIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007**

**CONSEIL DES ACADÉMIES CANADIENNES
ÉTAT DES FLUX DE TRÉSORERIE
POUR L'EXERCICE TERMINÉ LE 31 MARS 2007**

	2007	2006	
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES			FLUX DE TRÉSORERIE LIÉS AUX ACTIVITÉS D'EXPLOITATION
Excess of revenue over expenditure for the year	\$ -	\$ -	Excédent des revenus sur les dépenses pour l'exercice
Items not requiring an outlay of cash:			Éléments n'exigeant pas de mise de fonds :
Amortization	72,773	2,274	Amortissement
Net change to non-cash items related to operations:			Changement net aux postes hors caisse liés aux opérations :
Accounts receivable	(24,163)	(37,695)	Comptes débiteurs
Prepaid expenses	15,902	(49,527)	Frais payés d'avance
Accounts payable	(107,084)	121,913	Comptes créditeurs
Deferred contributions	<u>(406,377)</u>	<u>30,153,671</u>	Contributions reportées
	<u>(448,949)</u>	<u>30,190,636</u>	
CASH FLOWS USED FOR INVESTING ACTIVITIES			FLUX DE TRÉSORERIE LIÉS AUX ACTIVITÉS DE PLACEMENT
Purchase of capital assets	<u>(65,917)</u>	<u>(208,627)</u>	Achat d'immobilisations
NET (DECREASE) INCREASE IN CASH	(514,866)	29,982,009	(DIMINUTION) AUGMENTATION NETTE DE TRÉSORERIE
CASH, BEGINNING OF YEAR	<u>29,982,009</u>	<u>-</u>	TRÉSORERIE, AU DÉBUT DE L'EXERCICE
CASH, END OF YEAR	<u>\$ 29,467,143</u>	<u>\$ 29,982,009</u>	TRÉSORERIE, À LA FIN DE L'EXERCICE

1. ORGANIZATION'S PURPOSE

The Council of Canadian Academies is a not-for-profit organization incorporated in April 2002 under the Canada Corporations Act and began operations in 2005.

The Council's main purpose is to provide a source of credible, independent, expert assessments and evidence-based advice on the science that is relevant to matters of public interest, and to provide a voice for Canadians on behalf of the sciences on the national and international scene.

2. SIGNIFICANT ACCOUNTING POLICIES

CAPITAL ASSETS

Capital assets consisting of furniture and fixtures, computer equipment and software, and leasehold improvements are stated at cost. Amortization has been provided on the diminishing balance or straight-line basis as follows with half of amortization taken in the year of acquisition:

Furniture and fixtures	20% per annum
Computer and software	45% per annum
Leasehold improvements	10 years

REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. BUT DE L'ORGANISATION

Le Conseil des académies canadiennes est un organisme sans but lucratif qui a été constitué en société en vertu de la *Loi sur les corporations canadiennes* en avril 2002 et qui a entrepris ses activités en 2005.

Ses principaux buts sont de fournir une source d'évaluations d'experts et de conseils fondés sur les preuves scientifiques appropriées au sujet de questions d'intérêt public et de donner à la population canadienne une voix sur la scène scientifique nationale et internationale.

2. CONVENTIONS COMPTABLES IMPORTANTES

IMMOBILISATIONS

Dans le cas des biens immobilisés comprenant les meubles et accessoires, le matériel informatique, le logiciel et les améliorations locales, c'est le prix coûtant qui est indiqué. L'amortissement a été calculé comme suit selon la méthode de l'amortissement dégressif ou en ligne droite, la moitié de l'amortissement étant imputé à l'année d'acquisition :

Meubles et accessoires	20% par année
Ordinateurs et logiciel	45% par année
Améliorations locatives	10 ans

COMPTABILISATION DES REVENUS

L'organisation suit la méthode du report de l'impôt sur les contributions. Les contributions affectées sont reconnues en tant que revenus pour l'année au cours de laquelle les dépenses connexes sont engagées. Les contributions non affectées sont reconnues en tant que revenus à leur réception ou lorsqu'elles deviennent exigibles si le montant exigible peut être prévu raisonnablement et que sa réception est raisonnablement assurée.

COUNCIL OF CANADIAN ACADEMIES
NOTES TO FINANCIAL STATEMENTS
(continued)
MARCH 31, 2007

CONSEIL DES ACADÉMIES CANADIENNES
NOTES AFFÉRENTES AUX ÉTATS FINANCIERS
(suite)
LE 31 MARS 2007

3. CAPITAL ASSETS

3. IMMOBILISATIONS

	Cost/ Coût	Accumulated Amortization/ Amortissement cumulé	2007 Net Book Value/ Valeur nette	2006 Net Book Value/ Valeur nette	
Furniture and fixtures	\$ 182,650	\$ 49,315	\$ 133,335	\$ 139,474	Meubles et accessoires
Computer and software	51,168	22,399	28,769	44,903	Ordinateurs et logiciel
Leasehold improvements	40,694	3,302	37,392	21,975	Améliorations locatives
	<u>\$ 274,512</u>	<u>\$ 75,016</u>	<u>\$ 199,496</u>	<u>\$ 206,352</u>	

4. DEFERRED CONTRIBUTIONS

Grant revenue and interest revenue received that is in excess of expenses is deferred to offset expenses in future years.

4. CONTRIBUTIONS REPORTÉES

Les revenus tirés de subventions et revenus d'intérêts qui dépassent les dépenses sont différés de manière à compenser les dépenses d'années futures.

5. COMMITMENTS

The organization entered into a ten year lease commencing on February 1, 2006, as well as office equipment contracts. The annual payments over the next five years are as follows:

5. ENGAGEMENTS

L'organisation a signé un bail à l'égard d'une période de dix années commençant le 1^{er} février 2006 et des contrats à l'égard du matériel de bureau. Les paiements annuels pour les cinq prochaines années seront les suivants :

2008	\$	147,860	2008	\$	147,860
2009		147,651	2009		147,651
2010		147,874	2010		147,874
2011		148,013	2011		148,013
2012		155,785	2012		155,785
2013-2015 (cumulative)		625,642	2013-2015 (cumulatif)		625,642

6. NET ASSETS

The net assets of the organization are recorded at zero since all funding received is recorded as deferred contributions until expenses are incurred.

