

**PUBLIC SECTOR PENSION INVESTMENT BOARD**  
**CONFLICT OF INTEREST PROCEDURES FOR**  
**DIRECTORS**

**Amended and Restated as of September 12<sup>th</sup>, 2007**

**PSP INVESTMENTS  
CONFLICT OF INTEREST PROCEDURES FOR  
DIRECTORS**

**A. INTRODUCTION**

1. The board of directors (the “Board of Directors”) of the Public Sector Pension Investment Board (“PSP Investments<sup>1</sup>”) has the statutory responsibility pursuant to the *Public Sector Pension Investment Board Act* (the “PSPIB Act”) to:
  - (a) establish procedures for identifying potential conflicts of interest and resolving such conflicts; and
  - (b) designate a committee of the Board of Directors to monitor the application of the conflict of interest procedures (these “Procedures”).
2. The committee of the Board of Directors designated to monitor the application of these Procedures is the Governance Committee (the “Governance Committee”), the terms of reference of which are attached as Schedule A.
3. In most situations, the personal values and honesty of individuals will guide them to the right decisions; however, directors of PSP Investments will also consider how their actions affect the integrity and credibility of PSP Investments as a whole.
4. The object of these Procedures goes beyond ensuring compliance with minimum statutory requirements. These Procedures are intended to provide a workable process for identifying, minimizing and resolving conflicts of interest so that directors can effectively fulfill PSP Investments’ mandate while maintaining their independence and integrity. Attached as Part I to Schedule B is the form of confirmation that each director will be asked to sign on becoming a member of the Board of Directors. Compliance with applicable laws and these Procedures is a condition of each director’s appointment to the Board of Directors.
5. The statutory mandate of PSP Investments is to invest its assets in the best interests of the contributors and beneficiaries under the pension plans (the “Plans”) established under the *Canadian Forces Superannuation Act*, the *Public Service Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* (collectively, the “Plan Acts”). This mandate imposes fiduciary duties on the Board of Directors and its employees and agents.
6. The Board of Directors takes note that the selection criteria for directors of PSP Investments imposed on the nominating committee under the PSPIB Act include the desirability of having a sufficient number of directors with proven financial ability or relevant work experience such that PSP Investments will be able to effectively achieve its objects. Individuals who are likely to meet the criteria of the nominating committee and

---

1

PSP Investments is a mark of the Public Sector Pension Investment Board.

C:\Documents and Settings\lhamel.PSP\Local Settings\Temp\DocsCorp\bp.worksite.d\l\4ba7291e-84e4-4133-9d24-ae06be384982\05+Conflict+of+Interest+Procedures+for+Directors+-+September+2007.DOC

be appointed to the Board of Directors will not infrequently owe duties to other entities, whether as directors, officers, professional members or other office holders of such entities. They may also have private business or investment interests which could potentially conflict with their duties to PSP Investments. As a result, it is inevitable that such individuals may from time to time have conflicts of interest, or that there may be an appearance of conflicts of interest.

7. These Procedures do not contemplate all situations or circumstances that may arise from time to time. Directors are expected to not only comply with the specific terms of these Procedures but also to consider the legality of any matters that arise, determine what is in the best interests of the contributors and beneficiaries under the Plans and the Plan Acts and determine whether the disposition of such matters satisfies the standard of behaviour that might reasonably be expected of PSP Investments in the circumstances by such contributors and beneficiaries.
8. Issues or questions arising in connection with these Procedures should be raised with the Chief Executive Officer, the Chairperson or the Chair of the Governance Committee. If necessary, legal advice will be sought and/or the Conflict of Interest and Ethics Commissioner (the "Commissioner") will be consulted.

## **B. CODE OF CONDUCT**

### **1. Trust, Honesty and Integrity**

The fundamental relationship between a director and PSP Investments must be one of trust, honesty and integrity.

### **2. Compliance with the Law**

- (a) Directors shall comply with all applicable laws, including the PSPIB Act and the regulations adopted under such Act and the *Conflict of Interest Act* and any regulations adopted under such Act.
- (b) No director shall commit or condone an illegal act or instruct or encourage another person or supplier to do so.
- (c) No director shall create or allow the creation of a false record.
- (d) Directors shall not engage in or give the appearance of being engaged in any illegal or improper conduct.
- (e) Directors shall arrange their private affairs in a manner that will prevent the director from being in a conflict of interest.

