Annual Report 2023

CPP Investments

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How to read this report

This annual report describes the strategy, performance and governance of Canada Pension Plan Investment Board (CPP Investments™) for the fiscal year ended March 31, 2023.

The Strategy section includes a description of our purpose, how we invest and govern the Fund as well as how we pay for performance. The report then describes our performance in the Management's Discussion and Analysis section, attributing our results to various investment activities and operations during the fiscal year and over the past five years. This is followed by additional information on our fiscal 2023 compensation disclosures, our governance and detailed Consolidated Financial Statements. An overview of this report and supplementary information including previous annual reports is available at www.cppinvestments.com.

Our Report on Sustainable Investing can be found at www.cppinvestments.com/sustainable-investing. The next report will be released in fall 2023.

Forward-looking statements

This annual report contains forward-looking information and statements. Forward-looking information and statements include all information and statements regarding CPP Investments' intentions, plans, expectations, beliefs, objectives, future performance, and strategy, as well as any other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts. Forward-looking information and statements often but not always use words such as "trend," "potential," "opportunity," "believe," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" and similar expressions. The forward-looking information and statements are not historical facts but reflect CPP Investments' current expectations regarding future results or events. The forward-looking information and statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including available investment income, intended acquisitions, regulatory and other approvals and general investment conditions. Although CPP Investments believes that the assumptions inherent in the forward-looking information and statements are reasonable, such statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. CPP Investments does not undertake to publicly update such statements to reflect new information, future events, and changes in circumstances or for any other reason.

People. Purpose. Performance.

CPP Investments is a global investment management organization.

We were established as an independent Crown Corporation with a clear focus: to help ensure the Canada Pension Plan (CPP) is strong and financially sustainable for the long term, safeguarding the best interests of CPP contributors and beneficiaries for generations.

Our experienced and knowledgeable teams invest in public and private assets around the world.

We diversify our investment portfolios by asset class and geography as we seek to build a Fund that is resilient as it grows over time.

Our Performance For fiscal year ended March 31, 2023

Net assets
$570B

Net income
$8B

Net return
1.3%

Dollar value-added above Reference Portfolios
$2B 1-year $7B 5-year

Percentage value-added above Reference Portfolios
1.3% 1-year 0.8% 5-year annualized

Dollar value-added above Reference Portfolios
$47B compounded since inception of active management from April 1, 2006

Dear fellow Canada Pension Plan contributors and beneficiaries,

Dr. Heather Munroe-Blum
Chairperson

In an era of uncertainty, Canadians can find confidence in a strong and stable CPP Fund with benefits that will be there for them in retirement. Our organization was built for times like these.

Once again, it is my honour to report to you on CPP Investments' work undertaken during fiscal 2023.

Notwithstanding global uncertainties, we started this past fiscal year with optimism, as the global pandemic eased and daily life in Canada largely returned to its natural rhythms. Supply chains loosened, tourism rebounded, restaurants and concert halls returned to capacity, and we happily reopened our doors to family, friends and community. And, while challenges persisted, including the prolonged war in Ukraine and rising cost of living, CPP Investments remained focused in service of the more than 21 million contributors and beneficiaries of the Canada Pension Plan.

As of March 31, 2023, our 10-year annualized net return was 10.0%. At $570 billion today, the Fund is projected to reach one trillion dollars by 2031.

The organization's ability to deliver these steady long-term results was founded on the decision in 2006 to pursue active management. This requires dedicated, talented colleagues working toward our singular purpose: to help generations of Canadians build financial security in retirement. It is these individuals who build a powerful network of partnerships with organizations globally that allow CPP Investments to compete and succeed in highly competitive markets around the world.

The Board is of the view that this strategy is on track: a consistently global outlook, strength through diversity, vision that looks through the fog of current events toward a sustainable future. These are our guideposts. In times of uncertainty, millions of Canadian workers and pensioners can have peace of mind that a key pillar of their retirement savings remains strong. That assurance is CPP Investments' *raison d'être.*

Oversight of the long-term investment strategy

Establishing and executing on a long-term strategy that serves generations of Canadians requires alignment, engagement and healthy challenge between the Board of Directors and Management.

The Board is diligent in carrying out its oversight role and nowhere is this more critical than in risk management. The Board works closely with Management to ensure that meaningful risks are fully identified, assessed and mitigated to the extent possible. In fiscal 2023, we examined the impact of inflation, climate technologies, and emerging market priorities and prospects to ensure that the associated risks and opportunities were fully accounted for. The Board also supported Management's efforts to mitigate risks arising from the ongoing war in Ukraine, supply chain disruptions, cybersecurity threats, human capital shortages and the growing impact of climate change.

As I reported in my letter last year, the Board supports the organization's approach to reaching net-zero greenhouse gas emissions by 2050. The Board continues to engage with Management on their progress in the implementation of strategies to help CPP Investments meet this critical target.

Strong, diverse and committed leadership has been a hallmark of CPP Investments. The Board is excited by the development of the senior team over the past year, with an important change made to the Senior Management Team structure. Since 2018, the responsibilities of the Chief Financial Officer (CFO) and Chief Risk Officer (CRO) had been combined under the title CFRO and led by one Senior Managing Director, reflecting the organization's needs at that time. With the growth of the Fund across a global platform, the Board approved the move to separate the CFO and CRO roles: Kristina Fanjoy was appointed Senior Managing Director & Chief Financial Officer, and Kristen Walters was named Senior Managing Director & Chief Risk Officer.

In addition, the Board approved the appointments of Priti Singh to Senior Managing Director & Global Head of Capital Markets and Factor Investing; Maximilian Biagosch to Senior Managing Director & Global Head of Real Assets; and Jon Webster to Senior Managing Director & Chief Operating Officer, each of whom bring critical skills, expertise and experience to the organization. On behalf of my fellow Board of Directors, I congratulate each on their new appointment.

The Board's oversight activities also include the annual review of the organization's operating budget. In fiscal 2023, CPP Investments' operating expense ratio of 28.6 basis points was below our five-year average of 29.0 basis points, and a slight increase from fiscal 2022 of 27.1 basis points owing to the return of travel and increased investment in technology and data.

Engagement with business activities

While CPP Investments' operations and investments stretch around the globe, the vast majority of CPP beneficiaries and contributors reside in Canada. Keeping in touch with them is important to us.

In autumn 2022, CPP Investments hosted its public meetings. I had the privilege of representing the Board at these meetings where I co-hosted the Winnipeg and national meetings alongside Management. Discussions included our approach to climate change, investment strategy, geopolitical risks, governance and risk oversight. This is an event that I personally have looked forward to as it provides Board and Management the opportunity to share directly with Canadians the progress and performance of CPP Investments. Importantly, we gain valuable insight into issues that are top of mind. It was great to meet contributors and beneficiaries in person once again, following virtual meetings in 2020.

With the easing of COVID restrictions, Board members were also delighted to be able to once again meet in person with Management and employees – a marked relief after two years of meeting largely via computer monitors.

Board of Directors renewal

In November 2022, Judith Athaide joined our Board of Directors. An experienced corporate director, Ms. Athaide is President and CEO of The Cogent Group Inc. In fiscal 2023, we confirmed the reappointment of Mark Evans for a second three-year term; and after serving a full three-term mandate as Director, Kathleen Taylor retired in March 2023. On behalf of the Board and Management, we thank Katie for her unwavering commitment to the organization and for serving with distinction during her tenure.

As over the years, our Board's processes and composition are regularly reviewed and enhanced to reflect best practices in corporate governance as well as the growth in size and complexity of the organization we oversee. We endeavour to carefully stagger retirements to ensure the necessary complement of Directors at all times. A decade ago, all our Directors lived and worked in Canada; today, by design, we have three non-resident international Directors. Board meetings, which took place only at headquarters in Toronto, are now periodically conducted in our major investment markets around the world.

This year, 2023, will be my last as Board Chairperson. I remain in the role until my retirement – planned for the end of the calendar year. As I approach the end of my tenure, not only as Board Chairperson but as a Board Director, I look back in admiration at the accomplishments of this organization over the years I have served on the Board. In 2010, when I was first appointed, we had assets of $128 billion; today, we manage $570 billion. Over the past 13 years, CPP Investments has grown not only in size, but in sophistication, expanding from a largely domestically focused organization to one with a highly diversified investment portfolio operating across nine global offices. Amidst managing such growth, CPP Investments also developed the operational capacity to invest the additional contributions arising from the CPP enhancement that came to pass in 2019.

These accomplishments can directly be tied back to the wisdom of the authors of the *Canada Pension Plan Investment Board Act* of 1997, which promulgated an organization and governance model that is the envy of pension and wealth funds globally. It functions at arm's length from governments so that investment decisions are based on the best interests of contributors and beneficiaries, rather than on politically based projects or priorities. Board members are fully independent. The authors of that legislation had the foresight to envision an enduring organization that will serve generations and generations of Canadians.

The value of independence, constancy and clarity of purpose is clearly demonstrated during times of renewal, either in government or within the Board itself. As new Board members join the organization, they know they will assume a mantle of deep responsibility, transparency and accountability that stretches far into the future.

Adherence to these principles has been a hallmark of CPP Investments and a testament to the wisdom of its government stewards. During my nine years as Chairperson, I have engaged with more than 40 sitting governments at the federal, provincial and territorial levels – all of whom upheld and respected the sole public purpose and necessary independence of CPP Investments. This astounding level of collaboration and cooperation does not generate headlines, yet to my mind, it is a high achievement of the Canadian polity in modern times.

In closing

While there is a tendency to look back in one's final year of service, I remain deeply engaged in working with my fellow Directors to support a smooth transition for my successor, and importantly, to continue the work we do to guide the organization as it grows to manage a trillion-dollar Fund.

I thank my fellow Board Directors – past and present – for bringing their great talent, unwavering commitment and dedication to CPP Investments.

As well, led by our outstanding CEO John Graham, I commend the exceptional Management team, and all of our highly skilled, dedicated employees, for the work they do daily to ensure that Canadians now and for generations to come will have a secure base for their retirement. It is an honour and joy to work alongside such talented and devoted people. The Board, Management and all of our employees carry out their work with excellence and with integrity to serve the best interests of the more than 21 million CPP contributors and beneficiaries.

Since its inception nearly a quarter of a century ago, CPP Investments' reputation as a Canadian success story has been hard earned. The "Canadian model" for pension management is now envied around the world. This success was built on the generations of employees, senior leaders and Directors who have all contributed their expertise and commitment as custodians in service of a truly enduring organization, in support of a great public cause. It has been my tremendous privilege to serve, as Chairperson of CPP Investments, and to count myself as one of many to contribute to this great institution.

Sincerely,

Heather Munroe-Blum, OC, OQ, PhD, FRSC
Chairperson

Dear fellow contributors and beneficiaries,

John Graham
President & CEO

At CPP Investments, our strong and resilient long-term performance has resulted in a 10-year annualized net return of 10.0%.

It has been another challenging year for investors and Canadians. We remained in a period of low returns and the cost of living continued to rise. Despite the recent and prevailing economic environment, I have good news to share. At CPP Investments, our strong and resilient long-term performance has resulted in a 10-year annualized net return of 10.0%. This demonstrates a proven track record of delivering the returns needed to help sustain the Canada Pension Plan (CPP) Fund for generations. We are firmly focused on delivering results over the long term and will not allow short-term conditions to distract us from our single, overarching goal: helping provide Canadians with financial security during their retirement.

We know these are difficult times. We are navigating the effects of the war in Ukraine, inflation, higher interest rates, climate change and more. Despite these events, the Fund is holding steady. Our portfolio is solid and has kept the Fund secure through the inevitable ups and downs investors experience during an economic cycle.

Both our portfolio and organization performed well in a challenging year. The portfolio returned (after all expenses) 1.3% and the CPP Fund grew to $570 billion. These gains – despite a significant decline in global equity and fixed income markets – were the result of our active management strategy, which enabled us to outperform most major indexes. We benefitted from solid returns on investments in renewable energy assets and infrastructure, and gains in U.S. dollar-denominated assets, which benefitted from foreign exchange gains. As a result, we delivered $2 billion (1.3%) in dollar value-added over the Fund benchmarks. In fiscal 2023, the Office of the Chief Actuary of Canada released its triennial review of the CPP, which concluded the existing benefit levels are sustainable for at least the next 75 years.

We see the market volatility from fiscal 2023 continuing through 2024 and market returns may continue to be low over the short and medium term. That is why we focus on strengthening the resilience of our portfolio over the long-term horizons we care about most. Competition for attractive opportunities will remain fierce and may intensify, but we will stay focused and disciplined.

To safeguard and grow the assets of the CPP Fund, we focused on several key areas in fiscal 2023.

Built for times like these

For more than 15 years, we have been building an organization that seeks to generate above-market returns by searching the world for the most promising investment opportunities and constructing a broadly diversified, multi-asset class portfolio. Nevertheless, we must operate in a state of continuous improvement, always challenging the status quo and pushing ourselves to the next level. To complement our global reach and diversification, we made changes to the structure of our organization this fiscal year. We advanced our risk management and took steps in working together more closely and effectively, as one cohesive enterprise.

Strong risk management

These changes include further enhancing our risk management practices. Strong risk management allows for the efficient allocation of risk to the best investment opportunities. This is most visible in times of market turmoil. For example, we made the decision years ago to avoid investments in Russia because of the potential for significant political risk.

In fiscal 2023, we also created distinct roles for our Chief Risk Officer (CRO) and Chief Financial Officer (CFO), appointing Kristen Walters as CRO and Kristina Fanjoy as CFO. After many years of honing our approach to active management and integrated risk management, we are confident these steps will serve the Fund well.

Investment activities

We made significant investments and divestments across the globe. Some of this year's highlights include increased investment in Octopus Energy, a global clean energy tech pioneer and one of the largest renewables investors in Europe. We sold six logistics warehouses in Western China in the Goodman China Logistics Partnership. The partnership was established with Goodman Group in 2009 to own and develop logistics assets in mainland China. And, we closed one of Latin America's largest private equity deals with our investment in the rapidly growing discount food retailer D1, marking our first-ever private equity investment in Colombia.

After a seven-year investment, we sold our stake in the Chicago Skyway, a toll road that forms a critical link between downtown Chicago and its southeastern suburbs. We expanded our joint venture with Tricon Residential, which will focus on developing high-quality rental apartments near major transit and employment nodes in the Greater Toronto Area. Finally, in our largest buyout deal of the year, we announced an investment in Qualtrics, positioning it to drive innovation on its path to becoming an enterprise cloud software platform leader.

Maturing our organizational structure

As the Fund grows, our ability to excel will depend on how well we execute our investment activities and conduct our operations. As our global reach and diversification expands, a challenge we face is ensuring we continue to work together as a single, cohesive enterprise. To that end, we brought together complementary functions under a new Chief Operating Officer, Jon Webster. Among Jon's responsibilities is partnering with our Chief Sustainability Officer, Richard Manley, to deliver on the Fund's operational journey to net zero. This intensified executive oversight on reducing greenhouse gas emissions complements the Fund's ongoing efforts to deepen the integration of climate change considerations into the entire investment life cycle. Our latest report has an update on our path to net zero, including details on our latest sustainability-related achievement: achieving carbon neutrality across Scope 1, 2, and 3 (business travel) emissions.

Our people, your investors

We continue to recruit and retain some of the brightest talent in Canada and around the world to work in your best interests by investing the money of the CPP Fund. Our highly qualified people, working across nine offices globally, remain our most important asset, and we took several important steps to support them over the past year. We continued to challenge ourselves to be more equitable, diverse and inclusive, which supports better overall business strategy and decision-making. This has helped us become a more purposeful and connected workplace.

Alongside flexibility, we know opportunities for professional advancement are critical to promoting employee well-being. We have put a new emphasis on training to support employee retention, skill building and talent attraction. Many of our more than 2,000 employees enhanced their skills by participating in development sessions to improve their ability to drive returns and add value to the Fund.

These gains – despite a significant decline in global equity and fixed income markets – were the result of our active management strategy, which enabled us to outperform most major indexes.

In closing

There is no doubt a lot can happen in one year. That is why providing you with timely and relevant information matters. We hosted in-person public meetings in nine Canadian cities this past year. Recordings of these public meetings are available on our website. While I have shared an overview of what the Fund achieved in fiscal 2023 in this letter, I encourage you to sign up for regular updates about our organization and performance on our website and read this year's Annual Report.

I would like to thank our Chairperson, Heather Munroe-Blum, and the entire Board of CPP Investments. Next year will be Heather's last year as our Board Chairperson after capably serving for nine years. Thank you, Heather, for your meaningful support and guidance – we truly appreciate your leadership.

I would also like to thank my Senior Management Team for their leadership, insights and dedication. None of our achievements would be possible without the efforts of our more than 2,000 colleagues. Their creativity, energy and commitment to our goals drive the Fund's long-term success. I offer my colleagues my sincerest thanks and appreciation for their efforts.

In an era of uncertainty, Canadians can find confidence in a strong and stable CPP Fund with benefits that will be there for them in retirement. Our organization was built for times like these. The environment may be challenging, but we will rise to the occasion, drawing strength from our Guiding Principles of Integrity, Partnership and High Performance. More than 21 million contributors and beneficiaries, like you, are counting on us to deliver. Thank you for trusting us.

Sincerely,

John Graham
President & CEO

Long-Term Financial Sustainability

The CPP is designed to provide a stable source of retirement income to Canadians today and over multiple generations.

The Office of the Chief Actuary is an independent federal body that provides checks and balances on the future costs of the CPP, monitoring the long-term financial sustainability of each part of the Plan. Every three years, the Chief Actuary reports on the financial state of the base CPP and additional CPP over a long period, for at least the next 75 years.

The most recent report, published in December 2022, reconfirmed that both parts of the CPP are sustainable at the legislated contribution rates as of December 31, 2021.

Notably, the report outlines that due to strong investment performance over the three-year period from 2019 to 2021, investment income was more than $100 billion higher than expected in the previous report.

Investing for the long term

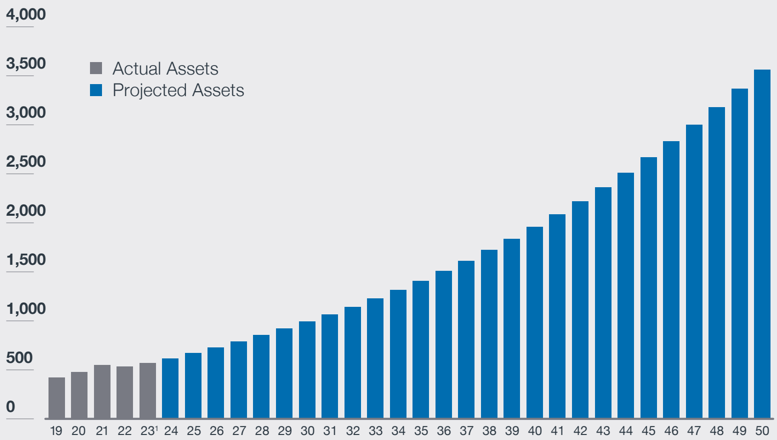
10-year net income
$320B

10-year net nominal return
10.0%

10-year net real return
7.4%

Contributors and beneficiaries
21M+

Projection of Fund Assets As at December 31 ($ Billions)



The chart at left illustrates the combined projections of assets from the Chief Actuary's 31st Report, which considers future changes in demographics, the economy and investment environments. The Fund has two sources of growth: net contributions from CPP participants and net income earned from investments.

By 2050, the Chief Actuary's Report projects the total Fund will reach $3.6 trillion ($2.0 trillion when value is adjusted for expected inflation).

1. Represents actual total assets as at March 31, 2023.

Our Diversified Global Portfolio

Our portfolio is designed to weather market turbulence. To do so, we invest globally across asset classes.

Diversification is a well-established and prudent investment strategy designed to capture global growth while also providing a relative safe harbour during market downturns.

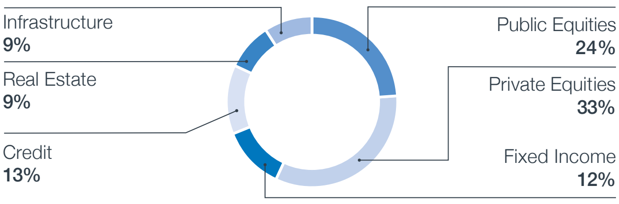
The strength of our diverse team of 2,136 employees across nine global offices drives the Fund forward to meet its investment objectives. Inclusive and diverse groups make better decisions, have deeper overall expertise and local knowledge to source investment opportunities across asset classes, engage with world-class partners and build value in our existing assets.

Countries where we hold investments
55

Global investment partners
327

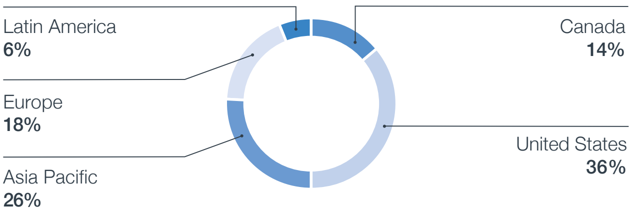
Asset Class Composition[1,2,3]

March 31, 2023



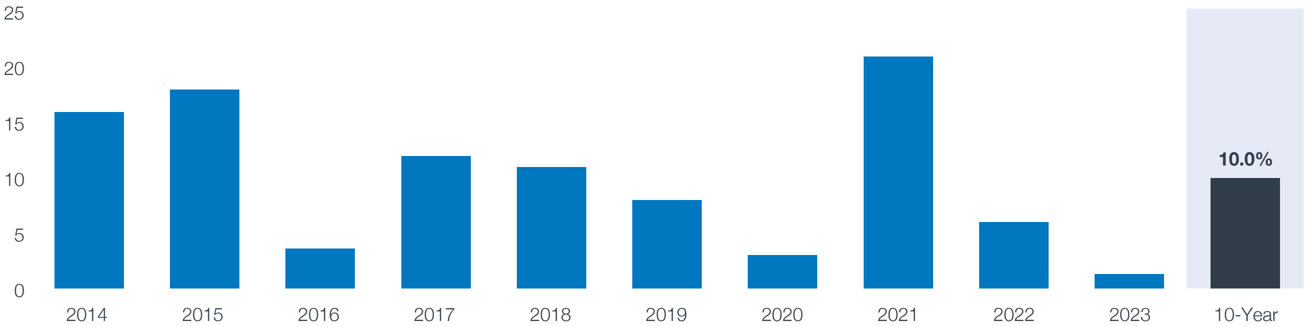
Geographic Composition

March 31, 2023



Our longer-term returns demonstrate the stability and growth of the Fund despite short-term market changes.

Total Fund Annualized Net Returns (%)



1. Fixed Income consists of cash and cash equivalents, money market securities and government bonds, all net of financing liabilities. Public Equities include absolute return strategies and related investment liabilities.
2. As at March 31, 2023, the Real Assets investment department managed $52 billion of real estate, $52 billion of infrastructure and $32 billion of our private equity investments associated with sustainable energies. Collectively, these holdings represented 24% of net assets.
3. Credit consists of public and private credit investments of which $52 billion forms part of the Active Portfolio and $20 billion forms part of the Balancing Portfolio as at March 31, 2023, both managed by the Credit Investments department.

Global Leadership

Our Senior Management Team brings a broad range of experience to the organization.

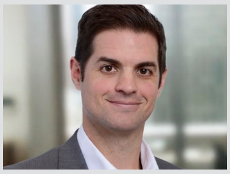
John Graham
President & Chief Executive Officer

Maximilian Biagosch
Senior Managing Director, Global Head of Real Assets & Head of Europe

Edwin Cass
Senior Managing Director & Chief Investment Officer

Andrew Edgell
Senior Managing Director & Global Head of Credit Investments

Kristina Fanjoy
Senior Managing Director & Chief Financial Officer

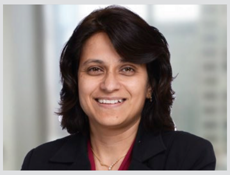


Frank Ieraci
Senior Managing Director & Global Head of Active Equities and Investment Science

Suyi Kim
Senior Managing Director & Global Head of Private Equity

Michel Leduc
Senior Managing Director & Global Head of Public Affairs and Communications

Geoffrey Rubin
Senior Managing Director & Chief Investment Strategist



Priti Singh
Senior Managing Director & Global Head of Capital Markets and Factor Investing

Mary Sullivan
Senior Managing Director & Chief Talent Officer

Agus Tandiono
Senior Managing Director, Head of Asia Pacific & Active Equities Asia

Patrice Walch-Watson
Senior Managing Director, General Counsel & Corporate Secretary

Kristen Walters
Senior Managing Director & Chief Risk Officer

Jon Webster
Senior Managing Director & Chief Operating Officer (effective April 1, 2023)

Learn more about the CPP Investments Senior Management Team at cppinvestments.com/about-us

Our Purpose

Canada Pension Plan Investment Board, which operates as CPP Investments, is a global investment management organization. We were established to help the Canada Pension Plan (CPP) remain financially sustainable for the long term. We prudently invest the amounts transferred to us by the CPP, helping to provide a foundation on which Canadians can build financial security in retirement.

CPP Investments is governed by an Act of Parliament, the *Canada Pension Plan Investment Board Act* (CPPIB Act). Under the CPPIB Act, CPP Investments has the objective to "invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the Canada Pension Plan." All amounts transferred to CPP Investments by the CPP are invested in the best interests of CPP contributors and beneficiaries, to help ensure the CPP is there for current and future generations.

The total assets we manage, net of liabilities, are referred to as "the Fund." It is critical that we manage the Fund in a way that has regard to the risks and socio-economic factors that the CPP itself faces. These factors include an aging population in Canada, future birth rates, employment and immigration, and the real rate of growth in employment earnings on which CPP contributions are based. To mitigate exposure of the Fund to risks related to future Canadian economic and demographic conditions, we diversify our investments across the world.

Independence with accountability

All Fund assets are owned by CPP Investments and are entirely separate from the assets of any government. Contributions made to the CPP by individuals and employers that are not needed to pay current CPP benefits are transferred to CPP Investments. These contributions should be thought of as savings invested to generate future retirement benefits at the benefit levels set by the CPP's government stewards.

Unlike Old Age Security, CPP benefits do not come from general tax revenues. The money required to pay CPP benefits comes from only two sources:

- Contributions from individual contributors and their employers based on employment earnings up to the maximum amount covered by the CPP; and
- Investment returns.

Most importantly, unlike taxes that go into the federal government's consolidated revenue fund, CPP contributions and net assets of the Fund may only be applied to meet the obligations of the CPP. CPP Investments is accountable to Parliament and to the federal and provincial finance ministers who serve as the joint stewards of the CPP. A key aspect of our overall governance framework is our experienced, diverse and professional Board of Directors (Board). The Governor in Council appoints our Board members on the recommendation of the federal Minister of Finance, following consultation with the CPP's participating provinces.

The CPPIB Act sets no investment directions related to economic development, social objectives or political directives. While the federal and participating provincial governments have oversight of CPP Investments, we are governed by our independent Board. Our independence from government is enshrined in carefully written legislation, ensuring that we can, and do, operate at arm's length, free from political interference.

Amendments to the legislation that governs CPP Investments require agreement by the federal government plus two-thirds of the provinces representing two-thirds of the population. This is a higher requirement than the requirement for making changes to the Canadian Constitution. These checks and balances protect the best interests of CPP contributors and beneficiaries, as well as the independence of CPP Investments.

We report to Parliament through the federal Minister of Finance, who tables our annual report in Parliament. We share quarterly financial statements with the federal and provincial finance ministers and publish them on our website in both official languages.

As required under the CPPIB Act, every six years, we undergo a special examination of our systems and practices, completed by an independent examiner. The most recent special examination was completed by Deloitte LLP in February 2022. The special examiner provided a clean opinion, concluding there is reasonable assurance that there were no significant deficiencies in the systems and practices examined. A copy of the report is available on our website. The next special examination is anticipated to be in fiscal 2028.

Our annual financial statements are subject to external audit and subsequent review by the Audit Committee of our Board of Directors, which then recommends their approval to the full Board.

Transparency

To maintain public trust in our independence and activities, CPP Investments operates in a transparent and open way, consistently demonstrating our commitment to accountability in our practices and actions. We seek to provide a level of information that will help to inform CPP contributors and beneficiaries about how we make investments and manage the Fund in their best interests. By operating in this way, we hope to foster a better understanding of what drives performance, stability and financial sustainability of the Fund over time. The ways we provide this information include:

- Using our website and digital social channels to explain who we are, what we do and how we invest;
- Issuing annual reports that explain our strategy, Fund performance, investment activities, approach to sustainable investing, governance, costs, key risks and compensation;
- Providing quarterly reports of performance and timely disclosure of material new investments, assets sold and corporate developments;
- Holding public meetings every two years in participating provinces. Held public meetings in 2022 with the next series of public meetings taking place in 2024;
- Delivering speeches, making presentations and issuing reports by the CPP Investments Insights Institute. These cover a wide range of subjects related to key insights, risks, challenges, opportunities and events affecting our strategy and investments; and
- Engaging with stakeholders, pensions experts, news media and other interested parties.

Code of Conduct

We seek to uphold high standards of conduct and business practice, including our commitment to ethical conduct and disclosure practices. Our Code of Conduct for the Board of Directors and employees sets out our expectations for ethical conduct and guides our actions. This includes rules for our personal and professional conduct. More details on our Code of Conduct can be found in the Governance Practices of the Board of Directors section and on our website.

Base and additional Canada Pension Plan

In December 2016, following federal and provincial agreement, Royal Assent was given to Bill C-26, *An Act to Amend the Canada Pension Plan, the Canada Pension Plan Investment Board Act and the Income Tax Act*. This Act increased the amount of retirement pensions and other benefits that will be paid for contributions made after 2018. It also increased both the rate of contributions required on earnings covered by the CPP and the upper limit on covered earnings. These increases began in January 2019 and are being phased in over seven years.

As part of this amendment, the CPP was expanded into two parts:

- The "base" CPP refers to the portion of benefits and contributions continuing at the rates used before January 2019; and
- The "additional" CPP refers to the additional benefits and the additional contributions that started in January 2019.

Contributions to the additional CPP are set at levels so that, together with investment income, they are expected to be sufficient to fully fund the additional benefits as they accrue. Contributors will gradually earn additional benefits as they make additional contributions. Contributions to the base CPP are set at levels which are expected to remain stable over the long term while preserving the ratio of Fund assets to CPP expenditures.

The contributions, benefits and resulting assets for the additional CPP are accounted for jointly and separately from those for the base CPP. We invest the Fund's assets fairly between the two accounts while recognizing the different funding characteristics for each account.

Current and future status of the CPP and the Fund

The Office of the Chief Actuary is an independent federal body. Every three years, it provides a formal review that evaluates the financial sustainability of the CPP over at least a 75-year period. The review states expectations for net returns and takes into account many prospective factors, including:

- The base of contributors and employment earnings;
- The ratio of those receiving pension benefits relative to those contributing; and
- Anticipated changes in life expectancy.

The most recent actuarial review of the CPP – the 31st Actuarial Report – was conducted as at December 31, 2021 and tabled in the House of Commons in December 2022. It covered both parts of the CPP – the base CPP and the additional CPP. The report concluded that the CPP is financially sustainable for at least the next 75 years at the legislated contribution rates.

The next actuarial review will be performed in calendar year 2025 and will cover the status of both the base and the additional CPP as at December 31, 2024.

More information about the CPP Fund can be found on our website and more information about funding of the base and additional CPP accounts can be found here.

How We Generate Value

Our comparative advantages

To succeed in highly competitive global financial markets over the long term, an investor must first have – and make good use of – comparative advantages. We have the scale and reach to invest in almost every asset class and capital market across the globe. The enduring nature of the Fund, our governance and our culture differentiate us from many other large institutional investors. Together, these support our ability to generate value in the best interests of CPP's contributors and beneficiaries.

Our inherent advantages

The nature of the Fund itself carries three distinct investing advantages:

Long horizon – The CPP must serve Canadians for many generations to come. As a result, the Fund has a much longer investment horizon than most investors. We can assess the prospects of our strategies and opportunities over decades, not just over quarters or years. We can withstand short-term downturns to create value over the long run. Most investors take a shorter-term approach, whether by choice or because business pressures force them to do so. As a result, they are more limited than CPP Investments in their ability to access or retain investments where the benefits are only expected to be fully realized over a longer-term horizon.

Certainty of assets to invest – The Fund's future asset base is largely predictable and its pattern of cash flows into the future is generally stable. As a result, we are not forced to sell assets to pay benefits and we can build investment strategies with confidence. This certainty of assets and cash flows underpins our ability to act as a trusted financial partner in major transactions and ongoing relationships.