6. ACTIFS NETS

La valeur de l'actif net de l'organisation est de zéro puisque tous les fonds reçus sont inscrits en tant que contributions reportées jusqu'à ce que les dépenses soient engagées.

Annex I: Board of Governors

Howard Alper, Chair

*Distinguished University Professor at the University of Ottawa, and Visiting Executive at the International Development Research Centre
Ottawa ON*

Howard Alper is Distinguished University Professor at the University of Ottawa, and Visiting Executive at the International Development Research Centre. His research spans organic and inorganic chemistry, with potential applications in the pharmaceutical, petrochemical, and commodity chemical sectors of industry.

Professor Alper represents Canada on the NATO Science Committee, and was appointed as a Titular Member of the European Academy of Arts, Sciences, and Humanities (1996), and as an Officer of the Order of Canada (1999). He was named President of the Royal Society of Canada for a two-year term commencing November 2001.

Professor Alper has received a number of prestigious Fellowships and major awards. In 2000 he was the first recipient of the Gerhard Herzberg Canada Gold Medal in Science and Engineering, the most prestigious award in Canada for science and engineering. In December 2006 he was appointed Co-chair of the InterAcademy Panel (IAP), which consists of academies of science from 90 countries. He has published 488 papers, has 38 patents, and has edited several books.

Ronald Nolan, Vice-Chair

*Past Chairman, President and Chief Executive Officer, Hatch Ltd.
Mississauga, ON
Past President, Canadian Academy of Engineering*

Ron Nolan was President and CEO, then Chairman, of Hatch Ltd. He joined Hatch in 1967, holding progressively more senior posts. During his tenure with the company, it expanded more than ten-fold, and presently includes 80 offices on six continents. Mr. Nolan graduated from University of Alberta in Electrical Engineering in 1960, and worked with TransAlta Power and Domtar, prior to joining Hatch. His technical expertise rests in project management and design engineering of major metallurgical facilities, including in particular high-power electric-arc metallurgical furnace systems. He is registered as a Professional Engineer in Ontario, Quebec and Alberta, and is also a member of the Institute of Electrical and Electronic Engineers and of the American Iron & Steel Institute.

He was elected a Fellow of the Canadian Academy of Engineering in 1994, and has served on the Board of Directors for several years. Governance experience (in addition to serving on the Boards of a number of Hatch Group companies) includes serving on the Principal Advisory Council – University of Toronto at Mississauga, on the Mississauga International Investment Development Board and, as Chairman of Leadership Gifts for the Trillium Foundation.

Martin T. Schechter, Secretary-Treasurer

Professor and Head, Department of Health Care and Epidemiology, University of British Columbia

Vancouver, BC

President-elect, Canadian Academy of Health Sciences

Martin Schechter is Professor and Head of the Department of Health Care and Epidemiology at the University of British Columbia where he combines interests in clinical epidemiology and health services research with HIV/AIDS and urban health research.

Professor Schechter is both a founder and National Director of the Canadian HIV Trials Network. He has served as Director of Epidemiology and Population Health at the British Columbia Centre for Excellence in HIV/AIDS and, as Director of the Centre for Health Evaluation and Outcome Sciences. In 2001, he received a Tier I Canada Research Chair in HIV/AIDS and Urban Population Health. He was founding President of the Canadian Association for HIV Research and, co-chair of the XI International Conference on AIDS in Vancouver (1996). Professor Schechter was a National Health Research Scholar and Scientist (1986 – 1999) and, a CIHR Senior Investigator (2000 – 2001).

Professor Schechter was invested into the Order of British Columbia (1994) and received the Science Council of British Columbia Gold Medal (2002). He is also a Fellow of the Royal Society of Canada and of the Canadian Academy of Health Sciences.

Paul W. Armstrong

University Professor, University of Alberta

Edmonton, AB

President, Canadian Academy of Health Sciences

Paul Armstrong is University Professor, Department of Medicine in the Division of Cardiology at the University of Alberta, Director of the Canadian VIGOUR Centre (Virtual Coordinating Centre for Global Collaborative Cardiovascular Research) and founding President of the Canadian Academy of Health Sciences.

Dr. Armstrong is also a Senior Attending Cardiologist at the University of Alberta Hospital with particular interest and expertise in acute coronary care and heart failure. As founding Director of TORCH (TomorrOw's Research Cardiovascular Health Professionals) a Strategic Training Program Initiative and current member of the Executive Advisory Committee he is committed to training cardiovascular researchers.

He is the author, or co-author, of over 450 peer reviewed publications and recipient of numerous awards related to his contributions. He is also a member of several editorial boards including the Canadian Medical Association Journal, Circulation, the American Heart Journal, the Journal of American College of Cardiology and the European Heart Journal.

Paul Bernard

*Professeur titulaire, Département de sociologie,
Université de Montréal
Montreal, QC*

Paul Bernard is Professeur titulaire, Département de sociologie Université de Montréal and has been extensively involved in policy-relevant research over the last two decades. He has been appointed by the Government of Quebec to the Board of the Centre d'études sur la pauvreté et l'exclusion sociale, in Quebec's Department of Employment and Social Solidarity.

He is a member of the Steering Committee of the new Canadian Household Panel Survey, a research instrument inspired by the notion of lifecourse, which will provide internationally comparable evidence on the context and the effects of the public policies. Professor Bernard is also actively involved in the CIHR-funded Centre Léa-Roback on social inequalities of health where he has contributed to the development of a conceptual framework, and of research instruments to analyze the effects of neighbourhoods on health. He has worked extensively, both theoretically and empirically, on such issues as social cohesion, social capital, social development, welfare regimes, and social inequalities of health.

Professor Bernard's current work focuses on the connection between lifecourse-oriented social policies and the institutional competitiveness of societies in a globalized economy. He is on the Editorial Board of Canadian Public Policy, and is Associate Editor of the Canadian Journal of Sociology.

Richard Drouin

*Counsel, McCarthy Tetrault
Quebec City, Quebec*

Richard Drouin is a Counsel in the law firm of McCarthy Tetrault. He is the Chairman of the North American Electric Reliability Corporation. Earlier, he was the Chairman and CEO of Hydro-Québec and until recently Chairman of Abitibi-Consolidated. He received his undergraduate degree from the Université de Montréal and his law degree from l'Université Laval in Québec City.