### **3. Confidential Information**

- (a) Confidential information includes proprietary, technical, business, financial, joint venture and other information which PSP Investments treats as confidential or which is not made available publicly. Former directors of PSP Investments continue to be obligated not to disclose such confidential information.

- (b) Every director shall at all times maintain the confidentiality of all information and records that are the property of PSP Investments and shall not make use of or reveal such information unless and until it becomes a matter of general public knowledge or as may be required by law.
- (c) A director shall not use confidential information obtained by virtue of the director's association with PSP Investments for personal gain, or to benefit friends, relatives<sup>2</sup> or others.

#### 4. **Entertainment, Gifts and Favours**

- (a) All those who do business with PSP Investments as suppliers or contractors (including consultants, advisors and investment managers) have access to PSP Investments on equal terms.
- (b) A director or member of his or her family<sup>3</sup> shall not solicit or accept benefits, entertainment, gifts or advantages<sup>4</sup> of any kind (including, without limitation, cash, preferred pricing, preferred loans, securities, secret commissions) that might reasonably be seen to have been given to influence the director in the exercise of his or her official power, duty or function, including as a condition of the exercise of their duties or as an inducement for performing an act associated with their duties or responsibilities with PSP Investments or in exchange for preferential treatment.
- (c) A director or member of his or her family may generally accept modest gifts, hospitality or other benefits associated with the director's official duties and responsibilities if such gifts, hospitality or other benefits:
  - (i) are within the bounds of propriety, received as a normal expression of courtesy or protocol, or within the customary standards that normally accompany the director's position, subject to a monetary limit of CAN\$1,000<sup>5</sup>; or
  - (ii) given by a relative or friend.

In addition, such gifts should not bring suspicion on the director's objectivity and impartiality and

---

<sup>2</sup> For the purposes of the *Conflict of Interest Act*, "relatives" include persons who are related to the director by birth, marriage, common-law partnership, adoption or affinity, unless the Commissioner determines otherwise.

<sup>3</sup> Under the *Conflict of Interest Act*, the following persons are included as members of the director's family: (i) his or her spouse or common-law partner; (ii) his or her dependent children and the dependent children of his or her spouse or common-law partner.

<sup>4</sup> "Gifts or advantages" is defined under the *Conflict of Interest Act* to mean (i) an amount of money, if there is no obligation to repay it; and (ii) a service or property, or the use of property or money that is provided without charge or at less than commercial value.

<sup>5</sup> If such gifts or advantages have a monetary value of CAN\$1,000 or more, the gift or other advantage will be forfeited to the Crown, unless the Commissioner determines otherwise.

should not compromise the integrity of PSP Investments.

- (d) Entertainment and similar things (such as business lunches, the exchange of modest items between business associates, the presentation of small tokens of appreciation at public functions or an inexpensive memento) should be reasonable and never lead to a sense of obligation. As a rough guide, a director should not accept any entertainment that could not be justified on a PSPIB expense statement if the director were providing or offering such entertainment rather than receiving it.
- (e) Inappropriate gifts that are received by a director should be returned to the donor together with a letter making reference to these Procedures.
- (f) In any instance where there is doubt whether particular conduct complies with these Procedures, full and immediate disclosure to the Chairperson or the Chair of the Governance Committee or the Chief Executive Officer will always be taken as good-faith compliance with these Procedures.

## 5. **External Appointments**

- (a) Directors must receive approval in writing of the Chairperson before accepting any appointment as a director. Directors must also receive approval in writing of the Chairperson before accepting an appointment to any position of authority in an entity that might be in a position of conflict with PSP Investments.
- (b) Directors who hold positions of leadership in other organizations, including not-for-profit associations, should ensure that they are seen as speaking for such organizations, or as individuals, and not as spokespersons of PSP Investments.

## 6. **Use of PSP Investments' Assets**

PSP Investments makes a substantial investment in physical, electronic and staff resources. Without the prior approval of the Chief Executive Officer, the use of such resources for non-business purposes shall be modest and reasonable in the circumstances, and shall not be such as to cause harm to the reputation of PSP Investments.