Scale – As the CPP is one of the largest retirement funds in the world, we can access opportunities globally for which only the largest institutional investors can compete. In addition, our size enables us to maintain dedicated in-house teams and gain access to global external partners. Scale also allows us to develop the investment, operational and technological capabilities required to run a cost-effective global investing platform.

Our developed advantages

In addition to our inherent advantages, the strategic choices we make as an organization afford us three further key advantages:

Internal expertise and brand – Our expertise, local knowledge and reputation allow us to access attractive opportunities across the globe, in both private and public markets. Our team, located across nine global offices, seeks to create value by combining best practices, depth, skill and experience to manage assets both internally and with external partners. Our brand allows us to attract, motivate and retain skilled employees from around the world.

Expert partners and relationships – Through our scale and other advantages, we are able to engage the specialized resources and expertise of many external partners globally. Our internal expertise allows us to work alongside these long-term partners to maximize value for the Fund. Our external partners also provide research and on-the-ground knowledge of the local environment, as well as ongoing asset management services.

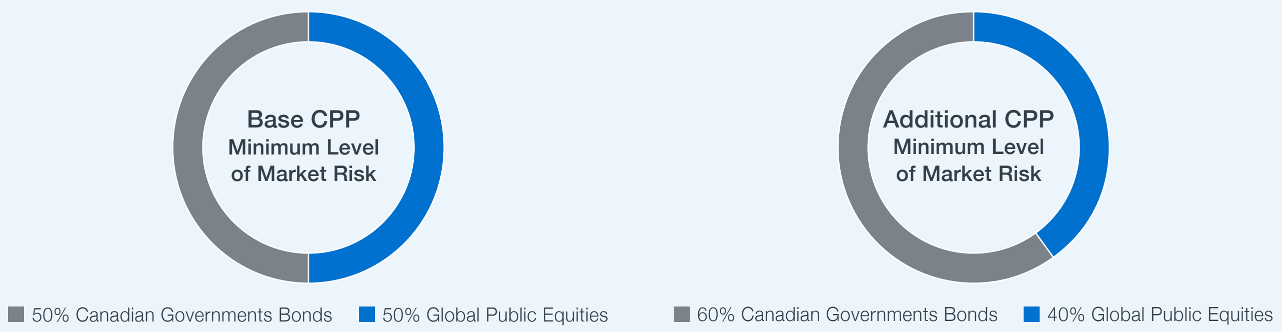
Total Portfolio Approach – We believe broad asset class labels such as "equities" or "real estate" do not sufficiently capture the underlying factors that influence the risks and returns of investments. Accordingly, we analyze the fundamental and more independent return-risk factors that underlie each asset class and strategy. Armed with this understanding, we can more accurately achieve our preferred mix of global exposures designed to maximize returns at our targeted level of market risk.

Our comparative advantages enable us to make decisions with a long-term focus, as described in the following sections.

Our key sources of returns

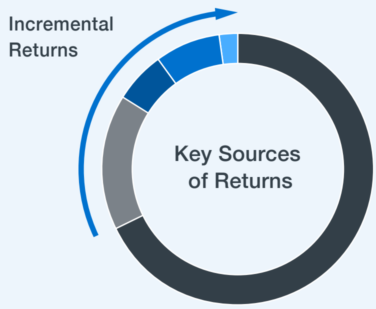
As an investment organization, CPP Investments must take risks to generate returns. At a minimum, the Fund must take a level of market risk that would be sufficient to generate the returns to help support the long-term financial sustainability of the CPP. Internally, we represent this minimum required level of market risk as being equivalent to a simple two-asset portfolio of global public equities and Canadian governments bonds. This risk level takes into account the current legislated contribution rates and CPP Investments' long-term expectations for returns of these assets. The approach applies to both the base CPP and additional CPP.

Minimum level of market risk for the base and additional CPP, as represented by a simple two-asset passive portfolio



We believe that passively investing in these portfolios would allow the Fund to generate the minimum investment returns required to help sustain the base and additional CPP under the current legislated contribution rates. While this may allow us to do our part in helping to maintain the long-term financial sustainability of the CPP, simply generating minimum returns would neither be sufficient to deliver on our mandate to maximize Fund returns without undue risk of loss, nor be in the best interests of the CPP's contributors and beneficiaries. Hence, it is our responsibility to actively manage the Fund to pursue additional sources of returns. We outline our expectations from each of our key sources of returns below.

Key sources of returns



Expected returns from:

- Investing in a simple two-asset portfolio representing the minimum amount of market risk we believe we need to take to support long-term plan sustainability
- Targeting a higher level of market risk than the minimum required
- Constructing a more diversified portfolio at our targeted level of market risk, facilitated by the use of leverage
- Pursuing investment selection through a variety of active strategies to generate returns above what can be obtained from investing in a public market index
- Exploiting temporary market dislocations through tactical positioning

At CPP Investments, we see active management as a spectrum of potential choices we can make to pursue incremental returns. This includes our decisions to determine how much risk we should target, how we should diversify the Fund supported by leverage, as well as what active investment strategies we should allocate assets to, and what tactical positions we should adopt. We refer to these decisions as our "key sources of returns" because their outcomes are expected to have the most material impact on the investment performance of the Fund. Refer to page 16 for additional details on how we consider each of these key decisions in our investment approach.

Generating incremental value through active management

Using the base CPP as an example, the simplified visual below helps illustrate the successive impact of our decisions as we seek to pursue additional sources of returns:

	STARTING POINT	PURSUING *INCREMENTAL RETURNS* THROUGH ACTIVE MANAGEMENT		
KEY SOURCES OF RETURNS	Minimum Level of Market Risk	Targeted Level of Market Risk[2]	Diversification and Leverage	Investment Selection & Tactical Positioning
Level of Market Risk[1]	50/50	85/15	85/15	85/15
Risk Profile	Market Risk	+Higher Market Risk	+Leverage Risk	+Liquidity and Operational Risks
Cost Profile	Nominal	Nominal	+Leverage Expenses	+All Other Expenses
Expected Returns	Lower →			Higher
Plan Adjustment Risk	Higher →			Lower

1. **Level of Market Risk** is expressed in Global Public Equity/Canadian Governments Bond equivalency terms.
2. **Targeted Level of Market Risk** as represented by the base CPP Reference Portfolio.

We recognize that while many active investors seek above-market risk-adjusted returns, few consistently achieve them. Seeking additional sources of return through active management increases our cost and risk profile, including the leverage, liquidity, operational, legal and regulatory risks we face. Hence, we do not make these decisions lightly. They are grounded in our belief that our comparative advantages support our ability to generate incremental returns in the best interests of the CPP's contributors and beneficiaries.

While not every key source of return may produce positive results in every period, we are focused on maximizing returns from all sources holistically over the long term. To do so, we systematically evaluate the underlying drivers of our returns along with the risks and costs incurred to generate those returns on an integrated basis. We believe this can help us more objectively analyze how value was generated from our past decisions and inform how we can make better decisions in the future. In turn, we expect that every additional step we take in pursuing incremental returns will help lower the plan adjustment risk, which we assess as the probability of a material increase to the Minimum Contribution Rates (MCRs) applicable to CPP contributors, caused solely by our investment performance. MCRs are the lowest possible rates at which employees and employers in Canada could contribute to sustain the base CPP and the additional CPP over the next 75 years (refer to page 42 to additional details on plan adjustment risk). We believe that pursuing additional sources of returns allows us to do our part in furthering the long-term financial sustainability of the CPP by delivering on our mandate to maximize returns without undue risk of loss.

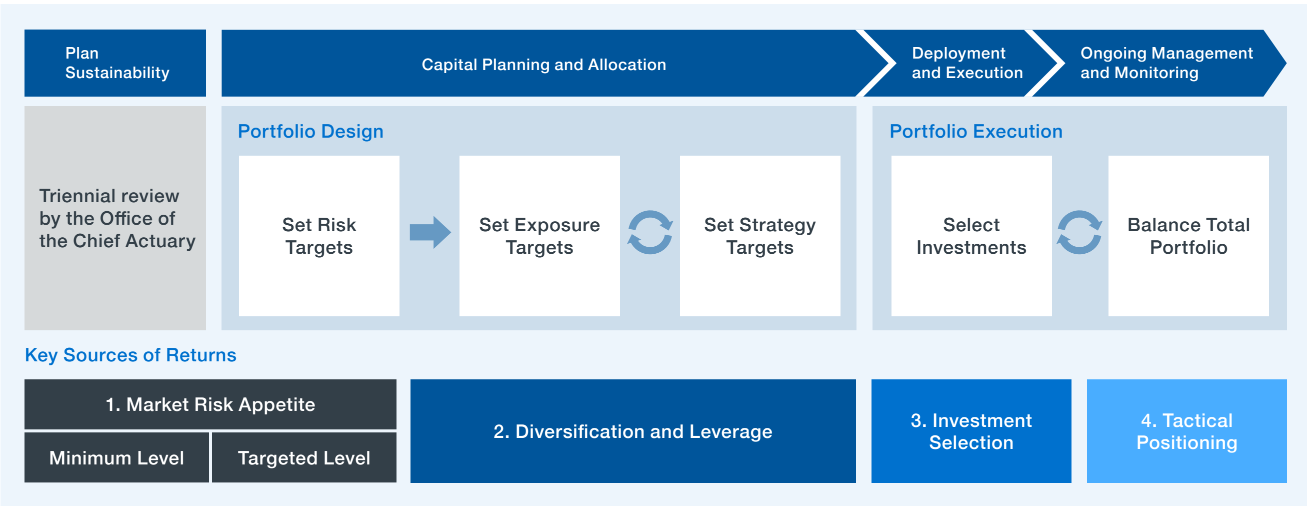
How We Design and Execute Our Investment Approach

Our investment approach is designed to deliver on our mandate to maximize returns without undue risk of loss while having regard to the factors that affect the funding of the CPP. Accordingly, we have developed our Total Portfolio Investment Framework, which allows the Fund to:

1. Earn long-term returns from a wide range of asset classes and geographies; and
2. Generate incremental returns through active management above what could be achieved through a passive investment strategy.

Our Total Portfolio Investment Framework provides a decision-making process that spans how we allocate, deploy and manage capital on an ongoing basis, as illustrated below:

Our Total Portfolio Investment Framework



Our approach is grounded in our Investment Beliefs, which provide guidance for key decisions and help us stay the course as a long-term investor. Details on our Investment Beliefs can be found on our website.

We outline in the following sections how we design and manage each of our key sources of returns.

1. Market risk appetite

The foundation of an investment strategy for any portfolio is to determine a prudent and appropriate market risk appetite. As discussed on page 14, we start our process by estimating the minimum level of market risk we must take to generate sufficient investment returns to help maintain the long-term financial sustainability of the base and additional CPP under the current legislated contribution rates.

Following each triennial review conducted by the Office of the Chief Actuary (OCA), we use information contained in the OCA's Actuarial Report along with our own internal return expectations to estimate and express this minimum level of market risk. While there are many factors that will impact the financial sustainability of the CPP, most of them are beyond the control of CPP Investments. Nonetheless, doing our part in supporting long-term Plan sustainability through our investment performance is our primary objective. Hence, this minimum risk level serves as the starting point in our process against which we evaluate the incremental impact of all other decisions made to maximize returns without undue risk of loss. This includes our decision to target a higher level of market risk as defined by the base and additional CPP Reference Portfolios, shown below:

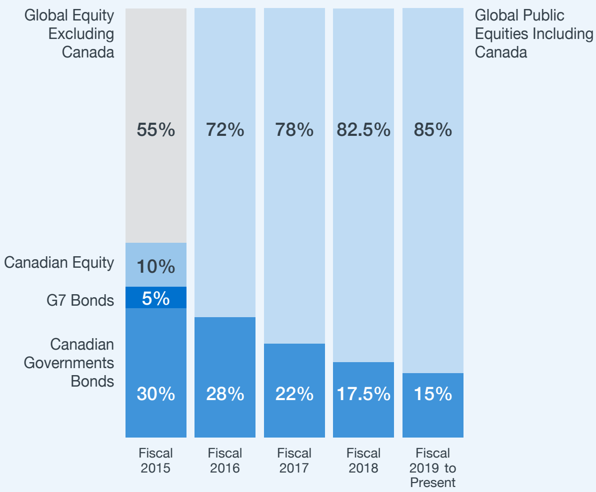
	Base CPP		Additional CPP	
	Minimum Level of Market Risk	Targeted Level of Market Risk	Minimum Level of Market Risk	Targeted Level of Market Risk
Global Public Equities	50%	85%	40%	55%
Canadian Governments Bonds	50%	15%	60%	45%

Targeted level of market risk – base and additional CPP Reference Portfolios

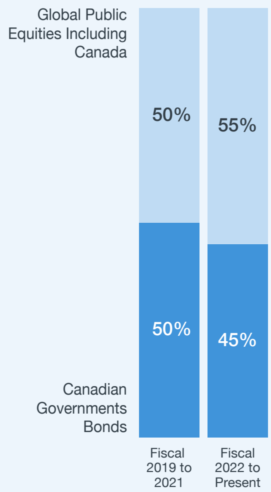
CPP Investments' Management and Board of Directors review our market risk appetite for each part of the CPP at least once every three years following the triennial report of the OCA and revise them as necessary. Our most recent review was in fiscal 2021, when we chose to maintain the same targeted level of market risk for the base CPP and increase the targeted level of market risk for the additional CPP. We express risk targets through simple, two-asset class Reference Portfolios comprising a mix of Canadian Governments Bonds and Global Public Equities (including Canada). Higher levels of equity correspond to a higher risk target.

The evolution of the Reference Portfolios for the base and additional CPP is shown below. With the tabling of the 31st Actuarial Report in December 2022, we have begun the process of reviewing the risk appetites for both the base CPP and additional CPP. Any updates to the risk targets will come into effect in April 2024.

Base CPP – Targeted Level of Market Risk



Additional CPP – Targeted Level of Market Risk



Our review reflects the evolving funding status and maturity of the base and additional CPP as well as our own internal best estimates for long-term economic and capital markets factors. Our methodology uses a simulation model with multiple future paths that estimate both the likelihood and potential size of the impacts of investment returns on the base and additional CPP for specified market risk levels, year-by-year over 75 years, in line with the projection timeline used by the OCA's Actuarial Report.

The analysis focuses directly on CPP Investments' impact on future CPP outcomes by quantifying the potential for positive and negative impacts of investment returns on future CPP contributions and benefits. We calculate these over successive future actuarial review periods and multiple economic/investment scenarios. When evaluating alternative market risk targets, we give more weight to adverse impacts on contribution and benefit rates than to favourable impacts. We also discount to a greater degree more distant possible events relative to near-term ones.

The approach indicates that target levels of market risk higher than the minimum levels are beneficial for both the base and additional CPP. The appropriate target risk augmentation is greater for the base CPP than for the additional CPP owing to the partially funded financing of the former, and the fully funded financing of the latter making it more sensitive to investment return uncertainty.

2. Diversification and leverage

Diversification is an established way to mitigate the impact of market downturns and enhance long-term returns. By itself, diversification tends to lower market risk. However, using leverage tends to increase market risk. Using both techniques together, we are able to construct portfolios that are broadly diversified at our targeted level of market risk for each of the base and additional CPP.

This combination allows us to deliver more consistent returns through market cycles, with better protection during severe downturns in public equity markets, compared to a portfolio that is only exposed to global public equities and Canadian governments bonds. Diversification also enables many more opportunities to add value through active investment selection strategies. However, if global public equity returns materially outperform other asset classes for a period, then during that period the returns on a broadly diversified portfolio may be less than the returns on a portfolio that is more concentrated in global public equities. We accept this potential impact on reported performance as a result of our long-term investing horizon.

Factor investing – seeing through asset class labels

We believe that conventional asset classifications by themselves do not adequately capture the highly diverse nature of the risks to which each asset class is exposed. For example, real assets such as property and infrastructure investments have attributes of both equities and fixed income in addition to their own specific attributes. Private and public investments may appear to be fundamentally similar, but their liquidity profile is materially different, as typically is their internal financial leverage or debt level. Debt securities carry a wide range of durations and credit risk. Equities vary in their geographic, sector and financial leverage exposures.

Given these variables, we have defined several key return-risk factors that are relatively independent of each other but underlie the returns on many types of investments. We model and map our investment strategies based on the extent to which they are affected by our chosen factor set, which is then consistently used throughout our Total Portfolio Investment Framework. For example, when we construct portfolios, we determine the targeted exposures to each factor, as well as to currencies, leverage and liquidity. We also recognize the additional expected risk and returns of active management. Given these characteristics, we can analyze how major new investments or divestments might affect the exposures of the total portfolio. As markets and security prices change, we rebalance our portfolios and seek to avoid unintended factor and risk exposures.

Setting exposure targets – the Strategic Portfolio

We manage the market risk levels of each of the base CPP and additional CPP Investment Portfolios to closely match their respective market risk targets. The Investment Portfolios represent the net assets managed by CPP Investments for each of the base and additional CPP. We do this while balancing the exposures to return-risk factors and investing in a more diversified set of investment strategies that better align with CPP Investments' comparative advantages.

To diversify our portfolios, we balance the allocation to lower risk asset classes (such as public and private corporate bonds, real estate, infrastructure and other real assets) with the allocation to higher-risk and higher-return strategies, such as:

- Replacing allocations to publicly traded companies with privately held ones;
- Substituting governments bonds with higher-yielding credits in public and private debt;
- Increasing participation in select emerging markets; and
- Making use of long-short investment strategies that add value through investment selection.

The use of leverage at the total portfolio level enables us to:

- Enhance overall diversification which also mitigates the impact of market downturns, particularly through greater allocations to fixed income investments;
- Maintain sufficient liquidity; and
- Increase our gross holdings of all asset classes. This enables us to maximize dollar return potential at our targeted level of market risk.

We regularly review our strategic mix of key return-risk factor exposures and leverage. These strategic exposures are balanced to meet each Investment Portfolio's long-term objectives at its targeted level of market risk.

We translate our strategic exposures into weightings of six distinct public and private asset classes for the Investment Portfolios of the base and additional CPP. These Strategic Portfolios represent indicative asset allocations in five years' time and beyond. They also convey our long-term expectations for allocating assets into three geographic regions – Canada, developed markets excluding Canada, and emerging markets. The result represents broadly diversified, aspirational portfolios, which have higher expected returns than the Reference Portfolios at our targeted levels of market risk and greater expected resilience to extreme downturns.

The Strategic Portfolios shown on the right were approved in fiscal 2021 to be effective from fiscal 2022 through fiscal 2024. Similar to our review of the Reference Portfolios (see page 17), we are also reviewing the Strategic Portfolios' asset class and geographical compositions in fiscal 2024. These new Strategic Portfolios are expected to come into effect in fiscal 2025. As markets and other economic circumstances change, we do make ongoing current allocation decisions that vary from these indicative long-term future allocations.

Strategic Portfolio Asset Class and Geographic Classifications and Percentage Weights

Asset Class[1]	base CPP % of total	additional CPP % of total
Public Equity	23	14
Private Equity	23	14
Public Fixed Income	32	39
Credit[2]	17	31
Real Assets[3]	31	19
Cash and Absolute Return Strategies	(27)	(16)
	100%	**100%**

Geographic Region	% of total	% of total
Canada	8	44
Developed Markets ex-Canada	59	37
Emerging Markets	33	19
	100%	**100%**

1. Figures do not add due to rounding.
2. Credit includes both private and public credit investments, excluding high-quality governments bonds.
3. Real assets includes real estate, infrastructure and private equity investments in sustainable energies.

Incorporating climate-related considerations into our strategic allocations

We believe that consideration of climate risk at the strategic allocation level is important for institutional investors with diversified global portfolios. To this end, we seek to factor in a broad range of climate change-related risks and opportunities as part of our investment strategy and total portfolio design. A key element of this approach involves estimating the potential economic impacts of climate change, which we incorporate into our views on long-run returns. We currently measure these impacts using an internally estimated physical risk damage function, as well as transition scenarios established by the UN's Intergovernmental Panel on Climate Change.

Our diversified investment strategy affords CPP Investments the flexibility to invest across asset classes and into all types of climate change-related opportunities. This includes identifying companies strategically responding to physical changes in our environment, regulatory and technological transitions, and evolving consumer preferences. As part of our net-zero commitment, we also expect to grow our investments in green and transition assets and build on our decarbonization investment approach. This approach seeks attractive returns from enabling emissions reduction and business transformation in high-emitting sectors for selected companies.

Our view on foreign currency

A major share of our assets originates in foreign investment markets and is denominated in non-Canadian currencies. Changes in foreign exchange rates will have an impact on the short-term performance of the Fund. While we could choose to manage currency risk through hedging all foreign currency exposures back to the Canadian dollar, we do not believe that hedging the entirety of our foreign currency exposures in this manner will benefit the long-term risk-return profile of the Fund. For a Canadian global investor with an equity-heavy portfolio, maintaining a well-diversified global currency composition helps to mitigate overall return volatility. Also, currency hedging carries execution costs and requires setting aside cash to meet collateral requirements under currency hedging contracts.

We regularly review the Fund's appetite for foreign currency exposure as part of our portfolio design process. Our latest long-term review has concluded that maintaining a target range of Canadian dollar exposure, rather than allowing it to be determined only by the size of our Canadian investments, is expected to improve the prospective longer-term risk-return profile of the total Fund. Our decisions on the target Canadian dollar exposure, and the individual currency hedges needed to deliver that, are based on our ongoing assessment of what will optimize the risk-return profile of the Fund after all-in hedging costs are taken into consideration. Changes in both the currency exposure profile of the Fund and in longer-term global economic expectations will be considered in our future hedging decisions.

In the short term, the decision not to fully hedge currency exposures can impact Fund returns in either direction. In years of major strengthening or weakening of the Canadian dollar, the performance of the Fund may differ materially from other funds that have a standing policy to more fully hedge their foreign currency exposures. Details of the impact of foreign currency on the Fund's returns for fiscal 2019 to 2023 can be found on page 38.

3. Investment selection

Investment selection refers to how we access, select, weight, buy, re-weight and sell specific securities within a particular strategy. This activity offers a wide set of value-adding opportunities. We use both "long-only" and "long/short" strategies. See below for a description of long/short investing.

Seeking to outperform a market index through active selection requires both covering costs and achieving better returns than the market index. Moreover, as markets mature, they become more "efficient" and thus harder to outperform. Over any given period within a particular market there will be both winning and losing active managers, with wide variation between their returns. That is why successful investment selection requires us to employ skilled people, internally and externally.

Several of our comparative advantages increase the long-term likelihood of investment selection success. First, our scale, brand and reputation enable us to attract and retain talent, both internal and external. Second, our long horizon provides an advantage in selecting investments. Given the shorter-term investing pressures and practices found in many markets, individual asset prices often diverge from their long-term intrinsic value. This divergence creates opportunities for patient investors. We believe that our investment selection strategies can succeed in most asset classes.

We regularly review the underlying performance for all investment strategies to evaluate whether each strategy remains:

1. Likely to deliver meaningful value-add returns incremental to a simple lower-cost passive alternative; and
2. Worthwhile, given the additional types of risks associated with it, including the risk of underperformance relative to the passive alternative.

If our conclusion changes, we adjust or curtail the strategies concerned.

Setting targets for active and balancing strategies

Our base and additional CPP Investment Portfolios are each exposed to our Active and Balancing Portfolios. Within the Active Portfolio, we have developed active strategies in both private and public markets across five investment departments: Capital Markets and Factor Investing, Active Equities, Credit Investments, Private Equity and Real Assets. The Balancing Portfolio, comprising the remainder of total assets that are not invested in active strategies, is used as a completion portfolio to deliver the targeted exposures for the Investment Portfolios. The strategies in the complementary Balancing Portfolio, which is managed by the Total Fund Management department, are invested in liquid, publicly traded securities. Together, the Active and Balancing Portfolios deliver our targeted factor exposures at the targeted market risk, while also diversifying our asset class, geography, currency and sector exposures.

Our active strategies seek to identify opportunities in which internal or external specialists can deliver incremental value-add returns through investment selection. The Chief Investment Officer (CIO) reviews the mandate and performance of each investment strategy as part of the process to refresh the Fund's capital allocations. This process is informed by our annual investment portfolio reviews, which evaluate all strategies across a number of key dimensions, including their investment performance, value-add, risk profile, cost efficiency, exposure delivery and capital efficiency. The CIO uses the findings from these reviews to update the targeted weight of each strategy in the context of the Fund. In turn, this translates into the capital budget and expected growth trajectory of our strategies.

Managing the balancing process through the Balancing Portfolio involves maintaining each of our primary overall exposures sufficiently close to their targets at all times, while avoiding the costs of excessive short-term trading to do so. If our total portfolio exposures or total market risks have diverged too far from their intended targets, we execute trades within the Balancing Portfolio to bring our exposures and/or risk level back into line.

Managing the available liquidity of the Fund is an important consideration when setting targets for active strategies, which are typically illiquid. We carefully manage the total size of the Active Portfolio to ensure that the Fund has available liquidity to meet our obligations and enough flexibility to capitalize on investment opportunities. At the same time, we work to minimize disruptions to planned investment activities.

Long/short investing

In public markets, many of our strategies are executed by long/short investing. A "long" investment generates a return when the underlying asset increases in value. An example is a price increase in the months following a traditional stock purchase. A "short" investment is a means to generate a return when the underlying asset decreases in value. In short selling, the investor sells a stock they have borrowed and buys it back later to pay off the stock loan. If the price of the asset has gone down, the investor buys it back for less and makes a profit. Taking both types of positions across a basket of securities simultaneously enables returns to be generated regardless of the direction of the overall market. The results of the long/short strategy then depend almost entirely on the selection of individual long and short positions, drawing on the skills of our internal or external investment professionals.

Selecting investments – active strategies

Each active investment department is accountable for:

- Proposing new strategies and resizing or repositioning existing strategies, within their delegated approval authorities, mandates and risk limits;
- Identifying, accessing and exiting from areas of investment opportunity and external partnerships;
- Incorporating sustainability-related considerations into investment analysis. Each department works with our investment partners and portfolio companies to continuously improve performance in these areas where applicable;
- Selecting individual investments to build and manage active strategies to add value, as guided by the applicable risk-return expectations over our holding period;
- Managing our investments to sustain and enhance returns; and
- Executing transactions in a timely and cost-effective way.

While seeking to deliver targeted exposures over time, our active investment departments will only make an investment when there is a sufficient prospect of earning an appropriate risk-adjusted return. Active strategies are never used to simply bridge a gap in a particular asset class, exposure, sector and/or geography. This is instead done using our Balancing Portfolio, which is highly scalable and can be managed at lower cost. Investment success for each investment department's active strategies is evaluated primarily based on their net value-added returns relative to established benchmarks.

Incorporating climate-related considerations in our investment selection processes

Where climate change impacts are deemed to be material to the investment decision and asset management strategy, we implement our Climate Change Security Selection Framework. The framework considers the potential financial impacts of both high-physical and high-transition risk scenarios. High-physical-risk scenarios are those resulting in more than 4°C of global temperature warming over pre-industrial levels. High-transition-risk scenarios result in less than 2°C warming. We use a variety of tools and resources that align with these scenarios to estimate such financial impacts. These scenarios are meant to provide:

- A consistent estimation and comparison of impacts across geographies, sectors and asset classes;
- The potential climate-related impacts on future rates of return;
- The basis for informed discussions of climate-related risks and opportunities most relevant for investment decisions; and
- Input into the engagement or asset management strategy for the investment.

4. Tactical positioning

We view tactical positioning as another source of return. We believe that a deliberate, meaningful but temporary shift of asset allocations and/or exposures away from the Investment Portfolios' established targets can be additive, especially at times of market dislocations. Exploiting potential gaps between current market prices and long-term fundamental asset values can generate incremental returns, protect assets against potential losses, or preserve liquidity under stressed market conditions. For example, we may increase our exposure to public equities in a geographic area where prices have become unduly depressed. Or, alternatively, we may reduce positions in overvalued asset or currency markets when we expect near- to mid-term returns to be below their longer-term expectations.

Integrating sustainability-related considerations into our investment activities

We believe that corporations and organizations that better identify and appropriately manage sustainability-related factors are more likely to endure, and create greater value over the long term, than those that do not. This is why we consider these factors in our investment decisions where such factors are material to the investment. We define sustainability-related factors as those including, but not limited to, effective board governance, climate change, environment, health and safety, community engagement, human rights, responsible sourcing and usage of artificial intelligence, data and cyber security, and other dynamic and emerging factors material to the long-term success of companies. Our Report on Sustainable Investing provides a detailed review of our sustainable investing activities.

As an active owner, we monitor sustainability-related factors and engage with our portfolio companies to promote improved management of these factors to both reduce risk and enhance the companies' long-term value to the Fund. We focus our engagement efforts on those issues that are most material to a portfolio company's long-term value creation and preservation. We do this by recognizing and supporting the division of authority and responsibilities among shareholders, boards of directors and management, and understanding the extent of our ownership and influence in these circumstances.

One of the most effective ways to convey our views to the boards of directors and management of our direct holdings in publicly traded equities, and fulfil our stewardship responsibilities as an active owner, is to publicly vote our proxies at annual and special meetings of shareholders. For example, we have long believed companies with diverse boards and executive management teams are more likely to achieve superior financial performance. This is why we increasingly use our gender diversity voting practice to encourage companies to appoint more women to their boards. Our Proxy Voting Principles and Guidelines set out how CPP Investments is likely to vote on a range of topics.

As a long-term investor, we seek disclosure of material and financially relevant sustainability-related information from companies to allow us to better assess the potential impact of these issues on a company's performance. We support alignment of sustainability-related reporting with the standards being developed by the International Sustainability Standards Board and their reference frameworks, including the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures (TCFD). For private companies, we also expect consideration of emerging initiatives like the ESG Data Convergence Initiative (EDCI).

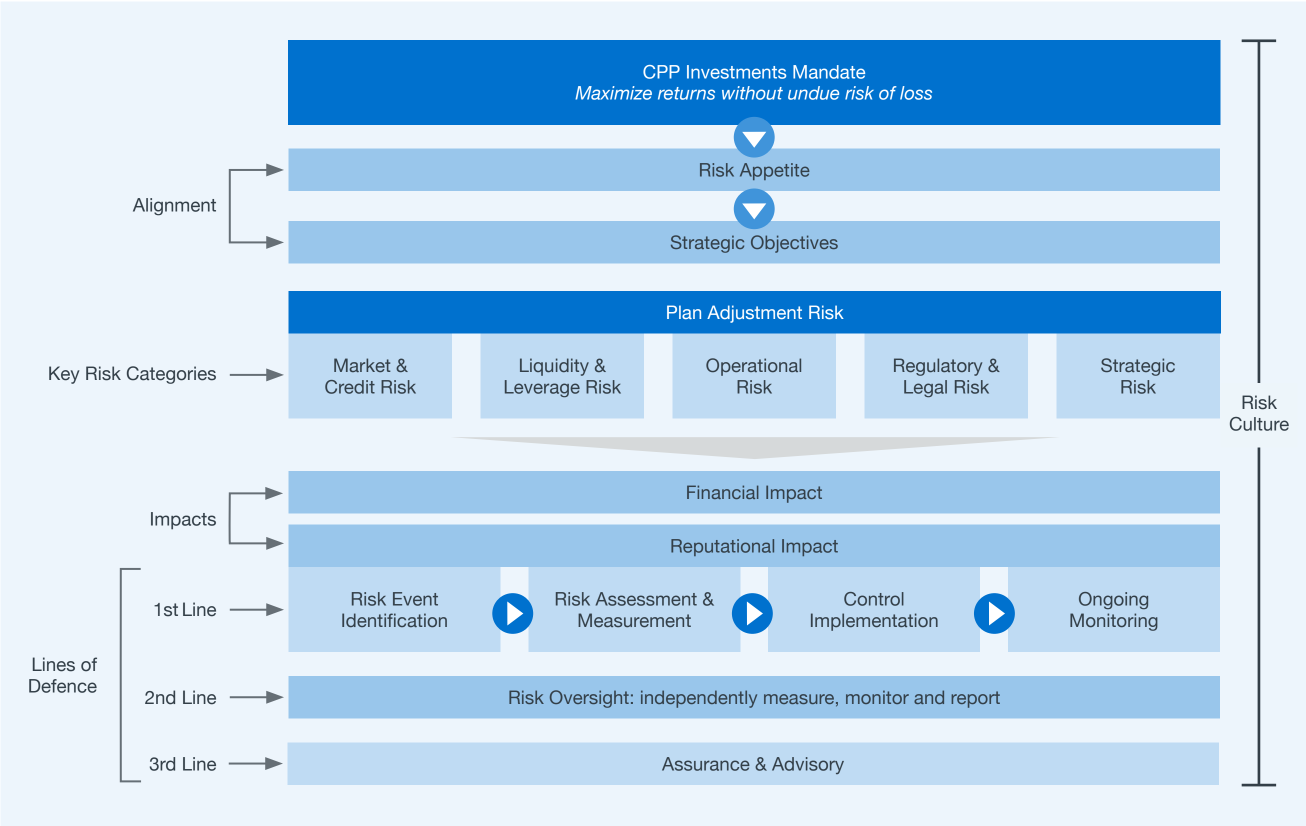
We actively contribute to the setting of global standards for sustainability-related disclosures and have advocated for greater transparency from all companies through the standardization of climate change-related disclosures, including transition plans and progress against them. We do this with the aim of facilitating better investment decisions and creating long-term value for the Fund. This includes our participation as one of only two global pension fund managers represented on the TCFD, and the only non-U.K. investor on His Majesty's Treasury's Transition Plan Taskforce.

