



CPP
INVESTMENT
BOARD

Guidelines for the Board

June 19, 2018

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GUIDELINES FOR THE BOARD

1.0 INTRODUCTION

The **Terms of Reference for the Board** define the role of the Board of the CPP Investment Board, and more particularly its duties and responsibilities. **By-Law No. 1** relates to the business and affairs of the CPP Investment Board and describes the procedures that govern the operations of the CPP Investment Board, including the Board and the Board Committees.

These **Guidelines for the Board** are designed to elaborate upon the **Terms of Reference for the Board** and **By-Law No. 1** in respect of the manner in which the Board will operate to carry out its duties of stewardship and accountability.

2.0 DUTIES AND RESPONSIBILITIES

2.1 Best Interests of the CPP Investment Board

The Board oversees the conduct of business and supervises Management, which is responsible for the day-to-day conduct of the CPP Investment Board's business.

The Directors are appointed by the Governor in Council to bring special skills and experience to Board deliberations.

The Board will receive reports and recommendations from Management and Board Committees and will make decisions in the best interests of the CPP Investment Board at all times.

2.2 Integrity

The concept of integrity is of fundamental importance to the CPP Investment Board. Apart from its being a key aspect of the "control environment" underpinning the effectiveness of internal controls, integrity is also fundamental to the organization's reputation, continued unfettered mandate and ability to carry on business effectively over the long term.

The CPP Investment Board's commitment to maintaining a culture of integrity is outlined in the **Code of Conduct**.

2.3 Board Timetable

The Board has a timetable, as part of the **Terms of Reference for the Board**. The Board timetable summarizes the Board's duties and responsibilities over a year and identifies when, during a year, they will be undertaken.

2.4 Terms of Reference Review

The Board will receive recommendations from either one or more Board Committees, or Management, and approve changes when warranted to the following:

- (a) **Terms of Reference for the Board;**
- (b) **Terms of Reference for a Director;**
- (c) **Terms of Reference for the Chairperson;**
- (d) **Terms of Reference for Committee Chairs;**
- (e) **Terms of Reference for the President;**
- (f) **Terms of Reference for the Governance Committee;**
- (g) **Terms of Reference for the Audit Committee;**
- (h) **Terms of Reference for the Human Resources and Compensation Committee;**
- (i) **Terms of Reference for the Investment Committee;** and
- (j) such other aspects of the Governance Manual as may be required.

3.0 BOARD MEMBERSHIP

3.1 The Chairperson

The Chairperson is appointed from among the Directors by the Governor in Council on the recommendation of the Minister of Finance following consultation with the Directors and the Appropriate Provincial Minister of each Participating Province.

The Chairperson performs the duties and responsibilities outlined in the **Terms of Reference for the Chairperson.**

The position of Chairperson is non-executive and part-time.

3.2 Directors

The Governor in Council appoints Directors on the recommendation of the Minister of Finance.

The Governance Committee develops and regularly updates criteria for potential new directors that take into consideration the current strengths, skills and experience on the Board, the terms of incumbent Directors, and the strategic direction of the CPP Investment Board.

The Chairperson ensures that there is a process for communicating these criteria to the External Nominating Committee, the Minister of Finance and the Governor in Council prior to appointment of new directors.

3.3 Term of Service

Directors are normally appointed to hold office for a term of three years, for a maximum of three terms.

The Chairperson can serve a fourth term as a Director.

3.4 Size of the Board

The Board size is set at twelve by the **Act**.

4.0 BOARD COMMITTEES

4.1 Board Committee Structure

The Board has created certain committees. Each committee operates according to Board approved terms of reference which outline the committee's duties and responsibilities.

The current Board Committee structure includes the:

- Audit Committee (**Terms of Reference for the Audit Committee**);
- Governance Committee (**Terms of Reference for the Governance Committee**);
- Human Resources and Compensation Committee (**Terms of Reference for the Human Resources and Compensation Committee**);
and
- Investment Committee (**Terms of Reference for the Investment Committee**) - The Board, from its inception, has decided that the Investment Committee should be a Board Committee composed of the entire Board. This decision is based on the fact that the business of the Investment Committee is essentially the core business of the CPP Investment Board as a whole, in which all Directors would reasonably expect to be involved.