Mr. Drouin sits on the boards of Addenda Capital, Aéroports de Montréal, American Superconductor Corporation, Gesca (French daily newspapers) and President's Choice Financial. He is a Fellow of the Royal Canadian Geographical Society and a member of the National Round Table on the Environment and the Economy.

He is Chairman of the Board of l'Université Laval. Mr. Drouin holds an honorary degree from the Université Lumière in Lyon, France. Mr. Drouin is a Companion of the Order of Canada and an Officer of l'Ordre national du Québec. In 2001, he was nominated the Energy Person of the year by the Energy Council of Canada. He is an Honorary Consul for Great Britain in Québec City.

Edna Einsiedel

*University Professor and Professor of Communication Studies
University of Calgary
Calgary, AB*

Edna Einsiedel is University Professor and Professor of Communication Studies at the University of Calgary.

Professor Einsiedel's professional and academic work has focused primarily on the interactions between various publics and science and technology, and more specifically on strategic technologies of biotechnology and genomics. She served as Principal Investigator and team leader for a research program on Genomics, Ethics, Economic, Environmental, Legal and Social Studies funded by Genome Canada. She currently serves as co-leader for a similar project from 2006 through 2009. Her research has also been supported by SSHRC, Genome Alberta, and the Alberta Heritage Foundation for Medical Research.

Professor Einsiedel is editor of the journal, *Public Understanding of Science* and her teaching interests include social studies of technology, risk communications, health communications and, international development studies.

T. Geoffrey Flynn¹

*Professor Emeritus, Department of Biochemistry
Queen's University
Kingston, ON*

Dr Flynn is a Professor Emeritus in the Department of Biochemistry at Queen's University. He received his Ph D in Biochemistry in 1967 followed by post-doctoral studies at the University of California (Berkeley) and Brandeis University. During his career he was Head of the Department of Biochemistry, Vice-Dean of the Faculty of Health Sciences and was the first Vice-President (Research Development) at the Kingston General Hospital. His research in enzymology and protein chemistry spanned some 35 years during which he received numerous honours, the principal one being the Gairdner International award (1986) for the discovery and characterization of atrial natriuretic factor. He was awarded the Queen Elizabeth II Golden Jubilee Medal for public service.

Dr. Flynn has served on many national and international committees, international editorial boards, been a member of numerous grant committees of the MRC/CIHR and was one of its regional directors from 1994 – 98. He spent eight years chairing a Study Section at NIH in Washington and was a member of/or chaired several review teams of scientific centres in US Medical Schools from 1980 – 2000. He was a member of the Canadian Commission to UNESCO for the World Science Conference in Budapest in 1998.

Following retirement in 2002, Dr. Flynn became President and CEO of Cardiomics Inc., a start-up company in the cardiovascular field. He sits on the Board of the Canadian

¹ Resigned from the Board on April 2, 2007.

Small Business Investment Fund; serves on the Editorial Board of *Applied Biochemistry and Biotechnology* (UK) and sits on the Committee for International Science and Technology which is Canada's national committee for the International Science Union which comes under the UN. Dr Flynn was elected to the Royal Society of Canada (RSC) in 1990 and from 1996-99 served as President of its Academy of Science. From 1998 – 2002, Dr Flynn served as Chair of the RSC Committee on Expert Panels during which time five expert panels were convened and reported successfully.

Chaviva Hošek

*President and CEO, Canadian Institute for Advanced Research
Toronto, ON*

Chaviva Hošek took up her current position as President and Chief Executive Officer of the CIFAR in January 2001.

She was Director of Policy and Research in the Prime Minister's Office for Prime Minister Jean Chrétien from 1993-2000. Her career also includes a term as Minister of Housing for the Province of Ontario and a 13-year period as a Professor of English Literature at the University of Toronto.

A long-time champion of Canadian education and human rights, Dr. Hošek has served as President and Executive Member of the National Action Committee on the Status of Women and has held senior governance positions at the University of Toronto and the University of British Columbia. She serves on the Boards of the Central European University, the AllerGen NCE, the Leading Edge Endowment Fund of British Columbia, Maple Leaf Foods Inc. and the Pierre Elliott Trudeau Foundation.

Dr. Hošek obtained her Ph.D. from Harvard University. She was given the Public Policy Forum Outstanding Performance Award in 2003 and the Queen's Golden Jubilee Medal. She has also received honorary degrees from the University of Ottawa and from the University of Waterloo. Dr. Hošek is an Officer of the Order of Canada.

Heather Munroe-Blum²

*Principal and Vice-Chancellor, McGill University
Montreal, Quebec*

Heather Munroe-Blum is the 16th Principal and Vice-Chancellor of McGill University, a member of McGill's Faculty of Medicine and a Professor in the Department of Epidemiology and Biostatistics.

Prior to her current position, Dr. Munroe-Blum served at the University of Toronto as Professor, Governor and Vice-President, Research and International Relations.

Dr. Munroe-Blum has served on numerous boards, including the Princess Margaret Hospital, the Medical Research Council of Canada, Genome Canada, Hydro One, Visible Genetics, and the University Health Network.

² Appointed to the Board on May 4, 2007.

Dr. Munroe-Blum is currently a member of the Boards of the Sir Mortimer B. Davis Jewish General Hospital; the Association of Universities and Colleges of Canada; the Trilateral Commission; La Conférence de Montréal and; the Universities Research Association Inc. She is also an honorary member of the Board of NeuroScience Canada as well as Chair of the AUCC Standing Advisory Committee on University Research.

Dr. Munroe-Blum is an Officer of the Order of Canada and a Specially Elected Fellow in the Academy of Science of the Royal Society of Canada. In addition to other distinctions and awards, she has received honorary degrees from the University of Edinburgh, École normale supérieure de Lyon (France), Université de Montréal, the University of Toronto, and Wilfrid Laurier University.

Elizabeth Parr-Johnston

*President, Parr-Johnston Consultants
Chester Basin, NS*

Elizabeth Parr-Johnston is President of Parr-Johnston Consultants, former President of the University of New Brunswick (1996 – 2002) and also past President of Mount Saint Vincent University (1991-1996).

