

PUBLIC SECTOR PENSION INVESTMENT BOARD

TERMS OF REFERENCE FOR THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

INTRODUCTION

1. The Human Resources and Compensation Committee (the “HRCC”) 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, all of whom shall be independent directors.
2. The HRCC will generally assist the Board in:
 - (a) Ensuring that the necessary policies and procedures are in place to effectively manage the human resources of PSP Investments; and
 - (b) Ensuring that the necessary policies and procedures are in place by which all Employees will be fairly and competitively compensated.

DEFINITIONS

3. “Employees” refers to all personnel employed by PSP Investments and its subsidiaries including Officers, Management and other staff.
4. “Management” refers to the Officers 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.
5. “Officers” refers to those employees who are appointed as officers by the Board in accordance with By-Law No. 1.

GUIDELINES

6. The HRCC shall:
 - (a) Recommend to the Board for approval, the Human Resources Policy, the Learning and Professional Development Policy and the Compensation Policy of PSP Investments, and periodically review such policies and recommend changes to the Board, as necessary;
 - (b) Recommend to the Board for approval, a performance evaluation policy for the Chief Executive Officer that sets out the process and parameters for conducting such an evaluation;

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- (c) Approve the Corporate Compensation Approval Guidelines for Employees including for example: salary, bonus programmes, signing bonuses, perquisite accounts, retiring allowance arrangements or termination arrangements. Any exception deemed necessary by the Chief Executive Officer shall require the approval of the HRCC;
 - (d) Review and recommend to the Board for approval, the appointment and remuneration of Officers, based on the recommendations of the Chief Executive Officer;
 - (e) Annually review the Chief Executive Officer's evaluation of the performance of the Chief Executive Officer's direct reports;
 - (f) Annually review and recommend to the Board for approval, any remuneration adjustment based on the HRCC's annual evaluation of the performance of the Chief Executive Officer;
 - (g) Annually review, on an aggregate basis, the total compensation of all Employees;
 - (h) Review and report to the Board on the appropriateness of succession planning within PSP Investments at least every two years and more frequently if needed;
 - (i) Review the significant human resource plans of PSP Investments (for example education, training and development plans) every three to five years to ensure that they are consistent with the human resources and compensation policies and that they are supportive of PSP Investments' business and strategic objectives;
 - (j) Ensure that the human resource policies and practices of PSP Investments are in compliance with applicable legislation;
 - (k) Discharge the duties assigned to the HRCC pursuant to any employee benefit plans approved by the Board;
 - (l) Oversee the preparation of the report on directors' and executive compensation required to be disclosed in PSP Investments' annual report;
 - (m) Review and approve policies related to relationships at work including, for example, an harassment and discrimination policy;
 - (n) Retain, as necessary, any advisors, consultants, or other experts to assist the HRCC in fulfilling its responsibilities;
 - (o) Undertake, on behalf of the Board, such other initiatives as may be necessary or desirable to assist the Board in ensuring that appropriate human resources development, performance evaluation, compensation and succession planning programs are in place and operating effectively; and
 - (p) Review periodically the Terms of Reference for the Human Resources and Compensation Committee.
7. With respect to pension matters, the HRCC shall be responsible for PSP Investments' Pension Plan (the "Plan"), the Supplemental Employee Retirement Plan (the "SERP") and

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any successor registered pension plan and/or supplementary pension plan maintained by PSP Investments for its Employees. In particular, the HRCC shall:

- (a) Approve the selection of investment manager(s), plan trustees, custodians and administrators, and review selection and performance criteria as recommended by Management and as set out in the Plan's investment policy and related strategy;
- (b) Establish and maintain a pension plan and a governance policy;
- (c) Approve the asset mix policy and strategic ranges for asset classes and, with the advice of Management, review and approve the Plan's related Statement of Investment Policies and Procedures;
- (d) Approve the funding policy for the Plan;
- (e) Recommend to the Board for approval, the establishment or termination of any pension plans for the Employees;
- (f) Review and recommend to the Board for approval, amendments to the Plan and/or any successor registered pension plan recommended by Management;
- (g) Review and recommend to the Board for approval, amendments to the SERP recommended by Management;
- (h) Receive a semi-annual report from Management on relevant pension issues, including the investment performance of the pension fund for the Plan;
- (i) Review and approve the annual audited financial statements of the Plan and the annual financial statements, if applicable, of the SERP and any successor registered pension plan and/or supplementary pension plan maintained by PSP Investments for its Employees; and
- (j) Deliver an annual update on pension matters to the Board.

HISTORY

8. 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;
 - Reviewed and amended by the Board on July 6, 2006; and
 - Reviewed and amended by the Board on February 15, 2007.