This committee structure is subject to change from time to time as the Board considers which of its responsibilities will best be fulfilled through more detailed review of matters in a Board Committee.

4.2 Guidelines for Board Committees

The Board has developed **Guidelines for Board Committees** that apply to all Board Committees. The **Guidelines for Board Committees** are

designed to provide elaboration upon each Board Committee's terms of reference.

4.3 Ad Hoc Committees

Ad Hoc Committees are Board Committees, but differ from the standing Board Committees in that an ad hoc committee is established for a specific period of time to undertake a specific task, and is then disbanded.

Each Ad Hoc Committee operates according to Board approved terms of reference which outline its duties and responsibilities, as well as **Guidelines for Ad Hoc Committees**. The **Guidelines for Board Committees** also apply to ad hoc committees.

4.4 Board Committee Chairs and Membership

Board Committee members must be Directors.

The Chairperson is responsible to the Board for annually proposing the leadership and membership of each Board Committee. In preparing recommendations, the Chairperson will consult with the Governance Committee and take into account the preferences, skills and experience of each Director. The Chairperson should consider the issue of memberships of Directors on more than one Committee and possible benefits to be derived in that regard.

Committee Chairs and members are appointed by the Board at the first or second Board meeting of the fiscal year, or as needed to fill vacancies during the year.

The Board favours a periodic rotation in Board Committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and functional expertise.

4.5 Reporting

Each Board Committee will through its Committee Chair report in a timely manner to the Board on the results of its meetings.

5.0 BOARD MEETINGS

5.1 Frequency and Location

The Board shall meet a minimum of four times per year and may meet more frequently. A schedule for planned Board meetings is developed on a two-year forward basis to assist Directors and Management to plan for Board meetings.

Meetings are usually held at the CPP Investment Board head office in Toronto, although they may from time to time be held elsewhere.

5.2 Schedules and Agendas

The Chairperson is expected to be consulted in advance by the President and Corporate Secretary in relation to the agenda and information packages for Board meetings and shall also co-ordinate with the President and Corporate Secretary in relation to related events such as Board dinners. All Directors share the responsibility to ensure the agenda meets the Board's needs.

The Audit Committee may call a meeting of the Board to consider any matter of concern to the Audit Committee.

5.3 Quorum

A quorum for the transaction of business at a Board meeting will be a majority of appointed directors. Questions arising at a meeting will be determined by a majority of votes of the Directors who cast a vote.

5.4 Means of Participating

Directors shall participate in Board meetings in person, unless the Chairperson:

- (a) calls a teleconference meeting of the Board; or
- (b) otherwise expressly permits participation by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other.

5.5 Information

Under normal circumstances, the agenda and the material will be distributed to Directors not less than four business days before the Board meeting.

Material distributed to the Directors in advance of Board meetings shall be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance; in such circumstances, however, every effort will be made to post such material to the secure director intranet site in advance of the meeting and so inform Directors.

Reports may be presented during Board meetings by Directors, Management or Employees, or by invited outside attendees.

5.6 Attendance by the President

The President will attend all Board meetings. There will be an in camera session during each Board meeting where the President does not attend.

5.7 Attendance by Management

The Board appreciates the value of having members of Management attend Board meetings to provide information and opinions to assist the Directors in their deliberations.

The Board, through the Chairperson and the President, will determine Management attendees at Board meetings.

5.8 Attendance by the Auditor

The auditor of the CPP Investment Board:

- (a) is entitled to receive notice of and attend meetings of the Board, and be heard at those meetings on matters relating to the auditor's duties; and
- (b) shall attend meetings of the Board if requested to so do by a Director.

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5.9 In Camera Sessions

The Chairperson shall hold an in camera session at each Board meeting.

5.10 Board Relations with Management

The Board's key interface with Management occurs through the President, those members of Management who work with each Board Committee and the Corporate Secretary.

Directors who have questions or concerns regarding Management performance may direct these to the Chairperson or to the President, or raise them in the course of Board and Board Committee meetings.

Directors must respect the organizational structure of Management. A Director has no authority to direct any staff member.

Administrative support for the Board is organized through the Corporate Secretary.

5.11 Minutes

The Corporate Secretary will ensure that minutes of each Board meeting are prepared and given in a timely manner to the Chairperson and to the Board.

