



CPP
INVESTMENT
BOARD

Terms of Reference for the Audit Committee

February 13, 2019



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1.0 Introduction

The objects and powers of CPP Investment Board are outlined in the Act. The Act articulates certain responsibilities for the Board. The Terms of Reference for the Board clarify the Board's responsibilities, and Guidelines for the Board elaborate upon the Terms of Reference for the Board.

The Act requires that the Board create an audit committee to fulfill certain responsibilities. The Board has established the Audit Committee in accordance with the requirements of the Act.

These terms of reference are designed to articulate and clarify the responsibilities of the Audit Committee.

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

The Audit Committee fulfills an oversight role in connection with the internal auditor, the external auditor, and the special examiner, each of whom reports directly to the Audit Committee. The Audit Committee also fulfills an oversight role in ensuring the quality and integrity of the financial statements.

2.0 Purpose

The purpose of the Audit Committee is to meet the requirements of the Act and thereby assist the Board in fulfilling its obligations by receiving reports and/or making recommendations to the Board on matters including:

- (a) financial reporting;
- (b) internal control and information systems;
- (c) internal audit;
- (d) external audit;
- (e) special examinations;
- (f) such other matters as may be determined by the Board;
- (g) Employee Pension Plans; and
- (h) subsidiaries.



3.0 Committee Membership

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

A quorum for the transaction of business at a meeting of the Audit Committee will be a majority of Directors appointed to the Audit Committee.

Any Director who is a member of the Audit Committee may be removed and replaced at any time by the Board.

All members of the Audit Committee shall meet the standard of financial literacy, which entails the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CPP Investment Board's financial statements. The Chair of the Audit Committee shall have accounting or related financial management expertise. Accounting or related financial management expertise may have been gained from past employment experience in finance or accounting, professional certification in accounting, or any comparable experience or background that results in the member's financial sophistication, including having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

The Chairperson of the Board shall not serve as a member of the Audit Committee, but may attend Audit Committee meetings.

4.0 Committee Meetings

4.1 Frequency

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

4.2 Calling

CPP Investment Board's external auditor, internal auditor, or any member of the Audit Committee, may ask the Committee Chair to call a meeting of the Audit Committee.

4.3 Attendance by External Auditor and Internal Auditor

The external auditor is entitled to receive notice of and to attend meetings of the Board of Directors and meetings of the Audit Committee, at CPP Investment Board's expense, and to be heard at those meetings on matters relating to the external auditor's duties.

The external auditor and the internal auditor shall attend meetings of the Audit Committee if requested to do so by an Audit Committee member.

5.0 Operations

The Chair of the Audit Committee may ask the Chairperson to call a meeting of the Board to consider any matter of concern.

The Audit Committee will have access to Management and CPP Investment Board's documents as may be required to fulfill its responsibilities.

The Audit Committee will be provided with the resources necessary to carry out its responsibilities. The Audit Committee may engage independent counsel and other advisors, and set and pay the compensation for any advisors so engaged.



6.0 Duties and Responsibilities

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

6.1 Financial Statements and Other Financial Information

The Audit Committee will review and recommend for approval to the Board financial information that will be made publicly available. In this regard the Audit Committee will:

- (a) review and recommend to the Board for approval CPP Investment Board's consolidated annual financial statements;
- (b) review the formal representation letter provided by the President and the CFRO to the external auditors annually;
- (c) review and recommend to the Board the release of CPP Investment Board's quarterly financial statements;
- (d) review and recommend to the Board for approval the financial content of the Annual Report;
- (e) review and recommend to the Board for approval the Management Discussion and Analysis section proposed to be included in the Annual Report;
- (f) receive confirmation from Management that the quarterly disclosure published on the website is consistent with the financial statements;
- (g) prior to public disclosure, review news releases which accompany published financial statements (to the extent such releases discuss the financial position or operating results) for consistency of disclosure with the financial statements themselves;
- (h) receive a report on Management's evaluation of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS; and
- (i) receive a report from Management to ensure that adequate procedures are in place, and periodically review these procedures, for the review of public disclosure of financial statements and financial information extracted or derived from financial statements, other than public disclosure otherwise referred to in section 6.1 of these Terms of Reference.

