

# Terms of Reference for the Human Resources and Compensation 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

5.0 Committee Advisors..... 3

6.0 Duties and Responsibilities ..... 3

    6.1 Support the Board with respect to appointment of the President ..... 3

    6.2 Evaluation of the President..... 3

    6.3 Compensation of the President ..... 4

    6.4 Compensation of other Officers..... 4

    6.5 Compensation of non-Officer Employees..... 5

    6.6 Compensation framework ..... 5

    6.7 Talent management and development..... 5

    6.8 Organizational structure ..... 6

    6.9 Management succession..... 6

    6.10 Employee Benefits and human resources policies ..... 7

    6.11 Employee Pension Plans..... 7

    6.12 Employees serving on outside Boards and Offices ..... 7

    6.13 Disclosure ..... 7

    6.14 Committee Terms of Reference review, performance assessment, and education ..... 8

    6.15 HRCC priorities ..... 8

    6.16 Other ..... 8

7.0 Accountability ..... 8

8.0 Committee Timetable ..... 9

## 1.0 Introduction

The objects and powers of CPP Investments are outlined in the **Act**. The **Act** articulates 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 Human Resources and Compensation Committee (“HRCC”) in accordance with its authority to do so under the **Act**.

These terms of reference are designed to articulate and clarify the responsibilities of the HRCC.

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

## 2.0 Purpose

The primary purposes of the HRCC are (a) to ensure that the CPP Investments’ compensation and human resources programs and practices enable it to attract, retain, and fully develop the talented executives and employees it needs to succeed, and specifically to oversee the management development and human resources policies required to ensure the health and sustainability of the organization, and (b) to ensure the alignment of management and stakeholder interests through the design and oversight of a performance-driven executive compensation framework.

Key HRCC responsibilities include:

- (a) Reviewing and recommending the level and make-up of compensation for the President and other Officers, as well as the aggregate level of incentive compensation for non-Officer Employees.
- (b) Establishing and overseeing processes for evaluating the performance of the President and reviewing the President’s assessment of the performance of Officers.
- (c) Reviewing and recommending compensation policies, plans, and practices, as well as recommending or approving the value-added investment performance benchmarks applicable to incentive-based compensation of employees and Officers.

- (d) Overseeing Management’s programs for recruitment, retention, and development (including performance management) of Officers and non-Officer Employees.
- (e) Requiring that the Board annually review the President’s succession plans for Officers, and reviewing and recommending the appointment of Officers.
- (f) Overseeing the disclosure of Officers’ compensation in the Annual Report.
- (g) Overseeing Employee Benefits, Employee Pension Plans and human resources policies.

### 3.0 Committee Membership

The HRCC shall be composed of not fewer than four Directors.

All members of the HRCC shall be independent of management as defined by Canadian regulatory standards. All members of the Committee shall have an understanding of issues related to human resources and executive compensation, or, upon appointment to the Committee, be willing and able to rapidly develop such an understanding.

The Chairperson, in consultation with the Governance Committee, shall propose the Chair and membership of the HRCC, and these shall be appointed by the Board. Any Director who is a member of the HRCC may be removed and replaced at any time by the Board.

### 4.0 Committee Meetings

The HRCC shall meet at least five times a year, with additional meetings at the discretion of the Committee Chair or if called by two or more Committee members.

A quorum for the transaction of business at a meeting of the HRCC will be a majority of Directors appointed to the HRCC, and questions arising at a meeting will be determined by a majority of votes of the members present. *In camera* sessions will be held at the end of each Committee meeting.

In consultation with the President, the Committee may invite any Officer or Employee to attend HRCC meetings in order to assist in the discussion and examination of the matters under consideration by the Committee. The Committee may also invite external advisors to attend HRCC meetings for the same purpose.

## 5.0 Committee Advisors

Subject to the approval of the Chairperson, and at the CPP Investments' expense, the HRCC may retain compensation consultants and/or other advisors (e.g. legal, tax, actuarial) to provide advice regarding compensation and other human resources matters.

The compensation consultant(s) retained by the HRCC shall be independent of management. Any services provided by the consultant(s) other than in its role as advisor to the Committee will require pre-approval by the Committee, outlining the scope of work and related fees. The Committee shall not approve any such work that, in its view, could compromise the consultant(s)'s independence as an advisor to the Committee.

