



**CPP
INVESTMENT
BOARD**

Tab No. F-4

**TERMS OF REFERENCE FOR THE
GOVERNANCE COMMITTEE**

August 13, 2008

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

1.0	INTRODUCTION	1
2.0	PURPOSE.....	1
3.0	COMMITTEE MEMBERSHIP.....	1
4.0	COMMITTEE MEETINGS	1
5.0	DUTIES AND RESPONSIBILITIES.....	2
5.1	Conflict of Interest and Code of Conduct.....	2
5.2	Governance Documents and Initiatives.....	2
5.3	Board and Board Committee Meetings	3
5.4	Director Appointments	3
5.5	Chair Appointments	3
5.6	Director Development and Orientation.....	4
5.7	Board Effectiveness Assessment Processes.....	4
5.8	Committee Appointments.....	4
5.9	Independent Advice	4
5.10	Governance Policy for Subsidiaries	4
5.11	Procurement Policy	5
5.12	Proxy Voting Principles and Guidelines.....	5
5.13	Privacy Policy	5
5.14	Directors' Compensation.....	5
5.15	Governance Committee Objectives.....	5
5.16	Other.....	5
6.0	ACCOUNTABILITY	5
7.0	COMMITTEE TIMETABLE	6

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

1.0 INTRODUCTION

The objects and powers of the CPP Investment Board 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 Governance Committee in accordance with its authority to do so under the **Act**.

These terms of reference are designed to clarify the responsibilities of the Governance 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 Governance Committee is to assist the Board in fulfilling its obligations by providing a focus on governance that is intended to enhance the CPP Investment Board's performance, at all times taking into consideration established governance best practices. Further, the Governance Committee shall receive reports and make recommendations on matters including:

- (a) the **Terms of Reference for the Board**, the terms of reference for each Board Committee, the **Guidelines for the Board** and the **Guidelines for Board Committees**;
- (b) the Board's composition and effectiveness;
- (c) the **Code of Conduct** and its application;
- (d) maintenance of the Governance Manual; and
- (e) such other matters as may be determined by the Board.

3.0 COMMITTEE MEMBERSHIP

The Governance Committee shall be composed of not fewer than three Directors, and the Chairperson.

4.0 COMMITTEE MEETINGS

The Governance Committee shall meet at least twice a year, with additional meetings at the discretion of the Committee Chair.

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

5.0 DUTIES AND RESPONSIBILITIES

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

5.1 Conflict of Interest and Code of Conduct

- (a) Be available to receive reports of, investigate, discuss and make recommendations in respect of breaches or suspected breaches of the **Code of Conduct**.
- (b) Review the effectiveness of conflict of interest policies, guidelines and procedures and report its findings to the Board at least annually;
- (c) Review the report from the Conduct Review Advisor on his/her review of the Code of Conduct annually.
- (d) Monitor, recommend amendments to and annually review the Code of Conduct, including receiving an annual report from the Conduct Review Advisor.
- (e) Review reports from the Corporate Secretary on the **Code of Conduct** at least annually.
- (f) Review reports on the personal trading guidelines set out in the **Code of Conduct** quarterly in the case of Officers and Employees and semi-annually in the case of Directors.
- (g) Where appropriate, refer matters to the Conduct Review Advisor for his or her advice.

5.2 Governance Documents and Initiatives

- (a) Review annually and recommend changes to the Board when warranted:
 - (i) **Terms of Reference for the Board;**
 - (ii) **Terms of Reference for a Director;**
 - (iii) **Terms of Reference for the Chairperson;**
 - (iv) **Terms of Reference for Committee Chairs;**
 - (v) **Terms of Reference for the President;**
 - (vi) **Terms of Reference for the Governance Committee;**
 - (vii) **Director Orientation and Development;** and
 - (viii) such other aspects of the Governance Manual as may require review.
- (b) Review annually to ensure all aspects of governance are attended to:
 - (i) **Terms of Reference for the Audit Committee;**

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

- (ii) **Terms of Reference for the Human Resources and Compensation Committee;** and
- (iii) **Terms of Reference for the Investment Committee.**
- (c) Prepare and recommend to the Board an annual statement of governance practices for publication in the Annual Report, and any summary of procedures, as required.¹
- (d) Review periodic reports from Management on governance best practices and the CPP Investment Board's performance and practices compared to those standards.
- (e) Recommend to the Board any reports on corporate governance that may be required or considered advisable.