The Audit Committee will regularly review:

- (j) the appropriateness of accounting policies and financial reporting practices used by CPP Investment Board;
- (k) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by CPP Investment Board;
- (l) any new or pending developments in accounting and reporting standards that may affect CPP Investment Board;
- (m) the key estimates and judgments of Management that may be material to the financial reporting of CPP Investment Board;
- (n) operating expenses in relation to the approved budget; and



- (o) the quality of the reporting provided to the Audit Committee.

6.2 Internal Control and Information Systems

The Audit Committee will review and obtain reasonable assurance that the internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. In this regard the Audit Committee will:

- (a) obtain reasonable assurance by discussions with and reports from Management, the internal auditor and the external auditor, that:
 - (i) the information systems, security of information and crisis management plans are adequate and reliable, recognizing that the Risk Committee has primary responsibility for review of the security of information and crisis management plans; and
 - (ii) the internal control systems and procedures are properly designed and effectively implemented;
- (b) review the internal control procedures by:
 - (i) receiving a report on Management's assessment of the risk of fraud or error and controls to mitigate those risks;
 - (ii) receiving a report on CEO/CFRO certification of Internal Control over Financial Reporting and Disclosure Controls & Procedures;
 - (iii) receiving a compliance report quarterly to address Management's legislative and policy compliance;
 - (iv) receiving a report on specified internal controls audited by the internal or external auditor, sufficient in content to enable the Committee to recommend signing the certificate regarding investment compliance in accordance with subsection 51(3)(c) of the Act; and
 - (v) receiving internal audit reports outlined in section 6.4;
- (c) jointly with the Risk Committee, be involved in the selection and appointment of the CFRO and where agreed between Management and the Audit Committee, any other senior financial management appointments, as required;
- (d) jointly with the Risk Committee, review with the CEO the CFRO's performance annually (this will be performed by the Chair of the Audit Committee on behalf of the Committee);
- (e) review adequacy of accounting and finance resources, as required;
- (f) receive periodic reports on taxation;
- (g) review reports, at least annually, summarizing each Director's and each Management member's travel and expense claims;
- (h) review reports, at least quarterly, on compliance with personal trading guidelines for Officers and Employees and convey to the Chair of the Governance Committee any issues noted;
- (i) review reports, at least semi-annually, on compliance with personal trading guidelines for Directors and convey to the Chair of the Governance Committee any issues noted;



- (j) ensure that there are adequate procedures for the receipt, retention and treatment of complaints received by CPP Investment Board regarding accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission through the whistleblower hotline or otherwise by employees of concerns regarding questionable accounting or auditing matters;
- (k) receive a summary report, at least quarterly, on whistleblowing hotline activity; and
- (l) at the instigation of the CEO, the General Counsel, the Chairperson of the Board, the Chair of the Audit Committee, the Chair of the Governance Committee or the Conduct Review Advisor, undertake any and all required investigations and other actions in relation to reported or suspected non-compliance with accounting, internal control or auditing standards, using the services of external and/or internal auditors or other third parties as deemed appropriate, to ascertain whether any non-compliance has occurred and thereafter, if deemed appropriate, raise such matters with the Board.

