

Terms of Reference for the Board

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1.0 Introduction and Purpose

The objects and powers of CPP Investments are outlined in the Act and include the following responsibilities:

- (a) to assist the CPP in meeting its obligations to contributors and beneficiaries under the CPP;
- (b) to manage amounts transferred to CPP Investments under sections 108.1 and 108.3 of the CPP in the best interests of CPP contributors and beneficiaries; and
- (c) to invest CPP Investments' assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

The Act prohibits CPP Investments from carrying on any business or activity or exercising any power that is inconsistent with its objects or that CPP Investments is restricted by the Act from carrying on or exercising, and provides that CPP Investments shall not exercise any of its powers in a manner which is contrary to the Act.

The Act also states that the Board “shall manage or supervise the management of the business and affairs” of CPP Investments. In supervising the conduct of the business, the Board, through the President, will set CPP Investments standards of conduct and ensure the integrity of its operations.

These terms of reference are designed to clarify the Board’s responsibilities. The Board has also adopted **Guidelines for the Board**, which provide elaboration upon the **Terms of Reference for the Board**.

2.0 Procedures and Organization

2.1 DELEGATION

Subject to the Act and the By-laws, the Board may delegate its powers, duties and responsibilities to the Chairperson, Board Committees or to Management. The Board operates by delegating to Management certain of its authorities, including spending authorizations, and by reserving certain powers to itself.

As provided by the Act, the Board may not delegate the power to:

- (a) adopt, amend or repeal By-laws;
- (b) establish CPP Investments' Investment Statements or Risk Policy;
- (c) fill a vacancy in a Board Committee or in the office of the auditor of CPP Investments;
- (d) appoint Officers and/or fix their remuneration; or
- (e) approve CPP Investments' annual financial statements and any other financial statements issued by CPP Investments.

2.2 BOARD AFFAIRS

The Board retains the responsibility for managing its own affairs including:

- (a) being prepared to consult with the Minister of Finance regarding the selection of the Chairperson;
- (b) annually approving priorities for the Board and Board Committees for each upcoming year;
- (c) establishing the competencies, skills and experience required for the Board and, where a director appointment is to be made, establishing the specific competencies, skills and experience required of the

new director, and approving the names to be submitted to the External Nominating Committee (including the names of any Directors being recommended for reappointment);

- (d) establishing Board Committees;
- (e) appointing Board Committee members and chairs;
- (f) ensuring that all new Directors receive a comprehensive orientation and that the Board provides continuing development opportunities for Directors;
- (g) ensuring that the Board, the Chairperson, Board Committees and each individual Director are regularly assessed regarding effectiveness and contribution and, in particular, that the Board is adequately prepared to determine whether a Director whose term is expiring should be recommended for reappointment;
- (h) approving the annual statement of governance practices for publication in the Annual Report, and any summary of procedures, as required¹; and
- (i) determining Chairperson and Director compensation.

3.0 Duties and Responsibilities

3.1 INVESTMENT STATEMENTS AND RISK POLICY

The Board has the responsibility to establish CPP Investments' Investment Statements and Risk Policy and review and approve these documents at least annually.

¹ As per items 22(1) and 22(4) of the CPP Investments **Regulations**.

3.2 CONDUCT AND CULTURE

The Board has the responsibility to:

- (a) foster an inclusive culture of ethics and integrity throughout CPP Investments;
- (b) establish a Code of Conduct;
- (c) establish procedures for identifying potential conflicts of interest and resolving such conflicts;
- (d) designate a Board Committee to monitor application of the **Code of Conduct** and **Conflict of Interest Policy**; and
- (e) review and approve the **Code of Conduct** and **Conflict of Interest Policy** when warranted.

3.3 GOVERNANCE MODEL

The Board has the responsibility to ensure that any legislative or other changes which affect the statutory governance framework of CPP Investments are implemented in accordance with applicable law and that the views of CPP Investments as to the effects of the proposed change on that governance framework and the ability of CPP Investments to fulfill its statutory mandate are appropriately communicated.

