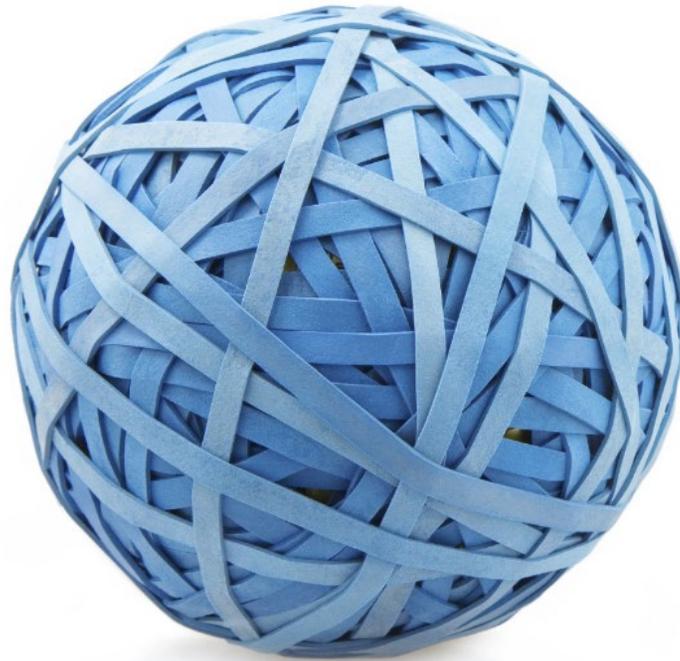


**Deloitte.**



Canada Pension Plan  
Investment Board  
Special Examination Report

## Independent Assurance Report

To:

The Minister of Finance, Canada  
The Minister of Finance, Newfoundland and Labrador  
The Minister of Finance, Prince Edward Island  
The Minister of Finance, Nova Scotia  
The Minister of Finance, New Brunswick  
The Minister of Finance, Ontario  
The Minister of Finance, Manitoba  
The Minister of Finance, Saskatchewan  
The Minister of Finance, Alberta  
The Minister of Finance, British Columbia

### Objectives, scope and criteria

As required by section 47 of the Canada Pension Plan Investment Board Act (CPPIB Act), we have carried out a Special Examination of the financial and management control and information systems, and management practices maintained by Canada Pension Plan Investment Board (CPP Investments). CPP Investments is required by paragraphs 39(1)(b) and 39(2)(a) and (c) of the CPPIB Act to maintain these systems and practices in such manner as will provide reasonable assurance that:

- The assets of CPP Investments and those of its subsidiaries are safeguarded and controlled;
- The financial, human and physical resources of CPP Investments and those of its subsidiaries are managed economically and efficiently; and,
- The operations of CPP Investments and those of its subsidiaries are carried out effectively.

Our responsibility is to express an opinion on whether, during the period under examination (March 2021 to December 2021), there was reasonable assurance that there were no significant deficiencies in the systems and practices examined.

A plan for the examination, based on our survey of CPP Investments' systems and practices, was submitted to the Audit Committee on August 11, 2021. The plan included the criteria that we applied in the Special Examination, which were selected specifically by our team in consultation with CPP Investments. The criteria were based on our knowledge of and experience with the standards and practices followed by CPP Investments and by other organizations, and by reference to legislative and regulatory requirements and to professional literature. These criteria are listed in Appendix A.

The plan also identified those systems and practices that we considered to be essential to providing CPP Investments with reasonable assurance with respect to its assets being safeguarded and controlled, its resources being managed economically and efficiently, and its operations being carried out effectively. These systems and practices were selected for detailed examination. Other systems and practices of CPP Investments, although covered in the survey, were excluded from detailed examination because our analysis of the significance and risks associated with them indicated that, during the period under

examination, they were not critical to providing CPP Investments with the reasonable assurance required by 39(1)(b) and 39(2)(a) and (c) of the CPPIB Act.

Our examination was conducted in accordance with the plan, and to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada). Accordingly, it included such tests and other procedures, as we considered necessary in the circumstances. In carrying out the Special Examination, we relied on internal audits conducted by CPP Investments’ Assurance and Advisory function, as appropriate.

We apply Canadian Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the code of conduct in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## Context

CPP Investments is a professional investment management organization that invests the assets of the Canada Pension Plan not currently needed to pay pension, disability and survivor benefits. Its purpose is to help provide a foundation on which Canadians build financial security in retirement. CPP Investments’ legislated mandate is to maximize long-term investment returns without undue risk of loss, taking into account the factors that may affect the funding of the Canada Pension Plan and its ability to meet its financial obligations. This singular mandate drives CPP Investments’ investment approach and its performance, and serves as a key metric to measure organizational success.