6.3 Assurance and Advisory

The Audit Committee will oversee the Assurance and Advisory function of CPP Investment Board and the internal auditor's relationship with the external auditor and with Management. In this regard the Audit Committee will:

- (a) approve the selection, evaluation and retention of the Head of Assurance and Advisory;
- (b) at least annually, review and approve the Terms of Reference for Assurance and Advisory;
- (c) review and approve the terms of the annual Assurance and Advisory plan including objectives, scope, staffing, timetable, resourcing and budget;
- (d) review the Head of Assurance and Advisory's performance and compensation annually (this will be performed by the Chair of the Audit Committee on behalf of the Committee with the CFRO's assistance);
- (e) review, at least annually, matters which may affect the objectivity of the Assurance and Advisory function including but not limited to the position of the Assurance and Advisory function within the organizational structure of CPP Investment Board;
- (f) review the findings and observations in Internal Audit reports and follow-up by the Head of Assurance and Advisory including any significant disagreements between Management and the Head of Assurance and Advisory with regard to systems and controls;
- (g) ensure that direct and open communication exists among the Audit Committee, the external auditor, and the Head of Assurance and Advisory; and
- (h) meet periodically with the Head of Assurance and Advisory in the absence of Management and the external auditor.

6.4 External Audit

The Audit Committee is directly responsible for overseeing the work of the external auditor, and shall require the external auditor to report directly to the Committee. The Audit Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. In this regard the Audit Committee will:



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- (a) use a recognized framework for evaluation of the performance of the external auditor and review and recommend the annual appointment, with a comprehensive review performed every five years;
 - (b) review and approve the terms of the annual external audit engagement plan, including but not limited to the following:
 - (i) engagement letter;
 - (ii) objectives and scope of the external audit work;
 - (iii) materiality limit;
 - (iv) areas of audit risk;
 - (v) staffing, and in particular the lead audit partner and the audit partner responsible for reviewing the audit, including partner rotation;
 - (vi) timetable; and
 - (vii) proposed fees;
 - (c) review and approve in advance, the non-audit services to be provided by the external auditor's firm or its affiliates (including the estimated fees) in accordance with a policy established by Management and approved by the Board upon the recommendation of the Audit Committee, consider the impact on the independence of the external audit work and receive a semi-annual report thereon from Management;
 - (d) meet with the external auditor in the absence of Management regularly;
 - (e) review and advise the Board with respect to the plan, conduct and reporting of the annual external audit, including but not limited to the following:
 - (i) any difficulties encountered, or restriction imposed by Management, during the annual audit;
 - (ii) any significant accounting policies or financial reporting issues, alternative GAAP methods discussed with Management, ramifications and external auditor's preferred alternative, and any other material written communications with Management;
 - (iii) the external auditors' comments on design and or effectiveness of CPP Investment Board's system of internal controls over financial reporting, procedures and documentation, relating to those internal controls reviewed as part of the financial statement audit;
 - (iv) the post audit or management letter containing any findings or recommendation of the external auditor including Management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
 - (v) any significant disagreements between management and the external auditor with regard to financial reporting; and
 - (vi) any other matters which the external auditor brings to the attention of the Audit Committee;
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- (f) ensure that direct and open communication exists among the Audit Committee, the external auditor and the internal auditor; and
- (g) review CPP Investment Board's hiring practices concerning employees and partners or former employees and partners of the external auditor.

6.5 Special Audits

Where a special audit has been conducted pursuant to section 46 of the Act, the Audit Committee will ensure that the results are included in the next Annual Report.¹

6.6 Special Examinations

The Audit Committee will oversee the conduct of the special examination and review and advise the Board with respect thereto. In this regard the Audit Committee will:

- (a) review the plan and examination criteria and the coordination with the internal auditor;
- (b) review findings and report;
- (c) together with other committees, as appropriate, monitor Management's response to the special examination findings;
- (d) ensure the results are included in the next Annual Report¹; and
- (e) review any other matters which the special examiner brings to the attention of the Audit Committee.

6.7 Employee Pension Plans

CPP Investment Board has two defined contribution pension plans for Employees for which financial statements are prepared, the RPP and the SPP (collectively the "Employee Pension Plans"), the details of each of which are found in their respective plan texts. The Audit Committee bears the following responsibilities in connection with the Employee Pension Plans:

- (a) review and approve annual financial statements;
- (b) require Management to implement and maintain appropriate control procedures; and
- (c) review those internal control procedures consistent with the process described in section 6.2(b).