Our commitment to net zero

Climate change represents both a significant risk and investment opportunity for the Fund as the economy transitions in line with sovereign climate commitments. We believe that the performance of the Fund will be influenced by how well our portfolio companies and the portfolios adapt alongside the global economy on the path to net zero. As such, and in alignment with our mandate to maximize returns without undue risk of loss, we have committed our portfolio and our operations to being net zero of greenhouse gas (GHG) emissions across all scopes by 2050. Our commitment is made on the basis and with the expectation that the global community will continue to advance towards the goal of achieving net-zero GHG emissions by that date. For details on the delivery of the components of our net-zero commitment see pages 65–67.

How We Manage Risk and Govern the Fund

Our Integrated Risk Framework



Our approach to integrated risk management allows us to both create and safeguard value. It is central to delivering on our mandate to maximize returns without undue risk of loss. This framework is grounded and sustained by our risk culture, as further discussed on page 24.

Risk governance defines clear parameters within which the Fund operates. This starts with the articulation of our risk appetite and other provisions as approved by the Board of Directors to manage key risks associated with the base CPP, additional CPP and the Fund as a whole. Risk appetite describes how much risk CPP Investments is willing to take to fulfil our mandate and achieve our strategic objectives. Our risk appetite consists of:

- **Risk limits** which state the boundaries within which we must normally operate;
- **Risk statements** which qualitatively express the boundaries for certain risks that are difficult to quantify; and
- **Risk targets** which express the targeted level of risk within our risk limits at which we seek to operate.

We believe effective risk management, along with our comparative advantages, allows us to capitalize on opportunities and generate value. As such, our Integrated Risk Framework considers all key risks that could have a material impact on the Fund's ability to deliver on our mandate and achieve our strategic objectives. This helps to ensure that the risks we take are commensurate with the long-term benefits we expect to receive.

Our Integrated Risk Framework is guided by the following risk management principles:

1. We promote and maintain an enterprise-wide risk culture that values the importance of effective risk management in day-to-day activities;
2. We understand and clearly articulate the organization's appetite for risk. This includes defining "undue risk of loss" in the context of our mandate. We consider both short- and long-term horizons, as well as the risk of positive and negative CPP plan adjustments arising from investment returns;
3. We expect the Fund to be appropriately rewarded over time for risks we undertake in pursuing both our overall investment strategy and specific investment opportunities;
4. We operate within our stated risk appetite by monitoring our risk exposures and by evaluating the design and operating effectiveness of our controls, while ensuring the costs of managing risks do not exceed the expected benefits; and
5. We clearly define who is accountable across the "three lines of defence":
   - **First line of defence:** The leaders of each department are responsible for managing the risks assumed within their areas of responsibility. The CIO is accountable for recommending investment risk targets to the Board for approval.
   - **Second line of defence:** The Chief Risk Officer (CRO) is accountable for risk oversight and recommending risk limits and statements to the Board for approval. The Risk department is responsible for independently challenging the first line's identification, assessment and management of risks and independently measuring and monitoring compliance with all risk limits and statements. Other departments/groups also provide independent oversight of different types of risks, including our Finance, Legal and Compliance functions.
   - **Third line of defence:** The Assurance & Advisory group provides independent assurance over the adequacy and effectiveness of CPP Investments' system of governance, risk management, and internal controls.

We manage and oversee all risks that could materially impact our ability to fulfil our mandate and achieve our strategic objectives. Within each key risk category of the Integrated Risk Framework is a more detailed risk taxonomy. This includes the risk associated with sustainability-related factors, including climate change-related risks. Our risk management processes and systems of internal controls allow us to manage each of these key risks to an acceptable level within our Board-approved risk appetite. For additional details on the definition, measurement and management of our key risks, please refer to page 41 of our Management's Discussion and Analysis.

Risk culture

We recognize the significance of an established risk culture, which includes our shared attitudes, values and guidelines. These shape behaviours related to risk awareness, risk-taking and risk management. It is a part of our overall organizational culture that influences how we take and manage risks, both individually and collectively. We believe that formally documented controls and processes can only be effective if they are underpinned by a sound organizational risk culture. Our risk culture helps us ensure that risk-taking is appropriate given our mandate, risk appetite and strategy. When combined with effective leadership and Board governance, these practices provide a strong risk culture for the organization.

Our risk culture:

- Starts with the "tone from the top" and applies to all levels in the organization;
- Underpins CPP Investments' strategy; and
- Drives the effectiveness of risk governance.

Our Code of Conduct and Guiding Principles support the foundation for our culture, including our risk culture. Regular and targeted training reinforces awareness and understanding of key policies, standards and regulations. All employees formally acknowledge that they have read, understood and complied with the Code. Every year, we hold a *Living our Guiding Principles Day* where our global team meets in small groups, facilitated by senior leaders, to discuss scenarios that put our Guiding Principles of Integrity, Partnership and High Performance into action. This serves as an important reinforcement of our purpose-driven mandate and public accountability.

Our risk culture is further strengthened by our focus on equity, diversity and inclusion. We believe diverse and inclusive groups help reduce bias and, as a result, make better decisions. Our commitments in this area allow us to manage multi-faceted risks more effectively in the fast-evolving global markets in which we operate. For additional details on our culture and talent strategy, refer to page 28.

How Management is accountable for risk-taking and performance

The Board of Directors delegates accountability to the President & CEO for all risks and organizational matters beyond those specifically reserved for the Board. Responsibility is further delegated throughout the organization by the CEO through our formalized Management Authorities, starting with the Senior Management Team, across the three lines of defence. In fiscal 2023, we made changes to our Senior Management Team to further strengthen the leadership, expertise and governance of CPP Investments. The Chief Financial and Risk Officer role was divided into two distinct senior management positions: a Chief Risk Officer (CRO) role that is responsible for the Fund's global risk management functions, including leading the long-term strategy for effectively incorporating risk perspectives into all investment and operational processes, and a Chief Financial Officer role that is responsible for the Fund's financial and reporting strategy, business and financial planning, valuations, performance reporting and other forms of management reporting analytics, financial controls and tax governance.

Our governance and management of climate-related risks and opportunities at both the Management and Board levels reflects our belief that climate change is one of the most challenging and complex investment considerations of our time. It carries the potential to materially impact our investment, operations and ability to achieve our mandate. As such, climate-related considerations are directly embedded in how we invest and manage risk.

Successful investing requires clear decision-making and accountability. The key elements of our management committee structure are described below:

Investment Strategy and Risk Committee

The Investment Strategy and Risk Committee (ISRC) comprises the CIO, CRO and General Counsel, with the President & CEO as Chair. The ISRC membership expands to include the full Senior Management Team for select matters that require broader perspectives. Membership also expands to the Chief Sustainability Officer (CSO) whenever sustainability-related matters or decisions are discussed. The ISRC and its sub-committees are accountable for a select set of approvals. They provide guidance and recommendations to accountable executives and committees to ensure diverse perspectives are incorporated into decision-making processes.

The ISRC is accountable for overseeing portfolio and risk-related matters including the strategy, design, management and governance of the Investment Portfolios. It oversees our:

- Approach to strategic risks;
- Formal statement of Investment Beliefs (see our website for details);
- Total Portfolio Investment Framework (see page 16);
- Investment Risk Limit Standard;
- Climate Change Risk Standard; and
- Crisis Management Standard.

The ISRC also provides guidance on the design of our reputation management program and our approach to managing other broad factors, such as sustainability-related issues.

The ISRC receives the following targeted support from its sub-committees:

- **Portfolio Execution Committee** (PEC) supports the ISRC's oversight of investment-related accountabilities. Chaired by the CIO, the PEC oversees key aspects of portfolio execution. It considers an array of strategic investment and risk-related matters as it reviews new investments, dispositions and follow-on transactions for approval. PEC also evaluates whether specific investments are aligned to its corresponding active strategy mandate and provides guidance on select investment department-related matters, including their strategies, mandates, sustainability-related considerations and department reviews.
- **Portfolio Strategy Committee** (PSC) supports the ISRC's oversight of design, delivery and management of the Investment Portfolios. Chaired by the CIO, the PSC provides guidance on matters including key portfolio design targets and attributes that support and enable the Total Portfolio Investment Framework.
- **Investment Risk Committee** (IRC) supports the ISRC in its oversight of market, credit, liquidity and leverage risks. Chaired by the CRO, the IRC provides guidance on matters including the design of Board and Management-level market, credit, liquidity and leverage risk limits. It also plays an active role in monitoring risk exposures.
- **Operational and Legal Risk Committee** (OLRC) supports the ISRC in its oversight of operational, legal and regulatory risks. Chaired by the General Counsel, the OLRC provides guidance on matters including the design of Board and Management-level operational, legal and regulatory risk appetites. It also oversees the Fund's approach to managing these risks.
- **Sustainable Investing Committee** (SIC) supports the ISRC in its oversight of all non-financial sustainability-related factors for the Fund. Chaired by the CSO, the SIC provides guidance on matters including the delivery of the Fund's firm-wide sustainability strategy. It also provides guidance on integration of sustainability considerations into the Fund's portfolio construction, investment decision-making and internal operations.

Each of these sub-committees is composed of cross-functional representatives from our leadership teams. They help provide a diverse set of perspectives and guidance to support the chairs of their respective committees.

How the Board oversees strategy execution and risk governance

The Board oversees strategy execution and risk governance, including approving the following items:

Business Plan – This document, updated annually, sets out the current and longer-term investment and operating plans for CPP Investments, including capital and operating budgets. The plan includes any updates to the Strategic Portfolios, which express the expected asset class and geographic composition of each Investment Portfolio.

Investment Statements – These documents are required by the regulations to the CPPIB Act. They are approved by the Board annually and published on our website. They set out the investment objectives for the Fund, policies, and long-term return expectations as well as both long- and short-term risk management.

Risk Policy – This policy describes the requirements for managing and overseeing all risks that could materially affect CPP Investments' ability to fulfil its mandate and achieve its objectives. The Policy outlines our Integrated Risk Framework and risk appetite.

Policy on Sustainable Investing – This policy sets out how CPP Investments approaches sustainable investing within the context of our clear legislative mandate. It also lays out how CPP Investments considers sustainability-related risks and opportunities in our investment analysis. The policy is applied throughout the investment life cycle and across asset classes where such considerations are material to the investment.

In addition, the Board receives quarterly reports on the Fund to monitor:

- Growth and composition of the Investment Portfolios;
- Management's progress against the year's Business Plan;
- Investment Portfolios' market and other risk measures, including liquidity and stress tests, climate-related metrics and climate change scenario analysis results;
- Total returns and contributions from individual investment departments;
- Total returns relative to the best-estimate assumptions of future long-term investment returns reported by the OCA; and
- Value-added returns relative to what can be obtained from investing in public market benchmarks.

For additional details, refer to the Governance Practices of the Board of Directors section (see page 78).

How We Manage Costs

Seeking additional sources of return requires us to invest in various capabilities, whether this involves developing advanced portfolio modelling techniques, using active strategies to pursue investment selection, or investing in enhanced risk management capabilities to effectively govern these activities.

We recognize that active management is not a low-cost strategy. We know that every dollar saved is not only equivalent to one dollar of additional income to the Fund, but also much more certain than one dollar of potential, but uncertain, future returns. Accordingly, we treat cost management as a central tenet of our public accountability as we seek to maximize long-term returns.

Our value management philosophy

We budget and manage our costs in accordance with the long-term value we expect to gain from incurring different types of costs. Correspondingly, our cost profile is driven by our strategic choices on portfolio composition, including:

- The proportion of the Fund that is invested through our balancing strategies versus active strategies;
- The proportion of our active strategies that are directly managed internally versus invested externally through fund managers;
- The proportion of active strategies that are invested in public versus private assets;
- The proportion of active strategies that are invested in developed versus emerging markets; and
- The amount of leverage we choose to deploy.

Given the strategic importance of these decisions, we align our allocations of capital and resources with clear accountabilities for delivering value. This allows us to objectively monitor our progress on both dollars spent as well as value-added returns that are generated.

On an ongoing basis, our costs are managed in accordance with our expense management policies and seniority-based approval authorities in line with our Board-approved business plan and budget.

At CPP Investments, we view effective cost management as a strategic process that can help us iteratively improve the Fund's long-term investment performance. By consistently and continuously evaluating whether we are allocating our resources towards the most value-adding activities, we can use our learnings to progressively improve the efficiency and effectiveness of our capital and resource allocations over time. This starts with strong tone from the top and is enabled through our value-conscious culture.

How we allocate our resources

From a planning perspective, we allocate the Fund's resources progressively. First, we allocate budget towards our entity-sustaining governance activities, which includes the minimum expenses required for the Fund to operate at the most basic level.

Then, we allocate budget towards our balancing strategies. As discussed on page 20, our balancing strategies allow us to both maintain and periodically rebalance the Investment Portfolios back to their targeted sets of diversified exposures. These strategies are highly scalable and can be managed at lower cost relative to our active strategies that seek to generate value-added returns from investment selection. We also separately budget for our use of leverage, which allows us to expand our asset base and construct more diversified portfolios at our targeted levels of market risk.

We manage and control the growth of our expenses by allocating budgets towards our active strategies last. Capital and associated budget allocations are made to active strategies based on our confidence in their ability to generate long-term value-added returns. Accordingly, this also includes allocating budgets towards the more sophisticated risk management and operational capabilities required to effectively govern and enable our active strategies.

Balancing internal and external expertise

Given our size, we can maintain dedicated internal teams to manage large parts of the Fund. In many areas, we have the skills internally to carry out investing activities similar to those of external firms with comparable expertise, but we can do so at materially lower cost.

However, we recognize there are situations in which breadth of external expertise can still incrementally benefit the Fund. We use external managers for relevant and distinctive active strategies that we believe we cannot execute as effectively on our own. Some of our external managers also provide deal flow and co-investment opportunities and share valuable knowledge with us as long-term partners, which further complements the advancement of our own internal strategies. Nonetheless, we only use external fund managers when we are sufficiently confident they can deliver risk-adjusted returns that will more than offset the cost of their fees.

A key economic trade-off for the Fund is choosing between incurring personnel and other expenses to develop and implement internal active strategies or, alternatively, using external fund managers and incurring management and performance fees. Using external fund managers may have the effect of those managers, rather than the Fund, partially bearing the risk of underperformance. For example, when we use external private equity fund managers, performance fees are only paid when a manager realizes profits above a predetermined rate of return. This helps to reduce the risk of incurring personnel and other expenses to run internally developed active strategies and failing to generate the expected value-added returns. However, we will develop internal active strategies when we are sufficiently confident that they will help generate value over the long term, and more economically than external managers.

How We Pay for Performance

As one of the largest investment funds in the world, we require a wide array of specialized capabilities to effectively govern the Fund and execute our chosen investment strategies. Our workforce is highly diverse, from both a skill set and background perspective. We celebrate the diversity of our people because they unlock our ability to innovate by bringing multi-faceted experiences and perspectives to the investment problems we must solve.

We believe a holistic talent strategy is essential to effectively mobilize our people in delivering on our mandate and strategy. This includes fostering a strong culture of integrity, partnership and high performance and using our compensation framework to:

- Attract, motivate and retain employees;
- Pay for performance; and
- Align the long-term interests of our employees with those of the CPP Fund.

We describe each of these components in greater detail below. We provide further details on our approach to equity, diversity and inclusion, which we believe contributes to our long-term success.

Our culture of integrity, partnership and high performance

Our people are the ambassadors of our purpose-driven culture and worldwide reputation, and they fuel our ability to grow and adapt to an increasingly complex and fast-evolving global investment landscape.

Our culture is anchored in CPP Investments' Guiding Principles of Integrity, Partnership and High Performance, as well as our Code of Conduct. These principles encompass the organization's core values and provide guidance to our team in everyday – and extraordinary – situations.

CPP Investments remains focused on striving for even more agility, ambition, innovation and inclusion. We strengthen our culture by emphasizing the importance of a shared global mindset and cross-functional collaboration, so that as an integrated whole, we can deliver more value than the sum of our parts.

Our compensation framework

Successfully competing for talent

We compete for talent with the largest investment managers and financial institutions in Canada and around the world. We believe market competitive compensation is one of the essential elements necessary to attract, motivate and retain the talent we need to effectively execute CPP Investments' legislative mandate.

The design of our incentive compensation program considers our public mandate, the strategies we have chosen to pursue, and the markets in which we operate. Each of these considerations is also reflected in how we determine incentive payouts to compensate our people for delivering on quantitative and qualitative objectives that benefit the Fund.

Aligning incentives to the delivery of our mandate and strategic objectives

Our compensation program reflects our public accountability and our responsibility to manage the Fund in the best interests of CPP's contributors and beneficiaries. We align incentives to the delivery of our mandate and long-term strategy, while also considering our appetite for taking on different types of risks in our pursuit of value-added returns.

We believe that what we accomplish, and how we accomplish it, are equally important. As such, our compensation program is grounded in our Guiding Principles and is designed to meet or exceed the Principles for Sound Compensation Practices established by the Financial Stability Board and endorsed by the G20 nations.

Every employee's total incentive is partially tied to total Fund performance, which includes achieving the Board-approved levels of absolute total Fund returns as well as dollar value-add (DVA) relative to our Reference Portfolios. This emphasis on the total Fund helps draw a closer linkage between the interests of CPP contributors and beneficiaries and the compensation outcomes of our employees.

Financial Stability Board Principles	CPP Investments Compensation Framework
Based on long-term performance	Based on five-year investment performance at both the Fund and department level, aligned to the long-term nature of our investment mandate while reducing year-to-year compensation volatility
Discourages short-term risk-taking	Five-year results discourage short-term decisions Benchmarks are adjusted for the degree of risk taken Considers both investment outcomes and how that outcome was achieved
Increased oversight powers of compensation committees	The Human Resources and Compensation Committee and the Board of Directors make all decisions about the compensation framework

Overall, our compensation program is designed with the following key features:

Aligned with Our Mandate and Strategic Objectives	☑ Incentivizes employees to maximize long-term returns, within established risk parameters ☑ Focuses on the delivery of value to the Fund as a whole, in line with our Board-approved investment strategy, business plan and budget ☑ Rewards groups and individuals upon the delivery of predetermined objectives
Appropriate Horizon	☑ Aligns to our five-year measurement horizon for evaluating investment performance ☑ Ensures a significant portion of compensation is variable and deferred for our most senior employees to promote long-term alignment ☑ Pays out deferred incentives over a multi-year horizon to promote retention
Differentiated Group and Individual Performance	☑ Includes the ability to distinctively differentiate group and individual performance in a way that is directly tied to delegated accountabilities ☑ Recognizes the differences between asset classes and market conditions through the use of relative value-added returns of each investment strategy
Supports the Application of Informed Judgment	☑ Considers the outcomes of both quantitative and qualitative investment and organizational objectives, and how the outcomes were achieved ☑ Incorporates alignment with CPP Investments' Guiding Principles ☑ Provides increased stability and consistency of performance evaluations with tools to help mitigate bias in decision-making
Market Competitive and Simple	☑ Enables the attraction and retention of people with the requisite skill sets to effectively deliver on our mandate and execute our chosen investment strategies ☑ Provides transparency to key stakeholders, and current and prospective employees through a clear, simple and objective framework that is aligned to our strategic objectives

Ensuring effective governance

To ensure effective governance and oversight over the Fund's compensation program, the Human Resources and Compensation Committee (HRCC) – a Board-level committee – advises the Board of Directors on key talent management and compensation matters. This includes ensuring the alignment of organizational and stakeholder interests through the design and oversight of a performance-driven compensation framework.

Annually, the Board approves the total Fund incentive targets and budget through the business plan. This provides clear direction for all employees for the upcoming year. At fiscal year end, the Board is accountable for approving aggregate incentive multipliers and payouts. It also evaluates and determines the compensation of the CEO, other Named Executive Officers (NEOs) and the rest of the Senior Management Team.

The HRCC also reviews competitive pay levels for each position on the Senior Management Team, including the NEOs. These reviews are relative to a significant market sample and data from proprietary consultant surveys. For the Senior Management Team including NEOs, we benchmark compensation against Canadian public pension funds, Canadian publicly traded investment asset managers, and the broader labour market (including investment firms, insurance companies and banks in North America and other relevant international markets).

The Board also has the authority to interpret, change and discontinue compensation plans at its discretion. The Board may claw back, reduce or require employees to forfeit incentive awards if:

- Financial results are restated, and the Board considers prior awards to be excessive; or
- The incentive award was granted in error; or
- An employee is guilty of misconduct.

The Board can also require employees to forfeit unvested incentive compensation awards. This provision applies to those at the Managing Director level and above.

Refer to our website for additional details on the mandates of the HRCC and Board of Directors as outlined in their Terms of Reference. The mandate and composition of the current HRCC is outlined in the Governance section on pages 79 and 81.

Key elements of our total compensation

Our pay mix is designed to align with market practice. It includes a mix of fixed salary and variable incentive compensation, as well as short-term and long-term compensation.

Key elements of our total compensation include the following, with each described in further detail below:

Base Salary | **Variable Incentive** | **Pension** | **Benefits** | **Other Pay Elements**

Base salary

Base salaries reflect skill level, ability and sustained performance. We review salaries annually at the end of each fiscal year. Any changes to the Senior Management Team's compensation, including the NEOs' salaries, require Board approval.

Variable incentive

At the end of each fiscal year, employees are eligible to receive an annual award according to the following formula:

Base Salary X **Incentive Target** X **Performance Multiplier** = **Annual Award**

We set incentive targets by job level to align with market practices. A portion of the annual award is paid out in cash following the end of the fiscal year. We refer to this as our In-Year Award. For senior employees, a portion is deferred over three years to align with the long-term focus of the Fund. We call this the Deferred Award. It vests and pays out partially over three years following the fiscal year for which it is awarded. During the vesting period, Deferred Awards are treated as if they were invested in the Fund and fluctuate with total Fund returns. Employees forfeit the incentive award and any unvested Deferred Awards if they resign during the fiscal year.

At the end of the fiscal year, a performance multiplier is determined for each employee based on an assessment of three factors. For all employees, except the Senior Management Team, the weights of each factor are as follows:

Incentive Factors		Weight	
1	Total Fund Performance	30%	This performance factor includes equally weighted measures of both dollar value-add and total Fund return, each measured over a five-year trailing period.
2	Department and Group Performance	30%	Department and Group performance objectives are determined at the start of each year. At year end, we measure their performance against these objectives, which includes delivering on both financial goals such as value-added returns as well as other strategic objectives.
3	Individual Performance	40%	We assess individual performance annually, based on specific objectives identified at the beginning of each year. Assessment of the individual is also based on their performance relative to the expectations of their role as outlined in our Integrated Career Framework.

The total incentive may vary from zero to a maximum of two times the target amount for each performance factor.

To better align the Senior Management Team to total Fund objectives, their incentive is based on 50% total Fund performance and 50% Department and Individual performance.

The mix of salary, in-year incentive award and deferred compensation varies by role and level, with higher deferral targets for more senior professionals. The Senior Management Team has a higher proportion of their compensation delivered through variable pay, commensurate with our goal of paying for performance.

Pension

We provide most employees with the opportunity to participate in a defined contribution retirement plan. These have relatively lower and more predictable costs than the defined benefit plans offered by other large pension funds and financial services companies. Plans vary by location to reflect local regulations and competitive market practices.

Benefits

Our benefits programs are comparable to those provided by similar organizations in our industry. They include life insurance, disability benefits, health, dental and vision benefits, time-off policies, a health and wellness reimbursement, and an Employee-Family Assistance Program. Perquisites are limited to paid parking for the Senior Management Team members based in Toronto.

Other pay elements

Voluntary Deferral Incentive Plan (VDIP)	Eligible employees may voluntarily defer some or all of their In-Year Award for a three-year period, with the deferral treated as a notional investment either entirely in the total Fund, or in both the total Fund and up to a maximum of 50% in the Fund's portfolio of private investments.
Supplemental Restricted Fund Units (SRFU)	SRFUs are selectively used for new hires to replace forfeited compensation from a previous employer or as a compensation transition to a new role or geographic location, or for retention of current employees. This is a deferred award that acts as a notional investment which fluctuates in value with total Fund performance.
Fund Return Units (FRU)	FRUs are a type of long-term incentive compensation that aligns payouts to the long-term absolute performance of the total Fund. Payouts are contingent on positive cumulative returns over the term of the award. The grant value is derived using a valuation model which takes into consideration volatility and the risk-free rate of return.

Our focus on equity, diversity and inclusion

We will excel as a result of our people and their commitment to our purpose. Their integrity, commitment to partnership, and dedication to high performance drive us forward. So, as the Fund continues to grow, we believe we have a responsibility to also advance our equity, diversity and inclusion initiatives and strengthen our inclusive workplace where all employees feel valued, respected and supported. This includes:

- Attracting and employing highly qualified individuals with diverse backgrounds, experience and perspectives;
- Working to ensure that all employees have equal opportunities for development and advancement; and
- Providing differentiated pay based on an objective evaluation of performance, while seeking to ensure bias does not influence this differentiation.

Our equity, diversity and inclusion work is grounded in the belief that it is our responsibility to provide opportunity to historically underrepresented groups. Their inclusion enables us to make better and more informed investment decisions and more effectively manage our risk culture as discussed on page 24. Starting at the recruiting stage, we aim to ensure that a diverse pipeline of candidates is considered for all new job openings. While our final hiring decisions are made based on skill set and competence for each role, we ensure that we source talent from the widest talent pool available, leveraging external partnerships and internal networks. We are also committed to structured interview processes for all candidates; and have integrated bias mitigation practices throughout the process.

We value our people for who they are as individuals as well as their unique contributions to the Fund. We believe the equitable treatment of our employees is essential to earning their trust and commitment over the long term. This includes ensuring all our employees are provided similar opportunities to develop and advance in the organization. Our Integrated Career Framework includes team-specific functional and leadership competencies that provide transparency on the expected behaviours, knowledge and skills required at each level. It provides clarity on the leadership competencies that are key to success and ensures consistency within teams and across the organization.

When we developed our 2025 Strategy, we sought to build a competitive advantage by aiming to increase female and minority representation at the Managing Director level and above including in the succession planning of our Managing Directors on the Global Leadership Team and Senior Managing Directors. This spans our global operations, across all groups. Our goal is to have 30% of senior investor roles held by females and 28% of all leadership roles held by minorities by 2025. Research shows that diverse representation leads to better decisions and business outcomes and we continue to provide all employees with formal and informal learning opportunities to build their awareness of inclusivity. We believe that the accountability of demonstrating inclusive behaviours alongside increasing representation will be instrumental to our long-term success. Refer to page 63 for additional details on our progress.

Our Strategic Objectives

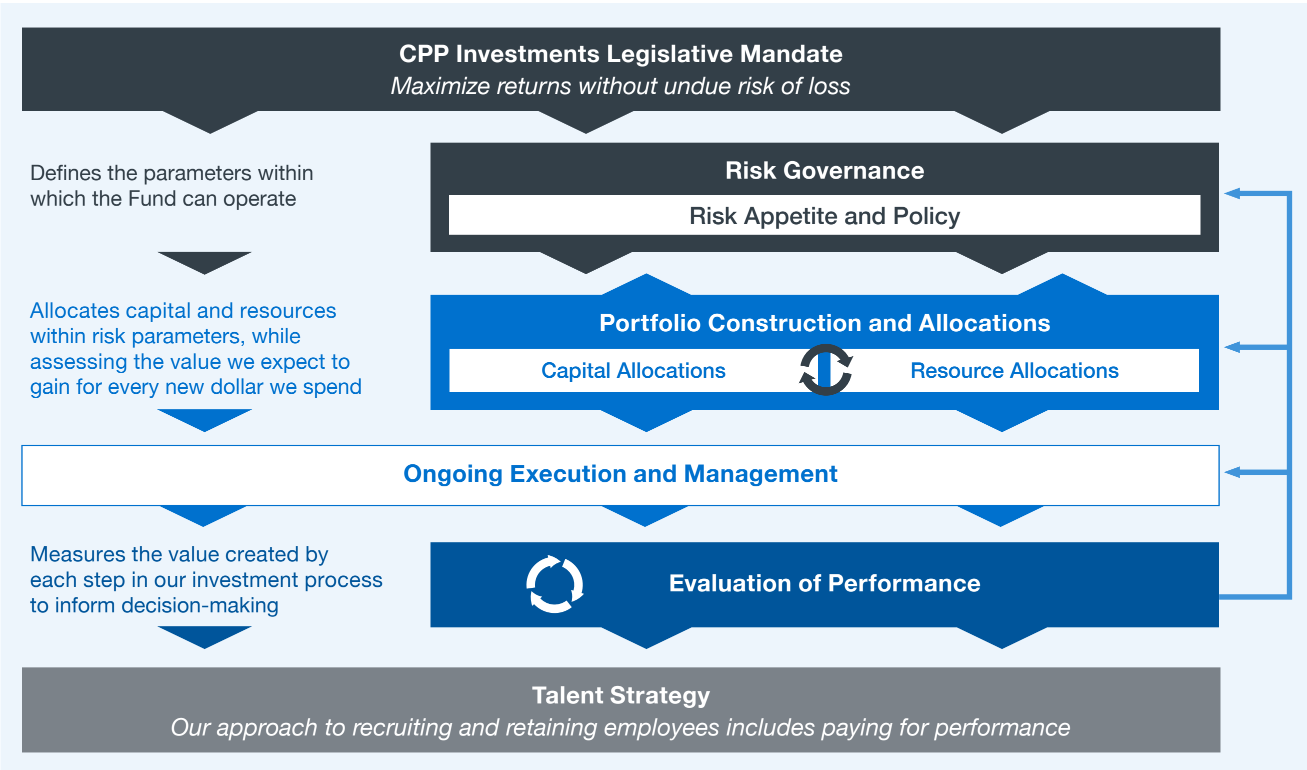
In 2019, we embarked on a multi-year strategy to build on our strengths and compete as a world-class global investment organization. We sought to invest in developing distinctive capabilities in areas that would allow us to create or preserve disproportionate value in how we invest and manage the Fund. The strategy was designed to help establish a strong foundation to support the growth of the Fund into 2025 and beyond by:

- **Enhancing our investment strategy**
- **Delivering efficient operations and distinctive capabilities**
- **Fostering an innovative, ambitious and agile culture**

Our 2025 Strategy set out a strategic roadmap for integrated and mutually reinforcing design decisions that support the Fund's ability to maintain our competitive edge, create value and deliver on our mandate. We aspire to be the standard by which the industry compares itself for effective investment and risk governance, talent management and superior investment performance. Through the multi-year execution of our 2025 Strategy, we have designed and implemented an operating framework which reflects our commitment to continuous improvement that will enable our pursuit of excellence.

Our operating framework enables our ability to generate value with a long-term focus. As illustrated below, the framework starts with our legislative mandate and cascades into how we govern and invest the Fund. It covers the end-to-end processes for how we set our appetite for risks, allocate capital and other resources, as well as manage the Fund on an ongoing basis. The continuous feedback loops from our ongoing management and evaluation processes allow us to iteratively learn from our experiences and adapt to an ever-changing investment landscape. The framework guides decision-making across the Fund, so that as an integrated whole, we can achieve more than the sum of our parts.

