

REPORT OF THE INDEPENDENT REVIEW COMMITTEE OF THE CHILDREN'S EDUCATION TRUST OF CANADA (the "IRC")

For the year ended December 31, 2016

This Report is the IRC's annual report for the fiscal year ended December 31, 2016 (the "Fiscal Year") to planholders of The Children's Education Trust of Canada, being the publicly offered scholarship plans (the "Scholarship Plans") sponsored by The Children's Education Trust Foundation of Canada and managed by Children's Education Funds Inc. (the "Administrator"). There are three Scholarship Plans that are served by the IRC. This Report is written pursuant to section 4.4 of National Instrument 81-107 of the Canadian Securities Administrators and describes the IRC and its activities for the Fiscal Year.

IRC Members

In 2016, the IRC consisted of the following members:

- Stephan Frankel (appointed May 2007). Mr. Frankel was appointed IRC Chair in November 2015.
- Louis Mercier (appointed July, 2014).
- Alain Baird (appointed July, 2016).

Disclosure of IRC Member's Holdings

As at December 31, 2016, the IRC members did not beneficially own, directly or indirectly:

- (i) any interest in the Plans exceeding 10 percent;
- (ii) any interests in the Administrator; or
- (iii) any interests in a company or person that provides services to the Administrator or any Plan.

Compensation

The total compensation paid to IRC members for the Fiscal Year totaled \$ \$12,820.77. In assessing the appropriate level of compensation of the IRC, consideration was given to the nature and extent of the workload of each member of the IRC, the nature, number and complexity of the Scholarship Plans, the best interests of the Scholarship Plans and industry best practices.

The IRC reviews the compensation of its members based on the following criteria:

- the best interests of the Plans;
- the number, nature and complexity of the Plans;
- the nature and extent of the workload of the IRC members;
- industry best practices, including comparable compensation in the group scholarship plan industry; and
- the recommendation of the Administrator, if any.

Activities of IRC for the Fiscal Year

In accordance with NI 81-107, the IRC reviewed and assessed among other factors:

- the frequency of meetings;
- the substance of meeting agendas;
- the policies and procedures that the manager has established to refer matters to the IRC;
- the usefulness of materials provided to members of the IRC;
- the collective experience and background of IRC members;
- the number of funds the IRC oversees;
- the amount and form of compensation IRC members receive;
- change in investment advisors;
- determination of scholarships; and,
- donation to post-secondary institutions.

The IRC independently and unanimously responded positively on each of the above points.

Standing Instructions for Recurring Conflict of Interest Matters

NI 81-107 requires the IRC to review and approve all conflict of interest matters identified and referred to the IRC by the Administrator and to give its approval or recommendation, depending on the nature of the conflict of interest matter.

For the Administrator's recurring conflict of interest matters, the IRC has provided the Administrator with Standing Instructions which enable the Administrator to take action in respect of any such conflict by following its applicable policies and procedures without having to refer each proposed action to the IRC. The IRC has approved a set of Standing Instructions which recommend that the Administrator follow its policies and procedures intended to address the following conflict of interest matters:

- Related Party Outsourcing;
- Expense Allocation;
- Error Corrections;
- Investing in Securities of an Issuer that is related to an Investment Advisor of the Scholarship Plans;
- Monitoring and Changing Investment Advisors;
- Determination of Distribution Incentives;
- Determination of Scholarships;
- Allocation of Surpluses;
- Determination of Risk Levels;
- Complaint Handling; and,
- Donation to Post Secondary Institution.

The IRC is not aware of any instance where the Administrator acted contrary to the IRC's recommendations or did not follow the applicable policies and procedures in all material respects.

This report is available on the Foundation's website at <http://www.cefi.ca> or you may request a copy, at no cost to you, by contacting Children's Education Funds Inc. at 1-800-246-1203. This document and other information about the Children's Education Trust group of Registered Education Savings Plans are available at <http://www.sedar.com>.