



**PUBLIC SECTOR PENSION INVESTMENT BOARD
(PSP INVESTMENTS)**

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

Approved by the Board of Directors on May 14, 2024

PUBLIC SECTOR PENSION INVESTMENT BOARD

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

INTRODUCTION

The Board of Directors (the “Board”) of the Public Sector Pension Investment Board (“PSP Investments”) is responsible for managing or supervising the management of the business and affairs of PSP Investments in accordance with the *Public Sector Pension Investment Board Act* (the “Act”) and the regulations adopted thereunder (the “Regulations”).

The Board fulfils its responsibilities by the following means:

- (i) the Board maintains decision authority on powers that cannot be delegated under the Act. The Board exercises those powers upon recommendation from Management, where appropriate;
- (ii) the Board provides direction and guidance with respect to the management of the business and affairs of PSP Investments; and
- (iii) the Board provides insight on various matters including strategy, stakeholder relations, human resources and risk.

PROCEDURES AND ORGANIZATION

1. Delegation to Management

Subject to the Act and the By-laws, the Board operates by delegating certain powers to Management. The Board has delegated to the Chief Executive Officer the authority to manage and direct the day-to-day affairs of PSP Investments. The Chief Executive Officer is directly accountable to the Board for all delegated authority.

2. Delegation to Board Committees

Subject to the Act and the By-laws, the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to Board Committees.

The Board may not delegate to Board Committees or to Management the power to:

- (a) adopt, amend or repeal By-laws;
- (b) establish a Statement of Investment Policies, Standards and Procedures (“SIP&P”) for each of the Pension Plan Accounts;
- (c) fill a vacancy on a Board Committee;
- (d) appoint Officers or fix their remuneration; or
- (e) approve PSP Investments’ annual financial statements and any other financial statements issued by PSP Investments.

**PUBLIC SECTOR PENSION INVESTMENT BOARD
TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS**

3. Board Committees

The Board shall have the following Committees:

- (a) Investment and Risk Committee;
- (b) Audit Committee;
- (c) Governance Committee; and
- (d) Human Resources and Compensation Committee.

After considering the recommendation of the Governance Committee, the Board shall approve and modify terms of reference and appoint Directors to, and fill vacancies on, these Board Committees.

The Board may establish any new standing or ad hoc committee. The Board will oversee the activities of each Board Committee through regular reporting. In addition, each member of the Board will have access to all minutes of each Board Committee meeting.

DUTIES AND RESPONSIBILITIES

4. Culture and Conduct

The Board has the responsibility to:

- (a) Approve PSP Investments' core values and monitor culture;
- (b) Approve a Code of Conduct which includes procedures for the identification of real or potential conflicts of interest and procedures to resolve such conflicts;
- (c) Designate a Board Committee to monitor the application of the Code of Conduct;
- (d) Approve sanctions in respect of breaches to the Code of Conduct, when applicable; and
- (e) Ensure that PSP Investments operates at all times within applicable laws and regulations and appropriate ethical standards.

5. Strategy

The Board has the responsibility to:

- (a) Oversee the general planning processes to be undertaken by PSP Investments that include the approval of a strategic plan and an annual business plan which take into account the opportunities and risks of the business, and an annual operating and capital budget;

PUBLIC SECTOR PENSION INVESTMENT BOARD
TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

- (b) Review progress in achieving the goals established in the strategic plan and annual business plan; and
- (c) Receive quarterly reporting on operating and capital expenses.

6. Investment

The Board has the responsibility to:

- (a) Approve on an annual basis a SIP&P for each Pension Plan Account that PSP Investments manages;
- (b) Approve the Policy Portfolio taking into account the long-term capital market assumptions and the risk tolerance of the public sector pension plans communicated through a reference portfolio;
- (c) Approve the benchmarks, threshold levels of performance and the value-added objectives (target) for performance measurement and incentive compensation purposes;
- (d) The Board delegates to the Investment and Risk Committee the authority to approve all investment proposals, related guarantees and execution of instruments in relation thereto, except as otherwise provided under the Act and other delegations of authority approved by the Board; and
- (e) The Board has the responsibility to approve the appointment of one or more custodian(s) of the assets of PSP Investments, which does not include organizations whose custodial responsibilities are incidental to their principal responsibilities.

