



CPP  
INVESTMENT  
BOARD

# **DIRECTOR ORIENTATION AND DEVELOPMENT**

**February 9, 2011**

# DIRECTOR ORIENTATION AND DEVELOPMENT

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## 1.0 INTRODUCTION

- (a) The Chairperson and the Governance Committee work closely with the President and Management to ensure that director orientation and development opportunities are implemented thoughtfully and assist Directors in enhancing their ability to contribute to the CPP Investment Board.
- (b) New Director orientation is designed to be a complete introduction to the CPP Investment Board, however it is also tailored to individual Director needs. While most on-going Director development is delivered in-house to the full Board, Directors should also be proactive in ensuring they become and remain knowledgeable to fulfill their duties and seek additional training and information if necessary.

## 2.0 BACKGROUND

- (a) The Act mandates that the Minister of Finance in making board appointments shall have regard to “having on the board of directors a sufficient number of directors with proven financial ability or relevant work experience such that the Board will be able to effectively achieve its objects”<sup>1</sup>. Subsection 14(2) of the Act goes beyond the prudent person diligence standard to require that a director must exercise the particular knowledge or skill which he or she in fact possesses or “ought to possess” in the discharge of directorial duties.
- (b) The **Terms of Reference for a Director** include Section 3.6 – Industry and Corporate Knowledge. It states:

*“Recognizing that decisions can only be made by well-informed Directors, each Director will:*

- (a) become generally knowledgeable of the business of the CPP Investment Board and its industry, including developing an understanding of emerging market trends and significant strategic and reputational issues and risks;*
- (b) demonstrate financial literacy;*
- (c) participate in Director orientation and development programs developed by the CPP Investment Board from time to time;*
- (d) maintain an understanding of the duties and role of a Director and of the regulatory, legislative, business, social and political environments within which the CPP Investment Board operates;*

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<sup>1</sup> Subsection 10(4) of the Act.

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- (e) keep abreast of developments in the field of governance, particularly as they affect the CPP Investment Board and its business; and*
  - (f) become acquainted with Management of the CPP Investment Board.”*
- (c) **The Terms of Reference for a Director, the Chairperson, the Governance Committee and the President** all make reference to responsibilities regarding the director orientation and development process.
- (d) The following issues are considered with respect to director orientation and development:
  - i. It is expected that Directors will possess sufficient experience and skills at the time of their appointment to serve in such a capacity. However it is recognized that they will not be expert in all disciplines or in all aspects of governance
  - ii. The orientation program is expected to familiarize new Directors with the Board requirements and serve as an introduction to the CPP Investment Board operations.
  - iii. In recognition of the evolving nature of a Director’s responsibilities, ongoing education will be necessary. In most cases all Directors should be exposed to the same education.
  - iv. Given the unique nature of the CPP Investment Board, it is likely more appropriate that education normally be delivered in-house and not via general seminars/conferences
  - v. There is a proliferation of information available via books, internet and materials issued by academics, professional firms and associations

### 3.0 POLICY

The CPP Investment Board has used and will continue to use the following methods of Director education:

#### 3.1 Director Orientation

As noted above, this comprehensive orientation session is undertaken in respect of new Directors. The content of the session will be continually updated. The objective of the orientation session is to provide the new director with sufficient information and education so that he or she can be expeditiously and effectively integrated into the work of the Board. The session shall include:

- (a) written information about the duties and obligations of Directors;
- (b) an introduction to the Board Committees,

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- (c) documents from recent Board and Board Committee meetings, and
- (d) discussion of:
  - i. the background, history and mandate of the CPP Investment Board;
  - ii. its strategy and business planning process; and
  - iii. its current corporate and departmental business plans.

At the orientation session, new directors are given opportunities to meet with senior management and other Directors, and are subsequently provided with an in-depth orientation to those Board committees of which they become members.

### **3.2 Management Business Presentations**

These presentations are done at Board meetings and in the context of an upcoming requested approval of a CPP Investment Board business initiative. They are often done in the context of a new or amended aspect of investment policy but would also include such things as capital at risk, active management, fee structures, proxy voting etc. Although these presentations will be oriented towards the business of the CPP Investment Board and the specific approval being requested, it is recognized that Directors will also want information and education about generally accepted standards, best practices and competitor practices and will wish to have, in addition to all relevant detail, a higher level view of overall direction and exposures.

### **3.3 Director Seminars**

These seminars could involve both internal and external speakers and in all cases involve education around issues relevant to the business of the CPP Investment Board. Examples would be seminars about the use of derivatives, the private equity market generally and risk allocation and risk adjusted net value added. These seminars may be held during Board meetings where scheduling permits.

### 3.4 Articles, Memberships and Other Information

Articles of interest may be provided to Directors by Management but every effort will be made to ensure that the articles are of direct relevance to the business of the CPP Investment Board and, where appropriate, particularly as it relates to investment articles, have a management synopsis and discussion as a cover. Other material, subscriptions, memberships and information may be provided to Directors in support of their ongoing education, as the Governance Committee determines from time to time. Management of the CPP Investment Board receives via e-mail on a daily basis copies of articles in that day's press which are about or of relevance to the CPP Investment Board and those Directors wishing to receive that shall be provided with it.

### 3.5 Conferences, Seminars and Forums

Notwithstanding the above education, there is likely to continue to be a need for directors to be further educated on topics relevant to their role at CPP Investment Board. Directors are encouraged to raise issues around education, whether internal or external, with the Chairperson (or the Chair of the Governance Committee in the case of the Chairperson), who shall, with respect to requests for attendance at conference, seminars or forums, be entitled to approve such requests on a case by case basis and on specified terms where deemed appropriate. In the approval of any such requests it is important that:

- (a) the subject matter of the proposed education relate directly to the responsibilities of the requesting director in the oversight of the business of the CPP Investment Board;
- (b) the possible reputational implications to CPP Investment Board of the requested attendance be taken into account;
- (c) the cost of the event be reasonable relative to the cost of other comparable educational opportunities; and
- (d) there be fairness among directors. To that end, all directors will be promptly advised of an educational event:
  - i. where a director has been approved for attendance, or
  - ii. which has been recommended by a director who is unable to attend or which otherwise comes or is drawn to the attention of the Chairperson or Chair of the Governance Committee and which the Chairperson feels should be communicated to other directors,

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including all relevant particulars, and a fair opportunity shall be granted to other directors to participate in such events. In considering fairness in allocating such opportunities the Chairperson or Committee Chair, as the case may be, shall take into account, among other factors he or she thinks appropriate, the relevance of the seminar to the director's educational objectives with CPP Investment Board and other events attended in the past by the director pursuant to this Policy.

The Governance Committee shall review semi-annually the outside educational events attended by directors pursuant to this Policy and the costs of each such event.

### **3.6 Review**

The above methods of ongoing Director education are reviewed on at least an annual basis by the Governance Committee.