In pursuit of achieving its mandate, CPP Investments adopted an active management strategy in fiscal 2006. CPP Investments remains committed to the active management strategy with a view to maximize total return, net of costs, without undue risk of loss by leveraging its comparative advantage over the long horizon. Since our last special examination in 2016, the organization continued its focus on developing and implementing enhanced risk governance practices and capabilities, in particular the total portfolio investment framework, Board and management risk committee structure, three lines of defence model, integrated risk framework, technology and data infrastructure.

During the period covered by the examination, we observed that CPP Investments maintained reasonable systems and practices for accomplishing its mandate. We also noted that the organization continued to advance its risk management practices, such as improvements made to the management risk limits framework to cascade the Board level risk appetite and associated limits down to investment departments; business continuity and crisis management processes by evolving stress testing and scenario analysis capabilities; and by expanding the range of downturn scenarios along with potential mitigating actions to better inform liquidity management decisions.

## Opinion

In our opinion, with respect to the criteria established, there is reasonable assurance that during the period covered by the examination there were no significant deficiencies in the systems and practices examined.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a clean, sans-serif font.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
February 9, 2022

# Appendix A: Focus Areas and Examination Criteria

## Systems and practices examined and related examination criteria

Examination criterion, which relate to selected focus areas, define the standards against which systems and practices are assessed. They are expressed in terms of reasonable expectations for these systems and practices to achieve corporate results. The focus areas and examination criteria were selected specifically for this examination, in consultation with CPP Investments.

A list of key areas including the systems and practices which are considered essential to examine and the related criterion are included below:

Area for detailed examination	Examination criteria
Governance and Compliance	<ul style="list-style-type: none"> <li>▪ There are policies and practices in place that enable effective oversight by the Board of Directors.</li> <li>▪ Risk appetite is established, communicated, and considers the organization’s business strategy, capacity to bear risk and ability to manage risk.</li> <li>▪ There is an enterprise-wide risk management framework established to support the ongoing identification, assessment, management, monitoring and reporting of existing and emerging significant risks in accordance with established risk appetite.</li> <li>▪ There are legal and regulatory compliance management policies, processes, and systems in place to support the organization’s compliance with applicable legislative and regulatory requirements.</li> <li>▪ There are practices established to promote and sustain a culture that supports the achievement of the organization’s mandate and business objectives.</li> <li>▪ There is a defined program established to manage public affairs and communications.</li> </ul>
Strategy and Planning	<ul style="list-style-type: none"> <li>▪ The organization’s strategic direction is clearly defined and communicated, and is congruent with the organization’s mandate.</li> <li>▪ There are processes in place to measure, monitor and report progress against the objectives set out in the organization’s strategic and business plans.</li> <li>▪ The organization design enables clear accountabilities and decision making processes and authorities to support effective operations and alignment to the organization’s strategy.</li> </ul>

Area for detailed examination	Examination criteria
Investments, Risk Management and Operations	<ul style="list-style-type: none"> <li>▪ There are policies and practices in place to develop, execute and monitor investment strategies.</li> <li>▪ The investment decision making process and investment delegation of authority are clearly defined, documented, and communicated.</li> <li>▪ Processes are in place to integrate environmental, social and governance risks and opportunities, including climate change, when making decisions and managing investments.</li> <li>▪ The policies and practices for initiating new investment opportunities are consistent with the organization’s strategy, risk and return objectives and expertise.</li> <li>▪ Processes and practices to support global investment programs are in place, appropriate and scalable for the organization.</li> <li>▪ There are processes and controls established to identify, conduct due-diligence, select, and monitor investment partners.</li> <li>▪ There are processes and methods in place to measure, monitor and report investment risk in a timely, accurate, consistent, and understandable manner and to the appropriate levels within the organization.</li> </ul>
Talent and Culture	<ul style="list-style-type: none"> <li>▪ There is a defined human resources/talent strategy that enables the organization to attract, recruit, engage, and retain top talent.</li> <li>▪ There is a succession planning process in place for executive and other business critical roles within the organization.</li> <li>▪ There is a defined performance management framework that integrates employees’ individual and development objectives, learning and development, performance evaluation, and career development.</li> <li>▪ The total rewards program supports the organization’s long-term strategic objectives and does not promote taking of undue risk.</li> </ul>
Information Technology, Data and Infrastructure	<ul style="list-style-type: none"> <li>▪ There is a well-coordinated, enterprise IT and Data strategy which identifies the necessary resources to deliver on responsibilities and is aligned with the strategic direction of the organization.</li> <li>▪ There are processes and metrics in place to monitor, evaluate and report on IT performance.</li> <li>▪ Policies and processes are in place to implement enterprise data governance and management strategy, aligned with the organization’s strategic objectives.</li> <li>▪ There are processes in place to protect critical information systems and data and to support continuity of business services in the event of operational disruption.</li> <li>▪ There is a project management framework that establishes governance, accountability and guides planning, execution, monitoring and reporting.</li> </ul>

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