7. Canada Growth Fund

The Board has the responsibility to:

- (a) Receive reporting on the operations of Canada Growth Fund Investment Management Inc.; and
- (b) Receive for consultation potential investments by Canada Growth Fund in accordance with the governance framework established with the Board.

8. Governance

The Board has the responsibility to:

- (a) Ensure that the necessary reporting and monitoring practices are established to provide the Board with the information it requires to effectively oversee the operations of PSP Investments and meet the requirements of the Act and Regulations;

PUBLIC SECTOR PENSION INVESTMENT BOARD
TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

- (b) Adopt, amend or repeal the By-laws governing the conduct and management of PSP Investments' business affairs; and
- (c) Approve all required and appropriate policies of PSP Investments and monitor compliance therewith.

9. Sustainable Investment

The Board has the responsibility to:

- (a) Approve a sustainable investment policy;
- (b) Approve PSP Investments' climate strategy that is integrated in the strategic plan and corporate business plan; and
- (c) Approve a sustainable investment report and climate-related financial disclosures report.

10. Risk Oversight and Management

The Board shall ensure that risks are properly identified, evaluated, managed, monitored and reported. This responsibility has been delegated to the Investment and Risk Committee.

11. Financial and Accounting

The Board has the responsibility to:

- (a) Annually make recommendations to the Minister with respect to the appointment or reappointment of the joint external auditor, when applicable;
- (b) Approve the annual report on the operations of PSP Investments;
- (c) Approve the consolidated financial statements of PSP Investments and the financial statements for each Pension Plan Account on a quarterly and on an annual basis and approve the annual portfolio returns against related benchmarks of PSP Investments;
- (d) Ensure that an annual auditors' report is prepared in accordance with the Act and applicable sections of the *Financial Administration Act* (the "FAA"), on (i) PSP Investments' annual consolidated financial statements; (ii) the annual financial statements of each Pension Plan Account; and (iii) the annual portfolio returns against related benchmarks of PSP Investments;
- (e) Ensure that internal audits are conducted in respect to governance, risk management and control processes for PSP Investments;
- (f) Ensure the integrity of PSP Investments' internal controls and management information systems; and

PUBLIC SECTOR PENSION INVESTMENT BOARD
TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

- (g) Cause a special examination to be carried out in accordance with the FAA.

12. Human Resources

The Board has the responsibility to:

- (a) Approve the general human resources-related principles that will guide the management of PSP Investments' human capital, including policies which support equity, diversity and inclusion;
- (b) Approve the compensation philosophy of PSP Investments including its goals and objectives, relevant comparison groups and target compensation levels;
- (c) Select, appoint and, when necessary, replace the Chief Executive Officer and approve his or her employment terms, including severance terms and transition arrangements when applicable, and material amendments thereto;
- (d) Approve the Chief Executive Officer's group and personal objectives to be used for determining the Chief Executive Officer's compensation;
- (e) Annually review the Chief Executive Officer's performance and after considering PSP Investments' risk adjusted performance, approve the Chief Executive Officer's total direct compensation including base salary, incentive compensation targets, grants and payouts;
- (f) Appoint the Officers and approve their duties and employment terms, including severance terms and transition arrangements when applicable, and material amendments thereto;
- (g) Annually approve the total direct compensation of Officers including base salary, incentive compensation targets, grants and payouts;
- (h) Ensure that succession planning is conducted appropriately and review reports on succession planning for the Chief Executive Officer position and Officers reporting to the Chief Executive Officer; and
- (i) Approve, amend or terminate pension plans and/or benefit plans for Employees and Officers, unless otherwise delegated to the Human Resources and Compensation Committee.

13. Corporate Communications

- (a) In accordance with the Act and FAA, the Board has the responsibility to:
 - i. Ensure that copies of PSP Investments' quarterly financial statements, prepared in accordance with the Act, be provided to the Minister, the Minister of National Defence

PUBLIC SECTOR PENSION INVESTMENT BOARD
TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

and the Minister of Public Safety and Emergency Preparedness within 45 days after the end of each quarter;

- ii. Ensure that an annual report on the operations of PSP Investments in that year, containing the information specified in the Act, the Regulations and the FAA, is provided to the appropriate ministers within 90 days after the end of each financial year and made available to contributors under the Superannuation Acts as soon as it is feasible to do so after it is provided to the appropriate ministers;
- iii. Ensure that PSP Investments meets once a year with the members of the three advisory committees established under the Superannuation Acts; and
- iv. Ensure that PSP Investments holds a public meeting every year to discuss PSP Investments' most recent annual report and to give the opportunity to interested persons to comment on it.