## 7. **Transactions with PSP Investments**

Directors shall not solicit on their own behalf or on behalf of any other person for whom they act as a principal or agent, loans, investments or any other financial transaction or commitment by PSP Investments or any of its subsidiaries.

## **C. CONFLICT OF INTEREST PROCEDURES**

- 1. The PSPIB Act and the *Conflict of Interest Act* set out minimum conflict of interest standards and procedures with which directors must comply. These are minimum standards only and it is the Board of Directors' objective to apply a set of comprehensive policies and procedures to achieve and maintain the confidence of the contributors and beneficiaries under the Plans.

2. Directors must make full and immediate disclosure in writing to the Board of Directors or must request to have entered in the minutes of a meeting of the Board of Directors or one of its committees, the nature and extent of the director's interest in a transaction<sup>26</sup> or proposed transaction brought before the Board of Directors for discussion.
3. Directors must refrain from voting on a resolution or other decision and from participating in a discussion or debate in any circumstances in which the director knows or reasonably should know that, in participating in the discussion or decision, he or she would be in a conflict of interest, including, but not limited to, discussions and decisions regarding any transaction involving the directors' interests.
4. In general, under the *Conflict of Interest Act*, a director will be in a conflict of interest if he or she exercises an official power, duty or function that provides an opportunity to further his or her private interests or those of his or her relatives or friends or to improperly further another person's private interests. Some examples of situations in which a conflict will arise are set out below. Directors should be mindful, however, that the definition of conflict of interest is broad and may apply to situations other than the specific instances identified in these Procedures. If there is any doubt with respect to a particular situation, directors should seek advice from the persons identified in Section A, paragraph 8 above.
5. The PSPIB Act is specifically concerned with conflicts of interest if directors:
  - (a) are parties to transactions or proposed transactions with PSP Investments;
  - (b) are directors or officers of entities that are parties to transactions or proposed transactions with PSP Investments; or
  - (c) hold a material interest<sup>37</sup> in any entities that are parties to transactions or proposed transactions with PSP Investments.
6. The prohibition against directors voting on transactions with PSP Investments to which they are parties is subject to three exceptions under the PSPIB Act. Directors may vote on:
  - (a) transactions relating primarily to their remuneration as directors of PSP Investments or one of its subsidiaries;
  - (b) directors' indemnities and insurance under section 18 of the PSPIB Act; and
  - (c) transactions with a subsidiary of PSP Investments.

---

<sup>6</sup> The PSPIB Act defines "transaction" as including a contract, a guarantee or an investment.

<sup>7</sup> The PSPIB Act does not define what is meant by a "material interest in an entity" for the purpose of the conflict of interest rules. A "material" interest in an entity is not restricted to the minimum 10% investment threshold which securities legislation uses to define insider for the purposes of insider reports and trading. The conflict of interest test does not lend itself to such clear quantitative measurement. The relevant question is: would a reasonably well-informed person conclude that a director's interest in another entity could affect the director's exercise of a power or performance of a duty on behalf of PSP Investments?

7. In addition, a conflict of interest may arise if a director has a personal relationship which compromises or may appear to compromise the director's independence or ability to provide an impartial and objective decision, recommendation or assessment of facts in any circumstance.
8. A conflict of interest will arise if:
  - (a) a director, in the exercise of his or her powers, duties or functions, gives preferential treatment to any person or organization based on the identity of that person or organization;
  - (b) a director or a member of the director's household, or a trust of which the director is a trustee or over which the director exercises influence, has a significant, direct or indirect financial interest in, or obligation to, an actual or potential supplier of PSP Investments<sup>8</sup>;
  - (c) a director conducts business on behalf of PSP Investments with a supplier of which a relative by blood or marriage is a principal officer or representative;
  - (d) a director or member of the director's household, or a trust of which the director is a trustee or over which the director exerts influence, accepts gifts of more than token or nominal value from an actual or potential supplier of PSP Investments;
  - (e) a director misuses information obtained in the course of acting as a director of PSP Investments by (for example) using information that is not publicly available to further or seek to further the director's private interests or those of the director's relatives, friends or seek to improperly further the private interests of any other person;
  - (f) a director uses his or her position to seek to influence a decision of another person so as to further the director's private interests or those of the director's relatives or friends or to improperly further another person's private interests;
  - (g) a director allows him or herself to be influenced in the exercise of his or her duties, powers or functions by plans for, or offers of, outside employment;
  - (h) a director, in the course of exercising his or her duties, powers or functions, enters into a contract or employment relationship with his or her spouse, common-law partner, child, sibling or parent;
  - (i) a director permits PSP Investments to enter into (i) a contract (unless the contract is for goods and services offered on the same terms and conditions as to the general public); or (ii) employment relationship, with his or her spouse, common-law partner, child, sibling or parent without following an impartial administrative process in which the director plays no part; or