Dr. Parr-Johnston has very extensive and senior experience in corporate governance, currently as, a director of The Bank of Nova Scotia, Emera Limited, and also of the Social Research and Demonstration Corporation, the Canadian Millennium Scholarship Foundation and, the Sustainable Development Technology Canada Foundation. Elizabeth Parr-Johnston is the past chair of the Association of Atlantic Universities and of the Council of Nova Scotia University Presidents and a past member of the Social Sciences and Humanities Research Council. She was also a member of the Expert Panel on Equalization and Territorial Formula Financing.

She has served as a director of Nova Scotia Power, Fishery Products Limited, Empire Company Limited, the Investment Dealer's Association, the Canadian Unity Council, the Centre for Entrepreneurial Education, the North/South Institute, BioAtlantech and Celanese Internationalist Fellowships as well as several community organizations.

Martha C. Piper

*Past-President, University of British Columbia
Vancouver, BC*

Martha C. Piper served as the eleventh President of The University of British Columbia, one of Canada's largest and most prestigious research universities (1997 – 2006).

Dr. Piper was appointed to the National Advisory Board on Science and Technology in 1994 and, in 1996, to the Board of the Advisory Council on Science and Technology (ACST), a position she held until 2004. Dr. Piper is a Director of the Bank of Montreal and TransAlta Corporation and is also a member of the Trilateral Commission.

Dr. Piper has been awarded ten honorary degrees – from McGill University (1998), Dalhousie University (1999), the University of Toronto (2001), the University of Western Ontario (2002), the University of Melbourne (2003), the University of Saskatchewan

(2005), St. Francis Xavier University, the University of Calgary, the University of Alberta, and the University of Victoria (2006).

Dr. Piper was named Educator of the Year by The Learning Partnership in 2004. She is an Officer of the Order of Canada and a recipient of the Order of British Columbia. In Mexico in 2006, The Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM) held a special ceremony to recognize Dr. Piper for her contributions to higher education, which marked the first time that a non-Mexican has received such an honour.

Kathleen E. Sendall

*Senior Vice-President, Petro-Canada,
Calgary AB*

Past-President, Canadian Academy of Engineering

As Senior Vice-President, North American Natural Gas, Ms. Sendall is responsible for Petro-Canada's Western Canada and U.S. Rockies region production and North American exploration.

She is Past-President of the Canadian Academy of Engineering, and a Governor of the Canadian Association of Petroleum Producers (CAPP). From March 2006 to March 2007, Ms. Sendall became the first woman to be named Chair of CAPP.

Ms. Sendall is a recipient of the YWCA Women of Distinction Award (1998) and a Woman of Vision Award (2006). She was named a Fellow of the Canadian Academy of Engineering (1999). She received an honorary Bachelor of Applied Industrial Ecology degree from Mount Royal College (2002) and was awarded the Summit Award for Community Service from the Association of Engineers, Geologists and Geophysicists of Alberta (2004). Ms. Sendall was named one of Canada's Most Powerful Women, receiving the 2006 Top 100 Award in the Corporate Executive category for the fourth consecutive year. She was also awarded the Canadian Engineering Leader Award (2005) and was one of 50 women to receive the Key Women in Energy – Global Award, which honours women from all over the world who have made a recent, significant contribution to the energy sector (2006). She was also honoured with the esteemed Champion of the Schulich School of Engineering award in May 2006. In October 2006, Ms. Sendall was awarded the Johnson Award from Queen's University.

Annex II: Scientific Advisory Committee & Terms of Reference

Members of the Scientific Advisory Committee

Elizabeth Dowdeswell, Chair
Special Advisor, Nuclear Waste Management Organization

Tom Brzustowski, Vice-Chair - FRSC, FCAE
RBC Financial Group Professor in the Commercialization of Innovation,
University of Ottawa

Michel G. Bergeron – FCAHS*
Director, Division of Microbiology and Le Centre de Recherche en Infectiologie
Université Laval

Jillian Buriak
Professor of Chemistry, University of Alberta

Margaret Conrad - FRSC
Canadian Research Chair in Atlantic Canada Studies, University of New Brunswick

Pierre Fortin - FRSC
Professor, Université de Québec à Montréal

Albert D. Friesen **
President, and CEO, Medicare Inc.

Jean Gray - FCAHS
Professor of Medicine (Emeritus), Dalhousie University

Judith G. Hall - FCAHS
Professor of Pediatrics and medical Genetics, University of British Columbia

John Hepburn - FRSC
Vice-President of Research, University of British Columbia

Donald J. Johnston
Former Secretary-General of the OECD

Bartha Maria Knoppers - FCAHS
Full Professor, Faculté de droit, Université de Montréal

Susan A. McDaniel - FRSC
Professor of Sociology, University of Windsor

Norbert R. Morgenstern - FRSC, FCAE
University Professor (Emeritus), Civil Engineering, University of Alberta

* Appointed to the SAC after March 31, 2007.

** Indicated his wish to step down as at 1 June, 2007

William Pulleybank

Vice President, Center for Business Optimization, IBM Global Business Services

John P. Smol - FRSC

Co-Director of the Paleoecological Environmental Assessment and Research Laboratory, Queen's University

Joseph D. Wright - FCAE

Retired President and CEO, Pulp & Paper Research Institute (PAPRICAN)

Terms of Reference

SCOPE AND PURPOSE

The Scientific Advisory Committee (SAC) of the Council of Canadian Academies provides advice to the Board of Governors and staff of the Council.

Assessments

Primarily, the SAC will advise on the substance and procedures of expert panel assessments, and particularly on the following aspects:

- a) **The suitability of subjects proposed to the Council for assessment.** Factors to be considered in this regard include:
 - the importance of the subject for Canada;
 - the centrality of the science aspects of the subject;
 - whether the existing state of knowledge merits assessment; and
 - the likelihood that appropriate expertise can be assembled.
- b) **The Terms of Reference for the independent expert panel that will carry out the assessment.** The SAC may suggest refinement of the questions being proposed to sharpen the focus of an assessment, or to broaden or restrict its scope.
- c) **Potential members of expert panels.** The SAC is an important source, among others, of names of the most appropriate experts with a view to assembling a balanced and credible panel.
- d) **The process of peer review of draft assessment reports.** This includes advice to ensure the integrity of review procedures as well as on the selection of qualified peer reviewers. The SAC is not expected to perform any actual reviews of draft assessment reports.
- e) **The communication of final assessment reports.** To be influential, assessments must be effectively communicated to several audiences, often through the media. The Board welcomes the views of SAC members as to how messages should be conveyed for maximum impact.
- f) **Lessons learned after release of an assessment report.** Regular post-mortems can drive institutional learning and continuous improvement.

