



**CPP
INVESTMENT
BOARD**

**TERMS OF REFERENCE FOR THE
GOVERNANCE COMMITTEE**

APRIL 5, 2006

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

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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, and further by receiving reports and making 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 effectiveness;
- (c) the **Code of Conduct and the Conflict of Interest Procedures for Directors** and the Code of Conduct and Conflict of Interest Procedures for Officers and Employees and their 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.

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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) Review the effectiveness of conflict of interest policies, guidelines and procedures and report its findings to the Board at least annually;
- (b) Receive reports on the application of the **Code of Conduct and Conflict of Interest Procedures for Directors** annually; and
- (c) Receive reports on the application of the Code of Conduct and Conflict of Interest Procedures for Officers and Employees semi-annually.
- (d) Receive report from the Conduct Review Advisor on his/her review of the Code of Conduct and Conflict of Interest Procedures for Officers and Employees and **Code of Conduct and Conflict of Interest Procedures for Directors** annually.
- (e) Receive reports from the CPP Investment Board's Third Party (as defined in the **Code of Conduct and Conflict of Interest Procedures for Directors**) 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:
 - (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 the President;**
 - (v) **Terms of Reference for the Governance Committee;** and
 - (vi) 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;**
 - (ii) **Terms of Reference for the Human Resources and Compensation Committee;** and
 - (iii) **Terms of Reference for the Investment Committee.**

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- (c) Receive report on governance standards and the CPP Investment Board's performance compared to those standards when warranted.
- (d) Receive a report from Management on governance best practices at each meeting.
- (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 and location of Board and Board Committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings. Make recommendations to the Board as required.

5.4 New Directors

Review and recommend to the Board when warranted updated criteria for potential new Directors that take into consideration the current strengths, skills and experience on the Board, terms of Directors and strategic direction of the CPP Investment Board.

Ensure there is a process for communicating these criteria to the Minister of Finance and the Governor in Council prior to the appointment of new Directors.

5.5 Directors

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; and**
- (c) **Chairperson Effectiveness Assessment Process.**

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5.5.3 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.

5.6 Performance Evaluation Process for the President

Work with the Chairperson, the Human Resources and Compensation Committee, the President and the Corporate Secretary in establishing and expressing a **Performance Evaluation Process for the President** and recommending its use to the Board annually.

5.7 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**)

5.8 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.

5.9 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.

5.10 Proxy Voting Principles and Guidelines

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

5.11 Employee Travel and Expense Policy

The Governance Committee will:

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- (a) receive Management’s recommendations regarding an appropriate Employee Travel and Expense Policy; and
- (b) review and approve Employee Travel and Expense Policy when warranted.

5.12 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.

5.13 Directors’ Compensation

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

5.14 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.

7.0 COMMITTEE TIMETABLE

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

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GOVERNANCE COMMITTEE TIMETABLE

Source			Fiscal 2007				
Statute/Reg	Terms of Reference		Apr	June	Oct	Dec	Feb
	5.1	CONFLICT OF INTEREST AND CODE OF CONDUCT					
	(a)	Review effectiveness of conflict of interest policies, guidelines and procedures and report findings to the Board annually		*			
	(b)	Receive report on the application of the Code of Conduct and Conflict of Interest Procedures for Directors annually		*			
	(c)	Receive report on the application of Code of Conduct and Conflict of Interest Procedures for Officers and Employees semi-annually	*	*			
	(d)	Receive report from the Conduct Review Advisor on his/her review of the Code of Conduct and Conflict of Interest Procedures for Officers and Employees and Code of Conduct and Conflict of Interest Procedures for Directors annually				*	
	(e)	Receive reports from the CPP Investment Board's Third Party (as defined in the Code of Conduct and Conflict of Interest Procedures for Directors) 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 the President; Terms of Reference for the Governance Committee; 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)	Receive report on governance standards and the CPP Investment Board's performance compared to those standards annually.	*				*
	(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		*			

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Source			Fiscal 2007				
Statute/Reg	Terms of Reference		Apr	June	Oct	Dec	Feb
	5.4	NEW DIRECTORS					
		Review annually and recommend to the Board when warranted, updated criteria for potential new Directors and ensure there is a process for communicating these criteria to the Minister of Finance and the Governor in Council prior to the appointment of new Directors	*				*
	5.5	DIRECTORS					
	.1	Review, monitor and make recommendations to the Board regarding orientation and development of Directors (ongoing)	*				
	.2	Recommend to the Board, and annually implement, appropriate processes as follows: Board Effectiveness Assessment Process; Peer Effectiveness Assessment Process and Chairperson Effectiveness Assessment Process					*
	.3	Participate in Board Committee and Committee Chair appointments (as required)	*				
	5.6	PERFORMANCE EVALUATION PROCESS FOR THE PRESIDENT					
		Work with the Chairperson, the Human Resources and Compensation Committee, the President and the Corporate Secretary in establishing and expressing a Performance Evaluation Process for the President and recommending its use to the Board annually					*
	5.7	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			*		
	5.8	GOVERNANCE POLICY FOR SUBSIDIARIES					
		Receive Management's recommendations and approve Governance Policy for Subsidiaries when warranted					
	5.9	PROCUREMENT POLICY					
		Receive Management's recommendations and approve Procurement Policy when warranted	*				
	5.10	PROXY VOTING PRINCIPLES AND GUIDELINES					
		Review and recommend to the Board at least annually the Proxy Voting Principles and Guidelines.				*	*
	5.111	EMPLOYEE TRAVEL AND EXPENSE POLICY					
		Receive Management's recommendations and approve Employee Travel and Expense Policy when warranted					
	5.12	PRIVACY POLICY					
		Receive Management's recommendations and approve Privacy Policy when warranted					

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Source			Fiscal 2007				
Statute/Reg	Terms of Reference		Apr	June	Oct	Dec	Feb
	5.13	DIRECTOR COMPENSATION					
		Review the Directors' and Chairperson's compensation at least every two years and recommend changes to the Board when warranted.	*			*	
		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	*				*