Our Operating Framework



We have made significant progress since our 2025 Strategy was approved by the Board in 2018. In the next fiscal year, we are concluding the implementation of our 2025 Strategy and have begun the transition to establish the next iteration of our strategic objectives. Our strategy will build on our existing areas of competitive differentiation to ensure CPP Investments delivers on its mandate and best serves the interests of CPP contributors and beneficiaries.

Management's Discussion and Analysis

Key Performance Indicators

Net assets

$570 Billion

Base CPP Net Assets

$546 Billion

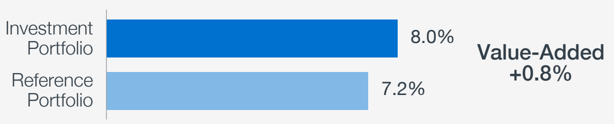
Additional CPP Net Assets

$24 Billion

	1-Year	5-Year	10-Year
Annualized Net Returns[1]	1.3%	7.9%	10.0%
Cumulative Net Income	$8B	$170B	$320B
Base CPP Net Returns	1.4%	8.0%	10.0%
Additional CPP Net Returns[2]	0.3%	5.6%	

Base CPP

Annualized 5-Year Net Returns and Value-Added

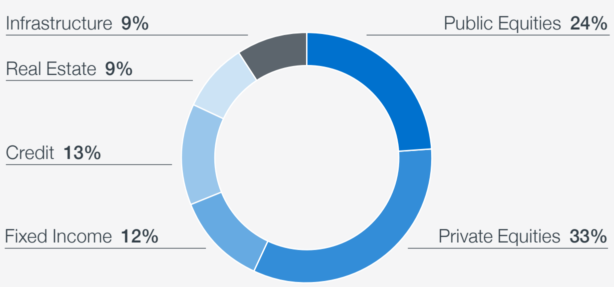


Additional CPP

Annualized Net Returns and Value-Added since 2019 inception

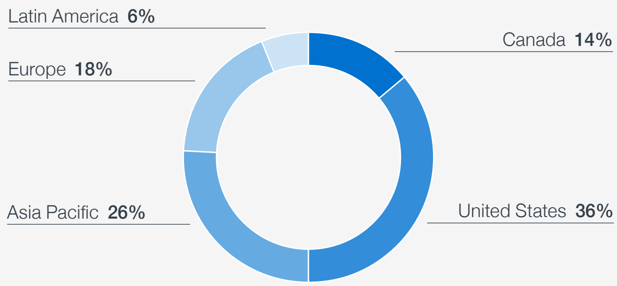
Asset Class Composition[3,4,5]

March 31, 2023



Geographic Composition

March 31, 2023



1. Net returns are reported net of all expenses.
2. Five-year net returns for the additional CPP are reported since its inception in 2019.
3. Fixed income consists of cash and cash equivalents, money market securities and government bonds, all net of financing liabilities. Public Equities include absolute return strategies and related investment liabilities.
4. As at March 31, 2023, the Real Assets investment department managed $52 billion of real estate, $52 billion of infrastructure and $32 billion of our private equity investments associated with sustainable energies. Collectively, these holdings represented 24% of net assets.
5. Credit consists of public and private credit investments of which $52 billion forms part of the Active Portfolio and $20 billion forms part of the Balancing Portfolio as at March 31, 2023, both managed by the Credit Investments department.

Information in this section provides analysis of the operations and financial position of the Canada Pension Plan Investment Board (CPP Investments) and should be read in conjunction with the Consolidated Financial Statements and accompanying Notes for the year ended March 31, 2023 (Financial Statements). The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the CPPIB Act and accompanying regulations. Return figures presented in this section are annualized and nominal, unless stated otherwise. Returns have been calculated using a time-weighted rate of return methodology. All figures are reported in Canadian dollars, unless stated otherwise.

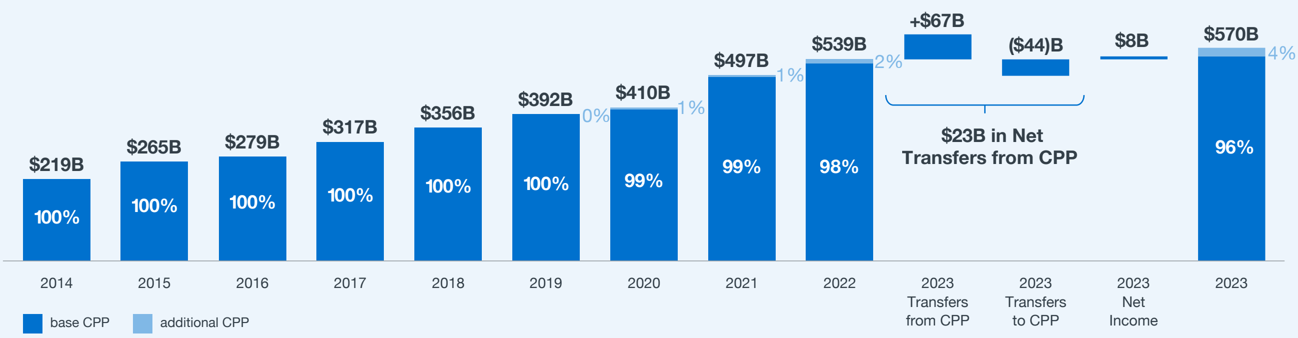
The disclosure of certain non-IFRS measures in this section is intended to provide readers with supplemental information that reflects Management's perspective on the Fund's performance and may not be comparable to similar measures disclosed by other institutions. Definitions of non-IFRS measures and a reconciliation to their comparable IFRS measures can be found on page 69.

Certain figures may not add up due to rounding.

Fund Composition and Performance

CPP Investments ended its fiscal year on March 31, 2023, with net assets of $570 billion, compared to $539 billion at the end of fiscal 2022. The $31 billion increase in net assets consisted of $8 billion in net income and $23 billion in net transfers from the Canada Pension Plan (CPP).

Net Assets of the Base and Additional CPP



The base CPP ended fiscal 2023 with net assets of $546 billion. This represented 96% of the Fund, compared to $527 billion (98% of the Fund) at the end of fiscal 2022. This $20 billion increase in net assets consisted of $8 billion in net income and $12 billion in net transfers from the CPP.

The additional CPP ended fiscal 2023 with net assets of $24 billion. This represented 4% of the Fund, compared to $13 billion (2% of the Fund) at the end of fiscal 2022. This $11 billion increase in net assets consisted of $331 million in net income and $11 billion in net transfers from the CPP. The net transfers to the additional CPP Investment Portfolio are expected to grow at a faster rate than those to the base CPP Investment Portfolio. This is due to the difference in net contribution profiles between the additional CPP and the base CPP.

Net Returns

	Fiscal 2023		Fiscal 2022	
	Net returns % (annualized)	Net income $ (cumulative)	Net returns % (annualized)	Net income $ (cumulative)
Base CPP				
1-year	1.4%	$8 billion	6.9%	$34 billion
5-year	8.0%	$169 billion	10.0%	$198 billion
10-year	10.0%	$319 billion	10.9%	$328 billion
Additional CPP				
1-year	0.3%	$331 million	2.8%	$147 million
Since January 1, 2019 inception	5.6%	$901 million	7.2%	$570 million

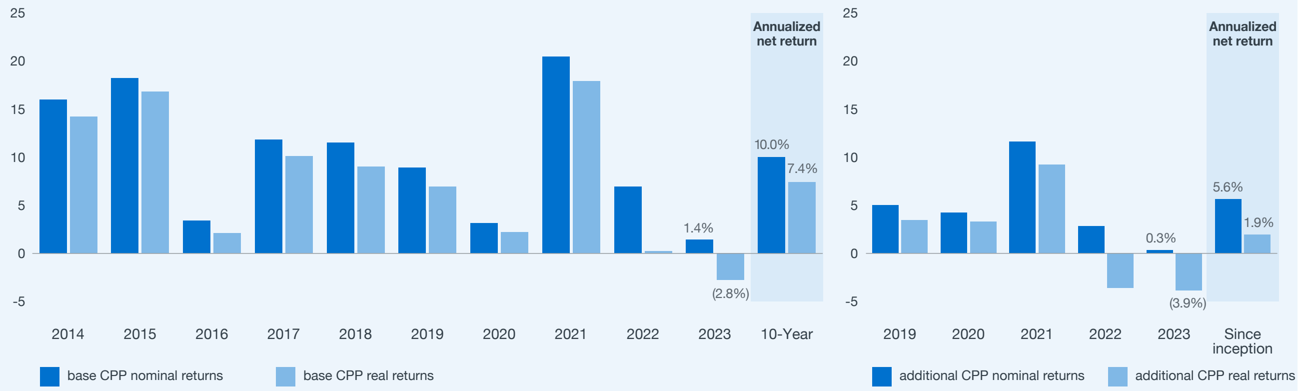
The Fund, which includes both the base CPP and additional CPP, achieved a total net return of 1.3% for the fiscal year. It had an annualized five-year net return of 7.9% and an annualized 10-year net return of 10.0%.

The base CPP delivered a net return of 1.4% for the fiscal year, driven by foreign exchange gains across all asset classes. This year's result contributed to a decrease in the annualized five-year net return to 8.0%, and a corresponding decrease in the annualized 10-year net return to 10.0%, compared to the prior fiscal year end.

The additional CPP delivered a net return of 0.3% for the fiscal year. This reflected its greater allocation to fixed income investments and their negative returns. This year's result contributed to a decrease in the annualized net return to 5.6% since the inception of the additional CPP in 2019, compared to the prior fiscal year end.

The additional CPP was designed with a different legislated funding target compared to the base CPP. Given the differences in their funding, the additional CPP is more sensitive to investment return uncertainty and thus carries a lower market risk target than the base CPP, resulting in a different portfolio composition. Correspondingly, the asset mix and performance of the additional CPP will differ from that of the base CPP.

Base CPP and Additional CPP Net Returns (%)



Generating returns to help support long-term financial sustainability

Every three years, the Office of the Chief Actuary (OCA) conducts an independent review of the financial sustainability of the base and additional CPP over a long period. Currently, that time period is the 75 years following 2021. The latest review as at December 31, 2021, noted that the base CPP Investment Portfolio realized net income of $165 billion over a three-year period versus an expectation of $62 billion. The additional CPP Investment Portfolio realized net income of $1,064 million over a three-year period versus an expectation of $421 million.

The Chief Actuary's latest projections are currently based on the assumption that the base CPP account will earn an average annual real rate of return of 3.69% above the rate of Canadian consumer price inflation, after all expenses, over the 75-year projection starting in year 2022. The projections also assume that the additional CPP account, which targets a lower level of risk, will earn an average annual real rate of return of 3.27%, after all expenses over the same time period.

When evaluating the base CPP's long-term financial sustainability, the OCA makes assumptions about the expected return of the base CPP over the next 75 years. The base CPP's actual 10-year historical real return has exceeded this expected return assumption.

The additional CPP real return since 2019 inception was 1.9% annualized at the end of this fiscal year. This result was lower than the OCA long-term assumption of 3.27%. However, the annualized return of the additional CPP since January 1, 2019 exceeded the OCA's assumptions for returns for that period, drawn from the 30th and 31st Actuarial Reports.

Market returns may vary over five-year and 10-year periods. For nine of the past 10 years, global equity market returns have been favourable relative to longer historical periods and inflation. In fiscal 2023, both global equity and fixed income returns were negative, and inflation increased. This contributed to the decline in long-term real returns compared to the prior fiscal year.

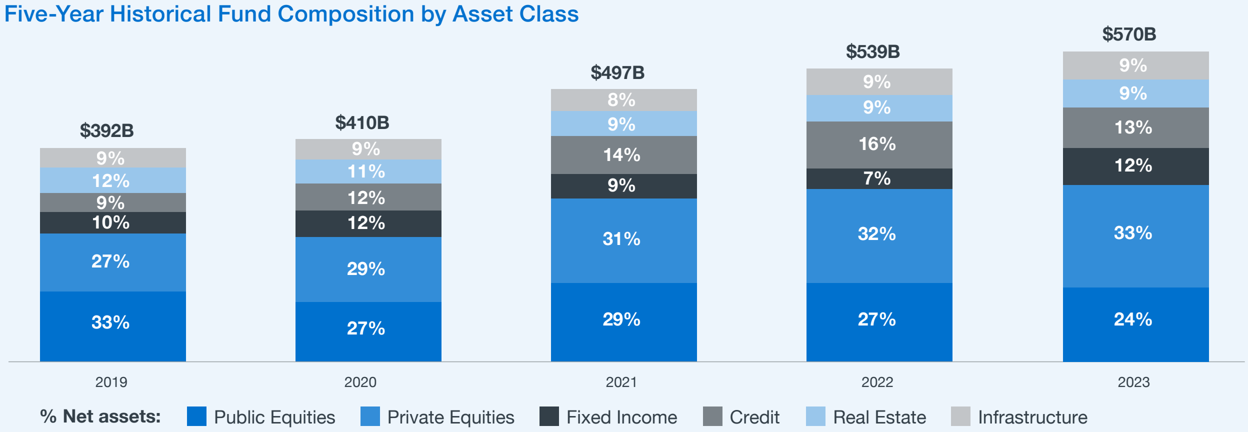
For more information, see sections outlining our investment approach on page 16.

CPP Investments Net Real Returns[1]

		Fiscal 2023	Fiscal 2022
Base CPP	5-Year	**4.6%**	7.1%
	10-Year	**7.4%**	8.6%
Additional CPP	Since 2019 Inception	**1.9%**	3.7%

1. The real return is the return after taking the impact of inflation into account.

Five-Year Historical Fund Composition by Asset Class



Five-year performance by asset class

Over the past five years, the Fund generated an annualized net return of 7.9%. While all asset classes contributed to our overall positive long-term performance, our investments in private and public equities were the primary drivers of these results. Private equities generated an annualized five-year net return of 14.8%, representing 52% of the Fund's total returns. Public equities generated returns of 6.7%, or 28% of total returns. This is consistent with the positive performance of global equity markets generally over the same period. Our performance was achieved despite a challenging fiscal 2023 that affected the performance of both private and public equity asset classes.

During this same five-year period, our fixed income investments produced a net return of 0.8%. Positive performance in fiscal 2019 and fiscal 2020 was partly offset in the years following the start of the COVID-19 pandemic. Fiscal and monetary policies during that period had a negative effect on government bond returns, particularly in developed markets. Towards the end of fiscal 2022, rising inflation led major central banks to respond with monetary tightening policies. This contributed to the underperformance of long-duration government bonds into fiscal 2023 as bond yields rose, and caused a reduction in the market value of these bonds and the corresponding annual and five-year returns.

The credit asset class generated a five-year net return of 3.4%, mainly driven by gains in the private credit portfolio which benefitted from tightening credit spreads for most of the period. Public credit assets were negatively impacted by rising interest rates in recent years, similar to government bonds.

Real estate investments generated a five-year net return of 2.9%. This reflected mixed results within the portfolio, and the negative impact of rising interest rates. Industrial assets benefitted from increased tenant and investor demand. This contrasted with retail and office investments, which were affected by the transition towards e-commerce and the impact of post-pandemic hybrid working trends.

Infrastructure generated a five-year net return of 8.1%. This result was influenced by investor demand in recent years for long-lived assets and the inflation-hedging characteristics of the asset class.

Fiscal 2023 performance by asset class

In fiscal 2023, the Fund generated a net return of 1.3% reflecting a series of trends that carried over from the previous year. The war in Ukraine, inflation and central banks' responsive measures, and the continued effect of the COVID-19 pandemic, all had adverse impacts on most asset classes in this fiscal year. Most notable was the underperformance of global public equity markets and fixed income in developed markets. Foreign holdings across all asset classes benefitted from the Canadian dollar's depreciation against most currencies, especially the U.S. dollar and euro, which led to foreign currency gains that more than offset the negative local returns on invested assets (refer to page 38).

Our public equity investments generated a net return of 0.3% in fiscal 2023. Public equities were impacted by wavering investor confidence given inflationary pressures throughout the year, which drove sharp central bank interest rate increases in most developed economies. Resultant concerns of slowing economic growth contributed to lower equity returns in key sectors, such as technology. However, equities in the energy sector gained over anticipated energy insecurity in Europe, driven by the war in Ukraine. The previous year's net return in public equities was predominately driven by positive performance in technology, energy and health care sectors.

Our private equity investments achieved a net return of 6.8% in fiscal 2023. The result reflected improved portfolio company earnings and outlooks in the renewable energy, health care, and industrials sectors in the U.S., Canada and Europe. These investments were positively impacted by the global energy transition, and the easing of COVID-19 restrictions which helped improve global supply chains. Conversely, investments in the consumer discretionary and technology sectors had weaker performance because of slower than expected business growth. This contrasted with double-digit returns in fiscal 2022, when increased demand for technology goods and services following the outbreak of COVID-19 benefitted the private equity asset class.

Our fixed income investments produced a negative net return of 0.8% in fiscal 2023, following losses also experienced in the previous fiscal year. This was primarily the result of losses on long-duration government bonds, which reflected the speed at which leading central banks increased interest rates to offset inflationary pressures.

Annualized Net Returns by Asset Class

	Fiscal 2023		Fiscal 2022	
	5-Year	1-Year	5-Year	1-Year
Public Equities	6.7%	0.3%	9.0%	1.3%
Private Equities	14.8%	6.8%	16.1%	18.6%
Fixed Income	0.8%	(0.8%)	1.4%	(3.8%)
Credit	3.4%	6.0%	3.4%	0.7%
Real Estate	2.9%	(1.2%)	5.0%	10.2%
Infrastructure	8.1%	5.6%	10.0%	10.8%
Total Fund[1]	**7.9%**	**1.3%**	**10.0%**	**6.8%**

1. The net returns of certain investment activities are only reported in the total Fund return and are not attributed to a particular asset class return. The Fund incurred a loss of $9 billion from currency management activities ($2 billion was earned in fiscal 2022) and a loss of $3 billion from cash equivalents and money market securities ($1 billion was earned in fiscal 2022). Both figures are excluded from Fixed Income. The Fund earned $1 billion from absolute return strategies (loss of $2 billion in fiscal 2022). This figure is excluded from Public Equities.

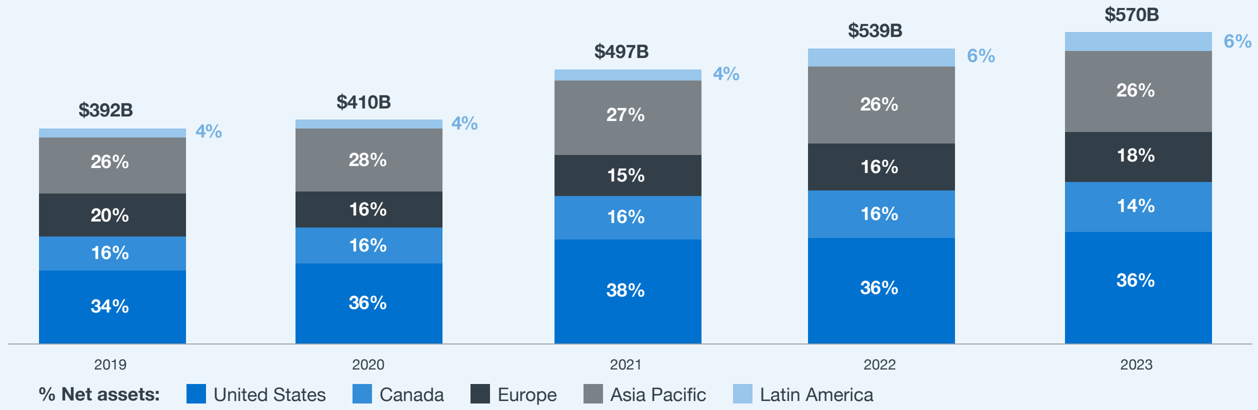
Our investments in the credit asset class include both private and public credit. Together, they delivered a net return of 6.0% in fiscal 2023. In the first half of the fiscal year, credit spreads widened in response to the monetary tightening policies pursued by central banks, concerns over rising inflation, and recession threats. This negatively impacted both private and public credit portfolios. In contrast, widening spreads experienced late in fiscal 2022 primarily impacted the public credit portfolio.

Our real estate investments delivered a negative net return of 1.2% in fiscal 2023. This follows double-digit returns in fiscal 2022, which was the result of the relaxation of pandemic-related restrictions across many economies. The performance this fiscal year reflected the negative impact of rising interest rates across most markets. Private real estate investments in the office sector were most impacted as a result of post-pandemic hybrid working trends. This was partly offset by gains in logistics assets. Publicly listed real estate investments experienced losses, influenced by the declines in global public equity markets.

Our infrastructure investments delivered a net return of 5.6% in fiscal 2023. The portfolio's stability of cash flows during economic uncertainty that tends to increase along with inflation partly mitigated the negative impacts from the increase in interest rates. In fiscal 2022, demand for long-term essential infrastructure services had increased due to a rebound in global economic activity, which contributed to returns in infrastructure investments.

The Fund's composition of net assets by asset class across investment departments is presented on page 49.

Five-Year Historical Fund Composition by Geography



Five-year performance by geography

All regions contributed positively to the Fund's five-year annualized net return of 7.9%, with investments in the U.S. accounting for 60% of these gains. Our investments in the U.S. generated an annualized net return of 9.8% for the five-year period and outperformed all other regions. This was mainly due to positive performance from both public and private equities that were driven by a low interest rate environment for many years, which contributed to increased economic activity. In Asia Pacific, our investments generated an annualized five-year net return of 5.1%, also driven by our equity investments in the region. Our Asia Pacific return for the prior five-year period was 8.0%. The decrease was largely due to China's zero-COVID-19 policies and the resulting negative impact on the economy.

From a compositional perspective, our exposure to emerging markets was 22% of net assets (or $123 billion) at the end of fiscal 2023. Our emerging markets investments are mostly held in the Asia Pacific and Latin America regions. These investments generated a five-year annualized net return of 5.4%. As part of our ongoing evaluation of portfolio composition, we are continually analyzing the level of exposure to emerging markets.

Fiscal 2023 performance by geography

In fiscal 2023, all regions generated positive performance. Investment returns across most regions benefitted from a weaker Canadian dollar, in particular our investments in the U.S. which returned 3.6%. However, the increase in interest rates in developed markets had adverse effects across multiple asset classes. Certain sectors were particularly impacted such as technology in the U.S., and towards the end of fiscal 2023, the regional banking sector in the U.S. and Europe. The Fund had no material exposure to the failed banks in these regions.

The Fund's Asia Pacific investments had a net return of 1.3% and were most affected by China's zero-COVID-19 policy, which was only relaxed in the fourth quarter of fiscal 2023. Investments in Europe generated a net return of 1.5% and were impacted by the ongoing war in Ukraine, a looming energy crisis, and inflationary pressures. In Canada, results were mixed with positive performance in energy sector investments partly offset by losses in fixed income investments. In Latin America, the Fund generated a return of 8.4%, mainly due to the appreciation of select currencies in this region against the Canadian dollar. The performance of infrastructure assets in Mexico and Peru also contributed positively, partly offset by negative returns in Brazil.

Annualized Net Returns by Geography

	Fiscal 2023		Fiscal 2022	
	5-Year	1-Year	5-Year	1-Year
Canada	4.9%	0.3%	5.2%	5.8%
United States	9.8%	3.6%	10.4%	11.9%
Europe	3.1%	1.5%	5.5%	0.6%
Asia Pacific	5.1%	1.3%	8.0%	(1.7%)
Latin America	6.0%	8.4%	6.7%	12.2%
Total Fund[1]	**7.9%**	**1.3%**	**10.0%**	**6.8%**

1. The total Fund returns include results of certain investment activities that are not attributed to any geographic area reported in this table. For example, it does not include a loss of $9 billion from currency management activities ($2 billion was earned in fiscal 2022), a loss of $3 billion from cash equivalents and money market securities ($1 billion was earned in fiscal 2022), and $1 billion earned from absolute return strategies (loss of $2 billion in fiscal 2022). For this geography-based presentation, total Fund net returns also include securities, such as swaps, forwards, options, and pooled funds, that have no country of exposure classification. The weight of these securities to total market value is 0.1% for fiscal 2023 (negative 0.5% in fiscal 2022).

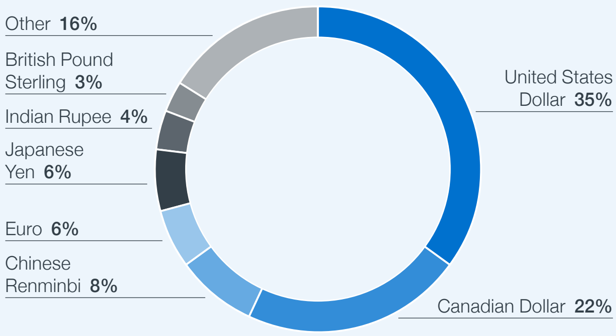
Impact of currency movements on Fund performance

At the end of fiscal 2023, foreign currency exposures represented 78% of the Fund and totalled $447 billion. The charts below show the underlying currency exposures of our net assets, and the impact this had on our net returns for each of the past five fiscal years.

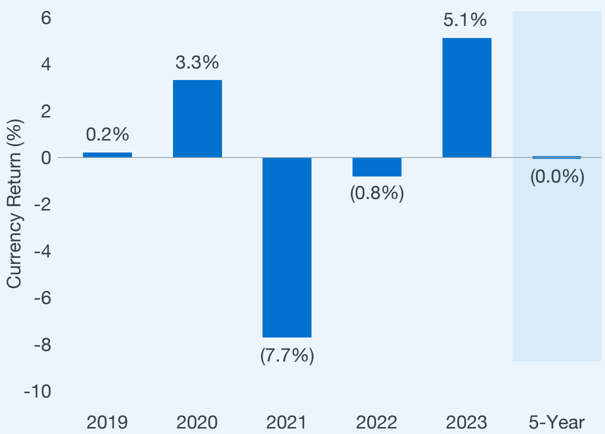
In fiscal 2023, the weakening Canadian dollar, particularly against the U.S. dollar, drove a foreign currency gain of $25 billion, which corresponded to a net return of 5.1%. The U.S. Federal Reserve's tightening of monetary policy influenced the appreciation of the U.S. dollar in fiscal 2023. Over the five-year period, foreign currency did not have an aggregate impact on the Fund's performance.

Currency Mix

March 31, 2023



Currency Impact



Delivering Long-Term Returns

The CPP is designed to serve today's contributors and beneficiaries while looking ahead to future decades and across multiple generations. Accordingly, long-term results are a more appropriate measure of CPP Investments' performance than quarterly or annual returns. Overall, the Fund's performance relative to the Reference Portfolio benchmarks (see page 33) can be measured in percentage terms or dollar terms. We refer to these as percentage value-added and dollar value-added, respectively. In each case, the figure is calculated net of all expenses. On a relative basis, the Fund delivered a percentage value-added of 1.3% or a dollar value-added of $2 billion this fiscal year. Over the five-year period, the Fund delivered an annualized percentage value-added of 0.8% or a dollar value-added of $7 billion. Over the 10-year period, the figure was 0.8% or a dollar value-added of $18 billion. Since inception of active management in 2006, the Fund earned an annualized percentage value-added of 0.6% or a dollar value-added of $21 billion. The compounding impact of the $21 billion of dollar value-added equates to $47 billion since inception of active management.

To better understand which of our decisions is adding the most value, we estimate the impact of our key investment decisions, as described on page 14. These decisions are:

- Targeting a higher level of market risk than the minimum required;
- Constructing a diversified portfolio of multiple asset classes, optimized through the use of leverage, at the targeted level of risk; and
- Pursuing investment selection through a variety of active strategies to generate incremental returns above and beyond what can be obtained from investing passively in public market indexes.

We evaluate the incremental impact of each of these key decisions over a five-year period:

Key Sources of Returns and Net Value-Added for the Five Years Ended March 31, 2023

	Reference Portfolios				
	Minimum Level of Market Risk	Targeted Level of Market Risk	Diversification and Leverage	Investment Selection	5-Year Total Returns
Annualized Net Returns	**4.6%**	**+2.5%**	**+(2.2%)**	**+3.0%**	**7.9%**
Cumulative Net Income	$97 billion	+$66 billion	+$(43) billion	+$50 billion	$170 billion

Annualized Reference Portfolios Returns: 7.1%

Dollar Value-added above the Reference Portfolios: $7 billion or +0.8% annualized

The simple two-asset class minimum-risk portfolios, representing the minimum level of market risk we believe we must take, generated an annualized nominal return of 4.6% in aggregate over the past five years. This was predominantly driven by the global public equities in this portfolio. Correspondingly, our decision to target a higher level of market risk added an incremental annualized return of 2.5% due to the higher level of global public equity content in our Reference Portfolios. The Reference Portfolios at the targeted level of risk generated an annual nominal return of 7.1% over the past five years.

We measure the impact of our decision to diversify and leverage the Fund's exposures beyond the two asset classes in the Reference Portfolios into a diversified mix of public market indexes. These indexes represent the asset exposures in our balancing and active strategies that could be delivered passively. Over the past five years, this measure of diversification and leverage reflected an annualized negative return of 2.2%. Note that this diversification and leverage value-added does not capture the impact of our decision to invest in private assets, which is captured under investment selection value-added.

The broad purposes of our diversification and leverage decisions are to:

1. *Broadly diversify the exposure of the Fund, beyond the two asset classes in the Reference Portfolios*. This includes extending investments into corporate bonds, real assets, and smaller capitalization equities. It also includes higher exposure to emerging markets, in both equity and fixed income assets, relative to the Reference Portfolios.
2. *Maintain the targeted risk level while using leverage to maximize expected Fund returns*. Diversification into these additional asset classes increases the expected return per unit of risk of the Fund. However, this diversification also generally reduces the risk of the Fund below its targeted level. We use leverage to re-risk the Fund to its targeted level of risk.

We believe that broad diversification will both reduce exposure to severe public equity market declines and add value over the long term. In a strong and prolonged uptrend in global public equity markets, the Reference Portfolios – dominated by public equities – should be expected to outperform a more broadly diversified portfolio at the same market risk level. However, given the cyclical nature of the market, we believe that these market conditions will not continue indefinitely. Over the past five years, leverage and diversification have had a negative effect on Fund returns. Two specific decisions have had negative impacts on value-added relative to the Reference Portfolios:

- The Fund had a substantially lower global equity content than the Reference Portfolios during a period in which the global public equities index component of the Reference Portfolios performed well, returning 8.2% per annum; and
- The increased allocations to all the other asset classes, enabled by leverage, experienced lower market returns in this particular period than the Reference Portfolios.

In addition, diversification across asset classes provides the types of assets that enable us to:

(i) Invest a significant proportion of the portfolio in private investments; and

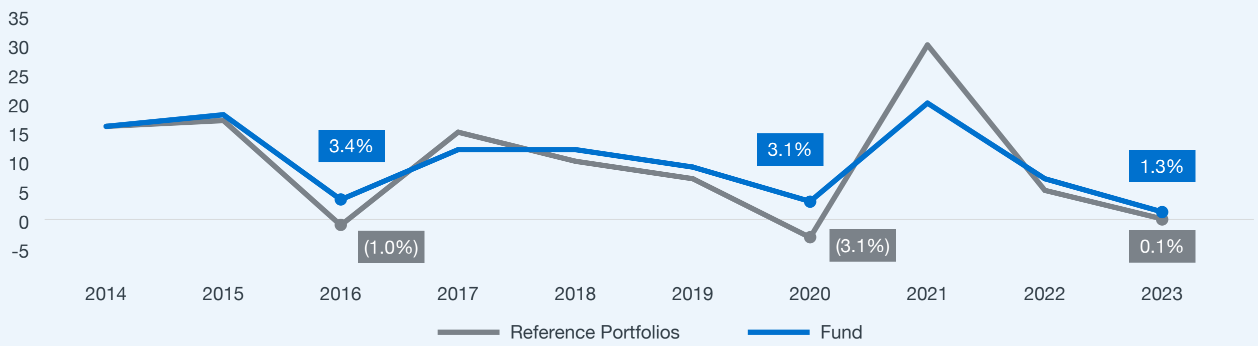
(ii) Maximize the use of our active strategies. These strategies seek to generate additional value through investment selection – the combination of security selection and sector / geography composition within each strategy.

As of March 31, 2023, these active strategies directly managed $339 billion in net assets and an additional $128 billion of the Fund's capital used to execute our absolute return strategies. The value gained or lost through active investment selection is measured against risk-comparable passive public market indexes for the types of assets. This enables an objective assessment of the contributions of each active strategy to total Fund performance. Over the last five years, investment selection added an annualized 3.0% of incremental value, net of expenses. Refer to page 48 for additional details on how the portfolio management activities of our investment departments contributed to the Fund's value-added returns.