Foresight

A particularly important role of the SAC is to identify and suggest possible subjects for future assessment. These subjects might be proposed as candidates to the federal government or, as appropriate, to other potential sponsors.

Voice

The mandate of the Council of Canadian Academies includes strengthening the voice of Canadian science domestically and internationally. From time to time, as opportunities arise, the SAC may wish to provide advice in this area.

MEMBERSHIP

The members of SAC are eminent representatives of the broad science community, drawing from the academic, business and non-governmental sectors. Normally the SAC will include participants from outside Canada. Membership will be balanced in terms of discipline, geography, gender and official language community.

The Board of Governors of the Council selects SAC members as well as a Chair and Vice-chair from among the Committee members. The Council President and Director of Assessments participate *ex officio*. Members of the Board of Governors are not eligible to sit on the SAC during their term of office.

The number of members of the SAC is not fixed, but would usually range between 15 and 20.

Membership on the SAC is normally two years, renewable once. The term of inaugural members has been staggered over one, two and three years to ensure continuity.

MEETINGS AND TRANSMISSION OF ADVICE

The SAC normally meets twice a year in person ? usually in the spring and fall. The date and place of these meetings will be set well in advance. The in-person meetings will be complemented by conference calls to address time-sensitive matters. There will be e-mail communication as required.

The SAC Chair, in consultation with the Council, may propose creation of *ad hoc* sub-groups of SAC members to develop more detailed advice in respect of specific assessment subjects for which certain members have particular expertise or interest. This does not preclude advice on the subject from the SAC as a whole, nor from any member individually.

Annex III: Council Staff

Council Staff (at March 31, 2007, or contracted to join subsequently)

Dr. Peter J. Nicholson
President & CEO

Dr. Marc Saner
Executive Vice-President and
Director of Assessments

Nancy Neil
Executive Assistant to the President

Samantha Rae
Assistant to the Executive Vice President

Lisa Price
Administrative Assistant

Dr. David Cashaback
Senior Writer / Researcher

Dr. Trina Foster
Program Director

Marie-Noëlle Ip
Program Director

Katherine Levitt
Program Director

Dr. Daniel Munro
Senior Writer / Researcher

Christina Stachulak
Program Director

Biographies of Executive Officers

Dr. Peter J. Nicholson President & Chief Executive Officer

Dr. Nicholson is the inaugural President and CEO of the Council of Canadian Academies.

A native of Halifax, Nova Scotia, he holds a BSc and MSc in Physics from Dalhousie University and a Ph.D. (Operations Research) from Stanford University, as well as honorary doctorates from Dalhousie University, Acadia University, and the Université du Québec (INRS).

After post-doctoral work in France, Dr. Nicholson joined the Computer Science Department at the University of Minnesota in 1969 where he taught four years before joining the Government of Canada in 1973. There he served in a senior policy advisory role in the Departments of Urban Affairs, Transport, and Regional Economic Expansion.

In 1978, Dr. Nicholson left Ottawa and was elected to the Legislature of the Province of Nova Scotia. At the time, he became associated with H.B. Nickerson & Sons, a major fisheries company, and eventually left the Legislature to devote full-time to the company as a Vice-President. In 1982, he joined the Taskforce on Atlantic Fisheries established by the federal government to restructure the industry which had been financially devastated by the 1981-82 recession.

In 1984 Dr. Nicholson joined The Bank of Nova Scotia in Toronto where he was Senior Vice-President, advising the Chairman of the Bank on a broad range of strategic issues, including, in particular, the resolution of the Latin American debt crisis in the late 1980s.

Between March 1994 and September 1995, Dr. Nicholson was Clifford Clark Visiting Economist in the federal Department of Finance under the government's executive interchange program. In this senior advisory position to Canada's Minister and Deputy Minister of Finance, he participated in the key decisions that led to a dramatic and sustained turnaround in Canada's fiscal position.

From September 1995 to June 2002, he was Chief Strategy Officer of BCE Inc., Canada's largest telecommunications company.

Between June 2002 and July 2003, Peter Nicholson was Special Adviser to the Secretary-General of the Organization for Economic Co-operation and Development (OECD) in Paris. Between December 2003 and January 2006 he served in the Office of the Prime Minister of Canada as Deputy Chief of Staff, Policy. He became President of the Canadian Academies of Science on February 6, 2006.

Dr. Nicholson has served in a voluntary capacity with several organizations dedicated to the furtherance of science and technology in Canada. He was appointed in 1986 by

Prime Minister Mulroney as an inaugural member of the National Advisory Board on Science and Technology. He was the founding Chair of the Fields Institute for Research in Mathematics; a Governor of the National Research Council; a Director and a member of the Research Council of the Canadian Institute for Advanced Research; Chair of the Canadian Institute for Telecommunication Research; and the inaugural Chair of the Members of both the Canada Foundation for Innovation and the Millennium Scholarship Foundation.

Dr. Nicholson is a member of the Order of Canada, awarded in recognition of his contribution to business through both the public and private sectors. He lives in Ottawa with his wife, Jane Nicholson.

Dr. Marc Saner
Executive Vice-President and Director of Assessments

Marc Saner joined the Council of Canadian Academies as the Executive Vice-President and Director of Assessments in 2006. He has 15 years of experience carrying out assessments and analytical work in the natural sciences and humanities. For the last decade, his primary interest has been the intersection of governance, ethics and science.

After receiving his Ph.D. in applied ecology (University of Basel, Switzerland, 1991), Marc Saner assessed the environmental risk of biological and chemical pesticides for both Environment Canada and Health Canada. He subsequently obtained an M.A. in philosophy with a specialization in the environmental ethics of biotechnology (Carleton University, 1999). Marc headed a consultancy specializing in the analytical and practical aspects of risk management and other issues at the interface of science and policy such as the precautionary principle and the integration of science, workplace and policy ethics. During this period, he also taught environmental ethics at Carleton University and managed its Ethics and Policy Issues Centre.

