



CPP
INVESTMENT
BOARD

A CULTURE OF INTEGRITY

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1.0 Introduction

The concept of integrity is of fundamental importance to the CPP Investment Board. Apart from its being a key aspect of the “control environment” underpinning the effectiveness of internal controls, integrity is also fundamental to the organization’s reputation, continued investment-only mandate and ability to carry on business effectively over the long term.

2.0 Terms of Reference in the Governance Manual

Governance “best practices” indicate that the Board’s mandate should acknowledge the Board’s responsibility for “satisfying itself as to the integrity of the President and the Officers and that the President and other Officers create a culture of integrity throughout the organization”.

In this regard, the **Terms of Reference for the Board** provide as follows:

The Board has responsibility:

(a) *in respect of the President to:*

...

(vii) *the extent feasible, satisfy itself as to the integrity of the President and that the President creates a culture of integrity throughout the CPP Investment Board; and*

...

(b) *in respect of Management and on the recommendation of the Human Resources and Compensation Committee and the President to annually:*

...

(v) *to the extent feasible, satisfy itself as to the integrity of Management and that Management creates a culture of integrity throughout the CPP Investment Board; and*

...

The **Terms of Reference for a Director** provide as follows:

As a member of the Board, each Director will:

(a) *act with integrity;*

3.0 Code of Conduct

There are guidelines and disclosure requirements adopted by Canadian securities regulators that recommend that a board should adopt a written code of business conduct and ethics (a code), monitor compliance with the code and publicly disclose that adoption and certain matters in relation to the code. Similarly, the **Act** requires the Board to establish procedures to identify and resolve potential conflicts of interest, establish a code of conduct for officers and employees of the organization and designate a committee of the board of directors to monitor application of the conflict of interest procedures and code of conduct (Subsection 8(2)).

The Board has placed great emphasis on meeting or exceeding the relevant prescriptions and suggestions in this area. The **Code of Conduct**, covers Directors, Officers and Employees, sets a high standard in the areas of conflicts of interest and ethical conduct. The **Code of Conduct** is constantly enhanced and updated to reflect corporate governance best practices in this area, and is monitored carefully by the Governance Committee with input from the external Conduct Review Advisor.

4.0 Processes

The following specific processes are undertaken in order to ensure that the obligations of the Board in this regard are fulfilled:

4.1 President

The Board, in hiring and annually reviewing the performance of the President, places integrity as a key criterion. The issue is discussed fully with the relevant search firm and with candidates in the intensive interview processes undertaken during the recruitment of the President. Each annual review of the President specifically addresses this issue

4.2 Officers

In the hiring and annual review of the Officers by both the Board and the President, integrity is a key criterion. The President bears primary responsibility for these functions, but the Board remains vitally interested in the issue at the time of hiring and in each annual review.

4.3 Other Hiring

In all other hiring, integrity is a key criterion and is emphasized in the interviews and background checks undertaken and on an ongoing basis in annual reviews. It is the responsibility of the President and each Officer, working in conjunction with Human Resources, to ensure that each and every Employee entering the organization meets this standard and that it remains as an ongoing evaluation tool. Specifically, in the hiring process, the **Code of Conduct** is made a key component - Employees are, as part of the hiring process, required to read, acknowledge having read and understood, and agree to comply with, the **Code of Conduct**.

4.4 Orientation

In the new Employee orientation, undertaken immediately after the employee commences employment and in which the President is in all cases involved, the **Code of Conduct** features prominently. There is a further monthly orientation session on the **Code of Conduct** done after the initial orientation led by the General Counsel and in which the President in all cases participates. This session ends with a video of our Conduct Review Advisor stressing the importance of ethical conduct followed by a question and answer period.

4.5 Ongoing Reminders

- (a) All Employees are required to acknowledge in writing their compliance with the **Code of Conduct** on a semi-annual basis and, in so doing, must also complete a ten question module which raises relevant ethical issues.
- (b) The external Conduct Review Advisor is featured prominently on the intranet site and in written postings in the offices.
- (c) The Chairperson and the Conduct Review Advisor undertake new Employee meetings about the **Code of Conduct** on a semi-annual basis.
- (d) Semi-annual all Employee town hall meetings often contain a segment dealing with the **Code of Conduct**.
- (e) Various departmental sessions contain a segment on the **Code of Conduct**.

4.6 Core Beliefs

The first core belief of the organization is Integrity. A communications program, spearheaded by the President and Officers, emphasizes this belief as well as the additional core beliefs of Partnership and High Performance.

4.7 Personal Trading

As to the personal trading guidelines part of the **Code of Conduct**, this is reported by the external auditor quarterly for Officers and Employees and semi-annually for Directors to both the Audit and Governance Committees and appropriate remedial action is taken where required.