Our decisions on leverage, diversification and investment selection combined are expected to increase returns over long periods of time covering both rising and falling global equity markets. Further, the Fund's more diverse mix is expected to mitigate, but not avoid entirely, the impact of severe equity market downturns. This resilience was evident in fiscal 2016, 2020 and 2023, as can be seen in the chart below.

Resiliency of the Fund During Historical Market Downturns

(1-year Fiscal, % returns)



Looking forward, given the now higher yields on fixed income and other lower risk investments, higher prospective returns can correspondingly be expected on these assets, offsetting the now higher financing expenses.

While not all key sources of return may yield positive results in every period, we believe our comparative advantages, as described on page 13, enable our ability to maximize returns without undue risk of loss. Our overall performance over the past five and 10 years, and since the inception of our active management strategy, further supports our belief that pursuing additional sources of returns can contribute positively to the long-term financial sustainability of the CPP.

Managing Risks to Safeguard Value

We monitor and manage all risks that could have a material impact on our ability to fulfil our mandate and achieve our strategic objectives. We recognize risk events can have both financial and reputation impacts, and we seek to manage both impacts within our stated risk appetite. For more information on how we manage risks, refer to the Strategy section, page 23.

Current risk environment – top and emerging risks

We operate in a dynamic and rapidly changing environment. These changes may affect our risk profile, risk management practices and ability to achieve our objectives. Top and emerging risks encompass those that could materially impact our financial results, financial and operational resilience, reputation or strategy. The following represent our top and emerging risks:

- **Inflation** remained a risk in fiscal 2023 as central banks continued efforts to combat it by tightening monetary policy. There are recent signs that inflation may have started easing in certain markets; however, the possibility of it remaining more persistent than expected continues to be a risk to the Fund given the potential impacts to asset prices and future real returns. We continue to study the potential impacts of inflation on the Fund, including the following potential downside scenarios:
    - Stagflation, where higher inflation and slower growth induce a severe recession;
    - More severe low- to mid-teen levels of inflation similar to those experienced in the 1970s; and
    - Continued further supply shock-driven inflation as a result of the continuing war in Ukraine.

  We continue to evaluate and monitor potential implications of these scenarios on our Investment Portfolios. We are also working with our portfolio companies to navigate the impact on their businesses to ensure value is preserved.
- **Sustainability-related factors** continued to be significant drivers of both risks and opportunities as capital markets continued to evolve how they integrate these factors into evaluating long-term performance. Climate change in particular presents a complex array of physical and transition impacts as the economy transitions to a low carbon future. We consider sustainability-related factors and integrate them into our investment decision-making where these factors are material to the investment. We use a range of tools and analytics to measure and monitor sustainability-related factors, both quantitatively and qualitatively. Refer to pages 65–67 for additional reporting on our sustainability-related metrics and our website for our latest Sustainable Investing Report.
- **Geopolitical uncertainty** remained a risk throughout fiscal 2023. Many developments in Canada and around the world could have significant implications for our investments and operations. For example:
    - U.S.-China and Canada-China relations remain tense, and uncertainty surrounding China's regulatory and policy environment could negatively impact our investments;
    - Ongoing supply chain issues are exacerbated by deglobalization, the war in Ukraine and U.S.-China tensions;
    - Heightened regulatory uncertainty over tax policy persists as governments continue to grapple with post COVID-19 budget deficits and the challenge of adopting some form of the global minimum tax rules proposed by the Organization for Economic Co-operation and Development; and
    - There continues to be policy debates in the Province of Alberta about the possibility of exiting the CPP and creating a provincial pension plan.

  We continue to monitor geopolitical developments and simulate the potential impacts that different scenarios could have on the Fund. This includes reviewing our risk management plans to ensure we remain within our risk appetite if adverse scenarios play out.
- **Talent management** and the challenges associated with attracting and retaining employees continued to be a risk in fiscal 2023. A highly competitive labour market, wage inflation, and employees' expectations of more flexible work arrangements (such as fully remote work) are not issues unique to CPP Investments. However, they have created headwinds for attracting and retaining talent. There are indications that external forces such as a softening labour market and a potential recession will mitigate this risk to some degree. Our focus on talent development will remain a key priority to build the capabilities of the organization while also improving employee retention.
- **Cyber security breaches** remained a risk given such breaches could result in investigation and containment costs, legal and regulatory fines, and negative reputation impact. Geopolitical tensions and new disruptive technologies that make it easier to launch attacks have exacerbated the situation. There has been an increase in external threats related to state-sponsored attacks, phishing attacks, malware, leakage of confidential data, and cyber fraud. We could also be exposed if our partners or service providers experience a cyber breach. We engaged a third party to assess the maturity of our information security capabilities as part of our efforts to continually improve information technology controls. Additionally, to help ensure our employees remain vigilant, we facilitated cyber exercises including a tabletop exercise with the Senior Management Team to test our preparedness. We also hold an annual "Information Security Month" to raise awareness of potential threats and our employees' responsibility to mitigate risks. Over the past few years, we have experienced cyber incidents that required investigation and remediation. To date, there have been no incidents that had a significant impact on CPP Investments.
- **Relative performance:** Our returns relative to the Reference Portfolios were positive this fiscal year and over the last five years on a cumulative basis. However, these relative returns can vary significantly year over year. Our key sources of returns, discussed on page 14, allow us to measure the impact of each part of our investment framework. This helps us to better understand the drivers of Fund performance over short- and longer-term horizons and evaluate our strategic choices. For further discussion of our results, see page 34.

Management of key risks

As we enhance our active management capabilities, we have also enhanced our risk management practices. We believe effective risk management adds to our comparative advantages and allows us to both generate and safeguard value. We regularly facilitate independent external reviews of our risk management practices and continually make improvements. In the sections that follow, we outline how we define and measure our key risks. We also discuss notable trends and our approach to managing these risks within our risk appetite.

Plan adjustment risk

Plan adjustment risk is an overarching concept that is considered in determining our risk appetite and can be impacted by any of the key risks we face as a Fund. It is an input into how we design our portfolio, target market risk and govern risk. We assess it as the probability of a material increase to the Minimum Contribution Rates (MCRs) applicable to CPP contributors, attributable solely to investment returns. MCRs are the lowest possible rates at which employees and employers in Canada could contribute to sustain the base CPP and the additional CPP over the next 75 years. These rates are calculated at least every three years in the triennial Actuarial Reports published by the Office of the Chief Actuary. See our website for the most recent Actuarial Report. They are impacted by a confluence of factors, including the actual and expected investment returns of CPP Investments, as well as many other factors such as real earnings growth, mortality rates and population growth.

While these broader Canadian demographic and economic factors are beyond our control, we regularly measure and monitor plan adjustment risk to ensure we do our part, through our investment performance, to support the long-term financial sustainability of the CPP.

Internally, we manage plan adjustment risk by first determining the appropriate level of market risk to target for the base and additional CPP, and then seeking to maximize returns at their targeted levels of market risk.

We expect plan adjustment risk to be incrementally lowered as we pursue active management. This reduces the likelihood that future MCRs may need to increase as a result of insufficient returns on the Fund, holding other actuarial assumptions constant. However, even in periods where the Fund outperforms the real returns actuarially assumed in assessing financial sustainability of the CPP, future contribution rates may have to be adjusted if the impact of non-investment factors (such as demographic trends) is sufficiently large.

Market and credit risk

Determining our market risk appetite is the single most important decision in building our long-term Investment Portfolios, as discussed on page 16. We express our targeted level of market risk in equity-debt risk (EDR) equivalency terms using the base and additional CPP Reference Portfolios. While EDR is an essential risk measure for the Fund, it does not fluctuate materially over any one year because we deliberately rebalance the Fund when it drifts too far from our targeted levels of market risk.

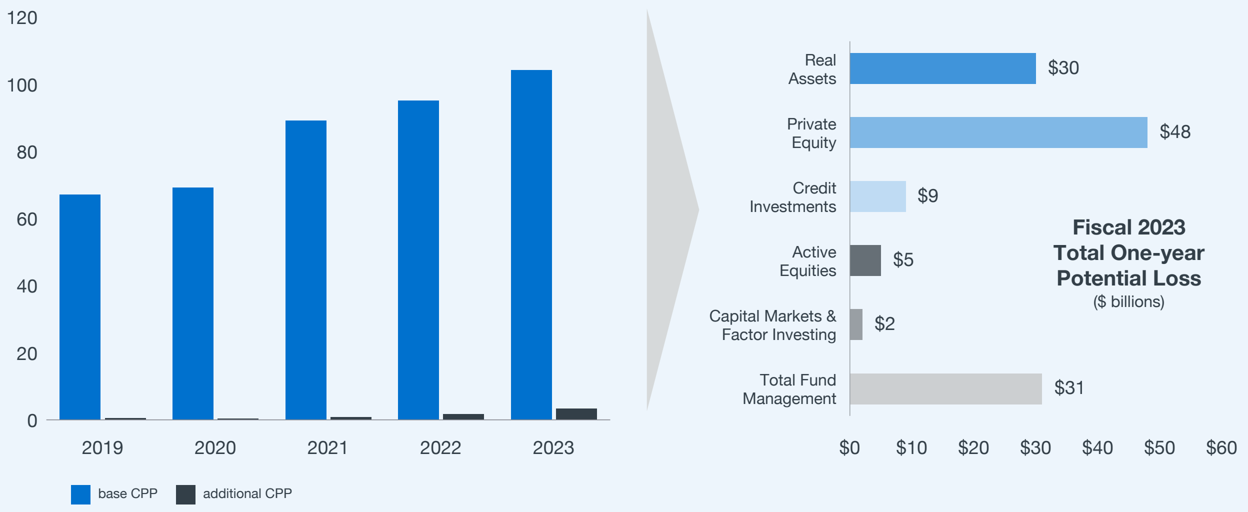
Given the multi-faceted nature of the market risks we face, we measure and monitor our risk profile using a number of different complementary risk measures. This includes our combined market and credit risk measure, which captures potential loss resulting from fluctuations in market prices and rates, direct exposure to a defaulted entity, indirect counterparty exposure, or deterioration of an entity's credit quality.

We measure the potential loss in our Investment Portfolios against our appetite for acceptable reported losses over both short- and longer-term time horizons. Given our targeted level of market risk, our one-year potential loss measures are all estimates of losses that we do not expect to exceed in 19 times out of 20. The graph on the next page outlines the one-year potential loss for the base and additional CPP Investment Portfolios over the last five years.

As at March 31, 2023, our one-year potential loss for the base CPP Investment Portfolio was estimated to be $104 billion or 19%. In fiscal 2022, it was estimated to be $95 billion or 18%. Our one-year potential loss for the additional CPP Investment Portfolio was estimated to be $3 billion or 13%, compared to fiscal 2022 when it was estimated to be $2 billion or 13%. The year-over-year increases in one-year potential loss are predominantly driven by the high volatility in public markets this fiscal year with most public equities and fixed income investments selling off in tandem reducing diversification benefits.

The total one-year potential loss for the Fund is estimated to be $107 billion or 19% of total Fund net assets. Each department's standalone potential loss measures shown in the chart on the next page are not additive across departments as the diversification of their activities has the effect of reducing total market risk. The largest contributors to total Fund one-year potential loss are the Total Fund Management and Private Equity departments. Refer to pages 50 and 58 for details.

One-Year Potential Loss
($ billions)



We seek to mitigate the risk of market and credit losses by investing across a wide spectrum of asset classes and investment strategies. As part of our risk management practices, we update our plan adjustment risk model to ensure our risk measurement methodologies and assumptions continue to be conceptually sound as market conditions and our investment strategies change.

We perform scenario analysis to assess the impact of potential stress events and identify potential vulnerabilities that may not be fully captured by standard risk measures and models. This includes how severe market and geopolitical events could affect the Investment Portfolios.

Below are examples of scenarios that are run and monitored on a regular basis:

- A repeat of the Global Financial Crisis (GFC) of 2008 – We estimate that if an event like the GFC were to recur, it would result in losses of approximately 15% or $83 billion, unchanged in percentage terms from the previous year. This estimated loss is within our risk appetite.
- Severe Stress scenario – It is a hypothetical worst-case scenario that aggregates several historical market stress events. This scenario also removes the foreign currency gains typically realized in past market stress events where losses were partially offset by the depreciation of the Canadian dollar against the U.S. dollar. If this more extreme scenario were to happen, we estimate that it would result in losses of approximately 21% or $121 billion, unchanged in percentage terms from the previous year. While this stress scenario is less plausible, it highlights the sensitivity of returns to foreign currency fluctuations and is actively monitored to ensure the estimated loss broadly remains within risk appetite.

Additionally, we ran an inflation scenario this fiscal year, which is a historical scenario that aggregates the events of 2022, encompassing both the war in Ukraine and inflation-driven shocks. We also perform sensitivity analysis on specific components of market risk including equity, interest rate, credit spread and currency risks. See Note 8 to the Financial Statements on page 121 for details. In addition, we monitor standalone measures for credit risk, including counterparty exposures and potential losses due to defaults and credit rating deterioration. See Note 9 to the Financial Statements on page 123.

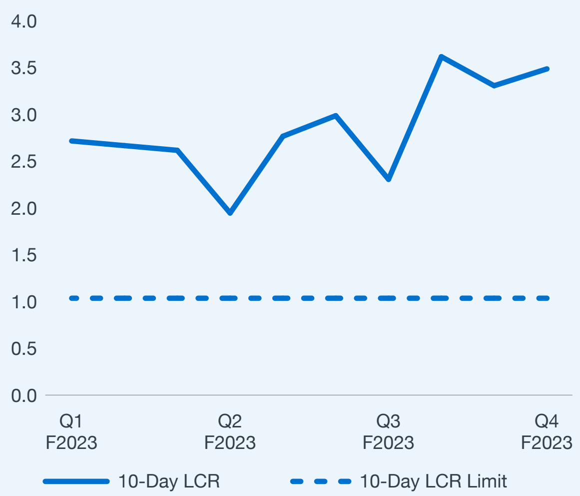
Liquidity and leverage risk

Our liquidity and leverage risk increases as we pursue active investment selection and use leverage to diversify the Fund beyond our Reference Portfolios. We define liquidity risk as the risk of incurring unacceptable losses while obtaining the funds needed to:

- Meet payment obligations as they become due;
- Fund new investments; or
- Rebalance our portfolio in periods of stress.

Leverage risk is a related concept, which we define as the risk of excessive financial obligations that could heighten market and liquidity risks during periods of stress.

10-Day Liquidity Coverage Ratio (LCR)



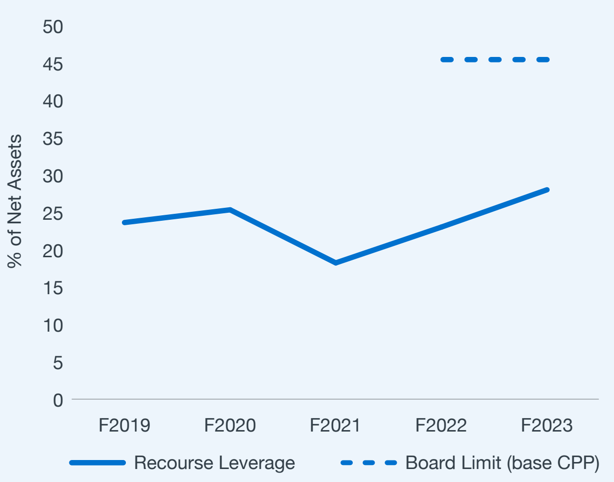
We manage short-term liquidity risk through the liquidity coverage ratio. The 10-day liquidity coverage ratio measures the amount of available cash and liquid assets relative to our CPP and investment obligations over any 10-day period, calibrated to include cash outflows in periods of market stress. As of March 31, 2023, the 10-day liquidity coverage ratio was 3.5, well above the minimum liquidity requirement of 1.0. See Note 10 to the Financial Statements on page 124 for additional details on liquidity risk.

We manage our longer-term liquidity risk by maintaining sufficient amounts of liquid assets that can be converted into cash to meet the Fund's liquidity needs. The liquidity coverage ratio acts as a minimum level of liquidity and is an input into the Fund's long-term liquid capital management process. It is an important factor in determining our optimal long-term liquidity target, which governs the amount of liquid capital the Fund seeks to maintain over a five-year horizon.

We define leverage as the amount of borrowed funds and synthetic financing used to increase the amount of physical and synthetic assets in which we invest. Our borrowed funds consist of medium- and long-term debt, commercial paper and secured borrowing where CPP Investments pledges collateral. Synthetic financing includes the notional value of derivatives, primarily swaps and futures. Leverage monitored at the Fund level includes both recourse and limited recourse measures. Recourse leverage is a notional-based measure of leverage with direct recourse to CPP Investments, which represents the net amount of financing used by CPP Investments to increase its investment exposure. This is separate and distinct from the Fund's use of limited recourse leverage which includes debt issued through our investment holding subsidiaries that only has recourse to specific investments held within these subsidiaries.

Our leverage risk limit, which is approved by the Board of Directors, is based on the use of recourse leverage. An historical five-year trend for recourse leverage is shown in the chart below.

Recourse Leverage



While the amount of recourse leverage as a percentage of net assets fluctuated between 23% and 28%, our use of recourse leverage in dollar terms has increased from $91 billion in fiscal 2019 to $157 billion in fiscal 2023, directionally in line with the growing size of the Fund. Our Board-level limit on the use of recourse leverage is 45% of net assets for base CPP and 30% of net assets for additional CPP. This is reviewed each year, in line with our annual review of risk appetite. See Note 10 to the Financial Statements on page 124 for additional details.

Operational risk

Pursuing incremental returns through investment selection increases our operational risk profile, given the skilled personnel and more sophisticated investment processes, data and systems required to operate our investment departments. We define operational risk as the risk of loss due to actions of people or inadequate or failed internal processes or systems from either internal or external factors. Operational risk can lead to direct and indirect financial losses resulting from operational inefficiencies, regulatory sanctions or penalties, and reputation impacts. It can also impact our ability to manage other key risks.

Our operational risk profile was relatively unchanged over the past year based on our review of internal audit findings, operational incidents, and regular monitoring of key risk indicators. We have not experienced any notable increases in operational incidents. As discussed on page 41, cyber security and talent management remain top risks. We continue to manage these risks by performing third-party maturity assessments and proactively engaging with our employees, among other measures.

Each member of the Senior Management Team bears primary accountability for managing operational risks within their department (i.e., first line of defence). We design and implement internal controls to manage our operational risks within our risk appetite. First line management of operational risks is regularly subject to review by our second line oversight functions and our third line internal audit team. We also conduct an annual review of internal controls over financial reporting as part of the CEO/CFO certification described on page 68. Every year, our external auditors independently audit our internal controls over financial reporting, providing an opinion as to their effectiveness (see the Independent Auditor's Report – Internal Controls over Financial Reporting on our website). An independent special examination is also performed at least every six years as described on page 11.

Regulatory and legal risk

Pursuing incremental returns through investment selection also increases our regulatory and legal risk profile as a result of more complex deal structures, particularly in private markets, and the number of additional geographies in which we implement our active strategies. We define regulatory and legal risk as the risk of loss due to changes in, or failing to comply with, applicable laws, regulations, rules, contractual obligations or our internal policies as well as internal and external fraud. Failure to comply could result in fines, regulatory sanctions, other liabilities and/or harm to our reputation.

Our regulatory and legal risk profile was relatively unchanged during the fiscal year. However, increased focus by Western governments on national security as part of foreign direct investment reviews, uncertainty from changing tax rules, greater use of sanctions and rising geopolitical tensions have increased the potential for future adverse regulatory or legal impacts. We employ a range of strategies to seek to manage these and other legal and regulatory risks, including conducting due diligence, monitoring existing investments, seeking appropriate protections and risk sharing arrangements, and actively engaging on regulatory and geopolitical developments to create tailored responses and risk management plans. We monitor emerging legal and tax issues as well as regulatory changes, such as developments in securities regulations, foreign direct investment requirements, sanctions laws, and data privacy, and adjust our risk management approach when appropriate. We also seek input and advice from external counsel to keep us informed of emerging issues.

Our legal, compliance and tax groups support the management of legal, regulatory compliance and tax risks across all aspects of our investment and organizational activities. These groups support the identification and management of investment and enterprise-related regulatory, tax and legal risks, with advice delivered directly and through use of high-quality external advisors globally. Our risk-based compliance program is designed to promote adherence to applicable laws and regulations worldwide. Furthermore, we aim to mitigate our tax risk by adhering to the controls and procedures embedded in our internal policies. Additional information on our tax strategy and risk management approach is available on our website.

Strategic risk

Strategic risk is the risk that we make inappropriate strategic choices, are unable to implement our strategic decisions, or are not sufficiently responsive to changes in the external environment.

Effectively monitoring and managing strategic risk is critical to achieving our objectives as we take additional risk and incur additional costs to pursue active management for the Fund.

Our strategic risk management processes include:

- Incorporating review of our strategic choices as part of our annual portfolio design activities; and
- Periodically conducting strategic deep-dive analysis in response to changes in both our internal and external environment. Over the last year, these helped the Fund assess key strategic questions through:
  - Conducting an external scan to understand how the competitive landscape is evolving as it relates to both our investment strategies and global operations;
  - Performing an internal scan to identify noteworthy areas of strength, as well as opportunities for improvement in our processes and systems;
  - Reviewing our approach to emerging markets noting the need to continuously reassess given the rapidly evolving geopolitical landscape, such as the evolving relationships between Canada, the U.S. and China; and
  - Reviewing our approach to assessing and managing the risks related to sustainability-related factors, including climate change and our net-zero commitment. See page 22 for additional details on our net-zero commitment and pages 66 and 67 for reporting on related metrics.

We also perform annual in-depth Investment Portfolio reviews, as described on page 20. Key learnings from these reviews help to inform our future capital and resource allocations. We manage strategic risk as a continuous process, in line with our operating framework as described on page 32. This approach allows us to manage the Fund with a long-term focus, since we are able to regularly challenge our internal views and either reaffirm our strategic choices or adapt our approach.

Financial and reputation impacts to CPP Investments

The key risks listed above can have both financial and reputational impacts:

- **Financial** impacts refer to potential monetary losses to CPP Investments and can take many forms, including investment losses, unplanned expenses, and regulatory fines. The higher we set our risk target, the higher the long-term expected returns, but also the greater the shorter-term volatility and potential for reported losses. For details on how we manage and mitigate potential financial impacts, refer to our Total Portfolio Investment Framework. The framework describes how we seek to deliver on our mandate for current and future generations. See page 16.
- **Reputation** impacts refer to the loss of CPP Investments' credibility and brand value due to internal or external factors and is often related to and/or a consequence of the other key risks. Harm to our reputation might lead to weakened public trust, reduced support from the CPP's federal and provincial government stewards, more intrusive oversight, political risk, diminished investment opportunities or reduced access to talent. Any harm to our reputation could also have financial impacts. The responsibility to protect our reputation extends to every employee, our entire Management team as well as the Board of Directors – it is embedded in our organizational culture. Our reputation management strategy involves an integrated approach to anticipating and managing issues. We continue to build our reputation and brand proactively with key stakeholders globally to support our business objectives and mitigate risk. The Senior Managing Director & Global Head of Public Affairs and Communications is responsible for the Fund's reputation management strategy and for the implementation of our reputation management programs. We maintain formal processes to understand and assess potential reputation impacts associated with our investments as well as macro reputation issues, including the top and emerging risks mentioned on page 41 that affect the organization as a whole. We escalate to the Board of Directors emerging risks and issues with the potential to materially impact our reputation as they arise.

Managing Costs as We Pursue Value

In accordance with our mandate, we seek to maximize returns without undue risk of loss. This objective guides our decision-making, whether it is creating a new active strategy or investing in the technology required to enable that strategy. As discussed in our value management philosophy on page 27, we incur costs when we are sufficiently confident this will generate incremental returns for the Fund or reduce undue risk. Any decision to either carry out activities with internal resources, or to do so through external partners, is an economic calculation we make in the best interest of the Fund.

Costs to invest the Fund		What does it pay for?	Why do we incur these expenses?
Operating Expenses	Personnel Expenses	Total compensation for all employees, including base, incentive pay and benefits.	To employ people with the requisite skill sets to execute and manage our chosen investment strategies.
	General and Administrative Expenses	Technology, data services, professional services, premises and equipment and other general expenses.	To maintain the general supporting infrastructures and services necessary for the Fund's ongoing operations.
Investment-Related Expenses	Management Fees	Fees charged by external fund managers, based on committed or invested capital.	To employ external fund managers to source and manage investments.
	Performance Fees	Fees charged by external fund managers, based on returns that exceed a set rate of return.	To align the interests of external fund managers and CPP Investments through profit sharing.
	Transaction-Related Expenses	Legal and tax advisors, investment banks, consultants, custodians and trading commissions.	To support deployments, dispositions, ongoing transactional activities and maintenance of an investment in public and private markets.
	Taxes	Taxes on income from outside Canada and indirect taxes.	To diversify the Fund across different geographies where the Fund is subject to different types of taxes.
	Financing Expenses	Interest and other expenses that are incurred when borrowing funds or securities.	To enable diversification at our targeted level of market risk and deployment of a wide range of active strategies.

Our commitment to accountability and transparency

We hold ourselves accountable to a high standard in providing transparency. Our disclosures reflect the combined expense profile we use internally to assess the efficiency and effectiveness of our resource allocation decisions. These disclosures are in addition to those required by the IFRS.

Combined expense profile for fiscal 2023

The combined expense profile of CPP Investments includes:

1. Expenses disclosed in accordance with IFRS totalling $4,118 million, as presented in the Financial Statements on page 95.
2. Expenses incurred by investment holding subsidiaries, as discussed in Note 5 on page 117 of the Financial Statements. Such subsidiaries are managed by CPP Investments to hold investments, however, in accordance with IFRS, they are not consolidated in the Financial Statements.
3. Fees associated with the use of external investment managers, which are substantially embedded within the external funds and joint venture arrangements in which we invest, as discussed in Note 6 on page 117 of the Financial Statements. This supplementary disclosure includes external performance fees paid in the year to private equity fund managers and public hedge fund managers.

		Supplementary Disclosures[1]			
($ millions)	Expenses Reported in Accordance with IFRS	Expenses Incurred by Holding Subsidiaries	Fees Embedded within Investments	Fiscal 2023 Combined Expense Profile	Fiscal 2022 Combined Expense Profile
Personnel	1,038			1,038	1,013
General and Administrative	502			502	415
Operating Expenses	**1,540**			**1,540**	**1,428**
Management Fees	19		1,440	1,459	1,294
Performance Fees	71		1,694	1,765	2,386
Transaction-Related Expenses	295	121		416	567
Taxes	46	140		186	292
Investment-Related Expenses	**431**	**261**	**3,134**	**3,826**	**4,539**
Financing Expenses[2]	**2,147**	**208**	**–**	**2,355**	**(16)**

1. These supplementary disclosures of expenses do not impact our net returns or net income as reported on the Consolidated Statement of Comprehensive Income. The income as reported on the Consolidated Statement of Comprehensive Income is net of these expenses.
2. Financing Expenses in fiscal 2022 contributed income of $136 million driven by gains in interest rate swaps that benefitted from a shift in yield curves in the fourth quarter offset by $120 million in expenses incurred by holding subsidiaries.

Combined expense profile for fiscal 2023

Operating expenses

Operating expenses primarily represent the expenditures of employing skilled professionals to manage and support our Fund's active management investment activities, maintaining our global operations, and performing risk management and governance activities. These expenses are driven by our decisions on how to develop and maintain a professional investment management organization. Operating expenses were $1,540 million in fiscal 2023 compared to $1,428 million in fiscal 2022. The 8% growth in operating expenses over prior year was driven by a 2% increase in personnel expenses and 21% increase in general and administrative expenses as noted below.

Rolling Five-Year Operating Expenses as % of Net Assets
(basis points)

Personnel expenses were $1,038 million in fiscal 2023 compared to $1,013 million in fiscal 2022. The 2% increase was driven by an 7% increase in average full-time staffing, partially offset by 6% lower incentive compensation due to the downward impact of fiscal 2023 performance on the 5-year incentive target as discussed on page 73. Our personnel expenses are directly driven by the types of active strategies we choose to pursue. This requires us to hire the people with the requisite skill sets to enable and conduct these activities. We design our total compensation packages such that a significant portion is variable. A portion is also deferred for our more senior employees. We compensate our employees if they meet or exceed their performance targets and objectives. See page 28 for details. Relative to the size of the Fund, personnel expenses represented an average of 19 cents for every $100 of net assets in fiscal 2023. That is slightly lower than the five-year average of 20 cents for every $100 of net assets.

General and administrative expenses were $502 million in fiscal 2023 compared to $415 million in fiscal 2022. The 21% increase is mainly due to investments in technology and data, the cost of developing our investment science capabilities and supporting other strategic initiatives. A return to more typical travel-related expenditures after the pandemic subsided also contributed to the increase.

Investment-related expenses

Investment-related expenses primarily represent the expenditures associated with our investment selection decisions, including the proportion of the portfolio that is externally managed. In any given year, investment-related expenses may be volatile as they can be driven by short-term market activity and/or changes in fair value of investments.

Management fees were $1,459 million in fiscal 2023 compared to $1,294 million in fiscal 2022. The higher expense in fiscal 2023 was attributable to an increase in average net assets being managed by external fund managers.

Performance fees were $1,765 million in fiscal 2023 compared to $2,386 million in fiscal 2022, reflecting fewer realization events in the private equity portfolio. That was due to lower transaction activity in fiscal 2023 compared to the prior year. This was offset by a net increase in fees paid to hedge fund managers, reflecting the delivery of returns which generally exceeded market comparatives. Performance fees are a form of profit sharing between CPP Investments and the external investment managers we employ. These fees are only incurred when our realized returns exceed a pre-determined rate of return.

Transaction-related expenses were $416 million in fiscal 2023 compared to $567 million in fiscal 2022. The 27% decrease was largely due to fewer private market transactions, reflecting challenging market conditions that impacted those asset classes in this fiscal year (see page 36). Compared to last fiscal year, the number of transactions decreased 33% for Real Assets and 17% for Private Equity. Given their nature, transaction-related expenses vary from year to year according to the number, size and complexity of our investing activities.

Taxes were $186 million in fiscal 2023 compared to $292 million in fiscal 2022. The net decrease in taxes of 36% was largely attributable to lower tax on capital gains due, particularly on Indian public equities. Taxes include those incurred on realized income and gains, in addition to estimates of future taxes that may be payable when investments are ultimately sold. While CPP Investments is exempt from income tax in Canada, the Fund is subject to tax on its investment income across many international jurisdictions and to harmonized sales tax in Canada. Refer to our website for additional details on CPP Investments' tax strategy.

Financing expenses

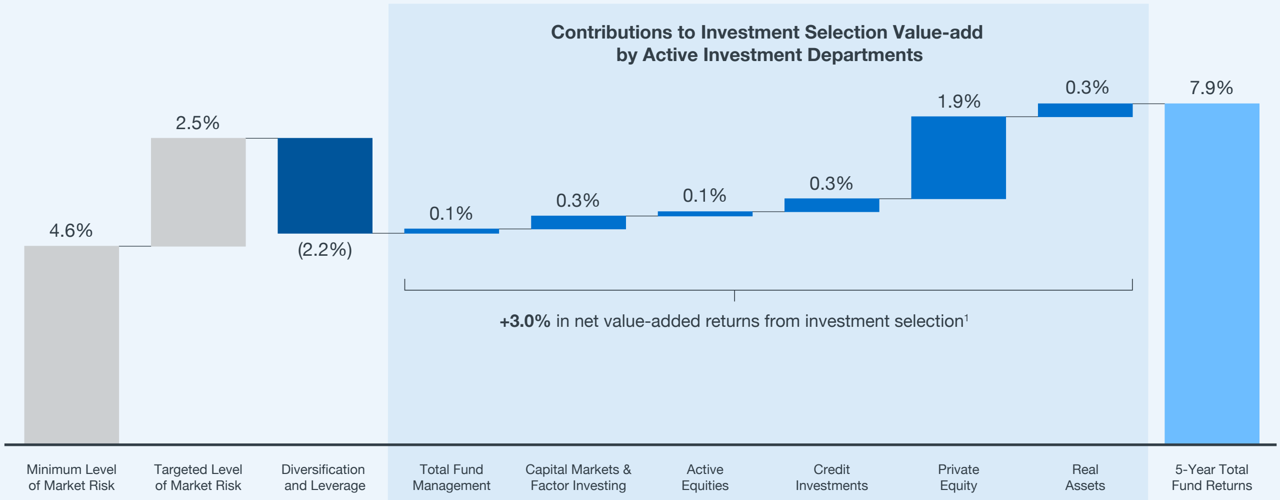
We incur financing expenses on the leverage used to enable improved diversification at a target level of risk. It also allows the deployment of a wide variety of active strategies that contribute to investment selection value-added for the Fund as discussed on page 48.