6.8 Employee Travel and Expense Policy

The Audit Committee will:

- (a) receive Management's recommendations regarding an appropriate Employee Travel and Expense Policy; and
- (b) review and recommend to the Board for approval the Employee Travel and Expense Policy when warranted.

6.9 Other

The Audit Committee will also regularly:

¹ As per item 22(3) of the CPP Investment Board Regulations.



- (a) review all investments and transactions that could adversely affect the return on the Board's investments that are brought to the Audit Committee's attention by the external auditor or Officers;
- (b) review any legal claims; and
- (c) carry out other duties as may be determined from time to time by resolution of the Board.

7.0 Accountability

The Audit Committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

8.0 Committee Timetable

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



Audit Committee Timetable

Source			Meeting				
Statute /Reg	Terms of Reference		Feb	May	Aug	Oct	Nov
	6.1		Financial Statements and Other Financial Information				
31(c)	(a)	Review and recommend to the Board for approval the annual consolidated financial statements		*			
	(b)	Review the formal representation letter provided by the President and the CFRO to the external auditors annually		*			
	(c)	Review and recommend to the Board the release of the quarterly financial statements	*		*		*
	(d)	Review and recommend to the Board for approval the financial content of the Annual Report		*			
	(e)	Review and recommend to the Board for approval the Management Discussion and Analysis section proposed to be included in the Annual Report		*			
	(f)	Receive confirmation from Management that the quarterly disclosure published on the website is consistent with the financial statements	*	*	*		*
	(g)	Prior to public disclosure, review news releases which accompany published financial statements for consistency of disclosure with the financial statements	*	*	*		*
	(h)	Receive a report on Management's evaluation of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.		*			
	(i)	Receive a report from Management to ensure adequate procedures are in place, and periodically review these procedures, for the review of public disclosure of financial information extracted or derived from financial statements, other than public disclosure otherwise referred to in section 6.1 of these Terms of Reference (as required)	Ongoing				
	(j)	Review and assess appropriateness of accounting policies and financial reporting practices	*	*	*		*



Source			Meeting					
Statute /Reg	Terms of Reference		Feb	May	Aug	Oct	Nov	
		(k)	Review and assess any significant proposed changes in financial reporting and accounting policies and practices	*	*	*		*
		(l)	Review and assess any new or pending developments in accounting and reporting standards	*	*	*		*
		(m)	Review and assess key estimates and judgments of Management that may be material to financial reporting	*	*	*		*
		(n)	Review the operating expenses in relation to the approved budget	*	*	*		*
		(o)	Review the quality of the reporting provided to the Audit Committee	As required				
	6.2		Internal Control and Information Systems					
31(a), (f)		(a)	Receive assurance that the information systems, security of information and crisis management plans are adequate and reliable (with Risk Committee having primary responsibility for security of information and crisis management plans); and the internal control systems and procedures are properly designed and effectively implemented		*			
31(b)		(b)	Review internal control procedures by:		*			
			(iii) receiving a report on Management's assessment of the risk of fraud or error and controls to mitigate those risks		*			
			(iv) receiving a report on CEO/CFRO certification of Internal Control over Financial Reporting and Disclosure Controls & Procedures		*			
		(b)	(v) Receiving a compliance report quarterly to address Management's legislative and policy compliance	*	*	*		*
			(vi) Receiving a report on specified internal controls audited by the internal or external auditor, sufficient in content to enable the Committee to recommend signing the certificate regarding investment compliance in accordance with subsection 51(3)(c) of the Act		*			



