

PUBLIC SECTOR PENSION INVESTMENT BOARD

TERMS OF REFERENCE FOR THE GOVERNANCE COMMITTEE

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 must 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.

DUTIES AND RESPONSIBILITIES

3. The Governance Committee will:
 - (a) develop and recommend to the Board for approval, the by-laws and governance-related policies of the Board;
 - (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 recommend them to the Board for approval, and periodically review and recommend to the Board such amendments as may be necessary or advisable;
 - (c) bi-annually review the directors’ and the Chairperson’s compensation, and annually review the disclosure of such information in PSP Investments’ annual report;
 - (d) recommend to the Board, timely changes in the role, size, composition and structure of the committees of the Board;
 - (e) 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;
 - (f) assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, reports, information and discussion papers, and the conduct of meetings;
 - (g) 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;
 - (h) 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;

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- (i) monitor, and report to the Board with respect to, the implementation of the governance-related policies of PSP Investments;
- (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) and receive and review, on an annual basis, confirmations from directors on their compliance with such procedures;
- (k) 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;
- (l) 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;
- (m) retain, as necessary, any advisors, consultants, or other experts to assist the Governance Committee in fulfilling its responsibilities; and
- (n) 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.

DEFINITION

- 4. "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.

These Terms of Reference were most recently reviewed and amended by the Board on February 10th, 2009.