Financing expenses were $2,355 million in fiscal 2023, compared to ($16) million in fiscal 2022. The increase of $2,371 million over the prior year was primarily driven by a higher average borrowing rate of 2.1% and higher average amount of financing-related liabilities in fiscal 2023. The increase in average borrowing expense reflected rapidly rising interest rates during fiscal 2023, when the U.S. Federal Reserve raised interest rates from 0.5% at the end of fiscal 2022 to 5.0% as of March 31, 2023. The increase is also driven by an increase in the average amount of financing-related liabilities to $110 billion in fiscal 2023 from $87 billion in fiscal 2022. In fiscal 2022, financing expenses, net of income of ($16) million consisted of $120 million in expenses offset by income of $136 million driven by gains in interest rate swaps.

Investment Department Performance

Refer to page 39 for additional details of the five-year performance of the Fund's sources of returns. This section discusses the value-added contributions of each active investment department, in accordance with their accountabilities.

Sources of Annualized Net Returns for the Five Years Ended March 31, 2023



1. The measurement of investment selection value-add is in local currency terms.

Contributions to five-year returns by the Total Fund Management department

The Chief Investment Officer (CIO) is accountable for designing the base CPP and additional CPP Strategic Portfolios to seek to maximize Fund returns without undue risk of loss. See page 19 for further discussion of Strategic Portfolios. This includes recommending market risk and leverage targets as well as determining how we pursue diversification and leverage as a Fund across our active and balancing investment strategies.

Over the last five years, the incremental returns resulting from the decision to target a higher level of market risk than the minimum necessary to sustain the base CPP and additional CPP added an annualized 2.5% (or $66 billion total incremental value to the Fund). Note that incremental returns from higher risk appetite are highly dependent on global equity market returns, which are often volatile on a year-to-year basis and can vary widely even over five-year periods.

Our decisions to diversify across asset classes and geographic exposures, facilitated by the use of leverage, detracted an annualized 2.2%. However, asset class diversification enables us to invest in the distinct types of assets that are managed in our active investment strategies. Our active management within these portfolios resulted in an annualized 3.0% of net value-added returns above their respective public index benchmarks. This result was attributable to the decision to invest in private assets, and the overall portfolio composition of each active strategy as well as the individual investment selections within them.

The CIO is focused on and accountable for maximizing total returns from all sources on an integrated basis. In particular, asset class diversification is a necessary prerequisite to maximizing value-added returns from private asset allocations and investment selection within strategies, our most impactful source of incremental returns over the past five years.

Maximizing total returns for the Fund as a whole is done in part by determining the nearer-term and longer-term capital allocations towards our diverse active and balancing strategies as well as the corresponding funding to be raised through our financing strategies. For example, when the CIO allocates more capital towards an active strategy that successfully generates higher value-add through investment selection, then the whole Fund stands to benefit. As part of our investment process, the Balancing Portfolio acts as a completion portfolio to rebalance the Fund back to our targeted level of market risk, leverage and diversified exposures.

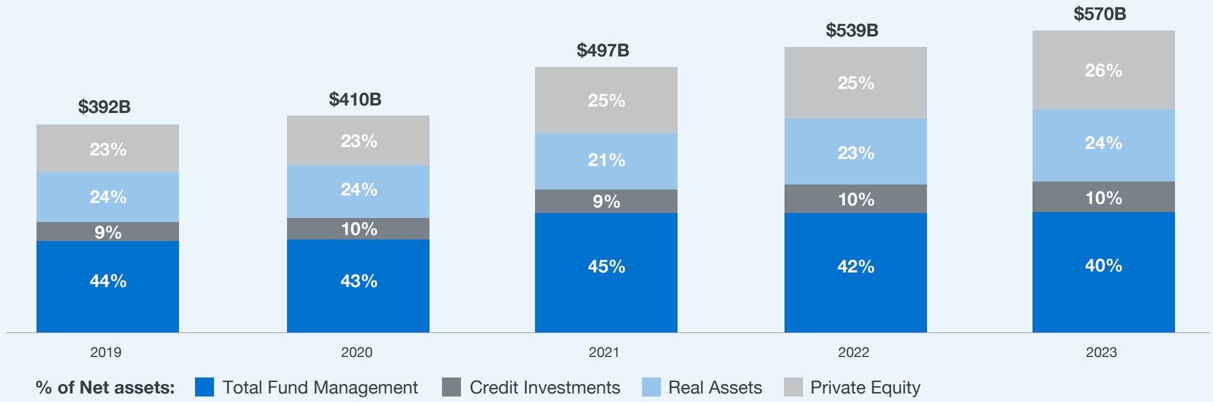
Contributions to five-year returns by the active investment departments

On a consolidated basis, active investment departments generated 3.0% in annualized net value-added returns above what could have been obtained from comparable public market benchmarks over the past five years. The value-added by each active investment department is measured in local currency terms and further discussed on the following pages.

Consistent with our focus on long-term performance, we evaluate both our return and cost profile predominantly over a five-year horizon to assess the underlying economics of our decisions. This is supported by our value management philosophy as outlined on page 27, which helps provide further transparency over the strategic drivers of the Fund's long-term cost profile.

Excluding our financing expenses, approximately 90% of our expenses over the past five years have been incurred by our active strategies to pursue value-added returns from investment selection. Correspondingly, over the past five-year period, the additional value delivered by these strategies more than offset the expenses incurred.

Net Assets by Investment Department[1]



1. The combined net assets of Active Equities and Capital Markets & Factor Investing largely utilize long/short strategies and represent less than 1% of the net assets in each of the five years.

Our Active Portfolio includes the Capital Markets and Factor Investing, Active Equities, Credit Investments, Private Equity, and Real Assets departments. Over the last five years, the Active Portfolio delivered an annualized net return of 10.6%. At the end of fiscal 2023, it comprised 60% of the Fund's total net assets. This includes returns from the long/short strategies managed by the Capital Markets and Factor Investing and Active Equities departments. The Balancing Portfolio, managed by the Total Fund Management department, consists of liquid assets that act as a completion portfolio for the Fund. It ended fiscal 2023 with $228 billion in net assets. It delivered an annualized net return of 4.7% over the last five years. Its lower returns are largely accounted for by its much heavier weight in fixed income assets compared to the Active Portfolio. The Active and the Balancing Portfolios serve important but very different roles in the Fund. For more details about the Balancing Portfolio see page 20.

The Fund's fiscal 2023 adjusted income statement and year-end asset class composition across investment departments is presented below.

Adjusted Income Statement by Investment Department

($ millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Total Fiscal 2023	Total Fiscal 2022[2]
Gross Income	(7,277)	4,422	(1,015)	4,364	7,876	7,182	15,552	40,366
Expenses	2,469	1,776	325	485	1,811	855	7,721	5,951
Net Income	**(9,746)**	**2,646**	**(1,340)**	**3,879**	**6,065**	**6,327**	**7,831**	**34,415**

2. Certain comparatives have been reclassified to conform to the current year's presentation.

Fiscal 2023 Year-end Asset Class Composition Across Investment Departments

($ millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Total
Public Equities	132,316	1,268	1,474	21	155	–	135,234
Private Equities	–	–	–	10,084	146,896	32,294	189,274
Fixed Income	76,673	(14)	–	(4,508)	(981)	(781)	70,389
Credit	19,565	–	–	52,117	–	–	71,682
Real Estate	–	–	–	–	–	51,866	51,866
Infrastructure	–	–	–	–	–	51,851	51,851
Net Investments	**228,554**	**1,254**	**1,474**	**57,714**	**146,070**	**135,230**	**570,296**
Absolute Return Strategies – Assets[3]		*59,001*	*68,914*				
Absolute Return Strategies – Liabilities		*(57,747)*	*(67,440)*				

3. Absolute Return Strategies (ARS) hold offsetting systematic exposures that reduce our net position in particular holdings. We do this through long and short positions, both internally and through external managers. As a result, their net asset values greatly understate their size and impact on Fund performance. To compare the size of the Capital Markets and Factor Investing and Active Equities with our other long-only departments, we use the sum of the long investments in each of these departments to approximate their gross assets under management.

Total Fund Management

Total Fund Management (TFM) is responsible for the Fund's strategic and tactical portfolio design, capital allocations to investment strategies, and the management of exposures, leverage and liquidity. As part of these activities, TFM invests the Balancing Portfolio in global public securities. TFM leads the ongoing execution of the Total Portfolio Investment Framework and ensures that the Fund's investing activities collectively produce a total portfolio that seeks to maximize long-term returns without undue risk.

Department Highlights

Five-year Net Returns

4.7%
Fiscal 2023

7.6%
Fiscal 2022

One-year Net Returns

(4.4%)
Fiscal 2023

(0.3%)
Fiscal 2022

Net Assets

$228 billion

↑ $0 billion
1-year change

↑ $52 billion
5-year change

One-year Potential Loss

$31 billion

Full-time Employees

137

Comparative advantages

The Total Portfolio Investment Framework approach allows TFM to better understand and quantify the return-risk characteristics of each asset class when constructing diversified portfolios. TFM's portfolio construction and capital allocation approach includes the creation of a globally optimized total portfolio. This enables the active investment departments to build broad, diverse mandates. It also provides the flexibility to take advantage of market conditions and developed expertise where and when opportunities arise.

TFM also adds value by undertaking key functions on behalf of the Fund. The provision of leverage and financing enables the Fund to hold substantial illiquid assets, maintain sufficient liquidity, and achieve desired Fund exposures. Centralization of the majority of trading provides execution expertise to the broader Fund and enables efficiencies such as trade netting.

Long-term performance

The Balancing Portfolio, managed by TFM as a completion portfolio for the Fund, delivered a five-year net return of 4.7%, down from 7.6% in the prior fiscal year after a challenging year for public assets. The main driver was the performance of developed market equities, which rallied to record highs in December 2021, before partially retreating in fiscal 2023. Emerging market equities also contributed positively, mainly in China. However, the returns in the last two fiscal years have been negatively affected by unanticipated regulatory changes and COVID-19-related restrictions.

The fixed income and credit balancing portfolios had low single-digit net returns over the period. Gains in fiscal 2019 and fiscal 2020 when interest rates decreased to near zero were offset in recent years as bond yields increased substantially with corresponding declines in bond prices, particularly for bonds with long durations. From a regional perspective, losses in developed markets such as Germany and the U.K. were offset by positive performance in China and India.

The foreign exchange impact on the Balancing Portfolio was muted over the five-year horizon. Losses in fiscal 2021 from Canadian dollar appreciation against the U.S. dollar were partly offset by gains in the current fiscal year.

Fiscal 2023 performance

In fiscal 2023, losses of 4.4% in the Balancing Portfolio reflected the pullback in both equities and fixed income across major markets as high inflation and rising real interest rates weighed on both asset classes.

The global public equity portfolio lost value in the first half of the fiscal year as the pace of central bank interest rate increases negatively impacted stock valuations. However, it rebounded in the second half of the year as inflation expectations eased. Similarly, developed market fixed income started the fiscal year with losses driven by U.S. and German government bonds. Then the portfolio recovered as yields decreased in the second half of the year, partly impacted by the turbulence in the banking sector. Gains in emerging market fixed income were primarily driven by Chinese government bonds as inflation in China remained low.

In the prior fiscal year, developed market equity holdings had positive results as they benefitted from increased economic activity and a low interest rate environment. Meanwhile the negative returns for fixed income and emerging markets equities were similar to the current fiscal year.

Benchmark returns are not presented for TFM because its primary purpose in investing the Balancing Portfolio is to rebalance the total portfolio to deliver the Fund's targeted exposures. This is in contrast with other active investment departments whose primary purpose is to deliver investment selection value-add as outlined on page 20.

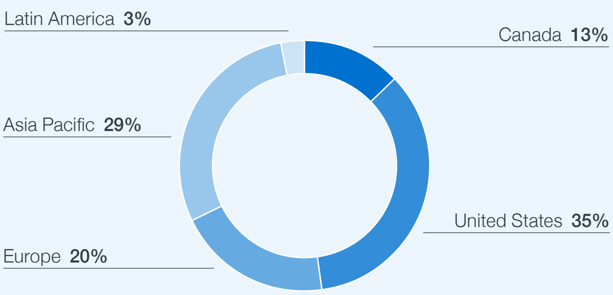
Risk

TFM is the second-largest contributor to the Fund's market and credit risk as measured by the one-year potential loss of $31 billion or 5.4% of Fund net assets. This is largely due to the considerable size of its public equity holdings in the Balancing Portfolio. Given that the Balancing Portfolio is invested in global public securities that are highly liquid, it serves as the source of the Fund's central liquidity reserves used to manage liquidity risk. Overall, operational risk is elevated compared to other investment departments and driven by the inherent complexity of models and trading processes. For details on how our risks are managed, refer to Managing Risks to Safeguard Value section on page 41.

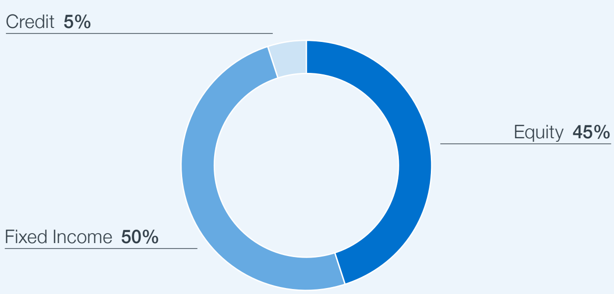
	Fiscal 2023			Fiscal 2022[1]		
	1-Year ($ millions)	1-Year (%)	5-Year (%)	1-Year ($ millions)	1-Year (%)	5-Year (%)
Gross Returns	(7,277)	(3.5%)	5.3%	(581)	(0.2%)	8.1%
Expenses	2,469	0.9%	0.6%	165	0.1%	0.5%
Net Returns	**(9,746)**	**(4.4%)**	**4.7%**	**(746)**	**(0.3%)**	**7.6%**

1. Certain comparatives have been reclassified to conform to the current year's presentation.

Balancing Portfolio – Geographic Diversification
March 31, 2023



Balancing Portfolio – Asset Class Diversification
March 31, 2023



Capital Markets and Factor Investing

Capital Markets and Factor Investing (CMF) includes both externally managed hedge funds and internally managed active strategies that invest globally in public equities, fixed income, currencies and commodities. Most CMF strategies are constructed as market neutral portfolios.

Department Highlights

Five-year Net Income[1]

$5 billion — Fiscal 2023

$3 billion — Fiscal 2022

One-year Net Income[1]

$3 billion — Fiscal 2023

$2 billion — Fiscal 2022

Five-year Investment Selection net value-added over benchmark returns[2]

$7 billion — Fiscal 2023

$5 billion — Fiscal 2022

Gross Assets[3]

$59 billion

↑ $8 billion 1-year change

↑ $5 billion 5-year change

One-year Potential Loss

$2 billion

Full-time Employees

101

Comparative advantages

CMF seeks to deliver breadth and flexibility across public market sources of return. It strives to provide scalable, liquid, and complementary return streams to the Fund. The department's strategies aim to provide the Fund with diversification and returns that are not correlated to market cycles. The liquid and flexible nature of CMF's strategies drives the ability to lean into market dislocations and pursue adding value during volatile periods.

CMF also contributes knowledge sharing and access to best-in-class partners, developing strategic partnerships and scalable investment opportunities alongside internal teams.

Long-term performance

Over the past five years, CMF delivered net income of $5 billion and a net value-added return of $7 billion above its benchmark, excluding the impact of foreign currency. The main driver was positive performance from CMF's external hedge fund investments. This result indicated success in identifying and accessing skilled external managers, who have been able to earn returns above their respective benchmarks. The best performing externally managed strategies over this period were fixed income, quantitative equity and global macro.

CMF's internally managed active strategies have contributed positive performance over the last three fiscal years following the fiscal 2020 pandemic-driven market turmoil. These strategies were well positioned to take advantage of market dislocations following recent volatility, particularly around heightened inflation, the rising interest rate environment and volatile commodity markets.

1. CMF's net income is reported in dollar values only, since percentage returns on net assets do not represent investment performance
2. Excludes impact of foreign currency
3. CMF's gross assets represent the sum of its long investments to approximate its gross assets under management

Fiscal 2023 performance

CMF delivered net income of $3 billion in fiscal 2023, largely due to the performance of external hedge fund managers as well as gains from internally managed risk premia strategies. Quantitative equity strategies performed well, with gains across short-term and long-term signals. Fixed income relative value strategies benefitted from more restrictive monetary policies in developed economies. Increased volatility also created opportunities for value-add.

CMF's internally managed strategies delivered positive returns across trend, carry, value and liquidity factors. Taking defensive positions benefitted from the selloff in public equities and fixed income. The rise in macroeconomic volatility, higher yields and dispersion across global currencies and commodities benefitted our macro strategies in those markets.

Similar to fiscal 2023, net income in fiscal 2022 was driven by positive performance in both external and internally managed exposures.

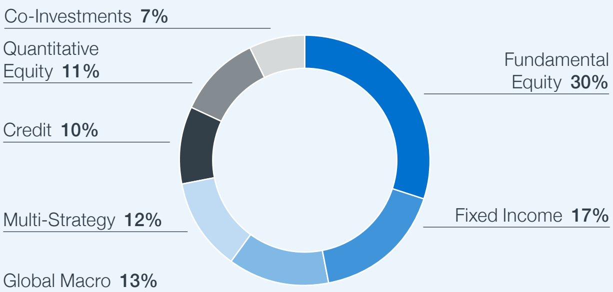
Risk

CMF is the smallest contributor, by design, to the Fund's market and credit risk as measured by one-year potential loss of $2 billion or 0.4% of Fund net assets. Given CMF's material allocation toward externally managed funds, its portfolio is less liquid compared to a portfolio that is directly invested in public market securities. However, it is more liquid than private securities. CMF's allocation to external managers exposes CPP Investments to operational, regulatory and legal risks related to the complexities arising from the various externally managed fund structures.

	Fiscal 2023		Fiscal 2022	
	1-Year ($ millions)	5-Year ($ millions)	1-Year ($ millions)	5-Year ($ millions)
Gross Returns	4,422	12,707	3,584	10,399
Expenses	1,776	7,549	1,662	7,015
Net Returns	**2,646**	**5,158**	**1,922**	**3,384**

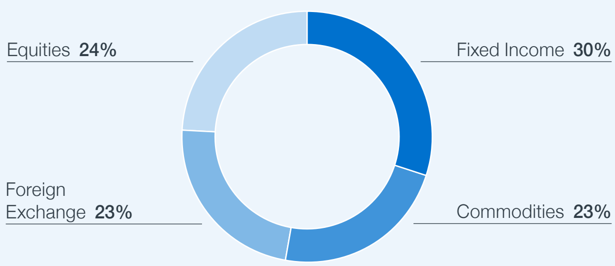
Externally Managed Strategy Diversification

March 31, 2023



Internally Managed Asset Class Diversification

March 31, 2023



Active Equities

Active Equities (AE) invests in global public and soon-to-be-public companies, leveraging long-term fundamental research to seek to generate unique company-specific insights.

Department Highlights

Five-year Net Income[1]

$1 billion
Fiscal 2023

$4 billion
Fiscal 2022

One-year Net Income[1]

$(1) billion
Fiscal 2023

$(4) billion
Fiscal 2022

Five-year Investment Selection annualized net value-added over benchmark returns[1,2]

$1 billion
Fiscal 2023

$4 billion
Fiscal 2022

Gross Assets[3]

$69 billion

↓ $(5) billion
1-year change

↑ $25 billion
5-year change

One-year Potential Loss

$5 billion

Full-time Employees

146

Comparative advantages

AE's strategy aims to use structural competitive advantages of long horizon and certainty of assets to exploit market inefficiencies in the long run. AE seeks to exploit these opportunities through fundamental research, which combined with its developed sources of edge in data and analytics and domain expertise, aim to uncover unique company-specific fundamental insights. These fundamental insights yield a collection of high-conviction, single-company investments. The department assembles these investments into a highly concentrated long/short, market-neutral portfolio via an optimization process that aims to remove unintended factor exposures. The result is a portfolio with maximum exposure to proprietary research which delivers value-add over the long term.

Long-term performance

Over the past five years, AE delivered net income of $1 billion and a net value-added return of $1 billion above its benchmark, excluding the impact of foreign currency. The net value-added was primarily the result of AE's investments in developed public equity markets. AE's investments in the U.S. and Canada were a major driver of these gains which were partially offset by losses in European investments. Investments across industrials and technology sectors were contributors to gains in the U.S. and Canada while detractors in Europe included investments in health care and consumer goods.

In emerging markets, investments in Asia Pacific were the dominant source of positive returns, whereas investments in Latin America realized losses. Within Asia Pacific, gains were fairly diversified across countries, with losses from the unanticipated regulatory changes in China in 2022 offsetting gains made in China over prior fiscal years.

1. AE's income is reported in dollar values only, since percentage returns on net assets do not represent investment performance
2. Excludes impact of foreign currency
3. AE's gross assets represent the sum of its long investments to approximate its gross assets under management

Fiscal 2023 performance

In fiscal 2023, AE realized negative net income of $1 billion primarily due to losses in developed public equity markets in both the U.S. and Canada, and Europe. Contributors to losses in the U.S. and Canada included investments in health care and technology sectors while losses in Europe were driven by health care investments.

Investments in emerging markets contributed positively to returns primarily driven by positive performance in China, particularly in investments in technology and retail. Losses in Latin America partly offset the overall gains made in emerging markets. Underperformance in Latin America was dominated by losses from investments in Brazil.

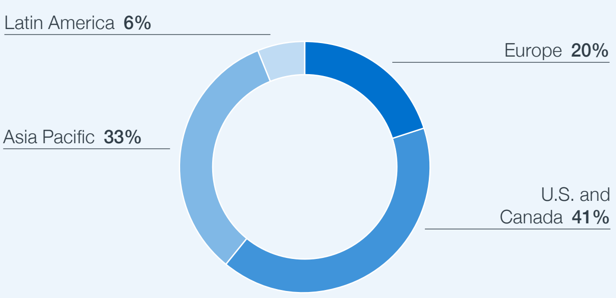
Risk

AE is a relatively small contributor to the Fund's market and credit risk as measured by one-year potential loss of $5 billion or 0.9% of Fund net assets. That is because it uses an absolute return strategy which hedges factor exposures and systematic market risk factors such as market, country and sector risk. Single name concentration is a fundamental component of AE's mandate and this risk is measured and monitored on an ongoing basis. AE's exposure to emerging markets exposes CPP Investments to some regulatory risk due to less predictable laws and compliance risks. However, operational, regulatory and legal risks are low as AE manages primarily public investments.

	Fiscal 2023		Fiscal 2022	
	1-Year ($ millions)	5-Year ($ millions)	1-Year ($ millions)	5-Year ($ millions)
Gross Returns	(1,015)	3,212	(4,052)	6,080
Expenses	325	1,786	439	1,669
Net Returns	**(1,340)**	**1,426**	**(4,491)**	**4,411**

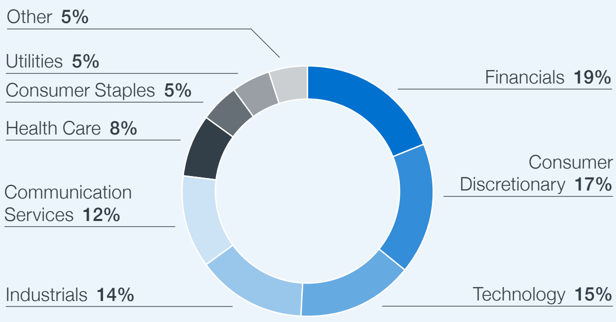
Active Equities – Geographic Diversification

March 31, 2023



Active Equities – Sector Diversification

March 31, 2023



Credit Investments

Credit Investments (CI) invests in both public and private credit and credit-like products globally. This includes investments across corporate, consumer and real assets credit along the credit rating spectrum, with the exception of local currency sovereign bonds.

Department Highlights

Five-year Net Returns

5.8% Fiscal 2023

6.1% Fiscal 2022

One-year Net Returns

7.3% Fiscal 2023

7.4% Fiscal 2022

Five-year Investment Selection annualized net value-added over benchmark returns[1]

3.0% Fiscal 2023

3.8% Fiscal 2022

Net Assets

$58 billion

↑ $4 billion 1-year change

↑ $33 billion 5-year change

One-year Potential Loss

$9 billion

Full-time Employees

136

Comparative advantages

CI's comparative advantages include having a diverse mandate, developed expertise and a long-term investment horizon. CI's broad mandate allows it to dynamically shift resources and flexibly deploy capital to the most compelling relative value across global credit markets. Developed expertise in underwriting and structuring enables the department to generate value-add through lower realized credit losses than the passive market. A long-term horizon allows CI to capitalize on opportunities where the market's perceived risk and spread are higher than the actual risks of permanent loss.

Long-term performance

Over the past five years, CI delivered a net return of 5.8%, a decline from the prior five-year period, which was driven by widening credit spreads in fiscal 2023. Low default rates in corporate credit investments, and the post-pandemic recovery in demand for real estate and consumer credit, positively contributed to CI's absolute results over the five-year period.

Over the same period, CI generated a net value-added return of 3.0% above its benchmark, excluding the impact of foreign currency. This was mostly unchanged compared to the prior five-year period. Benefits from CPP Investments' comparative advantages and CI's underwriting discipline positively contributed to its long-term absolute and net value-added returns. The net value-added return over the five-year period was driven by selecting investments in real estate as well as corporate and consumer credit that have outperformed the benchmark.

We evaluate the value-added performance of our active strategies in local currency terms:

Five-Year Annualized Net Returns (Local)	Fiscal 2023	Fiscal 2022
Credit Investments Portfolio	**5.4%**	7.5%
Benchmark Returns	**2.4%**	3.7%
Net Investment Selection Value-add	**3.0%**	**3.8%**

1. Excludes impact of foreign currency

Fiscal 2023 performance

In fiscal 2023, CI's net return of 7.3% was due to foreign exchange gains and income flows. The U.S. dollar, which accounted for 82% of the portfolio's currency exposure, appreciated 8.4% against the Canadian dollar. The foreign exchange gains more than offset the losses in the portfolio in local currency. These losses were a result of central banks swiftly raising interest rates in response to elevated inflation and widening credit spreads. CI's middle-market private equity financing platform, Antares Capital, continued to deliver higher earnings than expected.

This year's performance was relatively unchanged compared to fiscal 2022. The performance in fiscal 2022 was mainly driven by operational outperformance at Antares Capital and positive performance in consumer and real estate credit.

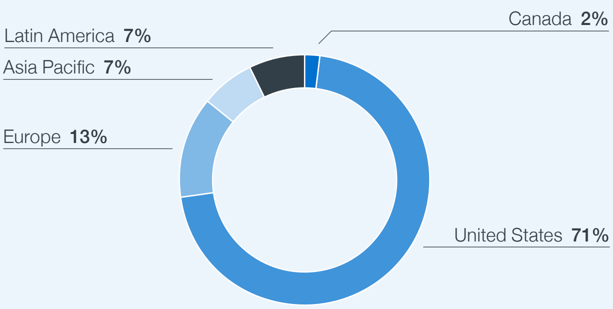
Risk

CI is a relatively small contributor to the Fund's market and credit risk as measured by one-year potential loss of $9 billion or 1.6% of Fund net assets. CI has tactically increased its exposure to lower-rated credit assets where there is commensurate return compensation and has continued to operate within its potential loss thresholds. The portfolio's average credit rating is also consistent with its targeted portfolio profile. Operational, regulatory and legal risks are driven by complexities due to investing activity across the capital structure of individual companies, the bespoke nature of some private credit transactions, the potential for restructurings and distressed assets, and exposure in emerging markets.

	Fiscal 2023			Fiscal 2022		
	1-Year ($ millions)	1-Year (%)	5-Year (%)	1-Year ($ millions)	1-Year (%)	5-Year (%)
Gross Returns	4,364	8.2%	6.5%	3,621	8.1%	6.7%
Expenses	485	0.9%	0.7%	334	0.7%	0.6%
Net Returns	**3,879**	**7.3%**	**5.8%**	**3,287**	**7.4%**	**6.1%**

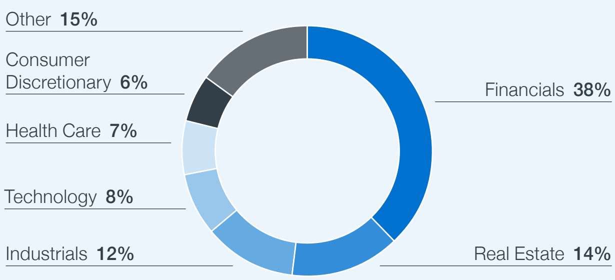
Credit Investments – Geographic Diversification

March 31, 2023



Credit Investments – Sector Diversification

March 31, 2023



Private Equity

Private Equity (PE) invests in a wide range of private equity assets globally, both directly and with partners. PE seeks return premiums by investing in less liquid assets and focusing on long-term value creation through commitments to funds, secondary markets and direct investments in private companies.

Department Highlights

Five-year Net Returns

15.5%
Fiscal 2023

17.9%
Fiscal 2022

One-year Net Returns

4.3%
Fiscal 2023

17.3%
Fiscal 2022

Five-year Investment Selection annualized net value-added over benchmark returns[1]

9.4%
Fiscal 2023

8.7%
Fiscal 2022

Net Assets

$146 billion

↑ $12 billion
1-year change

↑ $77 billion
5-year change

One-year Potential Loss

$48 billion

Full-time Employees

192

Comparative advantages

PE's integrated investing approach allows it to leverage extensive partnerships and to access investment opportunities across industries and geographies.
PE partners with private equity funds and management teams ensuring alignment of interests with shareholders and a focus on long-term value creation to deliver attractive risk-adjusted returns.

PE seeks to add value across each stage of the investment life cycle from entry to exit. This includes acting on proprietary insights, enhanced governance and optimizing profitability. A disciplined and patient investing approach enables PE to be a preferred partner across the spectrum of private equity investment opportunities.

Long-term performance

Over the past five years, PE delivered a net return of 15.5%, a decline from the prior five-year period, driven by lower returns in fiscal 2023. PE's weighting towards favourable sectors, well-developed partnerships with general partners, and direct investment selection positively contributed to its absolute results over the five-year period.

Over the same period, PE generated a net value-added return of 9.4% above its benchmark, excluding the impact of foreign currency. This reflected an increase compared to the prior five-year period. This result was in part because PE's public market benchmarks declined in line with losses experienced across broad global equities during fiscal 2023. The net value-added return was driven by outperformance from all strategies globally. Our private portfolio companies, particularly in the technology, consumer discretionary and health care sectors, delivered earnings growth through operational results that were better than the benchmark.

We evaluate the value-add performance of our active strategies in local currency terms:

Five-Year Annualized Net Returns (Local)	Fiscal 2023	Fiscal 2022
Private Equity Portfolio	**15.0%**	19.3%
Benchmark Returns	**5.6%**	10.6%
Net Investment Selection Value-add	**9.4%**	**8.7%**

1. Excludes impact of foreign currency

Fiscal 2023 performance

In fiscal 2023, PE's net return of 4.3% was due to foreign exchange gains. The U.S. dollar, which accounted for 59% of the department's currency exposure, appreciated 8.4% against the Canadian dollar. The foreign exchange gains more than offset losses in the portfolio in local currency terms primarily in the first three quarters. The losses in the direct portfolio were in a few private positions as well as publicly held positions that had gone through initial public offerings in recent years. While most of our portfolio companies demonstrated steady growth in earnings, some investments in the consumer discretionary and technology sectors were most impacted this fiscal year because of slower than expected business growth.

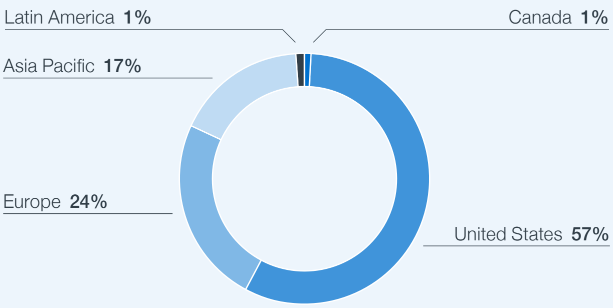
This year's performance was lower compared to fiscal 2022. While foreign exchange gains were a key contributor to performance this year, performance in fiscal 2022 was mainly driven by gains from investments in the technology, financial and health care sectors, across all strategies.

