



CPP
INVESTMENT
BOARD

DIRECTOR EDUCATION POLICY

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DIRECTOR EDUCATION POLICY

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1.0 BACKGROUND

The Canada Pension Plan Investment Board Act (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”¹. 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.

The CPP Investment Board is a public sector organization but one that is arm’s-length from government.

The field of governance is rapidly evolving, with the duties of directors continually being under review. Recent regulation, such as the Sarbanes-Oxley Act and the newly proposed OSC governance guidelines, is complicated and in many instances will only be clarified over time.

2.0 RESPONSIBILITIES OF DIRECTOR, CHAIRPERSON AND GOVERNANCE COMMITTEE

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;
- (b) participate in Director orientation and development programs developed by CPP Investment Board from time to time;
- (c) 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;
- (d) keep abreast of developments in the field of governance, particularly as they affect the CPP Investment Board and its business; and
- (e) become acquainted with Management of the CPP Investment Board.”

¹ Subsection 10(4) of the Act.

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The **Terms of Reference for the Chairperson** states in Leading the Board, Section 2(m): “Ensure that orientation and continuing education meet the needs of the Directors and the CPP Investment Board.”

The **Terms of Reference for the Governance Committee** includes under section 5.5:

“5.5.1 Orientation and Ongoing Development

Review, monitor and make recommendations to the Board regarding the orientation and ongoing development of Directors.

5.5.2 Effectiveness Assessment Processes

Recommend to the Board, and annually implement, appropriate processes as follows:

- (a) Board Effectiveness Assessment Process;
- (b) Peer Effectiveness Assessment Process;
- (c) Chairperson Effectiveness Assessment Process.”

3.0 DISCUSSION

The above makes it clear that Director development is an ongoing responsibility of the Board, the Chairperson, the Governance Committee and individual Directors. The issues to consider include the following:

- (a) 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.
- (b) The orientation program is expected to familiarize new Directors with the Board requirements and serve as an introduction to the CPP Investment Board operations.
- (c) 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.
- (d) 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.
- (e) There is a proliferation of information available on the subject via books, internet and materials issued by academics, professional firms and associations.

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4.0 POLICY

The CPP Investment Board has used, and will continue to use on an ongoing basis, the following methods of Director education:

4.1 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.

4.2 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.

4.3 Director Seminars

These seminars, often undertaken at the traditional Directors' dinner held the night prior to the Board meeting, have sometimes involved third parties and in all cases involve education around issues relevant to the business of the CPP Investment Board but in relation to which no discernible upcoming approval or decision is required. 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 also be held during Board meetings where scheduling permits.

4.4 Articles 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. 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.

The above methods of ongoing internal Director education will be continually evaluated as part of the Effectiveness Assessment Processes referred to in Section 5.5 of the **Terms of Reference for the Governance Committee**, and otherwise, and will be amended accordingly to address the results of such assessments.

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It is expected that the use of the above methods will minimize the need for individual Directors to attend conferences, seminars and forums at the expense of the CPP Investment Board. That said, it is explicitly recognized that there will be circumstances, particularly with respect to the Chairperson, where such Director attendance is appropriate. 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.