5.3 Board and Board Committee Meetings

Assess the needs of the Board and Board Committees regularly in terms of the frequency of Board and Board Committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings, taking into consideration the results of the **Board and Committee Evaluation**. Make recommendations to the Chairperson as required.

5.4 Director Appointments

The Committee shall:

- (a) in consultation with the Chairperson lead the Board in assessing and planning for Board composition and succession, including:
 - (i) considering the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
 - (ii) the competencies and skills that the Board considers each existing Director to possess; and
 - (iii) the competencies and skills that each new nominee would bring to the boardroom.
- (b) highlight the need for new nominees to be able to devote sufficient time and resources to their duties as a Director; and
- (c) approve the search firms(s) used for the Director search process.

5.5 Chair Appointments

The Committee shall work with the Board, and the Chairperson as required, to ensure the Board is considering the issue of Chairperson succession planning.

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

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

5.6 Director Development and Orientation

The Committee shall, in consultation with the Chairperson, and the Board as required:

- (a) Develop the overall approach to director orientation and development and outline the approach in the **Director Orientation and Development Policy**.
- (b) Oversee the design and implementation of the orientation and development programs working closely with the Corporate Secretary and Management.

5.7 Board Effectiveness Assessment Processes

Annually recommend to the Board, and implement, appropriate processes as follows:

- (a) **Board and Committee Evaluation;**
- (b) **Individual Director Evaluation; and**
- (c) **Chairperson Evaluation.**

5.8 Committee Appointments

Act as a sounding board for the Chairperson in reviewing the Chairperson's recommendations to the Board for appointing Board Committee members and Committee Chairs.

5.9 Independent Advice

Review and administer the system that enables the Chairperson, a Director, the Board or a Board Committee to engage independent advice at the expense of the CPP Investment Board in appropriate circumstances, and be responsible for the ongoing administration of such a system. (See **Guidelines for the Board**)

5.10 Governance Policy for Subsidiaries

The Governance Committee will:

- (a) receive Management's recommendations regarding an appropriate Governance Policy for Subsidiaries; and
- (b) review and approve the Governance Policy for Subsidiaries when warranted.

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

5.11 Procurement Policy

The Governance Committee will:

- (a) receive Management's recommendations regarding an appropriate Procurement Policy; and
- (b) review and approve the Procurement Policy when warranted.

5.12 Proxy Voting Principles and Guidelines

Review and recommend to the Board at least annually the Proxy Voting Principles and Guidelines.

5.13 Privacy Policy

The Governance Committee will:

- (a) receive Management's recommendations regarding an appropriate Privacy Policy; and
- (b) review and approve the Privacy Policy when warranted.

5.14 Directors' Compensation

Review the Directors' and Chairperson's compensation at least every two years and recommend changes to the Board when warranted.

5.15 Governance Committee Objectives

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

5.16 Other

At the request of the Chairperson or the Board, undertake such other corporate governance initiatives as may be necessary or desirable to contribute to the success of the Board.