## 6.0 Duties and Responsibilities

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

### 6.1 SUPPORT THE BOARD WITH RESPECT TO APPOINTMENT OF THE PRESIDENT

Develop a compensation framework for the role of President, including term sheet(s) if required. As appropriate, provide compensation-related advice to any search committee formed by the Board throughout the negotiating process, and review and advise on offers and counter-offers.

### 6.2 EVALUATION OF THE PRESIDENT

- (a) Work with the Chairperson, the President and the Corporate Secretary in developing an annual **Performance Evaluation Process for the President** for Board approval.
- (b) Develop and recommend any director questionnaires or other President evaluation tools for use in implementing the **Performance Evaluation Process for the President** each fiscal year.

- (c) Require that a performance evaluation process for the President is completed by the Board annually, the results from which will be used as input into the development of recommendations regarding the President's compensation.
- (d) Annually review and recommend to the Board for approval appropriate performance targets and other goals to be used for determining the President's compensation.
- (e) Annually review with the President any significant outside commitments of the President. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations.

### **6.3 COMPENSATION OF THE PRESIDENT**

Annually review and recommend to the Board:

- (a) the proposed salary adjustment, incentive awards and other compensation for the President, taking into consideration the results of CPP Investments and the performance evaluation of the President;
- (b) the granting of perquisites to the President; and
- (c) severance arrangements for the President, as needed.

### **6.4 COMPENSATION OF OTHER OFFICERS**

Annually review and recommend to the Board:

- (a) the proposed salary adjustments, incentive awards and other compensation for Officers;
- (b) the granting of perquisites to Officers; and
- (c) severance arrangements for Officers, as needed.

**6.5 COMPENSATION OF NON-OFFICER EMPLOYEES**

- (a) Annually review and recommend to the Board the aggregate level of incentive compensation for non-Officer Employees; and
- (b) When warranted, approve any proposed compensation arrangements for a non-Officer that would provide an incentive compensation target that exceeds the then-approved incentive targets for Managing Directors in similarly situated roles.

**6.6 COMPENSATION FRAMEWORK**

- (a) Recommend to the Board any changes to the compensation framework for CPP Investments relating to Officers, including compensation principles and objectives, pay-for-performance linkages, comparator groups, and competitive positioning.
- (b) Review annual benchmarking of compensation structures and levels for Officers. Benchmarking may be conducted at whatever level of detail the HRCC believes is warranted for the year in question.
- (c) Review and recommend to the Board any changes to incentive compensation plans for Officers and non-Officers, as needed.
- (d) Annually review and recommend to the Board the relative and absolute annual performance targets for the Total Fund component of the Incentive Compensation Plan.
- (e) In conjunction with any recommended changes to incentive compensation, review modeled compensation scenarios that illustrate the impact of various future performance outcomes on compensation.

**6.7 TALENT MANAGEMENT AND DEVELOPMENT**

Annually review Management's approach to attracting, retaining, developing, and motivating and tracking the performance of, Employee contributors to CPP Investments' success, in order to ensure the ongoing health and long-term sustainability of the organization. More specifically, review the approach to:

- (a) building and strengthening a compelling and valued employee brand for the organization;
- (b) attracting talent through programs that seek to recruit not only experienced and skilled candidates from industry, but also high-potential candidates from top universities;

- (c) identifying high potential Employees early and provide them with career acceleration and other developmental opportunities;
- (d) retaining talent through programs that seek to build a strong organizational culture and valued work experiences, and through programs offering competitive compensation;
- (e) developing talent through programs that offer relevant and engaging training and long-range career planning; and
- (f) motivating and tracking the performance of talent through programs that link pay to performance objectives, and that measure employee performance with best practice methodologies.

#### **6.8 ORGANIZATIONAL STRUCTURE**

When warranted, and in consultation with the President, review and recommend to the Board:

- (a) major changes in the organizational structure of management (i.e. the responsibilities and reporting relationships of Officers);
- (b) position descriptions of Officers; and
- (c) appointments, early retirements, and terminations of Officers.

#### **6.9 MANAGEMENT SUCCESSION**

Ensure that the Board annually reviews the President's processes and plans for the executive development and succession of the President and all other Officers and support the Board in carrying out this task. The intent is to ensure timely and effective continuity of leadership, and to ensure that an adequate number of individuals are being identified and developed to provide choice when Officer or President succession is considered by the Board.

**6.10 EMPLOYEE BENEFITS AND HUMAN RESOURCES POLICIES**

- (a) Review and recommend to the Board material<sup>1</sup> changes to Employee Benefits
- (b) Review and recommend to the Board major<sup>2</sup> policies relating to human resources matters and material<sup>1</sup> changes thereto.
- (c) Receive reports from management annually as to other changes made to Employee Benefits and human resources policies.

