

Terms of Reference for the Human Resources and Compensation Committee

JUNE 22, 2023



Table of Contents

1.0 Introduction1

2.0 Purpose1

3.0 Committee Membership1

4.0 Committee Meetings.....1

5.0 Committee Advisors2

6.0 Duties and Responsibilities.....2

 6.1 Support the Board with respect to appointment of the President.....2

 6.2 Evaluation of the President.....2

 6.3 Compensation of the President3

 6.4 Compensation of other Officers.....3

 6.5 Compensation of non-Officer Employees4

 6.6 Compensation Principles and Philosophy4

 6.7 Talent management and development.....4

 6.8 Organizational structure5

 6.9 Succession.....5

 6.10 Equity, Diversity & Inclusion5

 6.11 Employee Benefits and Human Resources Policies6

 6.12 Employee Pension Plans6

 6.13 Employees serving on outside Boards and Offices.....6

 6.14 Disclosure.....6

 6.15 Committee Terms of Reference review, Performance Assessment, and Education.....6

 6.16 HRCC Priorities7

 6.17 Other.....7

7.0 Accountability7

8.0 Committee Timetable.....7

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

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.

4.0 Committee Meetings

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

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 non-Officer 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 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 recommended compensation quantum and structure 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 financial 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 employee that would provide an incentive compensation target that exceeds the then-approved incentive targets for Global Leadership Team Managing Directors in similarly situated roles.

6.6 COMPENSATION PRINCIPLES AND PHILOSOPHY

- (a) Recommend to the Board any changes to the compensation principles and philosophy for CPP Investments relating to Officers, including 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-Officer employees, 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.

6.7 TALENT MANAGEMENT AND DEVELOPMENT

Annually review the approach to attracting, retaining, developing, and motivating talent, and tracking the performance thereof, 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, valued work experiences, and competitive compensation; and
- (e) developing talent through programs that offer relevant and engaging training and long-range career planning;

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); and
- (b) appointments, early retirements, and terminations of Officers.

6.9 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.

6.10 EQUITY, DIVERSITY & INCLUSION

Ensure that the Board annually reviews progress against the Equity, Diversity and Inclusion strategy and any adjustments to the strategy.

6.11 EMPLOYEE BENEFITS AND HUMAN RESOURCES POLICIES

- (a) Review and recommend to the Board material¹ changes to Employee Benefits.
- (b) Review and recommend to the Board major² policies relating to human resources matters and material¹ changes thereto.
- (c) Receive reports annually as to other changes made to Employee Benefits and human resources policies.

6.12 EMPLOYEE PENSION PLANS

In connection with the Employee Pension Plans:

- (a) approve design changes, unless the change(s) constitutes a material¹ 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.

6.13 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.

6.14 DISCLOSURE

Review and recommend to the Board the Compensation Discussion and Analysis section in the Annual Report, and the disclosure of any other executive compensation information required to be publicly released.

6.15 COMMITTEE TERMS OF REFERENCE REVIEW, PERFORMANCE ASSESSMENT, AND EDUCATION

¹ 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.

² 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".

- (a) Annually review the Committee's Terms of Reference and recommend changes to the Board when warranted.
- (b) Annually review the objectives, resourcing and budget of the Human Resources group.
- (c) Annually review the performance of the compensation and/or other advisors to the HRCC and recommend changes when warranted.
- (d) Annually 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.

6.16 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.

6.17 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 the following pages 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.

Human Resources and Compensation Committee Timetable

* means “usual” or “approximate” timing that may be adjusted with agreement of the Committee Chair

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	6.1	Support the Board with Respect to Appointment of the President					
		Develop a recommended compensation quantum and structure 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.	AD HOC				
	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 financial 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
	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	AD HOC				
	(c)	severance arrangements for the President, as needed.	AD HOC				
	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	AD HOC				
	(c)	severance arrangements for Officers, as needed.	AD HOC				
	6.5	Compensation of Non-Officer Employees					
		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 employee that would provide an incentive compensation target that exceeds the then-approved incentive targets for Global Leadership Team Managing Directors in similarly situated roles	AD HOC				

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	6.6	Compensation Principles and Philosophy					
	(a)	Recommend to the Board any changes to the compensation principles and philosophy for CPP Investments relating to Officers, including objectives, pay-for-performance linkages, comparator groups, and competitive positioning	AD HOC				
	(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-Officer employees, 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.	AD HOC				
	6.7	Talent Management and Development					
		Annually review the approach to attracting, retaining, developing, and motivating and tracking the performance of Employees to CPP Investments' success, in order to ensure the ongoing health and long-term sustainability of the organization.	AD HOC				
	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 the organization (i.e. the responsibilities and reporting relationships of Officers);	AD HOC				
	(c)	appointments, early retirements, and terminations of Officers.	AD HOC				

Source			Meeting				
Statute/Reg	Terms of Reference		May	June	Sept	Nov	Feb
	6.9	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. (To be scheduled for full Board meeting)					*
	6.10	Equity, Diversity & Inclusion					
		Ensure that the Board annually reviews progress against the Equity, Diversity and Inclusion strategy and any adjustments to the strategy.				*	
	6.11	Employee Benefits and Human Resources Policies					
	(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 annually as to other changes made to Employee Benefits and human resources policies					*
	6.12	Employee Pension Plans					
		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
	6.13	Employees Serving on Outside Boards and Offices					
		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.					AD HOC
	6.14	Disclosure					
		Review and recommend to the Board the Compensation Discussion and Analysis section in the Annual Report, and the disclosure of any other executive compensation information required to be publicly released.	*				
	6.15	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.					AD HOC
	(d)	Provide the Governance Committee, on an as required basis, with any changes in terms of the competency requirements for prospective new Committee members.					AD HOC
	(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
	6.16	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.	*	*			