A complete meeting record will be maintained by the Corporate Secretary and will be available to any Director and the President.

6.0 BOARD ISSUES

6.1 Effectiveness Assessment

The Board is committed to a process of continuous improvement in the execution of its responsibilities.

6.1.1 The Board and Board Committees

The Governance Committee is responsible for developing and implementing a process for annually assessing the overall effectiveness of the Board and the Board Committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities.

The review should identify any areas where the Directors or Management believe that the Board and/or Committees could make a better collective contribution to overseeing the affairs of the CPP Investment Board. The process is outlined in the **Board and Committee Evaluation**.

6.1.2 Directors

The Governance Committee is responsible for developing and implementing a process for annually assessing the performance of each Director.

The objective of the review is to contribute to a process of continuous improvement in individual Directors' execution of their responsibilities. This process is outlined in the **Individual Director Evaluation**.

6.1.3 Chairperson

The Governance Committee is responsible for developing and implementing a process for annually providing for Chairperson assessment.

The objective of the review is to contribute to a process of continuous improvement in the Chairperson's execution of his or her responsibilities. This process is outlined in the **Chairperson Evaluation**.

6.2 Board Compensation

Directors are paid the remuneration that is fixed by resolution of the Board and further established by **By-Law No. 2**, as amended from time to time.

The Governance Committee reviews Director and Chairperson compensation as it deems appropriate (but at least every two years) and recommends changes in compensation to the Board when warranted.

7.0 DIRECTOR'S ISSUES

7.1 Director Orientation and Development

The Governance Committee, working with the Chairperson and Management, is responsible for ensuring there is an orientation and development program for Directors. The approach the CPP Investment Board takes to director orientation and development is outlined in **Director Orientation and Development**.

7.2 Outside Advisors for Individual Directors

Occasionally, a Director may require the services of an advisor to assist with matters involving his or her responsibilities as a Director.

A Director who wishes to engage an outside advisor, including independent legal counsel, at the expense of the CPP Investment Board must obtain the authorization of the Chairperson or, if the Director deems it inappropriate to consult with the Chairperson, the Chair of the Governance Committee. Should the Chairperson wish to engage an outside advisor at the expense of the CPP Investment Board, the authorization of the Chair of the Governance Committee must be obtained.

The Chairperson or the Chair of the Governance Committee, as the case may be, will, unless they deem it inappropriate, liaise with the Corporate Secretary in the course of authorizing, selecting, engaging and paying any outside advisor retained in this regard.

The Corporate Secretary will maintain appropriate records of engagement of and opinions and services rendered by any legal counsel or other advisor retained in this regard.

The Chairperson or Chair of the Governance Committee, as the case may be, will review the engagement of any advisor retained in this context with the Governance Committee when warranted.

7.3 Outside Advisors for Committees

Each Board committee has the authority to engage and compensate any outside advisor, including independent legal counsel, that it determines to be necessary to permit it to carry out its duties. Such Committee will liaise with the Corporate Secretary in the course of authorizing, selecting, engaging and paying any outside advisor retained in this regard. The

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Corporate Secretary shall maintain appropriate records of engagement of and opinions and services rendered by any legal counsel or other advisor retained in this regard.

7.4 CPPIB Group Company/Investee Company Board Memberships

Current Directors may not sit on the boards of CPPIB Group Companies or investee companies on which the CPPIB is given board representation. Former Directors may only sit on such boards in accordance with the Protocol Governing Appointment of Former CPPIB Directors.

7.5 Directors Providing Consulting Services

The Board has determined that it is not appropriate for a Director to enter into a consulting contract with the CPP Investment Board. Directors are selected for their background and experience, and it is expected that each Director will provide the CPP Investment Board with the benefit of his or her perspectives in the course of discharging their duties as a Director.

8.0 ADMINISTRATIVE SUPPORT

An office is maintained at the CPP Investment Board's head office for use by the Chairperson while he or she is there to fulfill the responsibilities of the Chairperson.

The CPP Investment Board will make available secretarial services for the purpose of correspondence by Directors related to their responsibilities as Directors, and for making travel arrangements for Directors traveling at the CPP Investment Board's request.

9.0 GUIDELINES REVIEW

These Guidelines for the Board will be reviewed as required by the Governance Committee.