Risk

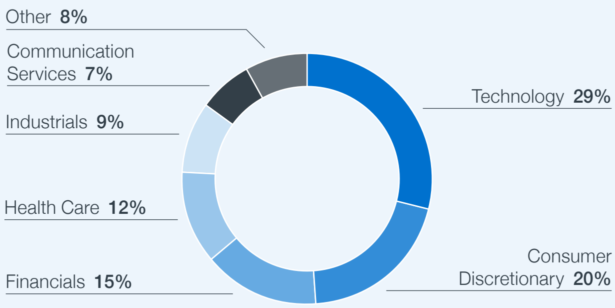
PE is the largest contributor to the Fund's market and credit risk as measured by one-year potential loss of $48 billion or 8.4% of Fund net assets. The higher expected returns come with increased potential for losses, consistent with a levered equity strategy. Overall, the PE portfolio has moderate diversification due to the direct private equity program which is not as well diversified as other strategies. However, this is partially offset by exposure to a diversified portfolio of individual company investments managed through external managers. PE's operational, regulatory and legal risks are mainly driven by the complexities of its direct investment activities.

	Fiscal 2023			Fiscal 2022		
	1-Year ($ millions)	1-Year (%)	5-Year (%)	1-Year ($ millions)	1-Year (%)	5-Year (%)
Gross Returns	7,876	5.6%	17.3%	23,051	19.1%	20.0%
Expenses	1,811	1.3%	1.8%	2,468	1.8%	2.1%
Net Returns	**6,065**	**4.3%**	**15.5%**	**20,583**	**17.3%**	**17.9%**

Private Equity – Geographic Diversification
March 31, 2023



Private Equity – Sector Diversification
March 31, 2023



Real Assets

Real Assets (RA) invests in real estate, infrastructure, as well as both conventional and renewable energy assets globally. Its portfolio delivers a broad range of exposures, income and capital growth to the Fund, while also providing cash flows that increase with inflation over time.

Department Highlights

Five-year Net Returns

6.4%
Fiscal 2023

7.1%
Fiscal 2022

One-year Net Returns

4.9%
Fiscal 2023

12.8%
Fiscal 2022

Five-year Investment Selection annualized net value-added over benchmark returns[1]

1.6%
Fiscal 2023

1.2%
Fiscal 2022

Net Assets

$135 billion

↑ $12 billion
1-year change

↑ $51 billion
5-year change

One-year Potential Loss

$30 billion

Full-time Employees

272

Comparative advantages

RA's comparative advantages include having the flexibility and stability of capital to invest globally into less competitive segments of their markets over a long investment horizon. RA adds value to control and platform investments through active asset management, accessing the broader Fund's knowledge and global network, as well as leveraging high-quality partnerships with co-investors and asset owners to efficiently access differentiated investment opportunities at scale.

Long-term performance

Over the past five years, RA delivered a net return of 6.4%. RA's investments across real estate, infrastructure and energy all contributed positively to this long-term return. This result was largely attributable to the performance of industrial assets that provide logistics and other essential services, as well as increases in energy and commodity prices.

Over the same period, RA generated a net value-added return of 1.6% above its benchmark, excluding the impact of foreign currency. This represented an increase compared to the prior five-year period, partly from losses experienced by RA's public market benchmarks in fiscal 2023. The net value-added was mostly due to the outperformance of toll road investments in both developed and emerging markets. Real estate investments contributed to value-add mainly through exposure to the logistics sector. This was partly offset by retail exposure as the sector transitions towards e-commerce, and office assets which were impacted by post-pandemic hybrid working trends. RA's energy investments were able to outpace their benchmarks, with key contributions from renewable energy assets.

We evaluate the value-add performance of our active strategies in local currency terms:

Five-Year Annualized Net Returns (Local)	Fiscal 2023	Fiscal 2022
Real Assets Portfolio	**6.9%**	8.4%
Benchmark Returns	**5.3%**	7.2%
Net Investment Selection Value-add	**1.6%**	**1.2%**

1. Excludes impact of foreign currency

Fiscal 2023 performance

RA's net return of 4.9% in fiscal 2023 reflected the portfolio's global diversification and high quality of assets. The overall gain was mainly from RA's investments in the energy sector, particularly in renewables that benefitted from the global energy transition and capital inflows into the renewables space. Both private and public real estate investments exhibited the weakest performance in the RA portfolio, being negatively impacted by the interest rate environment, with most sectors experiencing losses except for logistics assets. While the retail sector continued to experience losses similar to past years because of the shift to e-commerce, the office sector was particularly affected by hybrid-working trends. Infrastructure portfolio gains were driven by developed market investments in toll roads and ports. These investments benefitted from the continued post-pandemic re-opening of trade and transportation activity as well as from the inflation protection features of these assets. The portfolio also had positive impacts from foreign exchange movements, primarily from the appreciation of the U.S. dollar against the Canadian dollar.

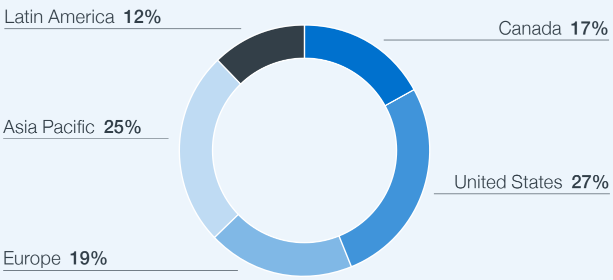
This year's performance was lower than fiscal 2022, when net returns were driven by the easing of COVID-19 restrictions. That led to a rebound in economic activity that contributed to rising commodity prices and demand for logistics and infrastructure assets.

Risk

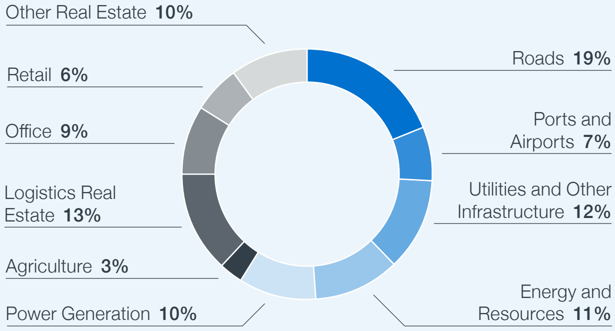
RA is a significant contributor to the Fund's market and credit risk as measured by one-year potential loss of $30 billion or 5.3% of Fund net assets. In order to manage risk, RA has further increased the diversification of its portfolio via targeted portfolio construction initiatives. These include dispositions and selective growth in liquid public investments. Real asset investments historically outperform in inflationary environments but may be impacted by challenges such as supply chain disruptions, escalating geopolitical tensions and monetary tightening policies that could result in slowing economic growth. RA is also expected to be more sensitive to climate change risk than some other departments. RA's initiatives and contributions towards meeting key climate metrics and targets are critical for the Fund to achieve its net-zero commitment by 2050. Platforms and investments with controlling interest often involve greater asset management and oversight requirements contributing to elevated operational, regulatory and legal risk for CPP Investments.

	Fiscal 2023			Fiscal 2022		
	1-Year ($ millions)	1-Year (%)	5-Year (%)	1-Year ($ millions)	1-Year (%)	5-Year (%)
Gross Returns	7,182	5.6%	7.4%	14,743	13.6%	8.3%
Expenses	855	0.7%	1.0%	883	0.8%	1.2%
Net Returns	**6,327**	**4.9%**	**6.4%**	**13,860**	**12.8%**	**7.1%**

Real Assets – Geographic Diversification
March 31, 2023



Real Assets – Sector Diversification
March 31, 2023



Implementing Our Strategic Objectives

In fiscal 2023, we continued to position the Fund for future growth, aligned with our stated objectives for the fiscal year. Specifically, to ensure we continued to manage risk, cost and operational discipline, we created three distinct officer roles, namely the Chief Risk Officer, Chief Financial Officer and Chief Operating Officer. We continued to invest in our people to maintain a competitive advantage. We built on the foundational work done in the previous years in technology and data by enhancing our operating model, and augmenting system capabilities to deliver improved operational effectiveness. Finally, we continued to advance our internal capabilities to assess and measure the financial impact of climate change risks and opportunities, including integration into the investment decision-making processes.

Fiscal 2023 Objectives	Achievement Highlights
Achieving our investment performance targets while staying aligned with our desired portfolio attributes, navigating risk/return trade-offs and maintaining cost discipline	• Managed portfolios through volatile market conditions while maintaining desired portfolio composition and a strong liquidity position. • Delivered on our investment activities and remained a disciplined allocator of capital. • Controllable operating expenses held to less than budget for the year.
Continuing to build talent as a competitive advantage	• Delivered over 250 internal development courses across a combination of virtual, in-person and e-learning, reaching a broad internal audience as we return to an in-office working environment. • Analyzed representation and experience data within each investment department to identify opportunities that promote engagement and advancement. • Advanced our hiring and development goals to embrace equity, diversity and inclusion, which we believe supports better overall business strategy and decision-making (see page 63). • Completed gender pay analysis using reputable external vendors and internal checks to ensure fair compensation practices. We found compensation was aligned between men and women.
Enhancing our competitiveness by acting with a "One Fund" mindset whereby we bring the unique combination of our advantages, capabilities and departments together to generate value over the long term	• Created a Systematic Strategies Group to streamline delivery of absolute return strategies and long-only programs, designed to provide a diversifying return stream to the Fund. • Combined our data analytics, research and partnerships, and knowledge expertise teams to form an Investment Science group dedicated to accelerating the value creation potential of data and analytics across the Fund. • Conducted a robust diagnostic to understand landscape and key strategic focus areas to maintain competitive advantage. • Established a cross-functional working group to leverage diagnostic insights, tackle priorities to realize One Fund benefits and inform corporate strategy development.
Continuing to improve our effectiveness and support for our investment processes	• Reset our technology and data operating model to deliver on capabilities that meet our most critical business needs. • Launched an inaugural internal review of specific departments that support our investing operations, such as Human Resources and Finance, which will continue regularly to drive improvements. • Implemented relationship management capability for Private Equity and Credit Investments departments to enable greater collaboration and increased visibility of external engagements and interactions. • Progressed the implementation of a portfolio management system for Credit Investments and a research management system for Active Equities, which will consolidate systems and enable improved efficiency. • Continued building a risk system that will enable new and faster risk analysis capabilities and create capacity for more value-added analysis.

Fiscal 2023 Objectives	Achievement Highlights
Embarking on the multi-year journey to establish the Fund's leadership on climate, achieve net-zero emissions by 2050 and establish the Fund's execution leadership on transition reporting and investing	• Trialled our decarbonization investment approach on twelve existing assets and during the diligence process for two new investments. These initiatives helped develop transition plans that increase value, along with key learnings to scale the approach across the portfolio. • Deepened the integration of climate risks and opportunities into our top-down and bottom-up investment decision-making processes, including development of capabilities to manage climate risk at the portfolio level. • Achieved carbon neutrality for our operations across Scope 1, 2 and 3 (business travel) emissions in fiscal 2023 (see page 67). • Updated our Abatement Capacity Assessment Framework to help corporate boards and management develop transparent and credible plans to achieve net-zero goals. This included a use case from applying the Framework to an asset in our portfolio. • Published eight sustainability-related thought-leadership reports through the CPP Investments Insights Institute, including two on climate measurement frameworks. This demonstrates the Fund's engagement in the shaping of market convention and reporting standards.

Investing in our people and purpose-driven culture

Our global team of 2,136 professionals are motivated to meet our mandate and help support the stability and financial sustainability of the CPP. This public purpose drives high performance, attracts top talent, and connects employees across all global offices.

As the pandemic eases, our work style is evolving, blending the advantages of both office and virtual work. In addition to other systemic changes such as, meeting-free days, we have adopted a hybrid-flexible framework that offers colleagues flexibility to work in ways that accommodate individual needs while favouring more time each week with colleagues in the office than work from home. We have also sustained and will continue to grow resources, tools and programming that support the mental health of our colleagues, including enhanced benefits, information sessions with wellness experts, and employee programming that emphasizes health, well-being and connection.

Our leadership and professional development programs represent enriching digital and in-person experiences across every level at CPP Investments. We delivered over 250 internal development courses with more than 4,400 total participants. Accessible leadership and informal apprenticeship also continue to be important and valued elements of our culture.

New opportunities are a critical driver of career development at CPP Investments. This year, 349 colleagues were promoted, 55 took on secondment opportunities and 67 grew their career with lateral role changes.

Our focus on equity, diversity and inclusion is foundational to our talent strategy. We have momentum and engagement across the organization, with 89% of our global colleagues reporting they feel respected, valued and supported by their colleagues for who they are as individuals. And while we still have work to do, 48% of our workforce identify as a member of a minority group, with 42% minority representation on our investment teams. Women make up 46% of our global workforce, 37% of our investment professionals, 40% of our current Senior Management Team, and 50% of the usual complement of 12 on our Board of Directors.

Strategic Talent Objectives	Fiscal 2022	Fiscal 2023	2025 Target
Female new hires	38%	**52%**	50%
Female senior investment professionals	22%	**23%**	30%
LGBTQ+ colleagues	3.4%	**4.1%**	5%
Minorities in senior roles	27%	**27%**	28%

We believe inclusive groups make better decisions and diversity helps remove bias from decision-making. We continue to focus on identifying and addressing bias in our investment processes and beyond and we continue to see progress. Nearly 70% of colleagues feel encouraged to call out bias when they see it, and 75% believe their teams are actively working to mitigate bias in their groups and decisions.

Our Employee Resource Groups – Asia Connect, GoGreen, MindMatters, Mosaic, OUT, RISE and WIN – use a range of programs and activities to encourage belonging, allyship and championing of important causes. These include industry panels, social events and information sessions. The resource groups are sponsored by members of the Senior Management Team and help build understanding and inform programs on topics ranging from cultural differences to sustainability, gender equity and LGBTQ+ inclusion. Global participation in these grassroots teams is robust and growing. Membership for established groups, including allies, totals more than 900 colleagues globally. Further information about our commitment to equity, diversity and inclusion can be found on our website.

Championing important causes

We are building an inclusive workplace where all colleagues feel supported, respected and valued for who they are as individuals and for their unique contributions. In doing so, we ensure everyone has an opportunity to reach their potential. Our Employee Resource Groups are motivated to effect change in our culture and communities through a range of programs and activities. Descriptions of the groups can be found below.

asiaCONNECT	**Promotes the development and interconnectivity of colleagues that identify with, or are allied with, the Asian diaspora across the organization.**
GoGreen	**Raises employee awareness to improve collective environmental efficiency and reduce CPP Investments' internal environmental footprint.**
Mind Matters	**Promotes mental health and a psychologically healthy workplace for employees.**
MOSAIC	**Builds awareness of the rich cultural diversity at CPP Investments.**
OUT	**Contributes to a diverse and inclusive culture through building awareness of and engagement with the LGBTQ+ community.**
RISE The Black Affinity Network	**Supports the recruitment, development and retention of talented Black students and professionals by building awareness, allyship and community.**
WIN WOMEN'S INITIATIVE	**Aims to improve organizational culture by attracting, developing and retaining high-performing female professionals.**

Senior appointments

In fiscal 2023, CPP Investments made changes to the executive leadership team as the organization continues to position itself for future growth.

The role of Senior Managing Director & Chief Financial and Risk Officer was divided into two distinct senior management positions to further strengthen the leadership, expertise and governance that helps ensure the success of CPP Investments:

- Kristina Fanjoy was appointed Senior Managing Director & Chief Financial Officer. In this role, she is responsible for the Fund's financial policy and reporting strategy; business planning; performance reporting and analytics; valuations, financial controls and accounting; and tax governance.
- Kristen Walters was appointed Senior Managing Director & Chief Risk Officer. In this role, she is responsible for the Fund's global risk management functions, including leading the long-term strategy for effectively incorporating risk perspectives into all investment and operational processes.

In addition, the following senior appointments were made:

- Maximilian Biagosch was appointed Senior Managing Director & Global Head of Real Assets. He also continues as Head of Europe.
- Richard Manley was appointed Chief Sustainability Officer. Among his responsibilities in this role, he leads the further refinement and execution of a roadmap for CPP Investments to prudently navigate the global economy's transition to address climate change.
- Priti Singh was appointed Senior Managing Director & Global Head of Capital Markets and Factor Investing, responsible for leading External Portfolio Management and the Systematic Strategies Group.
- Jon Webster was appointed Senior Managing Director & Chief Operating Officer, responsible for the organization's technology, data, investment operations, security and corporate services functions.

Managing climate change risks and opportunities

We believe that the performance of our portfolio will be influenced by how well the assets we hold adapt alongside the global economy on the path to net zero. As such, we have committed to achieving net-zero greenhouse gas (GHG) emissions across the Fund and our operations by 2050. This commitment was made based on our expectation that public and private sector actors in the global community will also continue to make advancements towards this goal. These include the acceleration and fulfilment of commitments made by governments, technological progress, corporate delivery of their targets, changes in consumer and corporate behaviour, and development of global carbon markets and reporting standards. All of these advancements will be necessary to help us meet our commitment. We are committed to staying ahead of and strategically investing in developments that will have an impact on our path to net zero.

As part of our commitment to net zero, we are taking the following actions:

- Continuing to invest in and exert our influence on the whole economy transition as active investors, rather than through blanket divestment;
- Maintaining carbon neutrality for our internal operations (Scope 1, 2 and 3 business travel)[1], from fiscal 2023 onward;
- Continuing to increase our green and transition asset portfolio from $66 billion at end of fiscal 2022 to at least $130 billion by 2030; and
- Scaling our decarbonization investment approach that seeks attractive returns from enabling emissions reduction and business transformation in high-emitting sectors.

Refer to page 70 for our definition of green and transition assets.

Fulfilling our net-zero commitment will be done in accordance with the following Climate Change Principles. These help guide our decision-making so we can deliver on our mandate against the backdrop of escalating climate risk and opportunities by supporting the transition of the whole economy towards sustainability.

- **Principle 1:** Invest for a whole economy transition required by climate change.
- **Principle 2:** Evolve our strategy as transition pathways emerge and global standards for decarbonization materialize.
- **Principle 3:** Exert influence to create value and mitigate risk.
- **Principle 4:** Support a responsible transition based on our investment beliefs and expertise.
- **Principle 5:** Report on our actions, their impacts and our portfolio emissions.

Reporting on our portfolio emissions and climate risk

CPP Investments' internally developed carbon footprint tool provides insights on GHG emissions associated with all of the Fund's holdings, as well as relevant benchmarks. To disclose the GHG emissions associated with our Fund's holdings, we use Total Carbon Emissions and Carbon Footprint metrics, using the Long-term Capital Ownership method. These metrics are industry best practice for measuring a multi-asset fund.

Methodologies for estimating and calculating GHG emissions and other climate-related metrics are not yet subject to the same globally recognized or accepted reporting or accounting principles and rules as traditional financial reporting. We do expect that emissions measurement methodologies as well as the maturity of underlying data, systems and controls will evolve and become more standardized over time. Such improvements may impact the comparability of our portfolio carbon footprint with those reported by other organizations and between different reporting periods.

Portfolio Carbon Footprint

	Current Value of Investments ($ billion)	Total Carbon Emissions (million tonnes of CO_2e)		Carbon Footprint (tonnes of CO_2e/$ million)	
		March 2023	March 2022	March 2023	March 2022
Non-Government holdings	457	21.1	21.1	46	46
Government-issued securities	113	33.6	41.6	298	494

Total Carbon Emission measures the absolute GHG emissions associated with our investments. We expect this figure to fluctuate in the nearer term as assets under management grow, before the impacts of emission reductions can be seen more fully. Carbon Footprint measures carbon emissions per million dollars invested, which can be used to compare emissions intensity across portfolios of different sizes. In a portfolio of our size, there are many factors that impact these figures. Key drivers in fiscal 2023 were investments in renewables and fluctuations from normal portfolio turnover and portfolio company reported emissions.

Approximately 51% of the Fund's total emissions are directly reported by portfolio companies with the rest estimated by external data providers or by proxies based on available comparators. As corporate climate-related disclosures improve, we expect methodologies to standardize and the proportion of directly reported emissions to increase. This may impact the comparability of our carbon emissions and portfolio carbon footprint over different periods. Fluctuations in financial metrics like market value of investments can also impact calculated changes in our portfolio carbon footprint in any given year. We currently do not include Scope 3 GHG emissions in our calculations as the quality and coverage of data is not yet sufficient, where only 6-7% of the Fund's Scope 3 emissions are directly reported by portfolio companies. We continue to monitor developments in the availability of complete Scope 3 data for our portfolio companies, so that they can be incorporated when appropriate into our metrics.

1. Scope 1 refers to direct GHG emissions from an organization's owned and controlled sources. Scope 2 refers to indirect emissions from the generation of purchased energy. Scope 3 refers to all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Source of the Fund's Scope 1 and Scope 2 emissions data[1]	F23	F22	F21
Company-reported data	**51%**	41%	28%
Vendor-estimated data	**7%**	7%	16%
Proxy data	**42%**	53%	56%

Refer to page 70 for the methodologies behind carbon emission and carbon footprint metrics.

Climate change scenario analysis

To augment the standard carbon footprint metrics, we use scenario analysis[2] to assess potential future impacts of climate risk-related stress events, expressed as the potential annualized percentage impact to the Fund's market value in a given year. This includes stress testing the resilience of our investments under a range of plausible scenarios, including extreme events, the results of which are highlighted below:

- In a business-as-usual scenario where carbon prices do not increase markedly from their current levels and global decarbonization efforts are less successful, there could be a potential negative annual impact to the Fund's market value by up to 13% in the next 30 years.[3] The impact is largely driven by physical climate risks, including chronic changes in precipitation, ecosystems and sea level, as well as the rise in frequency of extreme weather events.
- In a scenario where policy actions are more heavily concentrated in years after 2030 through abrupt adoption of stricter mitigation efforts to limit warming to no more than 2°C, the Fund's market value could be negatively impacted by up to 11% in the next 10 years.[3] The impact is largely driven by transition risks associated with the sharp fall in GDP and knock-on consequences for consumer demand.

Scenario analysis efforts are taken into consideration during our strategic allocation process in portfolio construction, our climate risk monitoring, and our due diligence process during security selection. We continue to seek opportunities to further integrate top-down and bottom-up climate risk management in the portfolio.

Delivery on the components of our net-zero commitment

Green and transition assets

Our approach to delivering on our commitment to increase our green and transition assets to at least $130 billion by 2030 starts with monitoring the relevant opportunity set for attractive investments to maximize risk adjusted returns. As a result, we anticipate our year-over-year progress to be non-linear, but we are confident in our ability to reach this target.

As of March 31, 2023, our investments in green and transition assets increased $13 billion from fiscal 2022 to reach $79 billion. The increase in this figure since last year is due to a combination of new investments in green and transition assets, existing assets becoming green and transition eligible by taking actions such as Science Based Targets initiative (SBTi) certification, and increased market valuations of eligible assets.

Refer to page 70 for the methodology behind the definition and measurement of green and transition assets.

Decarbonization investment approach

In fiscal 2022, we launched our decarbonization investment approach to identify, fund and support the decarbonization efforts of select high-emitting companies. We believe this investment approach allows CPP Investments to maximize risk-adjusted returns associated with the energy transition.

This year, we expanded this approach across our portfolio, spanning real estate, infrastructure, agriculture, energy and media sectors. We used our Abatement Capacity Assessment Framework to identify and quantify the emissions-reduction opportunities for each company evaluated, helping us better understand the economically feasible value creation opportunities from decarbonization. We plan to scale our decarbonization approach more broadly in the coming years.

For further information on our sustainable investing activities, refer to our 2022 Report on Sustainable Investing.

1. Methodologies vary in their use of Scope 1 and Scope 2 GHG emissions. Some use only Scope 1 data while others Scope 1 and 2. Some methodologies use company-specific historical emissions data while others use estimation of emissions based on sectoral or geographical data or averages. Certain methodologies take cumulative historical GHG emissions into account while others incorporate point-in-time assessments of emissions intensity. Variations in methodologies may lead to under- or overestimates of emissions metrics.
2. A set of generally accepted climate scenarios are used for this analysis, including The Bank of England 2021 Climate Biennial Exploratory Scenario (CBES) and Shared Socioeconomic Pathways by the Intergovernmental Panel on Climate Change (IPCC SSP).
3. Scenarios are not forecasts (they do not mean to predict future outcomes); rather they are projections designed to build an understanding of the nature and size of changes that may occur in the future. Predicting climate change and quantifying its impacts on the Fund is inherently complex and the practice of climate change scenario analysis has limitations that are sensitive to key assumptions and parameters, which are themselves subject to uncertainty.

Operational emissions

As part of CPP Investments' commitment to achieve net-zero operations by 2050, we disclose our Scope 1, 2 and 3 (business travel) emissions.

Total Operational GHG Emissions Breakdown by Scope

	Total GHG emissions (tonnes of CO_2e)			
Emissions source	F2023	F2022	F2021	F2020
Scope 1	1,100	1,282	1,037	1,129
Scope 2 (location-based)	1,258	1,033	1,069	1,149
Scope 3 (business travel only)	11,168	1,798	197	16,045
Total GHG emissions	**13,526**	**4,113**	**2,303**	**18,323**

We have adopted an enhanced methodology to measure air travel emissions by including flight-specific variables such as aircraft type, freight ratio and load factor. We have recast the Scope 3 (business travel) reported figures to align with this new methodology. The use of different methodologies may result in incomparability of emissions information with other organizations. We expect that emissions measurement methodologies will further standardize and data availability will continue to increase. These improvements may result in future recasting of historical emissions levels to improve comparability.

We have achieved carbon neutrality across these emissions sources for fiscal 2023. We applied our Abatement Capacity Assessment Framework to inform our plans to decarbonize our operations. Our approach is to pursue opportunities to decarbonize while continuing to deliver on our mandate, with carbon credits only used to offset the remaining emissions. Consistent with this, we will monitor and manage emissions associated with our air travel and office footprint, capturing learnings from the hybrid working models used during the COVID-19 pandemic.

We have acquired 13,526 carbon credits from the Canadian Darkwoods Forest Carbon Project at a fair market price. These credits compensate for the unabated emissions from our Scope 1, 2 and 3 (business travel) activities in fiscal 2023. The project is an initiative of the Nature Conservancy of Canada (NCC) and has been validated and verified in accordance with the Verified Carbon Standard (VCS), the Climate, Community and Biodiversity Standard (CCB) and under the Sustainable Development Verified Impact Standard (SD VISta). Darkwoods is an Improved Forest Management carbon project. It achieves net GHG emission reductions through the avoidance of conventional logging, along with carbon sequestration through the retention of additional forest biomass and older forests. Carbon finance enables the continued protection of the area.

Looking Ahead

Our Strategic Priorities for fiscal 2024

Our objectives for fiscal 2024 include:

A. **Developing the next strategy:** We will conclude implementation of the 2025 Strategy while completing development of our next strategy.

B. **Enhancing our investment capabilities and relative value decision-making:** We will improve our relative value decision-making across the Fund by developing more robust analytics to isolate key drivers of investing edge.

C. **Building capabilities to invest in the whole economy transition:** We will continue to drive decarbonization and broader value creation through the integration of sustainability across the investment process, while continuing to identify opportunities to reduce emissions from our own operations.

Financial Policies and Controls

CEO/CFO Certification

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is considered effective when it is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, as issued by the International Accounting Standards Board (IASB), and the requirements of the *Canada Pension Plan Investment Board Act* (CPPIB Act) and the accompanying regulations. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of the CEO and CFO, Management evaluated the effectiveness of CPP Investments' internal control over financial reporting as of March 31, 2023, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, Management concluded that, as of March 31, 2023, internal control over financial reporting was effective. CPP Investments is not required by law or regulation to perform this annual evaluation. We do so voluntarily as part of our commitment to strong corporate governance and accountability.

Management is responsible for the design and effectiveness of disclosure controls and procedures to confirm that each Annual Report of CPP Investments adheres to the disclosure requirements under the CPPIB Act and associated regulations. Under the supervision of the CEO and CFO, Management evaluated such disclosure controls and procedures and concluded that they were effective as of March 31, 2023.

Accounting policies and key accounting estimates

Significant accounting policies

The Financial Statements are prepared in accordance with IFRS, the requirements of the CPPIB Act and regulations of CPP Investments. The preparation of the Financial Statements requires the selection of appropriate accounting policies. Processes have been established to ensure accounting policies and methodologies are applied consistently and any changes are well controlled.

Future changes in accounting policies

Developments and changes in accounting standards from the IASB are actively monitored. The impact of adopting new standards issued by the IASB is continuously assessed, as is any impact to the presentation of the Financial Statements, including evaluating alternative presentation choices upon transition, where applicable.

There were no adoptions of newly issued IFRS standards, changes in existing standards or new interpretations during the year ended March 31, 2023 that had a material impact on the Financial Statements.

Fair value measurement

Management's most critical accounting estimate is the determination of fair value for investments and investment liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement and therefore incorporates those factors that market participants would consider when selling an asset or paying to transfer a liability.

The fair value of investments and investment liabilities is categorized in a hierarchical manner according to the level of reliance on unobservable inputs in determining their fair value measurement. It is based on:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment Departments' Percentage Contribution to each Hierarchy Level

	Fiscal 2023			Fiscal 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Public Market Strategies	87%	81%	6%	87%	91%	6%
Credit Investments	0%	13%	15%	0%	7%	13%
Private Equity	2%	5%	43%	2%	2%	44%
Real Assets	11%	1%	36%	11%	0%	37%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

How we assess and determine fair value

Our approach for determining fair value differs for public and private investments:

- Public investments: The fair values of investments in public stocks, bonds and other securities that are traded in active markets are determined using quoted prices from stock exchanges and other market data providers.
- Private investments: The fair values of investments in private equity, real estate, infrastructure, and other similar asset classes are determined using recent market transactions for identical or similar instruments or through valuation techniques that maximize the use of observable inputs such as interest rate yield curves. Valuation techniques include earnings multiples, the current fair value of another public investment that is substantially the same, discounted cash flow analysis, pricing models and other industry-accepted valuation methods.

Since estimating the fair value of private investments requires the application of judgment alongside data, we employ several layers of checks and controls:

- The Finance department is responsible for the oversight of valuation processes, controls and results, independent from investment departments. The department comprises accredited professionals with extensive experience valuing private assets at accounting firms, asset managers and other large pension funds; and
- We use third-party appraisers and external valuation experts in a risk-based manner to provide independent views on fair values.

In instances where fair values are obtained directly from external investment managers, we regularly review the quality of our partners' valuation practices.

Both Management (through the Valuation Committee) and the Board of Directors (through the Audit Committee) provide governance over valuation processes and controls.

Valuation practices are continuously reviewed to ensure that we maintain high-quality risk management and governance standards that are required to uphold and sustain the confidence and trust of our stakeholders.

Key performance and non-IFRS measures

The disclosure of certain non-International Financial Reporting Standards (non-IFRS) measures, presented below, is intended to provide readers with supplemental information that reflects Management's perspective on the Fund's performance. Non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions.

Furthermore, in alignment with the Fund's long-term investment approach, Management discloses five- and 10-year performance measures that extend beyond the year-over-year comparison in the Financial Statements and Notes. The Management's Discussion and Analysis (MD&A) discloses select financial results both on a dollar and percentage basis. Also presented are performance measures, such as dollar value-added and percentage value-added. Where these measures are reported as percentages, they are calculated relative to average net asset balances and reflect the impact of daily compounding. These metrics are not included in the table below, as they have no IFRS comparable value.