Source			Meeting				
Statute /Reg	Terms of Reference		Feb	May	Aug	Oct	Nov
	(c)	Be involved in the appointment of CFRO and where agreed between Management and the Audit Committee, any other senior financial management appointments , as required	As required				
	(d)	Review with the CEO the CFRO's performance annually		*			
	(e)	Review adequacy of accounting and finance resources, as required	As required				
	(f)	receive periodic reports on taxation				*	
	(g)	Review reports, at least annually, summarizing each Directors' and each Management member's travel and expense claims		*			
	(h)	Review reports, at least quarterly, on compliance with personal trading guidelines for Officers and Employees	*	*	*		*
	(i)	Review reports, at least semi-annually, on compliance with personal trading guidelines for Directors		*			*
	(j)	Ensure that there are adequate procedures for the receipt, retention and treatment of complaints received by CPP Investment Board regarding accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission through the whistleblower hotline or otherwise by employees of concerns regarding questionable accounting or auditing matters	As required				
	(k)	Receive a summary report, at least quarterly, on whistleblowing hotline activity	*	*	*		*



Source			Meeting				
Statute /Reg	Terms of Reference		Feb	May	Aug	Oct	Nov
		(l)	At the instigation of the CEO, the General Counsel, the Chairperson, the Chair of the Audit Committee, the Chair of the Governance Committee or the Conduct Review Advisor, undertake any and all required investigations and other actions in relation to suspected non-compliance with accounting, internal control or auditing standards, using the services of external and/or internal auditors or other third parties as deemed appropriate, to ascertain whether any non-compliance has occurred and thereafter, if deemed appropriate, raise such matters with the Board (as required)				
	6.4		Assurance and Advisory				
		(a)	Approve the selection, evaluation and retention of the Head of Assurance and Advisory				
		(b)			*		
		(c)			*		
		(d)		*			
		(e)			*		
		(f)	*	*	*	*	*
		(g)	*	*	*	*	*
	6.5		External Audit				



Source			Meeting				
Statute /Reg	Terms of Reference		Feb	May	Aug	Oct	Nov
		(a)		*	*		
		(b)			*		
		(c)		*			*
		(d)	*	*	*		*
		(e)		*			
		(f)	*	*	*		*
		(g)	As required				
	6.6	Special Audits					
22(3)		Where a special audit has been conducted pursuant to section 46 of the Act , ensure that the results are included in the next Annual Report (as required)	As required				
	6.7	Special Examinations (every six years)					
47(3)		Review and advise the Board with respect to the conduct of special examinations	As required				
	(a)	review the plan and examination criteria and the coordination with the internal auditor;					
	(b)	review findings and report					
	(c)	together with other committees, as appropriate, monitor Management's response to the special examination findings;					



Source				Meeting				
Statute /Reg	Terms of Reference	Feb		May	Aug	Oct	Nov	
22(3)	(d)	ensure the results are included in the next Annual Report; and						
	(e)	review any other matters which the special examiner brings to the attention of the Audit Committee						
	6.8	Employee Pension Plans						
	(a)	Review and approve annual financial statements for Employee Pension Plans		*				
	(b)	Require Management to implement and maintain appropriate control procedures with respect to Employee Pension Plans	Ongoing					
	(c)	Review those internal control procedures with respect to Employee Pension Plans consistent with the process described in Section 6.2(b) (as required)		*				
	6.9	Employee Travel and Expense Policy						
	(a)	Review and recommend to the Board for approval Travel Expense Policy (when warranted)	As required					
	6.10	Other						
31(e)	(a)	Review all investments and transactions that could adversely affect the return on the Board's investments that are brought to the Audit Committee's attention by the external auditors or Officers	As required					
	(b)	Review any legal claims	*	*	*		*	
		Guidelines for the Board Committees (S. 2.3)						
		Review Terms of Reference for the Audit Committee annually and recommend changes to the Board when warranted	June²					

² This activity will be undertaken in June in a manner determined by the Chair of the Audit Committee to align with the timing for updating the Terms of Reference for the Board and Terms of Reference for other board committees.