Prior to joining the Council of Canadian Academies, he built the Ethics Sector at the Institute On Governance (an Ottawa-based think tank) and served as both Director of Ethics and Risk Management and Manager of the Technology and Governance Program.

He has published a number of papers in peer-reviewed journals in the areas of ethics, bioethics, risk management, biotechnology and ecology. One of his ethics papers was anthologized in a book on food biotechnology and a science paper was included in a book on weed biology. Marc has been invited to speak and present papers at seminars, workshops and international conferences around the world, including the Kennedy School of Government, Harvard University.

He is currently an Adjunct Research Professor at the Departments of Philosophy and Biology at Carleton University. He is also a fellow of the International Institute for Public Ethics and a board member of the Ottawa Research Ethics Board of the National Research Council.

Annex IV: Calendar of Outreach Activities – FY 2006-07

Date	Event	Type of Participation	Council Participation
10-12 April	Trip to National Academies (Washington)	Consultation	Nicholson / Saner
19-22 April	Trip to University of Alberta and UBC	Consultation	Nicholson
21 April	Speech to national group of Deans of Arts (UBC)	Speaker	Nicholson
27 April	Canadian Biotechnology Advisory Committee		Saner
9 May	Presentation on Council to the Director General Panel (Question Round 2)	Presentation	Saner
10 May	UNESCO / CCU Sectoral Commission		Saner
18 May	Science-Policy Futures Workshop (McMaster)	Attendee	Saner
18 May	Association of Research Libraries Annual Meeting	Speaker	Nicholson
19 May	“Superstars of Innovation Writer’s Award” (CFI)	Judge	Nicholson
25 May	Council of Science and Technology Advisors	Presentation	Nicholson
9 June	Conference on Industrial Engineering (Dalhousie)	Speaker	Nicholson
15 June	Fields Institute AGM Dinner	Speaker	Nicholson
16 June	Canadian Academy of Engineering AGM	Attendee	Nicholson / Saner
27 June	CIHR Research Priorities Committee	Presentation	Nicholson
27 June	Interdepartmental Network on International S&T (INIST)		Saner
5 July	IDRC Roundtable Discussion on Mobilizing Canada’s Knowledge for Development	Discussant	Nicholson
13-14 July	Trip to National Academies (Washington)	Consultation	Nicholson / Saner
1 September	Presentation of the “State of Science & Technology in Canada” to Richard Dicerni, DM of Industry Canada	Briefing	Nicholson / Saner
7 September	Prime Minister’s Advisory Council on Science and Technology	Discussant	Nicholson
11 September	Presentation of the “State of Science & Technology in Canada” to Michele Austin, Office of the Minister of Industry	Briefing	Nicholson
20 September	Centre on Values and Ethics (COVE) Carleton University	Speaker	Saner
20 September	CIHR – Research Planning & Priorities Committee	Presentation	Nicholson
21 September	Ontario Council on University Research	Presentation	Nicholson
21 September	Interdepartmental Network on International S&T (INIST)	Presentation	Saner / Stachulak
21 September	Industry Canada – University Advisory Group	Presentation	Nicholson

22 September	ADM Committee on S&T	Presentation	Nicholson / Saner
27 September	CAHS Annual General Meeting	Speaker	Nicholson
28 September	NSERC – G8 Working Group on Research Assessment	Presentation	Nicholson
10 October	Toronto Regional Research Alliance	Presentation	Nicholson
16 October	S&T Course – Carleton (Bruce Doern)	Class Lecture	Nicholson
17 October	CIDA luncheon Speaker Series	Speaker	Nicholson
18-19 October	CFI Competition Jury (“Super MAC”)	Jury Member	Nicholson
20 October	Universities & the Powering of Knowledge: Policy, Regulation and Innovation (Carleton)	Panelist	Nicholson
21 October	SSHRC Council Meeting – Ottawa	Presentation	Nicholson / Saner
24 October	CFI Annual General Meeting	Introductory Remarks	Nicholson
25 October	Ethics Practitioners Association of Canada Conference	Speaker	Saner
27 October	G13 Conference of Research Universities – Dinner speaker	Speaker	Nicholson
30-31 October	The 2006 Health Canada Science Forum: Keeping our "I"s on the Future (Ottawa)	Speaker	Saner
1 November	Health Canada Science Advisory Board	Presentation	Nicholson
2 November	Association of Canadian Healthcare Organizations	Presentation	Nicholson
14 November	CFI Board Meeting – Fredericton	Presentation	Nicholson
14-15 November	New York Academy of Sciences	Attendee	Stachulak
15 November	The Chronicle of Higher Education Conference – Las Vegas	Key note speaker	Nicholson
16 November	Presentation to RSC Executive Committee	Speaker	Saner
17 November	RSC Symposium on Water	Panel Chair	Nicholson
20 November	BioNorth Conference	Panelist	Nicholson
20 November	Presentation to Transport Canada Executives	Presentation	Nicholson
29 November	University of Waterloo – Dean’s Council meeting	Presentation	Nicholson
29 November	Institute for Quantum Computing Speaker series (Waterloo)	Speaker	Nicholson
4-6 December	Gas Hydrates Conference (Houston)	Participant	Stachulak
5 December	NCE Blue Sky Discussion Group	Participant	Nicholson
8 December	Council of S&T Advisors Breakfast	Presentation	Nicholson
14-15 December	Visit to National Academies (Washington)	Consultation	Nicholson / Saner
9-10 January	Nanotech Workshop in Maryland	Participant	Saner
22 January	Visit to University of Western Ontario	Presentation	Nicholson
23 January	Public Policy Forum	Presentation	Nicholson

16-21 February	AAAS Conference (San Francisco)	Participant	Stachulak
16-27 February	European Tour	Consultation	Nicholson / Saner
5 March	RSC Meeting	Presentation	Nicholson

Annex V: Statement of Investment Policy

The Council of Canadian Academies

STATEMENT OF INVESTMENT POLICY

Effective Date _____

It is hereby certified by the undersigned that this Statement of
Investment Policies was adopted by the Board of Governors on
_____.

