



BOARD OF DIRECTORS CHARTER

1. CMHC Statutory Mandate and Objectives

1.1 Canada Mortgage and Housing Corporation's ("**CMHC**" or the "**Corporation**") mandate, as defined in the *National Housing Act* (the "**NHA**"), is to: *"promote housing affordability and choice, to facilitate access to, and competition and efficiency in the provision of, housing finance, to protect the availability of adequate funding for housing at low cost, and generally contribute to the well-being of the housing sector in the national economy."*

1.2 The statutory objectives for CMHC's commercial operations are further specified in the *NHA* as follows:

- (a) To promote the efficient functioning and competitiveness of the housing finance market;
- (b) To promote and contribute to the stability of the financial system, including the housing market; and
- (c) To have due regard to the Corporation's exposure to loss.

2. Mandate

2.1 CMHC is a Crown Corporation, accountable to Parliament for the conduct of its affairs through the Minister designated by the Governor in Council as responsible for CMHC (the "**Minister**"), and governed by a Board of Directors (the "**Board**").

2.2 The Board is responsible for managing the affairs of the Corporation and the conduct of its business in accordance with legislation, including the *Canada Mortgage and Housing Corporation Act*, the *Financial Administration Act*, the *NHA*, and the governing by-laws of the Corporation.

2.3 As steward of the Corporation, the Board sets the strategic direction of the Corporation in support of government policies and priorities, ensures the integrity and adequacy of the Corporation's policies, information systems and management practices, periodically examines the continued relevance of the Corporation's public policy objectives in light of its legislated mandates, ensures the principal corporate risks are identified and managed, evaluates the Corporation's performance, and monitors the Corporation's financial results.

2.4 The Board has a duty to protect the short- and long-term interests of the Corporation, safeguard the Corporation's assets, and exercise care, diligence and skill in fulfilling its duties.

3. Composition of the Board

3.1 The Board consists of the Chair, the President, the Deputy Minister of the Minister, the Deputy Minister of Finance, and eight other directors. With the exception of the President, all of the Corporation's directors are independent of management.

4. Meetings

4.1 The Board shall hold at least five regularly-scheduled meetings per year.

4.2 The Board shall hold regular *in camera* sessions.

4.3 The Board Chair may convene additional Board meetings.

5. Duties and Responsibilities:

5.1 As part of its general responsibility to provide challenge, oversight and guidance to the management of the Corporation, the Board exercises the following non-exclusive functions directly or through its committees: (i) Strategic Planning, (ii) Risk Management, (iii) Financial Management, Reporting and Internal Controls, (iv) Corporate Governance, (v) Integrity Oversight, (vi) Evaluation and Succession Planning, (vii) Communications and Public Disclosure, and (viii) oversight of the CMHC Pension Fund.

5.2 Strategic Planning Function

The Board is responsible for overseeing, reviewing and approving the strategic direction, the plans/budget, and priorities of the Corporation on an annual basis, taking into account government direction, public policy objectives, business opportunities, and risk appetite. In performing this function, the Board will:

- (a) Adopt a strategic planning process;
- (b) Approve and recommend to the Minister the strategic direction of the Corporation; and
- (c) Evaluate, on a regular basis (and at least annually), the Corporation's performance in implementing the approved strategic direction, its plans (including the Corporate Plan), and its budget.

5.3 Risk Management Function

The Board will ensure that appropriate systems, policies, and procedures are in place to identify and manage the principal risks of the Corporation's business. In performing this function, the Board will:

- (a) Approve policies, and ensure appropriate systems are in place, to identify, manage and mitigate the principal risks affecting the Corporation's activities, including the Corporation's funding and investment policies and Enterprise Risk Management ("**ERM**") framework;
- (b) Oversee and approve the Corporation's risk appetite framework;

- (c) Review risk management policies at least annually; and
- (d) Ensure that any recommendations made by the Superintendent of Financial Institutions pursuant to an examination or inquiry are adequately addressed.