**6.11 EMPLOYEE PENSION PLANS**

In connection with the Employee Pension Plans:

- (a) approve design changes, unless the change(s) constitutes a material<sup>1</sup> change in the amount or nature of the retirement benefit, in which case the change(s) must be approved by the Board;
- (b) review and approve changes to the plans' Governance Policy when warranted; and
- (c) receive the Pension Committees' reports annually and from time to time.

**6.12 EMPLOYEES SERVING ON OUTSIDE BOARDS AND OFFICES**

Review and approve requests for Employees to serve on boards of directors and as officers of non-CPP Investments related entities to the extent required by the Protocol Regarding Employees Serving on Outside Boards and Offices.

**6.13 DISCLOSURE**

Oversee the disclosure of Officers' compensation and of the CPP Investments' compensation framework in the Annual Report, and the disclosure of any other executive compensation information required to be publicly released.

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<sup>1</sup> Material for these purposes means any change which produces a change in the relevant costs which exceeds \$5M in aggregate, as well as any change which is of strategic importance.

<sup>2</sup> The General Counsel and Corporate Secretary shall be consulted by the member of Management ultimately responsible for a policy to assist in determining whether the policy is "major".

**6.14 COMMITTEE TERMS OF REFERENCE REVIEW, PERFORMANCE ASSESSMENT, AND EDUCATION**

- (a) Annually review the Committee's Terms of Reference and recommend changes to the Board when warranted.
- (b) Annually review the performance of the compensation and/or other advisors to the HRCC and recommend changes when warranted.
- (c) Orient new members of the Committee to the duties and responsibilities of the HRCC.
- (d) Provide the Governance Committee, on an as required basis, with any changes in terms of the competency requirements for prospective Committee members.
- (e) For the purpose of keeping the knowledge of HRCC members up-to-date, on an annual basis provide members with a market review of executive compensation trends and practices, and, as appropriate, of trends and practices relating to the HRCC's other areas of oversight.

**6.15 HRCC PRIORITIES**

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

**6.16 OTHER**

Carry out other duties as may be determined from time to time by the Board.

**7.0 Accountability**

The HRCC shall report its discussions to the Board by distributing to the Board the minutes of its meetings and, where appropriate, by oral and/or written reports at the next Board meeting.

## 8.0 Committee Timetable

The detailed timetable on pages 12 to 16 outlines the HRCC's planned annual schedule of activities. Additionally, such other meetings will be scheduled throughout the course of the year as are necessary to carry out the HRCC's responsibilities under these Terms of Reference.

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	<b>6.1</b>	<b>Support the Board with Respect to Appointment of the President</b>					
		Develop a compensation framework for the role of President, including term sheet(s) if required. As appropriate, provide compensation-related advice to any search committee formed by the Board throughout the negotiating process, and review and advise on offers and counter-offers.	<b>AD HOC</b>				
	<b>6.2</b>	<b>Evaluation of the President</b>					
	(a)	Work with the Chairperson, the President and the Corporate Secretary in developing an annual Performance Evaluation Process for the President for Board approval.					*
	(b)	Develop and recommend any director questionnaires or other President evaluation tools for use in implementing the Performance Evaluation Process for the President each fiscal year.					*
	(c)	Require that a performance evaluation process for the President is completed by the Board annually, the results from which will be used as input into the development of recommendations regarding the President's compensation.					*
	(d)	Annually review and recommend to the Board for approval appropriate performance targets and other goals to be used for determining the President's compensation.		*			
	(e)	Annually review with the President any significant outside commitments of the President. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations.		*			

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	<b>6.3</b>	<b>Compensation of the President</b>					
		Annually review and recommend to the Board:					
	(a)	the proposed salary adjustment, incentive awards and other compensation for the President, taking into consideration the results of CPP Investments and the performance evaluation of the President;	*				
	(b)	the granting of perquisites to the President; and					AD HOC
	(c)	severance arrangements for the President, as needed.					AD HOC
	<b>6.4</b>	<b>Compensation of Other Officers</b>					
		Annually review and recommend to the Board:					
	(a)	the proposed salary adjustments, incentive awards and other compensation for Officers;	*				
	(b)	the granting of perquisites to Officers; and					AD HOC
	(c)	severance arrangements for Officers, as needed.					AD HOC
	<b>6.5</b>	<b>Compensation of Non-Officer Employees</b>					
		Annually review and recommend to the Board:					
	(a)	the aggregate level of incentive compensation for non-Officer Employees; and	*				
	(b)	When warranted, approve any proposed compensation arrangements for a non-Officer that would provide an incentive compensation target that exceeds the then-approved incentive targets for Managing Directors in similarly situated roles					AD HOC