---

<sup>8</sup> This does not include situations in which the supplier is also providing a service to the director, such as a fund manager who manages the fund in which the director maintains an account, for instance a deposit account, or the director invests in one of the manager's mutual fund. However, the director may not receive concessions, eg. special pricing.

- (j) a director personally solicits funds from any person or organization in circumstances that would place the director in a conflict of interest.
- 9. A director engaging in any other business activity, directly or indirectly, affecting the activities of PSP Investments or which is in competition with PSP Investments or any of its subsidiaries or which in any other manner may be construed as being in conflict with PSP Investments' interests, must make full disclosure of such activity to the Chairperson who will rule on the conflict and may require the discontinuation of the activity or consent to it in writing.
- 10. A director must not take any action that has its purpose the circumvention of the director's obligations under the *Conflict of Interest Act* and these Procedures.
- 11. Each director shall provide written assurance on an annual basis in the form attached Part II to Schedule B that no conflict of interest or other breach of these Procedures exists.

12. **Fund Investments**

- (a) In the course of discharging their responsibilities, directors will have access to certain confidential information relating to the affairs of PSP Investments and its investments, the distribution of which to directors will, to the extent practicable, be limited by PSP Investments to that information which the directors require to discharge such responsibilities. Any disclosure of such confidential information could be highly detrimental to the interests of PSP Investments and the parties whose confidential information has been entrusted to PSP Investments.
- (b) Confidential information may not be used by a director for the director's personal benefit or for the benefit of any other person. Furthermore, no director may buy or sell a security of any issuer (or any underlying security) when in possession of or with knowledge of material confidential information relating to the issuer or the security (or any underlying security). These restrictions apply whether the trade is for the account of the director, the immediate family of the director, or any other associate of the director.

13. **Protection of Confidential Information**

Any non-public information concerning PSP Investments, its investments, investment policies or plans, and any non-public information obtained in the course of researching or making any decision concerning an investment or potential investment or for any other reason, must be kept confidential. Non-public information may be used or disclosed only in discharging a director's responsibilities to PSP Investments, or as required by law.

14. **Leaks of Confidential Information**

Any director who becomes aware of any possible breach of the use of confidential information shall report the matter to the Chairperson or the Chair of the Governance Committee.

15. **Contact with Third Parties**

Directors will not discuss with any third person any matter pertaining to the Board of Directors without consulting the Chairperson or any matter pertaining to PSP Investments, including any investment of PSP Investments, without consulting the Chief Executive Officer.

**D. RESTRICTED SECURITIES FOR DIRECTORS**

1. Directors will periodically receive confidential information concerning issuers of securities when necessary to enable them to discharge their duties as directors. The confidential information may include, for example, an evaluation of potential investments that PSP Investments is considering as well as information provided for other similar purposes.
2. The President and CEO together with the Compliance Officer and the General Counsel, will from time to time, and when necessary, determine those issuers of securities with respect to which the directors have received or will be provided confidential information or in relation to which PSP Investments is an insider, as defined in the Securities Act (Ontario), and will maintain a list of the names of all such issuers in which members of the Board of Directors shall not trade and which shall be referred to as the Directors' List of Restricted Securities. A revised copy of the Directors' List of Restricted Securities will be sent to each director whenever an issuer is added to or removed from such list.
3. In addition to being prohibited from trading the securities of an issuer when in possession, or with knowledge, of material undisclosed information relating to the issuer, and except as permitted by section 5 below, directors must ensure that they do not trade in the securities of issuers that have been placed on the Directors' List of Restricted Securities until such time as the issuer has been removed from the list.
4. Directors will be requested, on an annual basis, to provide written confirmation to the Corporate Secretary that, during the previous fiscal year, they have not traded securities of issuers on the Directors' List of Restricted Securities except as may be permitted under section 5 below.