3.4 MANAGEMENT OVERSIGHT

The Board has the responsibility:

- (a) in respect of the President to:
 - (i) select, appoint and plan for succession of the President;
 - (ii) set the **Terms of Reference for the President**;
 - (iii) annually approve the corporate goals and objectives that the President is responsible for meeting;
 - (iv) annually monitor and evaluate the President's performance;

- (v) annually approve the President’s compensation (including proposed salary adjustments and Incentive Compensation Awards);
 - (vi) review the President’s succession plans for Officers;
 - (vii) to the extent feasible, satisfy itself as to the integrity of the President and that the President creates a culture of integrity throughout CPP Investments;
 - (viii) provide advice and counsel to the President in the execution of the President’s duties; and
 - (ix) approve the President’s acceptance of significant public service commitments or outside directorships.
- (b) in respect of Management and Employees and on the recommendation of the Human Resources and Compensation Committee and the President, to annually:
- (i) review and approve any changes to the compensation framework for CPP Investments;
 - (ii)
 - (iii) review and approve any changes to the incentive compensation plan for Employees;
 - (iv) review and approve Incentive Compensation Awards for Management; and
 - (v) review and approve the executive compensation disclosure in the Annual Report.
- (c) in respect of Management and on the recommendation of the Human Resources and Compensation Committee and the President, to, when warranted:
- (i) review and approve major changes in the organizational structure of Management;
 - (ii) to the extent feasible, satisfy itself as to the integrity of Management and that Management creates a culture of integrity throughout CPP Investments;
 - (iii) review and approve position descriptions of Officers; and
 - (iv) review and approve appointments, early retirements and terminations of Officers;
- (d) in respect of development and succession plans and on the recommendation of the Human Resources and Compensation Committee and the President, to require Management to make development and succession plans for Officers annually;

- (e) in respect of Employee Benefits and on the recommendation of the Human Resources and Compensation Committee and the President, to review Employee Benefits and approve material² changes when warranted; and
- (f) in respect of Employee Pension Plans and on the recommendation of the Human Resources and Compensation Committee and the President, to review and approve any plan design change(s) that constitute a material change in the amount or nature of the retirement benefit, as warranted.

3.5 STRATEGY AND PLANS

The Board has the responsibility to:

- (a) adopt a strategic planning process and approve the Strategic Plan when warranted;
- (b) review material elements of and confirm the Strategic Plan at least annually;
- (c) review and approve the Business Plan annually;
- (d) review progress in achieving the goals established in the Strategic Plan and Business Plan; and
- (e) alter CPP Investments' direction, through Management, in light of changing circumstances.

² Material for these purposes means any change which produces a change in the relevant costs which exceeds \$5 million in aggregate, as well as any change which is of strategic importance.

3.6 POLICIES AND PROCEDURES

The Board has the responsibility to:

- (a) require Management to have in place a comprehensive risk management framework covering all principal risks and in that regard:
 - (i) identify the principal risks of CPP Investments' business;
 - (ii) take all reasonable steps to ensure the implementation of appropriate systems to manage these risks; and
 - (iii) review and approve any changes to the Integrated Risk Framework at least annually.
- (b) establish CPP Investments' investment structure for managing amounts transferred to it in respect of bCPP and aCPP and reviewing and approving a document governing the investment structure at least annually;
- (c) direct Management to ensure systems are in place for maintaining the integrity of and implementing CPP Investments' internal financial control and management information systems;
- (d) approve and monitor compliance with all major³ policies which govern CPP Investments' operations;
- (e) direct Management to implement systems designed to ensure CPP Investments operates at all times within applicable laws and regulations, and to the highest ethical and moral standards; and
- (f) adopt, amend or repeal By-laws.

3.7 AUDITOR

- (a) The Board has the responsibility to:

³ The General Counsel & Corporate Secretary shall be consulted by the member of Management ultimately responsible for a policy to assist in determining whether the policy is "major".

- (b) appoint an auditor of CPP Investments annually; and
 - (i) (ii) cause an auditor’s report to be prepared annually.

- (c) The auditor is required to be independent of CPP Investments. While the **Act** recognizes that independence is a question of fact, a person is deemed not to be independent in certain situations. In particular, an auditor is not independent if the auditor or any of the auditor's business partners:
 - (i) is a business partner of CPP Investments or any CPPIB Group Company;
 - (ii) is a business partner of any Director, Officer or Employee;
 - (iii) is a business partner of any director, officer or employee of any CPPIB Group Company;
 - (iv) is a Director, Officer or Employee;
 - (v) is a director, officer or employee of any CPPIB Group Company; or
 - (vi) has been a liquidator, trustee in bankruptcy, receiver or receiver and manager of any CPPIB Group Company within the previous two years.

3.8 COMPLIANCE REPORTING AND CORPORATE COMMUNICATIONS

The Board has the responsibility to:

- (a) in respect of financial statements:
 - (i) approve the release of quarterly financial statements issued by CPP Investments; and
 - (ii) approve annual financial statements issued by CPP Investments;

- (b) approve the Annual Report;

- (c) ensure CPP Investments holds a public meeting once every two years in each Participating Province in accordance with the requirements of the Act to discuss CPP Investments’ most recent Annual Report and to give interested persons an opportunity to comment on it;

- (d) ensure the financial performance of CPP Investments is adequately and promptly reported and the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (e) ensure the timely reporting of any other developments that have a material effect on the performance of CPP Investments and as required under the **Act** and the **Regulations**;
- (f) approve major⁴ communications policies for CPP Investments; and
- (g) ensure CPP Investments has the strategies and resources in place to enable it to communicate effectively with the general public and governments.