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	<b>6.6</b>	<b>Compensation Framework</b>					
	(a)	Recommend to the Board any changes to the compensation framework for CPP Investments relating to Officers , including compensation principles and objectives, pay-for-performance linkages, comparator groups, and competitive positioning	<b>AD HOC</b>				
	(b)	Review annual benchmarking of compensation structures and levels for Officers.	*				
	(c)	Review and recommend to the Board any changes to incentive compensation plans for Officers and non-Officers, as needed	*				
	(d)	Annually review and recommend to the Board the relative and absolute annual performance targets for the Total Fund component of the Incentive Compensation Plan	*				
	(e)	In conjunction with any recommended changes to incentive compensation or at the request of the HRCC, review modeled compensation scenarios that illustrate the impact of various future performance outcomes on compensation.	<b>AD HOC</b>				
	<b>6.7</b>	<b>Talent Management and Development</b>					
		Annually review management’s approach to attracting, retaining, developing, and motivating and tracking the performance of Employee contributors to CPP Investments’ success, in order to ensure the ongoing health and long-term sustainability of the organization.	<b>AD HOC</b>				
	<b>6.8</b>	<b>Organizational Structure</b>					
		When warranted, and in consultation with the President, review and recommend to the Board:					
	(a)	major changes in the organizational structure of management (i.e. the responsibilities and reporting relationships of Officers);	<b>AD HOC</b>				
	(b)	position descriptions of Officers; and	<b>AD HOC</b>				

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	(c)	appointments, early retirements, and terminations of Officers.	AD HOC				
	<b>6.9</b>	<b>Management Succession</b>					
		Ensure that the Board annually reviews the President’s processes and plans for the executive development and succession of the President and all other Officers, and support the Board in carrying out this task. (To be scheduled for full Board meeting)					*
	<b>6.10</b>	<b>Employee Benefits and Human Resources Policies</b>					
	(a)	Review and recommend to the Board material changes to Employee Benefits to the Board.	AD HOC				
	(b)	Review and recommend to the Board major human resources policies and material changes thereto.	AD HOC				
	(c)	Receive reports from Management annually as to other changes made to Employee Benefits and human resources policies					*
	<b>6.11</b>	<b>Employee Pension Plans</b>					
		In connection with the Employee Pension Plans:					
	(a)	approve design changes, unless the change(s) constitutes a material change in the amount or nature of the retirement benefit, in which case the change(s) must be approved by the Board;	AD HOC				
	(b)	review and approve changes to the plans’ Governance Policy as warranted; and					*
	(c)	receive the Pension Committee’s reports annually and from time to time.					*

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	<b>6.12</b>	<b>Employees Serving on Outside Boards and Offices</b>					
		Review and approve requests for Employees and Officers to serve on boards of directors and as officers of non-CPP Investments related entities to the extent required by the Protocol Regarding Employees Serving on Outside Boards and Offices.					<b>AD HOC</b>
	<b>6.13</b>	<b>Disclosure</b>					
		Oversee the disclosure of Directors' and Officers' compensation and the CPP Investments' compensation framework in the Annual Report, and the disclosure of any other executive compensation information required to be publicly released.	*				
	<b>6.14</b>	<b>Committee Terms of Reference Review, Performance Assessment, and Education</b>					
	(a)	Annually review the Committee's Terms of Reference and recommend changes to the Board when warranted.		*			
	(b)	Annually review the performance of the compensation and/or other advisors to the HRCC and recommend changes when warranted.					*
	(c)	Orient new members of the Committee to the duties and responsibilities of the HRCC.					<b>AD HOC</b>
	(d)	Provide the Governance Committee, on an as required basis, with any changes in terms of the competency requirements for prospective new Committee members.					<b>AD HOC</b>
	(e)	For the purpose of keeping the knowledge of HRCC members up-to-date, on an annual basis provide members with a market review of executive compensation trends and practices, and, as appropriate, of trends and practices relating to the HRCC's other areas of oversight.	*				

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	<b>6.14</b>	<b>HRCC Priorities</b>					
		In consultation with the Chairperson, formulate annual priorities for the HRCC for each fiscal year and review progress against them at least annually.	*	*			