5. **Discretionary Accounts**

Notwithstanding the trading restrictions set out in these Procedures, directors are not subject to such restrictions in respect of trades executed on their behalf where they have relinquished discretionary authority in accordance with the following procedures and principles:

- (a) In some cases, a director may have given to a broker or a portfolio manager (a "manager") the discretion to trade in securities on the director's behalf without prior consultation as to specific transactions. Such arrangements could raise insider trading concerns under securities legislation if the manager purchases or sells securities when the director or someone else inside PSP Investments has

knowledge of undisclosed material information with respect to the issuer, since it may be difficult for the director to establish that, in the case of any particular trade, the manager did not consult the director in advance.

- (b) Maximum protection for directors with discretionary accounts and for PSP Investments would be provided by a full blind trust arrangement or alternatively by requiring the manager to consult the director before each trade on the understanding that the director would perform the restricted list clearance procedure set out in these Procedures. In the absence of such arrangements, directors with discretionary trading accounts should establish with the manager, and must confirm in writing, a procedure for documenting each occasion upon which a trade is executed by the manager after instructions from or consultation with the director. With respect to such trades, it will be necessary for the director to comply with the requirements relating to the Directors' List of Restricted Securities set out in these Procedures. Such arrangements would assist the director in establishing that any particular trade executed on the director's behalf by a manager on a discretionary basis did not constitute insider trading.

Such arrangements with a manager would be in addition to the normal documentation required by the relevant securities regulatory body upon the opening of a discretionary trading account. Directors are also reminded that only managers with specified proficiency and experience requirements, approved by securities regulatory bodies, are permitted by securities laws to operate discretionary trading accounts. In the absence of such approval, or of the account documentation required by applicable rules, a manager may be subject to disciplinary proceedings for executing trades in securities without prior specific instructions from the client. Directors must not allow a manager to engage in discretionary trading on their behalf if the manager is in contravention of applicable rules as the manager may be reluctant to admit having executed the trade on a discretionary basis if an allegation of insider trading is made against a director.

## **E. INSIDER TRADING**

### **1. Prohibition on Insider Trading**

- (a) Confidential Information (as defined in paragraph 1(b) below) may not be used by a director for the personal benefit of the director or the benefit of the director's spouse or others in the director's immediate family including those persons who are trading on the director's behalf or on the director's advice or direction. Furthermore, no director may buy or sell a security of any issuer (or any underlying security) when in possession, or with knowledge, of Material Information relating to the issuer or the security (or any underlying security). These restrictions apply whether the trade is on behalf of PSP Investments or for the account of the director or the director's immediate family or any other person. Failure to comply with these restrictions will result in sanctions which may include termination and possible civil or criminal prosecution that could result in substantial monetary penalties and/or imprisonment.
- (b) "Confidential Information" is "non-public" information and includes inside information provided by an external source with the expectation that the

information will be kept confidential and will be used solely for the business purposes for which it was conveyed by the external source. It also includes materials generated by PSP Investments and provided to directors that contain or are derived from such Confidential Information. Confidential Information may be received from officers, directors or employees of, or lawyers, accountants or other professionals involved with, a company in which PSP Investments has invested or another third party. It may also include “tips” received directly or indirectly from corporate insiders. Tips are especially likely to be considered Confidential Information when the recipient knows, or should know, that the corporate insider has disclosed the information improperly, in breach of the insider’s duty to the insider’s own company.

- (c) Information is “non-public” if it has not been effectively disseminated to the general public. Examples of public dissemination include a press release carried over a major news service, an article in a major news publication, a public filing made with a regulatory agency, a mailing such as a proxy statement or prospectus sent to shareholders or potential investors, or otherwise made available through public disclosure services. It is important to note that, even following a public announcement of a major corporate transaction, many aspects of the matter may remain non-public.
- (d) “Material Information” is information likely to be viewed by a reasonable investor as important in deciding whether to purchase, sell or hold a security. It can also mean information (including trading information) likely to have a significant effect on the market price of the security. Material Information may include, but is not limited to, information about: changes in dividends; financial forecasts or projections (especially estimates of future earnings or losses); changes in previously released earnings or earnings estimates; changes in dividend policy; changes in accounting procedures; write-downs of assets; additions to reserves for bad debts; expansion or curtailment of operations; increases or declines in orders; significant product developments; major litigation; liquidity problems; repurchase programs; program orders; changes in management; contests for corporate control; anticipated public offerings of securities; imminent block orders; short positions; to-be-announced changes of ratings of debt securities; proposed transactions such as refinancings, refundings, take-over bids, issuer bids, recapitalizations, leveraged buy-outs, buyouts, acquisitions, mergers, restructurings or purchases or sales of assets; adoption of new accounting rules; as yet unreleased government reports and statistics and certain unannounced government actions. Furthermore, Material Information may relate to uncertain or contingent events.