5.4 Financial Management, Reporting and Internal Controls Function

The Board oversees and ensures the integrity and effectiveness of internal controls and management information systems and ensures the integrity of the financial statements, projections, and audit results. In performing this function, the Board will:

- (a) Review the integrity of the Corporation's internal controls and management information systems;
- (b) Monitor the quality and integrity of the Corporation's financial statements and oversee their compliance with applicable audit, accounting and reporting requirements;
- (c) Review and recommend to the Minister the Corporation's capital budgets, operating budgets and related amendments, Parliamentary estimates and legislative and regulatory proposals;
- (d) Monitor the financial performance of the Corporation and ensure that the financial results are reported to the Minister on a timely and regular basis, and in accordance with generally accepted accounting principles;
- (e) Approve the Corporation's financial statements, the plans and reports of the auditors and the examiner as designated or appointed under section 142 of the *Financial Administration Act* (the "**Examiner**");
- (f) Approve the Annual Report, which is sent to the Minister and describes the achievements and performance of the Corporation for the preceding year;
- (g) Review the terms of engagement of the external auditors and Examiner and the scope of their mandates; and
- (h) Recommend to the Minister the appointment of the Corporation's external auditors on an annual basis.

5.5 Corporate Governance Function

The Board ensures the highest standards of corporate governance are maintained. In performing this function, the Board will:

- (a) Develop and periodically review the Corporation's approach to corporate governance and adopt appropriate by-laws;
- (b) Ensure the appropriate allocation of responsibilities between the Board and management;

- (c) Ensure that the Board receives the necessary information to do its work;
- (d) Hold management accountable;
- (e) Ensure that appropriate systems, policies, and procedures are in place to ensure that all members of the Board are independent, including by being free of any interest and any business or other relationship which would reasonably be perceived to materially interfere with the exercise of independent judgement;
- (f) Conduct regular evaluations of the performance of the Board, its individual members, and its committees;
- (g) Ensure the provision of a formal orientation program for new Directors and ongoing education sessions for the Board;
- (h) Ensure that a process is in place to evaluate and determine the required skills mix for the Board and its Committees;
- (i) Annually review the Board's composition, and review or, as required, develop position descriptions for the Board Chair and the Committee Chairs; and
- (j) Anticipate the Board Chair's and Board Members' succession and collaborate with the Minister in filling Board vacancies as they arise. In respect to appointments overall, this will include providing advice, through the Chair, to the Minister regarding the selection and appointment process.

5.6 Integrity Oversight Function

The Board helps promote a culture of integrity throughout the Corporation by ensuring the Corporation operates at all times in compliance with applicable laws, regulations, policies, guidelines and standards of ethical conduct. In performing this function, the Board will:

- (a) Consider and approve policies that govern the conduct of Directors, officers, and employees, including those that will set the tone for a culture of integrity and ethics;
- (b) Ensure that appropriate systems, policies and procedures are in place to ensure the Corporation and its officers and employees comply with applicable laws, policies, and ethics guidelines;
- (c) Ensure that the Corporation has established a process to investigate complaints related to issues of integrity and behavior; and
- (d) Strive to ensure the integrity of senior management.

5.7 Evaluation and Succession Planning Function

The Board will review, approve and monitor the Corporation's compensation and senior management succession plans to ensure that skilled management will be available for the

ongoing and longer-term fulfillment of the Corporation's mandate. In performing this function, the Board will:

With respect to the President position:

- (a) Work in collaboration with the Government of Canada (the "**Government**") in carrying out the selection process;
- (b) Make recommendations to the Government regarding selection criteria, profile and candidates for the role of President, as appropriate;
- (c) On an annual basis formally evaluate the President's performance against the established duties and objectives that were agreed to by the Board and the President at the start of the year;
- (d) Identify the skills and the characteristics it judges essential for the position of President and review or, as required, develop a position description for the office of President;
- (e) Recommend the President's base compensation within the Government of Canada's approved salary range for the position and recommend the at-risk pay/incentive pay; and
- (f) Approve the benefits of the President.

With respect to the Executive Officers other than the President:

- (g) Approve the remuneration ranges and other benefits of the Corporation's Executive Officers and the Vice-President, Audit and Evaluation;
- (h) Approve, upon the recommendation of the Human Resources Committee, the appointment and dismissal of Executive Officers and the Vice-President, Audit and Evaluation;
- (i) Review and approve significant changes in the organizational plan of the Corporation; and
- (j) Ensure that effective and appropriate plans for management succession are in place and regularly reviewed.