14. Advice, Counsel and Service Providers

- (a) The Board and individual Directors are expected to provide advice and counsel to the Chief Executive Officer; and
- (b) The Board may retain other service providers necessary to enable it to fulfil the duties of the Board set out herein and in the Act.

15. Board Compensation

The Board, after considering the recommendation of the Governance Committee, will approve any adjustments to the Directors', the Committee Chairs' and the Chairperson's compensation.

16. Board Meetings and Materials

- (a) The Chairperson, in consultation with the Chief Executive Officer and the Corporate Secretary, will develop the agenda for each Board meeting;
- (b) Meeting materials will be provided to the Directors in confidence before each Board meeting in sufficient time to ensure that there is an adequate opportunity for review. It is recognized that in some circumstances, it may not be possible, prudent or appropriate to distribute written materials in advance of a meeting;
- (c) The Chief Executive Officer will, with the concurrence of the Chairperson, invite certain members of Management to attend Board or Board Committee meetings to provide information and their views to assist the Directors in their deliberations. Management attendees will be excused for any agenda items that are reserved for discussion by Directors only; and

PUBLIC SECTOR PENSION INVESTMENT BOARD
TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

- (d) On a regular basis as part of scheduled meetings of the Board, the Directors have an opportunity to meet separately without Management present.

17. Other

The Board will approve periodically the Terms of Reference for the Board of Directors, the Board Committees, the Board Committee Chair and the Chairperson.

DEFINITIONS

In addition to terms elsewhere defined herein, the following defined terms apply to these Terms of Reference for the Board of Directors:

“**Board Committees**” refers to the following committees of the Board: Investment and Risk Committee, Audit Committee, Governance Committee, and Human Resources and Compensation Committee.

“**By-laws**” refers to the by-laws governing the conduct and management of PSP Investments approved and amended from time to time by the Board.

“**Canada Growth Fund**” refers to Canada Growth Fund Inc., an independent and arm’s length public fund.

“**Canada Growth Fund Management Inc.**” refers to PSP Investments’ wholly-owned subsidiary established for the purpose of providing investment management services to the Canada Growth Fund.

“**Chairperson**” refers to the Chairperson of the Board appointed by the Governor in Council in accordance with the Act.

“**Chief Executive Officer**” refers to the President and Chief Executive Officer of PSP Investments duly appointed by the Board.

“**Code of Conduct**” refers to the Code of Conduct for Directors, Employees and Consultants adopted and amended from time to time by the Board.

“**Corporate Secretary**” refers to the Corporate Secretary of PSP Investments duly appointed by the Board.

“**Directors**” refers to members of the Board.

“**Employees**” refers to all personnel employed by PSP Investments and PSP Investments’ wholly-owned entities established for the purposes of its operations including Officers, Management and other staff.

PUBLIC SECTOR PENSION INVESTMENT BOARD
TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

“**Funds**” refers to the Canadian Forces Pension Fund within the meaning of the Canadian Forces Superannuation Act, the fund established under the regulations made under section 59.1 of that Act for the Reserve Force, the Public Service Pension Fund within the meaning of the Public Service Superannuation Act and the Royal Canadian Mounted Police Pension Fund within the meaning of the Royal Canadian Mounted Police Superannuation Act.

“**Management**” refers to the Officers of PSP Investments and the other senior employees of PSP Investments as may be determined from time-to-time by the Chief Executive Officer and communicated to the Board.

“**Minister**” refers to the President of the Treasury Board.

“**Officers**” refers to those employees of PSP Investments who are appointed as officers of PSP Investments by the Board in accordance with the Act and By-Law No. 1.

“**Pension Plan Accounts**” refers to the four separate accounts established and managed by PSP Investments for each of the Funds and which receive such Funds’ respective transfers of amounts from the Government of Canada.

“**Policy Portfolio**” refers to the long-term asset-mix as defined in the SIP&P.

“**Reference Portfolio**” refers to a hypothetical passively managed portfolio communicated annually by the Treasury Board of Canada Secretariat on behalf of the President of the Treasury Board to express the government’s risk tolerance.

These Terms of Reference were most recently reviewed and amended by the Board on May 14, 2024