

# Terms of Reference for the Risk Committee

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Table of Contents

1.0 Introduction .....1

2.0 Purpose .....1

3.0 Committee Membership .....2

4.0 Committee Meetings.....2

    4.1 Frequency.....2

    4.2 Calling.....2

5.0 Operations.....2

6.0 Duties and Responsibilities.....3

    6.1 Risk Policies, Frameworks and Appetites.....3

    6.2 Risk Governance .....4

    6.3 Risk committee priorities.....4

    6.4 Other .....5

7.0 Accountability.....5

8.0 Committee Timetable.....5

## 1.0 Introduction

The objects and powers of CPP Investments are outlined in the **Act**. The **Act** outlines certain responsibilities for the Board. The **Terms of Reference for the Board** clarify the Board's responsibilities, and the **Guidelines for the Board** elaborate upon the **Terms of Reference for the Board**.

The **Act** permits the Board to establish such committees as it deems necessary, and to assign to them such duties as it considers appropriate. The Board has established the Risk Committee in accordance with its authority to do so under the **Act**.

These terms of reference are designed to articulate the responsibilities of the Risk Committee.

The Board has adopted **Guidelines for Board Committees**, which provide elaboration upon each Board Committee's terms of reference.

## 2.0 Purpose

The purpose of the Risk Committee is to assist the Board in fulfilling its obligations to oversee risk management and risk governance by receiving reports and/or making recommendations to the Board on matters including:

- (a) the Risk Policy which incorporates CPP Investments' integrated risk framework and risk appetite (in the form of risk limits, statements and targets);
- (b) other material risk management policies and exceptions thereto;
- (c) overall risk governance; and
- (d) such other matters as may be determined by the Board.

### 3.0 Committee Membership

The Risk Committee shall be composed of not fewer than three Directors.

Committee members shall have or be willing to acquire soon after joining the Committee, sufficient understanding of risk management issues. Committee membership will reflect a balance of experience and expertise required to fulfill the Committee's mandate.

### 4.0 Committee Meetings

#### 4.1 FREQUENCY

The Risk Committee shall meet at least four times a year, with additional meetings at the discretion of the Committee Chair.

#### 4.2 CALLING

Any member of the Risk Committee, or CPP Investments' CFRO, may ask the Committee Chair to call a meeting of the Risk Committee.

### 5.0 Operations

The Chair of the Risk Committee may ask the Chairperson to call a meeting of the Board to consider any matter of concern. The Risk Committee will have access to Management and CPP Investments' documents as may be required to fulfill its responsibilities.

## 6.0 Duties and Responsibilities

Subject to the powers and duties of the Board, and to the requirements of the Act, the Risk Committee will perform the following duties:

### 6.1 RISK POLICIES, FRAMEWORKS AND APPETITES

The Risk Committee will:

- (a) review and recommend to the Board at least annually the Risk Policy, including an annual assessment of the appropriateness thereof;
- (b) review and recommend to the Board, as required, other material risk management policies;
- (c) review any exceptions to the Risk Policy or other material risk management policies including exceptions to risk appetite limits;
- (d) monitor, at least semi-annually, CPP Investments' risk profile against its risk appetite;
- (e) receive reports from the CFRO, at least quarterly, on:
  - (i) the key existing and emerging risks to which CPP Investments is exposed, including market, credit, liquidity, leverage, operational (including model and information security & cyber), regulatory and legal, and strategic, risks, taking into consideration interconnectivity between risks;
  - (ii) potential financial and reputation impacts; and
  - (ii) scenario analysis and stress testing results across business activities and risk types; and
- (f) receive reports: jointly with the Investment Strategy Committee, on the implementation of the Risk Policy; and on other material risk management policies;

- (g) periodically review the processes and controls developed by Management to evaluate risks in relation to CPP Investments' risk profile, recognizing that the Audit Committee has primary responsibility for the review of internal control procedures; and
- (h) periodically receive reasonable assurance on the effectiveness of the Risk Policy including the integrated risk framework and appetite.

## 6.2 RISK GOVERNANCE

The Risk Committee will:

- (a) review annually the objectives, resourcing and budget of the Risk group within the Finance, Analytics & Risk department;
- (b) jointly with the Audit Committee, be involved in the selection and appointment of the CFRO;
- (c) jointly with the Audit Committee, review with the CEO the CFRO's performance annually (this will be performed by the Chair of the Risk Committee on behalf of the Committee);
- (d) ensure that direct and open communication exists between the Risk Committee and the CFRO;
- (e) meet periodically with the CFRO in the absence of Management; and
- (f) monitor the soundness of CPP Investments' risk culture.