5.8 Communications and Public Disclosure Function

The Board ensures the Corporation communicates with the Minister, other stakeholders, and the public in an effective, timely, and comprehensive manner. In performing this function, the Board will:

- (a) Ensure that the Corporation has in place policies and processes to enable management and the Board to communicate effectively;
- (b) Ensure that the Corporation's reports (e.g., Corporate Plan and Annual Report) adequately communicate the significant issues confronting the Corporation;

- (c) Ensure that the information provided to the Minister is sufficient to allow an evaluation of how well the Corporation has fulfilled its objectives; and
- (d) Report results-based performance information on the public policy objectives to the Minister.

5.9 CMHC Pension Fund

The Board of Directors is responsible for overseeing the governance and administration of the Pension Fund, including by reviewing and approving the following:

- (a) The appointment of the non-elected Trustees of the Pension Fund;
- (b) Policies governing the administration of the Pension Fund;
- (c) The Pension Plan's Annual Report;
- (d) The annual contributions to the Pension Fund;
- (e) Any amendments made to the Pension Plan.

And, by reviewing the following:

- (f) The performance of the Pension Fund;
- (g) The actuarial valuation of the Pension Fund; and

5.10 Individual Directors

- (a) In addition to the responsibilities set out above, individual Directors also have the more specific responsibilities set out in Appendix A to this Charter.

5.11 The Board Chair

- (a) In addition to the responsibilities set out above, the Board Chair also has the more specific responsibilities set out in Appendix B to this Charter.

Appendix A

1. Roles and Responsibilities: Individual Directors

1.1 The Board of Directors is responsible for the management and operations of the Corporation.

1.2 In assuming this responsibility, individually Directors will:

- (a) Act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances;
- (b) Comply with Part X of the *Financial Administration Act*, any regulations issued pursuant to it, the Corporation's charter, the governing by-laws and any directive given to the Corporation by the Government;
- (c) Keep abreast of the public policy objectives of CMHC and their impact on the Corporation;
- (d) Promote the highest standards of corporate governance, and comply with CMHC's Code of Ethics and Business Conduct, other applicable CMHC policies and guidelines, and the *Conflict of Interest Act*;
- (e) Ensure independence from management is maintained;
- (f) Ensure adequate training and education is sought out;
- (g) Ensure the highest ethical standards of integrity and probity are held up;
- (h) Ensure a high level of personal integrity in all dealings with and on behalf of the Corporation, including ongoing responsibility to disclose a conflict of interest;
- (i) Keep abreast of significant issues that may affect the Corporation, including its sector of operations, clients, stakeholders, market, public environment, competitors, etc.;
- (j) Strengthen the Corporation's relationship with its key stakeholders and its image to the community;
- (k) Interface with management through the President, the Chairs of the Board Committees and the Chief Legal Officer and Corporate Secretary;
- (l) Respect the organizational structure of management by not directing any staff member;
- (m) Establish and maintain an effective working relationship with the President and Senior Management;
- (n) Bring sound judgment, integrity and personal commitment to the Board; and

- (o) Respect confidentiality of the Corporation's business information and the Board's deliberations.

1.3 In addition to the above, Board Directors are also responsible for complying with any other laws and regulations that apply.

Appendix B

1. Roles and Responsibilities: The Chair

1.1 In addition to the roles and responsibilities for Board Members, the Chair is responsible for leading the Board and ensuring that it acts in the short- and long-term best interests of the Corporation. The Board Chair's primary responsibilities include ensuring that the Board functions properly, that the Board meets its obligations and responsibilities, and that the Board fulfills its mandate.

1.2 In assuming these responsibilities, the Board Chair will:

- (a) Act as a liaison and maintain communication with all Directors and Board Committee Chairs to optimize and co-ordinate input from Directors, and to optimize effectiveness of the Board and Board Committees;
- (b) Chair meetings and *in camera* sessions of the Board and, in consultation with the President, ensure that appropriate procedures for the proper functioning of the Board are in place;
- (c) Provide leadership and direction to the Board, in carrying out its roles and responsibilities;
- (d) Encourage participation and contribution of Directors;
- (e) Foster a constructive and effective working relationship between the Board and President;
- (f) Communicate the expectations and feedback of the Board and the Minister to the President;
- (g) Consult with the Minister on the Corporation's appointment needs and provide advice to the Minister on desired skill sets in members;
- (h) Promote open and continuous communication between the Corporation and the Minister, as well as other interested parties; and
- (i) Support and encourage Directors' participation in training, as appropriate.

1.3 The Board Chair is not a member of management.