4.0 Legal Obligations of the Board

4.1 REQUIREMENTS OF THE ACT

CPP Investments' statutory mandate is to assist the CPP in meeting its obligations to contributors and beneficiaries and to manage and invest assets in the best interests of beneficiaries and contributors of the CPP with a view to achieving a maximum rate of return without undue risk of loss. Given this statutory mandate, the Board must meet the high standards required of a fiduciary.

The **Act** requires Directors and Officers, in exercising their powers and discharging their duties, to:

- (a) act honestly and in good faith with a view to the best interests of CPP Investments;
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and
- (c) employ the level of knowledge or skill that he or she possesses or ought to possess by reason of his or her profession or business.

⁴ The General Counsel & Corporate Secretary shall be consulted by the member of Management ultimately responsible for a policy to assist in determining whether the policy is "major".

The Board is responsible for directing Management to ensure legal requirements are met, and documents and records are properly prepared, approved and maintained.

Directors, Officers and Employees must meet high standards of skill, competence and ethical conduct in order to assist CPP Investments in fulfilling its fiduciary mandate.

4.2 OTHER STATUTORY DUTIES AND OBLIGATIONS

Directors have specific statutory duties and obligations under employment, environmental, occupational health and safety, and financial reporting law as well as under the withholding provisions of taxation laws.

Such statutes either impose additional responsibilities on corporate directors or make such directors directly liable for the actions or failure to act of the corporation.

4.3 DIRECTORS' LIABILITY

Generally speaking, statutes impose liability on directors in one of three ways.

4.3.1 Absolute Liability

For some offences, liability is imposed whether or not the director intended to commit the offence and, in some cases, whether or not the director even knew that the offence was being committed by the corporation. This type of absolute liability is not common and arises, for example, in connection with employee wages and vacation pay under certain provincial employment standards legislation.

4.3.2 Liability Subject to a Due Diligence Defence

The second type of offence imposes liability on directors unless they can demonstrate that they acted diligently. The so-called due diligence defence allows directors to avoid liability if they followed appropriate steps or adopted adequate procedures such as making appropriate enquiries, reviewing documentation, ensuring that appropriate controls or procedures are in place and consulting experts when

necessary. The due diligence defence is available for a broad range of offences including certain environmental offences.

4.3.3 Liability subject to an Honest and Reasonable Belief Defence

The third type of offence imposes liability on directors who “authorized, permitted or acquiesced” in the commission of an offence by the corporation. A defence is typically available to directors in such circumstances where they can prove that they took all reasonable care to comply with their obligations and that they had an honest and reasonable belief that they had done so even if such a belief was mistaken.

5.0 Board Timetable

The timetable on the following pages outlines the Board’s annual schedule of activities.

Board Timetable

Cross Reference to Committee	Source			Meeting						
	Statute/ Reg	Terms of Reference		Mar/ Apr	May	June	Aug	Sept	Nov	Feb
		2.2								
Governance		(a)	Be prepared to consult with the Minister of Finance regarding the selection of the Chairperson	Ongoing						
Governance		(b)	Annually approve priorities of the Board and Board Committees for each upcoming year		*					
Governance		(c)	Establish the competencies, skills and experience required for the Board and, where a director appointment is to be made, establish the specific competencies, skills and experience required of the new director, and approve the names to be submitted to the External Nominating Committee (including the names of any Directors being recommended for reappointment)	As required						
Governance		(d)	Establish Board Committees	As required						
Governance		(e)	Appoint Board Committee members and chairs						*	
Governance		(f)	Ensure that all new directors receive a comprehensive orientation and that the Board provides continuing development opportunities for directors	Ongoing						
Governance		(g)	Ensure that the Board, the Chairperson, Board Committees and each individual Director is regularly assessed regarding effectiveness and contribution		*					
Governance		(h)	Approve the annual statement of governance practices for publication in the CPPIB annual report, and any summary of procedures, as required		*					
Governance		(i)	Determine Directors' and Chairperson's Compensation (every two years)					*		