## 2. **Insider Reporting**

- (a) Under applicable Canadian securities laws, directors of PSP Investments are deemed insiders of issuers of securities in respect of which PSP Investments is an insider, i.e., where PSP Investments beneficially owns or exercises control or direction over voting securities of a reporting issuer carrying more than 10% of the voting rights attached to all outstanding voting securities of that reporting issuer. In this event, directors of PSP Investments may have independent reporting requirements in connection with their own trades of such securities (i.e., when PSP Investments either does not or cannot avail itself of exemptions from the standard insider reporting obligations). PSP Investments has established the following policies and procedures to assist directors who may be subject to such insider reporting requirements.
- (b) Management of PSP Investments will maintain a list of all reporting issuers in respect of which its directors are required to file insider reports under applicable Canadian securities laws (the “Insider Reporting List”). A revised copy of this list will be sent to each director every time a reporting issuer is added to or removed from this list.
- (c) Directors must monitor the Insider Reporting List whenever they purchase or sell a security of a reporting issuer to determine whether the security they are trading is one in respect of which an insider report must be filed by the director. If a director has traded a security of a reporting issuer on the Insider Reporting List, the director must file an insider report within 10 days of the trade.
- (d) If a reporting issuer is removed from the Insider Reporting List, a director who has reported a trade in securities of the reporting issuer must report the fact that he/she is no longer an insider of the reporting issuer. This report must be filed within 10 days of the director ceasing to be an insider of the reporting issuer.
- (e) New directors will be provided with a copy of the Insider Reporting List prior to the effective date of their appointment. An insider report must be filed by a new director within 10 days of the effective date of his/her appointment if they own any securities of a reporting issuer on the Insider Reporting List. Thereafter, a further insider report must be filed within 10 days whenever the director sells or purchases any securities of the issuer for so long as the issuer remains on the Insider Reporting List.
- (f) Directors are personally responsible for filing all required insider reports. PSP Investments’ Legal Services Department is available to answer questions and to assist in completing the required electronic filing.
- (g) All insider reports discussed above are to be filed only in electronic format, via the System for Electronic Disclosure by Insiders (“SEDI”) established by the Canadian securities regulatory authorities and operated by CDS Inc. on their behalf. A single filing in SEDI meets the requirements of the various securities regulators. Details for registration and filing in the SEDI system are available on the SEDI website at [www.sedi.ca](http://www.sedi.ca).

## **F. DUTIES OF FORMER DIRECTORS**

1. No former director of PSP Investments may act in such a manner as to take improper advantage of his or her previous directorship.
2. No former director may act for or on behalf of any person or organization in connection with any specific proceeding, transaction, negotiation or case to which PSP Investments is a party and with respect to which the former director had acted for, or provided advice to, PSP Investments or participated in the consideration of the specific proceeding, transaction, negotiation or case as a director of PSP Investments.
3. No former director may give advice to his or her client, business associate or employer using information that was obtained in his or her capacity as a director of PSP Investments and that is not available to the public.

## **G. RESPONSIBILITY**

1. Each director must adhere to the standards described in these Procedures and to the standards set out in applicable policies, guidelines or legislation.
2. Each director should review these Procedures periodically throughout the year and take the opportunity to discuss with the Chairperson or the Chief Executive Officer any circumstances that may have arisen which could be an actual or potential violation of the standards of conduct described in these Procedures.
3. Any director who knows or suspects the existence of a conflict of interest or a fraud against or a theft from PSP Investments has a responsibility to report it to the Chairperson or the Chair of the Governance Committee.

## **H. WHERE TO SEEK CLARIFICATION**

A director who requires advice on a particular matter or suspects improper activities should seek clarification from the Chairperson, the Chair of the Governance Committee or the Chief Executive Officer.