(Name)

(Title)

(Date)

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SECTION I — INTRODUCTION

- 1.1 This document constitutes the Statement of Investment Policy (the “Policy”) applicable to the assets of the fund (the “Fund”) created by The Council of Canadian Academies (the “Council”) from proceeds of the Council’s \$30 million founding grant from the Government of Canada.
- 1.2 The purpose of this Policy is to formulate those investment principles, guidelines and monitoring procedures which are appropriate to the needs and objectives of the Fund, in a manner conforming to the funding agreement (the “Funding Agreement”) with the Minister of Industry on behalf of the Government of Canada.
- 1.3 Any investment manager or other party providing services in connection with the investment of the Fund shall accept and adhere to this Policy.

SECTION II — ADMINISTRATION

- 2.1 The Board of Governors (the “Board”) of the Council has the ultimate responsibility to ensure that the Fund is invested and managed in accordance with the prudent person principle.
- 2.2 The Board is responsible for all aspects of the operations of the Fund including this Policy. The Investment Committee (the “Committee”) assists the Board in fulfilling its responsibilities.
- 2.3 The Committee is composed of at least three Governors who are not officers or employees of the Council. Members of the Committee shall be financially literate and have broad knowledge or experience in investment matters.
- 2.4 The custodian of the Fund (the “Custodian”) shall be a trust company duly registered in Canada or a financial institution in Canada. Assets of the Fund shall be segregated from all other assets of the Council and held by the Custodian in a separate account or accounts in accordance with an agreement that clearly indicates that the assets are held for the Council.
- 2.5 Where the Committee desires to invest in pooled funds or mutual funds (“Pooled Fund”) eligible for investment of the Fund, the Committee must satisfy itself that the investment policy of such Pooled Fund is consistent with this Policy.
- 2.6 Neither the Committee nor any employee of the Council shall select securities on behalf of the Fund except for the selection of Pooled Funds or short-term deposits with banks or trust companies.
- 2.7 The Committee and the Board may rely on independent experts for certain aspects of the Fund's operations.

SECTION III — ROLES AND RESPONSIBILITIES

The Committee

- 3.1 The Committee shall:
- (a) recommend a written Statement of Investment Policy to the Board,
 - (b) recommend to the Board the appointment of one or more independent external advisors to provide investment advice (the “Investment Consultant(s)”¹),
 - (c) approve an Investment Strategy and review it at least annually,
 - (d) recommend to the Board the appointment of one or more independent professional investment managers (the “Manager(s)”) to invest the Fund,
 - (e) recommend to the Board the appointment of the Custodian,
 - (f) regularly advise the Board on any significant financial risks or potential significant losses of investments,
 - (g) monitor the activities and performance of the Fund, and
 - (h) make other decisions that may be required to fulfill the terms of this Policy.

The Board

- 3.2 The Board shall:
- (a) approve the Statement of Investment Policy,
 - (b) approve the appointment of an Investment Consultant,
 - (c) ensure that proper external custodial arrangements are established for the Fund,
and
 - (d) review the Policy at least annually.

¹ Defined as Investment Advisor in the Funding Agreement.

The Manager

3.2 The Manager shall:

- (a) invest the assets allocated to it in accordance with the Policy and the Investment Strategy,
- (b) comply with the terms of an Investment Manager Agreement (“Agreement”),
- (c) report to the Committee in writing on a quarterly basis in respect of its performance for the quarter, the investment holdings and transactions, the intended strategy for the following quarter, deviation from the intended strategy for the preceding quarter and compliance with the Policy, the Investment Strategy and the Agreement,
- (d) provide to the Committee upon appointment, and whenever changes occur thereafter, its policies and procedures relating to professional standards, conflicts of interest, internal controls and trading policies,
- (e) advise the Committee on an ongoing basis of any relevant changes in its organization, personnel or investment process, and
- (f) be available for meetings or discussions with the Committee on a reasonable basis.

The Custodian

3.4 The Custodian shall:

- (a) act under the terms of a custodial agreement,
- (b) hold custody of the assets of the Fund and execute transactions,
- (c) maintain records that are sufficient to allow the ownership of any investment to be traced to the Fund at any time, and
- (d) provide financial statements detailing all changes in the value of the Fund.

The Investment Consultant

3.5 The Investment Consultant shall:

- (a) prepare and deliver a report on the Fund and the Manager's performance to the Committee at least twice a year using investment returns calculated independently of the Manager,
- (b) advise the Committee of issues relating to the Fund and the Manager as they arise,
- (c) advise the Committee as requested, on other matters arising in the context of this Policy.

SECTION IV — FUND OVERVIEW

- 4.1 The assets of the Fund were provided through a founding grant from the Government of Canada for the purpose of financing the core activities of the Council for a period of 10 years. It is the Council's responsibility to ensure that sufficient financial resources exist to deliver independent, expert assessments of the science that is relevant to important public issues.

- 4.2 It is expected that disbursements to cover eligible expenditures will exceed interest or other earnings from the Fund on an annual basis and that all assets will be fully disbursed at the end of the ten-year period. Therefore, sufficient liquidity to meet disbursements is an important consideration in the development of the Policy.

SECTION V — PERMITTED CATEGORIES OF INVESTMENT

5.1 From time to time, and subject to this Policy, the Fund may invest in any or all of the following asset categories and subcategories of investment either directly or through Pooled Funds which hold these investments:

(a) **“Fixed Income”:**

- bonds and notes issued by the federal government, provincial governments, municipal governments and corporations
- asset-backed securities
- mortgage-backed securities

(b) **“Cash or Cash Equivalents”**

- bank certificates of deposit
- banker’s acceptances
- treasury bills, commercial paper and other short-term securities

5.2 The Fund may not invest or engage in the following categories of assets or instruments:

- (a) equities or shares issued by any corporation,
- (b) hedge funds or funds of hedge funds,
- (c) fixed-income instruments rated below A- by Standard & Poors or Fitch Ratings; A3 by Moody’s or A- by DBRS; Unrated securities will be assumed to fail such credit ratings,
- (d) derivatives or any instruments that have derivative holdings or features,
- (e) non-marketable securities,

- (f) commodities,
 - (g) repurchase agreements against securities which are not permitted to be held in the portfolio, and
 - (h) margin transactions or any form of leveraging.
- 5.3 The assets of the Fund shall not, directly or indirectly, be invested in securities of a listed person as defined by the United Nations Suppression of Terrorism Regulations, or loaned to or used for the benefit of such a person.
- 5.4 No part of the Fund shall be invested in securities that are not denominated in Canadian dollars.