Cross Reference to Committee	Source			Meeting						
	Statute/ Reg	Terms of Reference		Mar/ Apr	May	June	Aug	Sept	Nov	Feb
		3.1	Investment Statements and Risk Policy							
Investment/ Risk			Review and approve, at least annually, the Investment Statements and the Risk Policy							*
		3.2	Conduct & Culture							
Governance	8(2)		Receive report on effectiveness of conflict of interest policies, guidelines and procedures annually			*				
		3.3	Governance Model							
			Ensure that any legislative or other changes which affect the statutory governance framework of CPP Investments are implemented in accordance with applicable law and that the views of CPP Investments as to the effects of the proposed change on that governance framework and the ability of CPP Investments to fulfill its statutory mandate are appropriately communicated.	Ongoing						
		3.4	Management Oversight							
HRCC		(a)	Select, appoint and plan for succession of the President; set the Terms of Reference for the President, approve the corporate goals and objectives that the President is responsible for meeting, monitor and evaluate the President's performance; approve the President's compensation (including annual and long-term incentive compensation awards); review the President's succession plans for Officers; and provide advice and counsel to the President in the execution of the President's duties		*					

Cross Reference to Committee	Source			Meeting							
	Statute/ Reg	Terms of Reference		Mar/ Apr	May	June	Aug	Sept	Nov	Feb	
HRCC		(b)	Review and approve any changes to the compensation framework for CPP Investments; any changes to the compensation ranges for Officers; any changes to the incentive compensation plan for Employees; salary adjustments and incentive compensation awards for Employees who are Management and report directly to the President; and the executive compensation disclosure in the Annual Report		*						
HRCC	13(1)	(c)	Review and approve major changes in the organizational structure of Management; position descriptions of Officers; and appointment of Officers	Ongoing							
HRCC		(d)	Require plans are made for Management development and succession								*
HRCC		(e)	Review Employee Benefits and approve material changes when warranted		*						
HRCC		(f)(i)	Review and approve changes to the Employee Pension Plans design if the change constitutes a material change in the amount or nature of the retirement benefit	As required							
		3.5	Strategy and Plans								
		(a)	Adopt a strategic planning process and approve Strategic Plan	As required							
		(b)	Review material elements of Strategic Plan	Ongoing							
		(c)	Review and approve Business Plan annually								*
		(d)	Review progress in achieving the goals established in the Strategic Plan and Business Plan		*		*		*		*
		(e)	Alter CPP Investments' direction, through Management, in light of changing circumstances	Ongoing							

Cross Reference to Committee	Source			Meeting						
	Statute/ Reg	Terms of Reference		Mar/ Apr	May	June	Aug	Sept	Nov	Feb
		3.6	Policies and Procedures							
Risk		(a)	Identify principal risks and implement appropriate systems to manage them; approve Integrated Risk Framework and Risk Appetite Statements					*		
		(b)	Approve investment structure for managing amounts transferred in respect of bCPP and aCPP	*						
Audit		(c)	Maintain and implement internal financial control and management information systems		*					
Audit		(d)	Approve and monitor compliance with all major policies which govern operations	As required						
Audit		(e)	Ensure operation within applicable laws and regulations, and to the highest ethical and moral standards (ongoing)		*		*		*	*
		(f)	Adopt, amend or repeal by-laws	As required						
		3.7	Auditor							
Audit	42	(a)	Appoint auditor and cause auditor's report to be prepared annually				*			
		3.8	Compliance Reporting and Corporate Communications							
Audit	39(6)	(a) (i)	Approve the release of quarterly financial statements		*		*		*	*
Audit	39(7)	(a) (ii)	Approve annual financial statements		*					
Audit	51(1)	(b)	Approve Annual Report		*					
	52(1)	(c)	Ensure that public meetings held once every two years in accordance with the Act							

Cross Reference to Committee	Source			Meeting						
	Statute/Reg	Terms of Reference		Mar/Apr	May	June	Aug	Sept	Nov	Feb
Audit		(d)	Ensure that financial performance is adequately and promptly reported and the financial results are reported fairly and in accordance with generally accepted accounting principles		*		*		*	*
Audit		(e)	Ensure timely reporting of any developments that have a material effect on the performance of CPP Investments	Ongoing						
		(f)	Approve major communications policies for CPP Investments	As required						
		(g)	Ensure communications strategies and resources in place	Ongoing						
			Guidelines for the Board (S. 2.4)							
			Approve changes when warranted to Terms of Reference for the Board; Terms of Reference for a Director; Terms of Reference for the Chairperson; Terms of Reference for Committee Chairs; Terms of Reference for the President; Terms of Reference for the Governance Committee; Terms of Reference for the Audit Committee; Terms of Reference for the Human Resources and Compensation Committee; Terms of Reference for the Investment Committee; Director Orientation and Development; Protocol Governing Appointment of Former CPPIB Directors to Investee Entity Boards; and such other aspects of the Governance Manual as may be required			*				
			Guidelines for the Board (S. 4.4)							
			Appoint/re-appoint Committee Chairs and Committee members (as required)	As required						