**SCHEDULE A  
TERMS OF REFERENCE OF  
FOR THE GOVERNANCE COMMITTEE**

**Revised by the Board of Directors as at February 15, 2007**

**INTRODUCTION**

1. The Governance Committee is a standing committee of the Board of Directors (the “Board”) of the Public Sector Pension Investment Board (“PSP Investments”) and shall be comprised of at least three directors, a majority of whom shall be independent.
2. The Governance Committee will generally assist the Board in developing PSP Investments’ approach to its own governance.

**DEFINITION**

3. “Management” refers to the Officers of PSP Investments, and the other members of the senior management team of PSP Investments as may be determined from time-to-time by the Chief Executive Officer and communicated to the Board.

**DUTIES AND RESPONSIBILITIES**

4. The Governance Committee shall:
  - (a) Monitor and assess the relationship between the Board and Management, defining the limits to Management’s authority and ensuring that the Board is able to function independently of Management;
  - (b) Following consultation with the Chief Executive Officer, develop terms of reference for the Board, the committees of the Board, the Chief Executive Officer and the Chairperson of PSP Investments, and periodically review and recommend to the Board such amendments as may be necessary or advisable;
  - (c) Annually recommend to the Board for approval, the directors to serve on each committee of the Board, the chair of each committee and, as the need arises, directors to fill vacancies on each committee;
  - (d) Develop and recommend to the Board for approval, the by-laws and governance-related policies of the Board;
  - (e) Oversee the implementation of the procedures for assessing the effectiveness of the Board as a whole and for conducting a peer review whereby each director evaluates the performance of each other Board member;
  - (f) Recommend to the Board, timely changes in the role, size, composition and structure of the committees of the Board;

- (g) Assess the needs of the Board in terms of the frequency and location of Board and committee meetings;
- (h) Monitor, and report to the Board with respect to, the implementation of the governance-related policies of PSP Investments;
- (i) Evaluate and conduct annual assessments of all Board committees to determine whether they are functioning effectively and meeting all of their respective objectives and goals;
- (j) Monitor the application of the procedures established by PSP Investments for the identification of potential conflicts of interest for directors and procedures to resolve such conflicts (the Conflict of Interest Procedures for Directors);
- (k) Oversee an orientation program to familiarize new directors with PSP Investments' affairs and oversee continuing educational opportunities for all directors, as necessary, so that the directors' knowledge and understanding of the activities of PSP Investments remain current;
- (l) Retain, as necessary, any advisors, consultants, or other experts to assist the Governance Committee in fulfilling its responsibilities; and
- (m) At the request of the Chairperson or the Board, undertake such other governance-related initiatives as may be necessary or desirable to contribute to the success of PSP Investments.

## **HISTORY**

5. These Terms of Reference were:

- Initially adopted by the Board on March 13, 2001;
- Reviewed and amended by the Board on September 16, 2004;
- Reviewed and amended by the Board on February 9, 2006; and
- Reviewed and amended by the Board on February 15, 2007.

**SCHEDULE B**

**PART I – AFFIRMATION ON BECOMING A DIRECTOR**

I ACKNOWLEDGE that I have read and considered the Conflict of Interest Procedures for Directors, which sets out the conflict of interest procedures for the directors of the Public Sector Pension Investment Board (“PSP Investments”), and, as a director of PSP Investments or any of its subsidiary companies, agree to conduct myself in accordance with such Procedures.

I undertake to confirm in writing, at least annually during the term of my appointment, that I have read, understood and complied with the most recent version of the Conflict of Interest Procedures for Directors, including the restrictions on the trading of securities of issuers on the Directors’ List of Restricted Securities.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

**PART II - ANNUAL CONFIRMATION**

I CONFIRM that:

1. I have read and understood the Conflict of Interest Procedures for Directors, which sets out the conflict of interest procedures for the Directors of the Public Sector Pension Investment Board (“PSP Investments”);
2. I have not traded securities of issuers on the Directors’ List of Restricted Securities except as may be permitted under section D.5 of the Conflict of Interest Procedures for Directors; and
3. I have complied from April 1<sup>st</sup>, 2006 to the date hereof with PSP Investments’ Conflict of Interest Procedures for Directors.