## 6.3 RISK COMMITTEE PRIORITIES

In consultation with the Chairperson, formulate annual priorities for the Risk Committee for each fiscal year and review progress against them at least annually.

#### 6.4 OTHER

The Risk Committee will:

- (a) review at least annually CPP Investments' crisis management plans, and any similar plans to monitor, respond, recover and communicate before, during and immediately after disruptions affecting CPP Investments' business or operations;
- (b) review at least annually insurance coverage of significant business risks and uncertainties;
- (c) review and recommend to the Board an annual statement of risk management practices and risk governance for publication in the Annual Report; and
- (d) at the request of the Chairperson or the Board, undertake such other risk-related initiatives as may be necessary or desirable to contribute to the success of the Board.

#### 7.0 Accountability

The Risk Committee shall:

- (a) report its discussions to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting; and
- (b) report, as required, to the other Board Committees on issues of relevance to them.

#### 8.0 Committee Timetable

The timetable on the following pages outlines the Risk Committee's annual schedule of activities.

### Risk Committee Timetable

Source			Meeting						
Statute/Reg	Terms of Reference		Feb	March/ April	May	June	Sept	Nov	
	<b>6.1</b>		<b>Risk Policies, Frameworks and Appetites</b>						
		(a)	Review and recommend to the Board at least annually the Risk Policy	*					
		(b)	Review and recommend to the Board, as required, other material risk management policies	*					
		(c)	Review any exceptions to the Risk Policy or other material risk management policies including exceptions to risk appetite limits	<b>As required</b>					
		(d)	Monitor, at least semi-annually, CPP Investments' risk profile against its risk appetite			*			*
		(e)	Receive reports from the CFRO, at least quarterly, on: (i) the key existing and emerging risks to which CPP Investments is exposed, including market, credit, liquidity, leverage, operational (including model and information security & cyber), legal and regulatory, and strategic, risks, taking into consideration interconnectivity between risks; (ii) potential financial and reputation impacts; and (ii) scenario analysis and stress testing results across business activities and risk types	*		*		*	*
		(f)	receive reports: jointly with the Investment Strategy Committee, on the implementation of the Risk Policy; and on other material risk management policies	<b>As required</b>					
		(g)	Periodically review the processes and controls developed by management in relation to the risk profile (with Audit Committee having primary responsibility for internal control procedures)	<b>As required</b>					
		(h)	Periodically receive reasonable assurance on the effectiveness of the Risk Policy including the integrated risk management framework and appetite	<b>As required</b>					
	<b>6.2</b>		<b>Risk Governance</b>						
		(a)	Review annually the objectives, resourcing and budget of the Risk group				*		



Source			Meeting					
Statute/Reg	Terms of Reference		Feb	March/ April	May	June	Sept	Nov
	(b)	Be involved in the selection and appointment of the CFRO	<b>As required</b>					
	(c)	Review with the CEO the CFRO's performance annually			*			
	(d)	Ensure that direct and open communication exists between the Risk Committee and the CFRO	<b>Ongoing</b>					
	(e)	Meet periodically with the CFRO in the absence of Management	<b>Ongoing</b>					
	(f)	Monitor the soundness of CPP Investments' risk culture	<b>Ongoing</b>					
	<b>6.3</b>	<b>Risk Committee Priorities</b>						
	(a)	Formulate Risk Committee priorities for each fiscal year				*		
	<b>6.4</b>	<b>Other</b>						
	(a)	Review at least annually CPP Investments' crisis management plans, and any similar plans of CPP Investments				*		
	(b)	Review at least annually insurance coverage of significant business risks and uncertainties			*			
	(c)	Review and recommend to the Board an annual statement of risk management practices for publication in the Annual Report			*			
	(d)	At the request of the Chairperson or the Board, undertake such other risk-related initiatives as may be necessary or desirable to contribute to the success of the Board	<b>As required</b>					
		<b>Guidelines for Board Committees (S. 2.3)</b>						
		Review Terms of Reference for the Risk Committee annually and recommend any changes to the Board				*		