



CPP
INVESTMENT
BOARD

Terms of Reference for the Risk Committee

February 13, 2019

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1.0 INTRODUCTION

The objects and powers of the CPP Investment Board are outlined in the **Act**. The **Act** outlines 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 Risk Committee in accordance with its authority to do so under the **Act**.

These terms of reference are designed to clarify the responsibilities of the Risk Committee.

The Board has adopted **Guidelines for Board Committees**, which provide elaboration upon each Board Committee's terms of reference.

2.0 PURPOSE

The purpose of the Risk Committee is to assist the Board in fulfilling its obligations to oversee risk management and risk governance by receiving reports and/or making recommendations to the Board on matters including:

- (a) the Integrated Risk Framework, Risk Appetite Statements, key risks and risk profile;
- (b) material risk management policies and exceptions thereto;
- (c) overall risk governance; and
- (d) such other matters as may be determined by the Board.

3.0 COMMITTEE MEMBERSHIP

The Risk Committee shall be composed of not fewer than three Directors.

Committee members shall have or be willing to acquire soon after joining the Committee, sufficient understanding of risk management issues. Committee membership will reflect a balance of experience and expertise required to fulfill the Committee's mandate.

4.0 COMMITTEE MEETINGS

4.1 Frequency

The Risk Committee shall meet at least four times a year, with additional meetings at the discretion of the Committee Chair.

4.2 Calling

Any member of the Risk Committee, or CPP Investment Board's CFRO, may ask the Committee Chair to call a meeting of the Risk Committee.

5.0 OPERATIONS

The Chair of the Risk Committee may ask the Chairperson to call a meeting of the Board to consider any matter of concern. The Risk Committee will have access to Management and CPP Investment Board's documents as may be required to fulfill its responsibilities.

6.0 DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Risk Committee will perform the following duties in relation to CPP Investment Board, as may be appropriate in the context:

6.1 Integrated Risk Framework and Risk Appetite Statements

The Risk Committee will:

- (a) review and recommend to the Board at least annually the Integrated Risk Framework, including an annual assessment of the appropriateness thereof;
- (b) review and recommend to the Board at least annually the Risk Appetite Statements;
- (c) review any exceptions to Risk Appetite limits;
- (d) monitor, at least semi-annually, CPP Investment Board's risk profile against its Risk Appetite;
- (e) receive reports from the CFRO, at least quarterly, on:

- (i) the key existing and emerging risks to which CPP Investment Board is exposed, including market, credit, liquidity (including leverage), operational (including model and information security & cyber), regulatory and legal, and strategic, risks, taking into consideration interconnectivity between risks and potential reputation impacts; and
- (ii) stress testing results across business activities and risk types; and
- (f) periodically review the processes and controls developed by Management to evaluate risks in relation to the CPP Investment Board's risk profile, recognizing that the Audit Committee has primary responsibility for the review of internal control procedures; and
- (g) periodically receive reasonable assurance on the effectiveness of the Integrated Risk Framework, including the Risk Appetite Statements.

6.2 Risk Management Policies

The Risk Committee will:

- (a) review and recommend to the Board at least annually the Risk Policy;
- (b) review and recommend to the Board, as required, other material risk management policies;
- (c) review any exceptions to the Risk Policy or other material risk management policies; and
- (d) receive reports: jointly with the Investment Committee, on the implementation of the Risk Policy; and on other material risk management policies.

6.3 Risk Governance

The Risk Committee will:

- (a) review and approve annually the objectives, resourcing and budget of the Risk group within the Finance, Analytics & Risk department;
- (b) jointly with the Audit Committee, be involved in the selection and appointment of the CFRO;
- (c) jointly with the Audit Committee, review with the CEO the CFRO's performance annually (this will be performed by the Chair of the Risk Committee on behalf of the Committee);
- (d) ensure that direct and open communication exists between the Risk Committee and the CFRO;
- (e) meet periodically with the CFRO in the absence of Management; and
- (f) monitor the soundness of CPP Investment Board's risk culture.

