



**PUBLIC SECTOR PENSION INVESTMENT BOARD
(PSP INVESTMENTS)**

**TERMS OF REFERENCE FOR THE
HUMAN RESOURCES AND COMPENSATION COMMITTEE**

Approved by the Board of Directors on May 14, 2024

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INTRODUCTION

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 must be comprised of at least three Directors.

The HRCC will generally assist the Board in ensuring that the necessary policies and procedures are in place to effectively manage and fairly compensate Employees of PSP Investments.

DUTIES AND RESPONSIBILITIES

Subject to the duties and responsibilities of the Board and to the requirements of the *Public Sector Pension Investment Board Act* (the “Act”), the HRCC will perform the following duties:

1. Appointment of the Chief Executive Officer and Other Officers

- (a) Review and recommend to the Board for approval, the appointment of the Chief Executive Officer and other Officers; and
- (b) Recommend to the Board for approval employment terms, including severance terms and transition arrangements when applicable, and material amendments thereto for the Chief Executive Officer and other Officers.

2. Performance Assessment and Compensation of the Chief Executive Officer

- (a) Recommend to the Board for approval a performance assessment process for the Chief Executive Officer;
- (b) Annually review and recommend to the Board for approval the Chief Executive Officer’s group and individual performance objectives to be used for determining the Chief Executive Officer’s compensation;
- (c) Annually review the Chief Executive Officer’s performance assessment; and
- (d) Annually review and recommend to the Board for approval, the Chief Executive Officer’s proposed total direct compensation, including base salary, incentive compensation targets, grants and payouts, based on the HRCC’s annual assessment of the Chief Executive Officer’s performance and taking into consideration PSP Investments’ risk adjusted performance results.

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3. Performance Assessment and Compensation of Other Officers

- (a) Annually review the Chief Executive Officer's assessment of the Officers' performance; and
- (b) Recommend to the Board for approval the proposed total direct compensation, including base salary, incentive compensation targets, grants and payouts to Officers, based on the recommendations of the Chief Executive Officer.

4. Compensation of Non-Officer Employees

Annually review, on an aggregate basis, the total compensation of all Employees.

5. Compensation Framework

- (a) Regularly review and recommend to the Board for approval the total compensation design that is linked to risk adjusted performance;
- (b) Approve the corporate compensation approval guidelines which set the approval process for certain compensation-related matters. Any exception to these guidelines deemed necessary by the Chief Executive Officer requires the approval of the HRCC or the Chair of the HRCC;
- (c) Annually approve the group factors (GF) and individual performance score (IPS) pools to be used for incentive compensation purposes;
- (d) Annually approve a base salary budget to be included as part of the annual operating and capital budget;
- (e) Recommend to the Board for approval, the establishment or termination of any incentive or variable pay plans for Employees and any material¹ amendments thereto; and
- (f) Recommend to the Board for approval, the benchmark, threshold level of performance and value-added objectives (targets) for incentive compensation purposes.

¹ Any amendment resulting in a variation in the relevant costs which exceeds \$2.5 million (in Canadian dollars) in aggregate, as well as any amendment of strategic importance.

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6. Succession Planning

- (a) Ensure that the Chief Executive Officer and Officers' succession planning is conducted appropriately; and
- (b) Review and annually report to the Board on the overall health of the succession plan for the Chief Executive Officer position, and Officers reporting to the Chief Executive Officer, including individual development plans.

7. Employee Benefits

- (a) Recommend to the Board for approval, the establishment or termination of any benefit plans for Employees and Officers; and
- (b) Review and, as required, recommend to the Board for approval any material¹ amendments to the benefit plans for Employees.

8. Pension Plans and Supplemental Employee Retirement Plans

With respect to pension matters, the HRCC is responsible for the Pension Plans maintained for the benefit of Employees. In particular, the HRCC shall:

- (a) Recommend to the Board for approval, the establishment or termination of any Pension Plan;
- (b) Review and recommend to the Board for approval any amendments to the design and financial structure of the Pension Plans;
- (c) Review and, as applicable, approve the Pension Plans' related statements of investment policies and procedures, including asset mix policy, strategic ranges for asset classes and investment options offered for the defined contribution Pension Plans;
- (d) Approve, as applicable, the funding policy for the Pension Plans;
- (e) Establish, maintain and approve a governance policy identifying the roles, responsibilities and accountabilities of all participants in the Pension Plans governance process;
- (f) Review annually, as applicable, the actuarial report of the Pension Plans; and
- (g) Receive an annual report on relevant pension matters.

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9. Human Resources Policies

- (a) Unless otherwise indicated, recommend to the Board for approval the human resources policies and any amendments thereto;
- (b) Monitor PSP Investments' diversity and inclusion programs and recommend for Board approval related policies; and
- (c) Ensure that PSP Investments' practices and programs do not have an adverse impact on the employment and advancement of Employees, more specifically as they relate to discrimination grounds protected by law.

10. Disclosure

Review and recommend to the Board for approval the executive compensation information disclosed in PSP Investments' annual report.

11. Other

- (a) 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 assessment, compensation and succession planning programs are in place and operating effectively;
- (b) Retain, as necessary, any advisors, consultants, or other experts to assist the HRCC in fulfilling its responsibilities; and
- (c) Review periodically, in consultation with the Governance Committee, the Terms of Reference for the Human Resources and Compensation Committee.

DEFINITIONS

In addition to terms elsewhere defined herein, the following defined terms apply to these Terms of Reference of the Human Resources and Compensation Committee:

“Chief Executive Officer” refers to the President and Chief Executive Officer of PSP Investments duly appointed by the Board.

“Directors” refers to members of the Board.

“Employees” refers to all individuals employed by PSP Investments and PSP Investments' wholly-owned entities established for the purposes of its operations including Officers and other employees.

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“**Governance Committee**” refers to the Governance Committee of the Board of PSP Investments.

“**Officers**” refers to those employees who are appointed as officers of PSP Investments by the Board in accordance with By-Law No. 1.

“**Pension Plan**” refers to all Employee-registered retirement plans and, as applicable, related supplemental employee retirement plans (“SERPs”) sponsored by PSP Investments and PSP Investments’ wholly-owned entities established for the purposes of its operations.

These Terms of Reference were most recently reviewed and amended by the Board on May 14, 2024.