SECTION VI — ASSET ALLOCATION

- 6.1 The primary objective is to reduce the uncertainty in the Fund's ability to meet a schedule of disbursement to cover eligible expenditures. Maximizing return is a secondary objective. The objectives in the design of the Policy are:
- (a) maintaining the safety of capital,
 - (b) ensuring adequate protection against inflation, and
 - (c) maximizing the return on investment while staying within the constraints of the Funding Agreement.
- 6.2 The maturities and terms of investments shall reasonably match the profile of the Fund's forecasted disbursements. To the extent that the timing of disbursements is unknown, investments shall be held in securities with term to maturity of one year or less.
- 6.3 The Policy mix between Cash or Cash Equivalents and Fixed Income will vary over time to reflect the anticipated disbursements and the remaining investment horizon.
- 6.4 The Fund performance will be assessed based on a customized benchmark using Scotia Capital indices weighted to approximate the modified duration of the disbursements.
- 6.5 The risks faced by the Council include:
- (a) the risk that long-term market returns will not be in line with expectations,
 - (b) the risk of annual volatility in returns, meaning that in any one year the actual return may be very different from the expected return (such return may also be negative), and
 - (c) to the degree that active management is employed, the risk that the added return expected of active management over passive management will not be realized, or will be negative.

SECTION VII — PORTFOLIO DIVERSIFICATION AND CONSTRAINTS

- 7.1 The Fund will maintain a prudent level of diversification, subject to the exclusions in 5.2, 5.3 and 5.4 and the limits listed below based on the market value of the Fund.
- 7.2 In respect of the Fixed Income portfolio of the Fund:
- (a) All securities must be readily marketable.
 - (b) Investments in the securities of any one issuer, or two or more affiliated entities, shall be limited to no more than 10% of the Fund except those issued or guaranteed by the Government of Canada or a province of Canada having at least an “A” rating.
 - (c) Investments in the securities with a credit rating of “A” (including all sub-classifications of this rating category) by at least one of the recognized credit rating agencies shall be limited to no more than 20% of the Fund.
 - (d) Investments in the securities with a credit rating of “AA” (including all sub-classifications of this rating category) by at least one of the recognized credit rating agencies shall be limited to no more than 70% of the Fund.
 - (e) Investment in securities that are not issued by, or carry the full faith and credit of either the Government of Canada or the government of a province shall be limited to no more than 80% of the Fund.
 - (f) Asset-backed securities shall be rated by a U.S. rating agency to ensure liquidity.
 - (g) Mortgage-backed securities shall be fully guaranteed by the Government of Canada or a province of Canada having at least an “A” rating.
- 7.3 All investments of the Fund in Cash Equivalents shall have a minimum credit rating of “R-1 (low)” or equivalent and be readily marketable or redeemable.

- 7.4 All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS) or comparable ratings of other major credit rating agencies. In the case of split-rated securities, the lowest rating by a major credit rating agency shall be used.
- 7.5 If a security's credit rating falls below the required level after purchase, the Manager shall remove it from the Fund as soon as practicable, but taking care not to unduly impair performance. The Manager shall notify the Committee promptly in writing when such a rating change results in non-compliance.

SECTION VIII — LOANS AND BORROWING

- 8.1 No part of the Fund shall be loaned to any party, other than by purchasing securities which otherwise meet the requirements of this Policy for Fixed Income or Cash Equivalents.
- 8.2 The Manager shall not borrow money, pledge or otherwise encumber any of the Fund's assets, except to the extent that temporary overdrafts occur in the normal course of day-to-day portfolio management.

SECTION IX — VALUATION OF INVESTMENTS

- 9.1 Investments in marketable securities shall be valued by the Custodian no less frequently than monthly at their market value at that time.
- 9.2 Investment in a Pooled Fund shall be valued according to the unit values calculated at least monthly by the custodian of that Pooled Fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

SECTION X — CONFLICTS OF INTEREST

- 10.1 If a member of the Committee, or any agent of or advisor to the Committee, or any person employed in the investment or administration of the Fund has, or acquires, any material interest, direct or indirect, in any matter in which the Fund is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund, the person involved shall as soon as practicable, disclose in writing this potential conflict of interest to the Chair of the Committee. The Chair shall immediately advise all members of the Committee, and the Committee shall decide upon a course of action. Any such person will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining members of the Committee.
- 10.2 A Manager shall provide the Committee with its internal guidelines on purchasing securities of members of the Manager's organization, affiliates, or entities in which the Manager or its affiliates have a substantial interest or in which any employee of the Manager or that employee's spouse or children have a substantial investment.
- 10.3 Every disclosure of interest under this Section shall be recorded in the minutes of the relevant Committee meeting.
- 10.4 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.
- 10.5 The Committee shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to such Manager.

SECTION XI — MONITORING

11.1 The Committee, in conjunction with its Investment Consultant, shall review on a regular basis, as needed, and at least once a year:

- (a) the assets and net cash flow of the Fund,
- (b) the investment performance and management of the Fund and the Manager relative to the objectives of the Policy and of the Investment Strategy,
- (c) portfolio holdings,
- (d) the fees and expenses incurred in managing the Fund, and
- (e) compliance with this Policy and Investment Strategy.

Following such review, the Committee shall take such action as it deems prudent and appropriate.

11.2 The Committee, in conjunction with its Investment Consultant, shall meet at least once a year with the Manager to discuss investment performance, investment strategies, expected future performance and any changes in that Manager's organization, investment processes and professional staff.

11.3 The Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board.

SECTION XII — POLICY REVIEW

12.1 This Policy shall be reviewed at least annually in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:

- (a) changes in the expected projected expenditures of the Fund ,
- (b) revisions to the expected long-term trade-off between risk and reward,
- (c) shifts in the financial objectives and risk tolerance of the Council,
- (d) shortcomings of the Policy that emerge in its practical operation, and
- (e) recommendations by a Manager.