6.4 Other

The Risk Committee will:

- (a) review at least annually CPP Investment Board's crisis management plans, and any similar plans to monitor, respond, recover and communicate before, during and immediately after disruptions affecting CPP Investment Board's business or operations;
- (b) review at least annually insurance coverage of significant business risks and uncertainties;
- (c) review and recommend to the Board an annual statement of risk management practices and risk governance for publication in the Annual Report; and

- (d) at the request of the Chairperson or the Board, undertake such other risk-related initiatives as may be necessary or desirable to contribute to the success of the Board.

7.0 ACCOUNTABILITY

The Risk Committee shall:

- (a) report its discussions to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting; and
- (b) report, as required, to the other Board Committees on issues of relevance to them.

8.0 COMMITTEE TIMETABLE

The timetable on the following pages outlines the Risk Committee's annual schedule of activities.

RISK COMMITTEE TIMETABLE

Source			Meeting					
Statute/Reg	Terms of Reference		May	June	Aug	Sept	Nov	Feb
	6.1	INTEGRATED RISK FRAMEWORK AND RISK APPETITE STATEMENTS						
	(a)	Review and recommend to the Board at least annually the Integrated Risk Framework				•		
	(b)	Review and recommend to the Board at least annually the Risk Appetite Statements				•		
	(c)	Review any exceptions to Risk Appetite limits	As required					
	(d)	Monitor, at least semi-annually, CPP Investment Board's risk profile against its Risk Appetite	•				•	
	(e)	Receive reports from the CFRO, at least quarterly, on: (i) the key existing and emerging risks to which CPP Investment Board is exposed, including market, credit, liquidity (including leverage), operational (including model and information security & cyber), legal and regulatory, and strategic, risks, taking into consideration interconnectivity between risks and potential reputation impacts; and (ii) stress testing results across business activities and risk types	•		•		•	•
	(f)	Periodically review the processes and controls developed by management in relation to the risk profile (with Audit Committee having primary responsibility for internal control procedures)	As required					
	(g)	Periodically receive reasonable assurance on the effectiveness of the Integrated Risk Framework, including the Risk Appetite Statements	As required					
	6.2	RISK MANAGEMENT POLICIES						
	(a)	Review and recommend to the Board at least annually the Risk Policy			•			
	(b)	Review and recommend to the Board, as required, other material risk management policies	As required					
	(c)	Review any exceptions to the Risk Policy or other material risk management policies	As required					
	(d)	Receive reports on: jointly with the Investment Committee, the implementation of the Risk Policy; and other material risk management policies	•		•		•	•
	6.3	RISK GOVERNANCE						
	(a)	Review and approve annually the objectives, resourcing and budget of the Risk group		•				

Source			Meeting					
Statute/Reg	Terms of Reference		May	June	Aug	Sept	Nov	Feb
	(b)	Be involved in the selection and appointment of the CFRO	As required					
	(c)	Review with the CEO the CFRO's performance annually						
	(d)	Ensure that direct and open communication exists between the Risk Committee and the CFRO	Ongoing					
	(e)	Meet periodically with the CFRO in the absence of Management	Ongoing					
	(f)	Monitor the soundness of CPP Investment Board's risk culture	Ongoing					
	6.4	OTHER						
	(a)	Review at least annually CPP Investment Board's crisis management plans, and any similar plans of CPP Investment Board			•			
	(b)	Review at least annually insurance coverage of significant business risks and uncertainties	•					
	(c)	Review and recommend to the Board an annual statement of risk management practices for publication in the Annual Report	•					
	(d)	At the request of the Chairperson or the Board, undertake such other risk-related initiatives as may be necessary or desirable to contribute to the success of the Board	As required					
		GUIDELINES FOR BOARD COMMITTEES (S. 2.3)						
		Review Terms of Reference for the Risk Committee annually and recommend any changes to the Board		•				