6.0 ACCOUNTABILITY

The Governance Committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

7.0 COMMITTEE TIMETABLE

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

**TERMS OF REFERENCE FOR THE
GOVERNANCE COMMITTEE**

GOVERNANCE COMMITTEE TIMETABLE

Source			Meeting		
Statute/Reg	Terms of Reference		June	Oct	Feb
	5.1	CONFLICT OF INTEREST AND CODE OF CONDUCT			
	(a)	Be available to receive reports of, investigate, discuss and make recommendations in respect of breaches or suspected breaches of the Code of Conduct . (as required)			
	(b)	Review effectiveness of conflict of interest policies, guidelines and procedures and report findings to the Board annually	*		
	(c)	Receive report on the application of the Code of Conduct annually	*		
	(d)	Review report from the Conduct Review Advisor on his/her review of the Code of Conduct annually		*	
	(e)	Monitor, recommend amendments to and annually review the Code of Conduct, including receiving an annual report from the Conduct Review Advisor.			
	(f)	Review reports on the personal trading guidelines set out in the Code of Conduct quarterly in the case of Officers and Employees and semi-annually in the case of Directors	*		*
	5.2	GOVERNANCE DOCUMENTS AND INITIATIVES			
	(a)	Review annually and recommend changes to the Board when warranted: 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; Director Orientation and Development (including receiving information about director orientation sessions which have occurred in the past year); and such other aspects of the Governance Manual as may require review			*
	(b)	Review annually to ensure all aspects of governance attended to: Terms of Reference for the Audit Committee; Terms of Reference for the Human Resources and Compensation Committee; and Terms of Reference for the Investment Committee			*
	(c)	Prepare and recommend to the Board an annual statement of governance practices for publication in the Annual Report, and any summary of procedures, as required			
	(d)	Receive a report from Management on governance best practices at each meeting	*	*	*
	(e)	Recommend corporate governance reports to the Board where appropriate (ongoing)			
	5.3	BOARD AND BOARD COMMITTEE MEETINGS			
		Assess the needs of the Board and the Board Committees regularly and make recommendations to the Board when warranted	*		

**TERMS OF REFERENCE FOR THE
GOVERNANCE COMMITTEE**

Source			Meeting		
Statute/Reg	Terms of Reference		June	Oct	Feb
	5.4	DIRECTOR APPOINTMENTS AND REAPPOINTMENTS			
		In consultation with Board Chair, lead the Board in assessing and planning for board composition and succession, including considering the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; the competencies and skills that the board considers each existing director to possess; and the competencies and skills that each new nominee would bring to the boardroom; and approve the search firms(s) used for the director search process.			*
	5.5	CHAIR APPOINTMENTS			
		Work with the Board, and the Chairperson as required, to ensure the Board is considering the issue of Chairperson succession planning			
	5.6	DIRECTOR DEVELOPMENT AND ORIENTATION			
		Develop overall approach to director orientation and development and outline the approach in the Director Orientation and Development Policy ; and oversee design and implementation of orientation and development programs working closely with Corporate Secretary and Management.			
	5.7	BOARD EFFECTIVENESS ASSESSMENT			
		Recommend to the Board, and annually implement, appropriate processes as follows: Board and Committee Evaluation; Individual Director Evaluation and Chairperson Evaluation	*		
	5.8	COMMITTEE APPOINTMENTS			
		Participate in Board Committee and Committee Chair appointments (as required)			
	5.9	INDEPENDENT ADVICE			
		Review and administer the system that enables the Chairperson, a Director, the Board or a Board Committee to engage independent advice at the expense of the CPP Investment Board		*	
	5.10	GOVERNANCE POLICY FOR SUBSIDIARIES			
		Receive Management's recommendations and approve Governance Policy for Subsidiaries when warranted			
	5.11	PROCUREMENT POLICY			
		Receive Management's recommendations and approve Procurement Policy when warranted			
	5.12	PROXY VOTING PRINCIPLES AND GUIDELINES			
		Review and recommend to the Board at least annually the Proxy Voting Principles and Guidelines.			*
	5.13	PRIVACY POLICY			
		Receive Management's recommendations and approve Privacy Policy when warranted			

**TERMS OF REFERENCE FOR THE
GOVERNANCE COMMITTEE**

Source			Meeting		
Statute/Reg	Terms of Reference		June	Oct	Feb
	5.14	DIRECTOR COMPENSATION			
		Review the Directors' and Chairperson's compensation at least every two years and recommend changes to the Board when warranted.			
	5.15	GOVERNANCE COMMITTEE OBJECTIVES			
		In consultation with the Chairperson, formulate annual objectives for the Governance Committee for each fiscal year and review progress against them at least annually.	*		
		GUIDELINES FOR BOARD COMMITTEES (S. 2.3)			
		Review Terms of Reference for the Governance Committee annually and recommend changes to the to the Board when warranted			*