Non-IFRS Measures[1]	Reconciliation to Comparable IFRS Measure		
Recourse Leverage: As described under Liquidity and Leverage Risk on page 43 of the MD&A, Recourse Leverage refers to legal obligations with direct recourse to the parent entity of CPP Investments. This is separate and distinct from our use of Limited Recourse Leverage, which generally includes debt issued through our investment holding subsidiaries that only has recourse to certain investments held within these subsidiaries. Recourse Leverage is composed of debt financing liabilities, repurchase liabilities and the net notional value of derivatives used to generate additional leverage for the Fund, partially offset by certain cash and reverse repurchase agreements.	($ millions)	March 31, 2023	March 31, 2022
	Recourse Leverage[2]	157,301	121,839
	Less:		
	Net notional value of derivatives used to generate additional leverage for the Fund	78,119	75,888
	Add:		
	Fair value adjustment to debt financing liabilities	(5,203)	(1,961)
	Debt financing liabilities of investment holding subsidiaries	5,845	5,298
	Certain cash, cash equivalents and reverse purchase agreements netted against Recourse Leverage	34,053	45,044
	Other investment liabilities	28,186	36,553
	Investment liabilities (Consolidated Schedule of Investment Portfolio within the Financial Statements)	142,063	130,885
Currency Diversification: Foreign currency exposure used as a basis for the currency mix and currency return charts, disclosed under Fund Composition and Performance on page 38 of the MD&A, are calculated based on the underlying currency denomination to which a particular asset or security is exposed. For example, an American Depository Receipt (ADR) equity security from Mexico is traded in U.S. dollars. While the investment is denominated in U.S. dollars, the underlying currency is Mexican pesos and that is the basis for calculating measures of currency diversification and currency return. This is in contrast to IFRS, which focuses on the denomination of the financial instrument itself – U.S. dollars in the above example.	($ millions)	March 31, 2023	March 31, 2022
	Total foreign exposure per MD&A	446,889	450,136
	Add:		
	Impact of limiting currency changes to denomination of financial instrument held	1,253	2,040
	Total foreign exposure (Note 8.4.1 of Financial Statements)	448,142	452,176
Gross Income: As described in the Investment Department Performance section of the MD&A, Gross Income is comprised of total Income as noted in the Consolidated Statement of Comprehensive Income grossed up for expenses borne by investment holding subsidiaries and certain fees embedded within investments.	($ millions)	March 31, 2023	March 31, 2022
	Gross Income[2]	15,552	40,366
	Less:		
	Management and performance fees embedded within investments	3,134	3,622
	Transaction-related expenses borne by CPP Investments' investment holding subsidiaries	121	246
	Taxes borne by CPP Investments' investment holding subsidiaries	140	60
	Financing expenses borne by CPP Investments' investment holding subsidiaries	208	120
	Income (Note 6.1.1 of Financial Statements)	11,949	36,318

1. For a reconciliation of non-IFRS expense measures see page 46.
2. Certain comparatives have been reclassified to conform to the current year's presentation.

Carbon Metric Methodologies

Portfolio Carbon Footprint

The Fund's investments are split into two categories when measuring GHG emissions:

1. Government-issued securities – includes marketable government bonds, non-marketable government bonds, government treasury bill and government inflation-linked bonds.
2. Non-government holdings – the rest of the portfolio excluding the government issued securities.

Asset classes within scope for government-issued securities

1. **Total Carbon Emissions:** Measures the absolute amount of carbon emissions of a given country financed by CPP Investments. The measurement is estimated by apportioning a country's emissions based on the share of the country's debt. Financed carbon emissions for all countries are aggregated to arrive at total emissions for the portfolio.

$$\Sigma\left(\frac{\text{Current Value of Sovereign Bond Investment (\$) } i}{\text{Gross Debt Outstanding (\$) } i} * \text{Country Emissions } (tCO_2e)\ i\right)$$

2. **Carbon Footprint:** Estimates the total apportioned emissions per million dollars invested.

$$\frac{\Sigma\left(\frac{\text{Current Value of Sovereign Bond Investment (\$) } i}{\text{Gross Debt Outstanding (\$) } i} * \text{Country Emissions } (tCO_2e)\ i\right)}{\text{Current Sovereign Bond Portfolio Value}}$$

Formula Definitions:

i represents each investment and portfolio company in the calculation.

Current Value of Sovereign Bond Investment or portfolio is the market value as of March 31, 2023.

Gross Debt Outstanding consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future. This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable.

Country Emissions reflect the territorial emissions from all domestic production of goods and services within a national boundary, regardless of whether those goods and services are consumed domestically or exported. It includes land use, land-use change, and forestry emissions. The country emissions are defined under the production basis. The production-based emissions reflect the territorial emissions from all domestic production of goods and services within a national boundary, regardless of whether those goods and services are consumed domestically or exported.

Asset classes within scope for non-government holdings

1. **Total Carbon Emissions:** The absolute greenhouse gas emissions associated with a portfolio, expressed in tonnes CO_2e; measures the absolute tonnes of CO_2e which CPP Investments has in its underlying portfolio. The measurement is estimated by taking the pro rata share of a company's GHG emissions. The portfolio's share has been calculated by dividing the market value of the portfolio's investment in a company by the long-term capital* of the company.

$$\Sigma\left(\frac{\text{Current Value of Investment } i}{\text{Issuer's Long-term Capital } i} * \text{Issuer's Carbon Emissions } i\right)$$

2. **Carbon Footprint:** Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tonnes CO_2e / \$M invested; estimates the total carbon emissions for every \$1 million invested.

$$\frac{\Sigma\left(\frac{\text{Current Value of Investment } i}{\text{Issuer's Long-term Capital } i} * \text{Issuer's Carbon Emissions } i\right)}{\text{Current Portfolio Value}}$$

Formula Definitions:

*The long-term capital is the sum of the fair market value of equity and long-term debt.
i represents each investment and portfolio company in the calculation.
Current Value of Investment or portfolio is the market value as of March 31, 2023.
Issuer's carbon emissions include the Scope 1 and Scope 2 emissions.

Green and Transition Assets Definitions

Green Assets

An asset is considered to be "green" when a substantial majority of its revenue can be classified as being derived from green sources or activities. Green Assets represent the total AUM of companies where:

- At least 95% of a firms' revenue is derived from International Capital Market Association (ICMA) Eligible Green Project sectors and/or subsectors identified as green; or
- The asset type is conditionally green according to the Climate Bonds initiatives Taxonomy Paris Agreement Compliant criteria, and the relevant Screening Indicator is met; or
- If the above criteria are not clearly applicable, however the firm has a reasonable case to qualify, the Risk department will work with the applicable investment department to apply a bespoke assessment.

Transition Assets

Transition Assets represent the total AUM of companies that are actively contributing to the transition to a low carbon economy and can be categorized into two groups:

High emission companies with decarbonization plans

Companies are considered Transition Assets if they meet all of the following criteria:

- Have adopted decarbonization targets and are committed to transitioning towards a net-zero emissions economy by 2050.
- Have interim targets and track their progress with a specific business plan on how they will be achieved.
- Both targets and continued progress are validated by a credible third-party (such as SBTi).
- The allocation of capital can lead to substantial decarbonization opportunities, defined by operation in a high emissions sector.

Companies approaching Green Asset status

Companies which have substantial green revenues that currently fall short of the Green Asset threshold (95% minimum) may also be considered for inclusion, provided there is a credible plan to grow their green revenue share over time. This categorization may be applied when evaluating companies Green Asset eligibility, based on assessment by investment departments and the Risk department.

Compensation Discussion and Analysis

Letter from the Chair of the Human Resources and Compensation Committee

As the Chair of the Human Resources and Compensation Committee (HRCC), I am pleased to share with you our approach to assessing performance and determining compensation for employees of CPP Investments.

Fiscal 2023 performance highlights

A key component of our compensation program is the investment performance of the Fund. For the five-year period ended March 31, 2023, the Fund generated an annualized net return of 7.9% and delivered $6.8 billion in net dollar value-added above the Reference Portfolios. For more on our financial results see the Management's Discussion and Analysis section.

Compensation outcomes

Our focus on investment performance is foundational to our compensation program. This supports a strong alignment between CPP Investments' employees and our singular purpose which is to maximize returns for the 21 million contributors and beneficiaries of the Canada Pension Plan without undue risk of loss.

The deliberate focus on our long-term investment performance, including consideration for strong absolute performance as well as dollar value-added above the Reference Portfolios, ensures we reward for a holistic achievement. Importantly, our compensation program continues to measure both quantitative and qualitative outcomes, including how our CEO, Senior Management Team and employees deliver on long-term strategic business objectives.

Over the past five years, CPP Investments' total Fund net return delivered above-target achievement, while the dollar value-add was below, resulting in a total Fund multiplier of 1.10.

The HRCC retains full discretion to reward performance for the Senior Management Team within a range of zero to two times target incentive levels. It may also award salary adjustments or other compensation arrangements. This allows the HRCC to evaluate performance comprehensively and reward not only results, but also the manner in which they were achieved.

Decisions on CEO pay

Our assessment of Mr. Graham for the year reflects recognition of his high achievements, for which the Board awarded him an incentive multiplier of 1.60. The weighted average of the total Fund multiplier and the Department/Individual multiplier resulted in an overall incentive multiplier for Mr. Graham of 1.35.

The Board awarded Mr. Graham total direct compensation of $5,286,686 for fiscal 2023, consisting of salary, an in-year award and deferred awards, as shown in Table 2. Mr. Graham also received standard pension and benefits.

Further details on compensation of the CEO and other Named Executive Officers are included in the Compensation Discussion and Analysis that follows.

S. D. Chrominska

Sylvia Chrominska
Chair, Human Resources and Compensation Committee

The Role and Activities of the HRCC of the Board of Directors

As discussed in the Governance section, the Human Resources and Compensation Committee (HRCC) advises the Board of Directors on human resources matters, including talent management, talent development and compensation.

The HRCC adopted a number of specific objectives in support of the Fund's strategic priorities in fiscal 2023. This included supporting the CEO in reshaping the senior management team. The team now includes a Chief Operating Officer (COO), and distinct Chief Financial Officer (CFO) and Chief Risk Officer (CRO) positions. The HRCC also aided the CEO with filling senior management roles, often drawing from robust succession plans, and supported the Board in its review of Officer compensation. In addition, the HRCC supported Management's plans to respond to changing dynamics in the human capital markets.

Our people are vital to the health of the Fund, especially through these challenging times. Their skills help to both create and preserve value. The HRCC is satisfied that the compensation paid for fiscal 2023 is appropriate, especially after taking into account how the design and management of our Investment Portfolios played a role in delivering out-performance relative to our five-year total Fund Absolute Performance goal. We are confident that our decisions regarding department and individual performance compensation reflect our assessment of the Senior Management Team's performance, relative to their pre-established objectives for the year. They are also appropriately aligned with the interests of CPP contributors and beneficiaries.

Please refer to the Strategy section on page 28 for more information on our compensation philosophy, and to our website for additional details on the mandates of the HRCC and Board of Directors as outlined in their Terms of Reference. The composition of the current HRCC is on pages 88 and 89.

The HRCC uses the services of Hugessen Consulting Inc. to provide independent advice, information and guidance on executive compensation issues. Hugessen cannot provide any services to Management without prior approval from the HRCC. Hugessen received $120,169 for its services to the HRCC in fiscal 2023 ($168,688 in fiscal 2022).

Fiscal 2023 compensation disclosures

We outline below, and earlier in the Strategy section, the performance measures used to make compensation decisions for all employees, including our CEO and Named Executive Officers (NEOs), along with the compensation outcomes for fiscal 2023. We disclose compensation information for key management personnel as a group. We also disclose individual compensation figures for the CEO, the CFO/CFRO, and the next four highest-paid Senior Managing Directors (SMDs). Our NEOs this year include:

- **President & Chief Executive Officer (CEO) – John Graham**
- **SMD & Chief Financial Officer (CFO) – Kristina Fanjoy (from October 11, 2022)**
- **Former SMD & Chief Financial and Risk Officer (CFRO) – Neil Beaumont (to July 31, 2022)**
- **SMD, Head of Asia Pacific & Active Equities Asia – Agus Tandiono**
- **SMD, Global Head of Real Assets & Head of Europe – Maximilian Biagosch**
- **SMD & Chief Investment Officer – Edwin Cass**
- **SMD & Global Head of Private Equity – Suyi Kim**

Performance measures

Management outlines financial and non-financial objectives in our business plan each fiscal year. The Board of Directors approves these goals and reviews progress against organizational objectives quarterly and at year end. This ensures a pay-for-performance approach to evaluation and compensation.

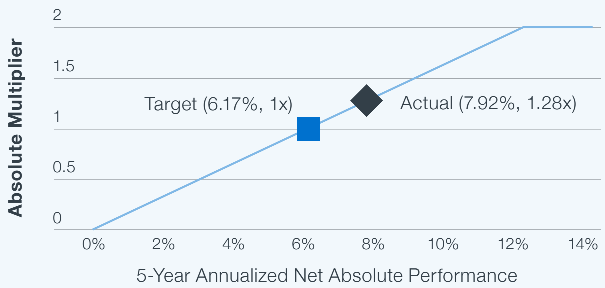
Total Fund performance

We measure total Fund performance over a five-year period using two equally weighted components for absolute and relative performance. For fiscal 2023:

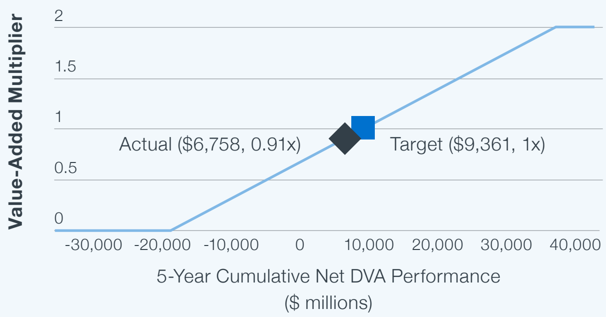
- For the **absolute performance component**, the Fund must achieve a five-year annualized target return of 6.2% which will result in a target multiplier of 1x.
- For the **relative performance component**, the Fund must reach a five-year dollar value-added (DVA) target of $9.4 billion relative to the Reference Portfolios to achieve a relative performance multiplier of 1x.

The Board reviews targets annually. The graphs below map the fiscal 2023 target and actual total Fund performance.

Absolute Performance Component of the Total Fund Performance Multiplier



Value-Added Performance Component of the Total Fund Performance Multiplier



The absolute and relative performance of the total Fund in fiscal 2023 resulted in a total Fund multiplier of 1.1 for the year ended March 31, 2023 (1.36 – March 31, 2022).

Table 1: Total Fund Performance, Fiscal 2019 to 2023

	Absolute Performance			Relative Performance			
Fiscal year	Total Fund Net Return ($ billion)	Total Fund Net Return %	Total Fund Absolute Multiplier	Reference Portfolios Return ($ billion)	Total Fund Net DVA ($ billion)	Total Fund Value-Added Multiplier	Total Fund Multiplier
2019	32.0	8.95%		25.6	6.4		
2020	12.1	3.09%		(11.4)	23.5		
2021	84.0	20.37%		119.3	(35.3)		
2022	34.4	6.84%		24.3	10.2		
2023	**7.8**	**1.35%**		**5.9**	**2.0**		
Cumulative $ / Annualized % – 5 year	**170.3**	**7.92%**	**1.28**	**163.6**	**6.8**	**0.91**	**1.10**

Department, group and individual performance

Departments and Groups across the organization have both financial and non-financial objectives aligned to the nature of their work and contribution to the Fund's success. The CEO evaluates performance against these objectives for approval by the Board. A more detailed description of the total Fund and investment department performance is found in the Management's Discussion and Analysis section.

Individual performance objectives align the effort of all employees to broader organizational goals, as applicable to their role. The individual performance of Senior Management Team members is evaluated by the CEO and presented to the Board of Directors to support their approval of the performance multipliers used to determine the incentive compensation. Fiscal 2023 compensation for the CEO and other Named Executive Officers (NEOs) is reflected in the following sections.

Compensation of the CEO

At the start of each fiscal year, the Board of Directors and the CEO agree on organizational and individual objectives for the CEO, Mr. John Graham. At year end, the HRCC evaluates the CEO's performance against those objectives and presents its evaluation to the Board for review and approval.

Accomplishments for fiscal 2023 included achievements against the following goals:

- Purpose: Keeping the organization aligned to its purpose – Building an organization that can deliver the best long-term portfolios for CPP contributors and beneficiaries;
- People: Developing the next generation of leaders;
- Performance: Delivering maximum value without undue risk of loss; and
- Platform: Leading the development of CPP Investments' next strategy beyond 2025.

The Board of Directors awarded Mr. Graham a total incentive award of $4,615,864 for fiscal 2023. His leadership of the organization, its strategic priorities and Fund management strongly position CPP Investments to continue working in the best interests of CPP's contributors and beneficiaries.

Compensation for the Named Executive Officers (NEOs)

Table 2 below shows total compensation over the past three fiscal years for the NEOs.

Table 2: Summary Compensation

Name and Position	Year	Currency	Base Salary A	In-year Award B	Deferred Award[1] C	Other Deferred Award[2] D	Pension Value E	All Other Compensation[3] F	Total Compensation (with Deferred Award) A+B+C+D+E+F
John Graham[3,4,5]	**2023**	**CAD**	**670,822**	**1,807,932**	**1,807,932**	**1,000,000**	**74,913**	**17,478**	**5,379,077**
President & CEO	2022		650,000	1,959,100	1,959,100	700,000	72,506	9,314	5,350,020
	2021		464,096	1,187,157	1,187,157	58,334	46,930	7,911	2,951,585
Kristina Fanjoy[3,4,6,7,8]	**2023**	**CAD**	**352,373**	**410,146**	**341,150**	**30,000**	**32,245**	**26,451**	**1,192,364**
Senior Managing Director &	2022		330,903	419,495	279,663		29,953	7,810	1,067,824
Chief Financial Officer	2021		304,648	347,364	231,576		27,715	8,415	919,718
From October 11, 2022									
Neil Beaumont[9]	**2023**	**CAD**	**155,090**	**–**	**–**	**–**	**28,705**	**5,927**	**189,722**
Former SMD & Chief Financial	2022		456,337	1,024,819	1,024,819		46,963	7,149	2,560,087
and Risk Officer	2021		448,050	967,620	967,620		47,348	42,406	2,473,043
To July 31, 2022									
Agus Tandiono[3,10,11,12]	**2023**	**HKD**	**4,083,321**	**8,914,758**	**8,914,758**	**1,500,000**	**513,238**	**1,281,626**	**25,207,701**
Senior Managing Director,	2022		3,975,098	8,683,450	6,758,224	3,600,000	497,544	1,462,237	24,976,554
Head of Asia Pacific & AE Asia	2021		3,791,507	10,356,706	6,904,470		471,525	1,397,551	22,921,759
Maximilian Biagosch[4,13,14,15]	**2023**	**GBP**	**393,329**	**906,827**	**906,827**	**86,667**	**51,584**	**16,996**	**2,362,231**
Senior Managing Director,	2022		366,288	908,995	708,205	200,000	47,242	13,058	2,243,786
Global Head of Real Assets &	2021		329,779	788,024	525,350		43,590	11,906	1,698,649
Head of Europe									
Edwin Cass[3,4,16]	**2023**	**CAD**	**562,493**	**1,544,100**	**1,544,100**	**500,000**	**60,485**	**7,877**	**4,219,055**
Senior Managing Director &	2022		550,000	1,547,700	1,547,700	375,000	59,645	10,016	4,090,061
Chief Investment Officer	2021		527,945	1,297,689	1,297,689	300,000	58,656	276,913	3,758,893
Suyi Kim[3,4,17,18]	**2023**	**CAD**	**512,098**	**1,378,036**	**1,378,036**	**100,000**	**24,522**	**4,767**	**3,397,459**
Senior Managing Director &	2022		702,629	1,229,688	–	–	88,192	1,698,564	3,719,074
Global Head of Private Equity	2021		685,372	1,474,064	1,474,064	–	86,253	248,174	3,967,927

1. The Deferred Award represents the award value at the time of award. The award value fluctuates with the performance of the total Fund over the vesting period.
2. Other Deferred Award refers to either one-time or recurring long-term awards.
3. All other compensation includes the premium or value of life insurance, disability benefits, health, dental and vision benefits, discretionary employment arrangements, health and wellness reimbursement as well as comprehensive health assessment conducted at a private medical clinic. Perquisites are limited to paid parking for Officers based in Canada. Mr. Tandiono received a housing allowance in Hong Kong. These figures include all relocation and assignment costs as applicable.
4. NEO elected to defer all or part of the fiscal 2023 In-year award into the Voluntary Deferral Incentive Plan (VDIP).
5. As President & CEO, Mr. Graham received three FRU awards; a prorated FRU award of C$58,334 upon appointment, C$700,000 in fiscal 2022, and C$1,000,000 in fiscal 2023. Based on a valuation, the underlying notional investments that these awards represent are C$388,893, C$4,666,667, and C$5,714,286, respectively. All of these awards vest over 5 years.
6. Ms. Fanjoy was appointed SMD & CFO on October 11, 2022. Her fiscal 2023 compensation is prorated to reflect time in both roles – Global Leadership Team (GLT)-MD, Head of Finance, and SMD & CFO.
7. Ms. Fanjoy received a one-time, non-recurring cash award of C$16,000 in recognition of interim leadership of the department as GLT-MD, Head of Finance and before transition to the SMD & CFO role.
8. Upon her appointment as SMD & CFO, Ms. Fanjoy received a prorated fiscal 2023 FRU award of C$30,000. The underlying notional investment value for which is C$171,429.
9. Mr. Beaumont's fiscal 2023 compensation is prorated based on time spent as SMD, CFRO.
10. Mr. Tandiono was appointed SMD & Head of Asia Pacific and Fundamental Equities Asia on December 6, 2021. His fiscal 2022 compensation was prorated to reflect time in both roles: GLT-MD, Head of Fundamental Equities Asia, and SMD, Head of Asia Pacific and Fundamental Equities Asia.
11. Mr. Tandiono received a fiscal 2023 FRU award of HK$1.5M, the underlying notional investment value for which is HK$8,571,429.
12. Mr. Tandiono received a fiscal 2022 SRFU grant of HK$3.6M during his time as GLT-MD, Head of FE Asia. This award vests 33% in fiscal 2022, 33% in fiscal 2023 and 34% in fiscal 2024.
13. Mr. Biagosch was appointed SMD, Head of Europe and Real Assets (RA) on February 21, 2023. His fiscal 2023 compensation is prorated to reflect time in both roles – SMD, Head of Europe and DPE, and SMD, Head of Europe and Real Assets (RA). His fiscal 2022 compensation was prorated for time spent as GLT-MD, Head of DPE, and as SMD & Head of Europe and DPE.
14. Mr. Biagosch received a fiscal 2023 FRU award of £86,667, the underlying notional investment value for which is £495,240.
15. Mr. Biagosch received a fiscal 2022 SRFU award of £200,000 as part of his appointment to the GLT-MD, Head of DPE role. This award vests 33.3% in fiscal 2022, 33.3% in fiscal 2023 and 33.4% in fiscal 2025.
16. As SMD & CIO, Mr. Cass received three FRU awards; a FRU award of C$300,000 upon appointment, C$375,000 in fiscal 2022, and C$500,000 in fiscal 2023. Based on a valuation, the underlying notional investments that these awards represent are C$2.0 million, C$2.5 million, and C$2,857,143, respectively. All these awards vest over 5 years.
17. Upon appointment as SMD & Global Head of Private Equity and relocation to Canada, Ms. Kim forfeited prior unvested awards and the fiscal 2022 Deferred Award. In fiscal 2023, she received a SRFU award in lieu (as shown in Table 3).
18. Ms. Kim's compensation from prior years has been converted to CAD using the exchange rate in effect on March 31 of those fiscal years. For fiscal 2022 that is HKD:CAD 1:0.16, and for fiscal 2021 that is HKD:CAD 1:0.16.

Deferred compensation – As per the incentive compensation plan, senior employees including NEOs must defer a portion of their annual incentive award. Table 3 below shows the outstanding deferred awards and the future payouts for each Named Executive Officer.

Table 3: Deferred Awards

Name	Currency	Type of Award	Year of Award	Award Value	Payments in Current Year 2023	Current Value of Unvested Awards[1]
John Graham[2,3]	**CAD**	Deferred Award	**2023**	**1,807,932**		**1,807,932**
President & CEO		Deferred Award	2022	1,959,100	661,849	1,323,699
		Deferred Award	2021	1,187,157	428,494	428,494
		Deferred Award	2020	1,364,125	592,664	
		FRU Grant	**2023**	**1,000,000**		**77,143**
		FRU Grant	2022	700,000		386,509
		FRU Grant	2021	58,334		117,988
Kristina Fanjoy[4,5]	**CAD**	Deferred Award	**2023**	**341,150**		**341,150**
Senior Managing Director &		Deferred Award	2022	279,663	94,479	188,959
Chief Financial Officer		Deferred Award	2021	231,576	83,585	83,585
From October 11, 2022		Deferred Award	2020	249,316	108,319	
		FRU Grant	**2023**	**30,000**		**2,314**
Neil Beaumont[6]	**CAD**	Deferred Award	**2023**	**–**		**–**
Former SMD &		Deferred Award	2022	1,024,819	346,218	–
Chief Financial and Risk Officer		Deferred Award	2021	967,620	349,254	–
To July 31, 2022		Deferred Award	2020	1,147,682	498,627	–
Agus Tandiono[7,8,9]	**HKD**	Deferred Award	**2023**	**8,914,758**		**8,914,758**
Senior Managing Director,		Deferred Award	2022	6,758,224	2,283,153	4,566,307
Head of Asia Pacific & AE Asia		Deferred Award	2021	6,904,470	2,492,107	2,492,107
		Deferred Award	2020	6,738,787	2,927,766	
		SRFU Award	2022	3,600,000	1,286,394	1,325,376
		FRU Grant	**2023**	**1,500,000**		**115,714**
Maximilian Biagosch[10,11,12]	**GBP**	Deferred Award	**2023**	**906,827**		**906,827**
Senior Managing Director,		Deferred Award	2022	708,205	239,255	478,510
Global Head of Real Assets &		Deferred Award	2021	525,350	189,620	189,620
Head of Europe		Deferred Award	2020	564,493	245,252	
		SRFU Award	2022	200,000	72,116	72,333
		FRU Grant	**2023**	**86,667**		**6,686**
Edwin Cass[13,14]	**CAD**	Deferred Award	**2023**	**1,544,100**		**1,544,100**
Senior Managing Director &		Deferred Award	2022	1,547,700	522,865	1,045,729
Chief Investment Officer		Deferred Award	2021	1,297,689	468,389	468,389
		Deferred Award	2020	1,493,000	648,656	
		FRU Grant	**2023**	**500,000**		**38,571**
		FRU Grant	2022	375,000		207,059
		FRU Grant	2021	300,000		606,789
Suyi Kim[15]	**CAD**	Deferred Award	**2023**	**1,378,036**		**1,378,036**
Senior Managing Director &		SRFU Award	**2023**	**3,770,306**	**1,272,461**	**2,548,744**
Global Head of Private Equity		FRU Grant	**2023**	**100,000**		**7,714**

1. Current estimated value of unvested Awards is based on a Fund return of 0% for future years. For Deferred Awards and SRFUs, it equals the award value at grant date times the cumulative net total Fund rate of return, and applicable foreign exchange rates at time of award. For FRUs, the value represents only the cumulative net total Fund rate of return applied to the underlying notional investment at grant.
2. As President & CEO, Mr. Graham received three FRU awards; a prorated FRU award of C$58,334 upon appointment, C$700,000 in fiscal 2022, and C$1,000,000 in fiscal 2023. Based on a valuation, the underlying notional investments that these awards represent are C$388,893, C$4,666,667, and C$5,714,286, respectively. All of these awards vest over 5 years.
3. Mr. Graham was appointed President & CEO on February 26, 2021. His fiscal 2021 compensation was prorated to reflect time in both roles – SMD & Global Head of Credit Investments, and President & CEO.
4. Ms. Fanjoy was appointed SMD & CFO on October 11, 2022. Her F2023 compensation is prorated to reflect time in both roles – Global Leadership Team (GLT)-MD, Head of Finance, and SMD & CFO.
5. Upon her appointment as SMD & CFO, Ms. Fanjoy received a prorated F2023 FRU award of C$30,000. The underlying notional investment value for which is C$171,429.
6. Per disclosed treatment of NEO compensation, the outstanding deferred awards that were due to vest this year have been paid out to former CFRO. All other awards, including a fiscal 2023 award, have been forfeited.
7. Mr. Tandiono received a fiscal 2023 FRU award of HK$1.5M, the underlying notional investment value for which is HK$8,571,429.
8. Mr. Tandiono was appointed SMD & Head of Asia Pacific and Fundamental Equities Asia on December 6, 2021. His fiscal 2022 compensation was prorated to reflect time in both roles: GLT-MD, Head of Fundamental Equities Asia, and SMD, Head of Asia Pacific and Fundamental Equities Asia.
9. Mr. Tandiono received a fiscal 2022 SRFU grant of HK$3.6M during his time as GLT-MD, Head of FE Asia. This award vests 33% in fiscal 2022, 33% in fiscal 2023 and 34% in fiscal 2024.

10. Mr. Biagosch was appointed SMD, Head of Europe and Real Assets (RA) on February 21, 2023. His fiscal 2023 compensation is prorated to reflect time in both roles – SMD, Head of Europe and DPE, and SMD, Head of Europe and Real Assets (RA). His fiscal 2022 compensation was prorated for time spent as GLT-MD, Head of DPE, and as SMD & Head of Europe and DPE.
11. Mr. Biagosch received a fiscal 2023 FRU award of £86,667, the underlying notional investment value for which is £495,240.
12. Mr. Biagosch received a fiscal 2022 SRFU award of £200,000 as part of his appointment to the GLT-MD, Head of DPE role. This award vests 33.3% in fiscal 2022, 33.3% in fiscal 2023 and 33.4% in fiscal 2025.
13. As SMD & CIO, Mr. Cass received three FRU awards; a FRU award of C$300,000 upon appointment, C$375,000 in fiscal 2022, and C$500,000 in fiscal 2023. Based on a valuation, the underlying notional investments that these awards represent are C$2.0 million, C$2.5 million, and C$2,857,143, respectively. All these awards vest over 5 years.
14. Mr. Cass was appointed SMD & CIO on September 9, 2020. His fiscal 2021 salary and incentive is prorated for time spent as SMD & CIO and as SMD & Global Head of RA.
15. Upon appointment as SMD & Global Head of Private Equity and relocation to Canada, Ms. Kim forfeited prior unvested awards and the fiscal 2022 Deferred Award. In fiscal 2023, she received a SRFU award in lieu as shown here.

Termination and retirement arrangements for the CEO

Subject to non-compete provisions, the CEO is eligible to retire from the organization and receive certain benefits, provided he has reached the combined threshold age of 55 and 10 years of service at CPP Investments, and has provided notice at least six months in advance of departure. Any Annual Incentive Award during the year of retirement is paid out on a prorated basis. Any unvested deferred awards continue to vest according to the established vesting schedule. All benefits stop on the date of retirement.

In the event of termination without cause, severance pay for the CEO is set at:

- Any base salary earned and remaining payable and a prorated payment in lieu of the In-Year Incentive Award at target; and
- An amount equivalent to 21 months of salary and an amount in lieu of an In-Year Incentive Award calculated based on the weighted average of the three prior completed fiscal years; and
- Deferred Awards that would otherwise have vested during the 21-month period.

The CEO forfeits any deferred portion of the incentive awards, with the exception of voluntary deferrals and any vested awards, per above. Insured benefits, such as health, dental and life coverage, continue during the severance period.

In the case of termination with cause, the CEO forfeits all incentives and benefits. There are no change-of-control provisions in the employment arrangements.

In the event of resignation from employment, all incentives and benefits are forfeited, with the exception of any voluntary deferrals.

Termination and retirement arrangements for the NEOs

In the event of termination without cause, severance pay for the Named Executive Officers (NEOs) is set at:

- 12 months of base salary and a prorated payment for the value of the In-Year Award at target of the respective fiscal year; and
- An additional month of salary and one-twelfth of the target In-Year Award for each year of service, up to a maximum of 18 months of base salary and In-Year Award; and
- Deferred Awards that would otherwise have vested in that period to a maximum of 18 months.

In the case of termination with cause or resignation, the employee forfeits all incentives, unvested awards and benefits. There are no change-of-control provisions in the employment arrangements.

In the event of Mr. Edwin Cass's resignation, he will receive a prorated payment of the Deferred Award that would have vested at the end of the fiscal year of his resignation. This provision is in consideration of his post-employment obligations. It is payable one year after resignation. All other incentives and benefits are forfeited.

As with other employees, NEOs are entitled to retire from the organization provided they have reached the combined threshold age of 55 and 10 years of service at CPP Investments, and have provided advance written notice.

Upon retirement, employees continue to receive the ongoing deferral payments owed to them under the Incentive Plan, provided they continue to satisfy the retirement criteria under the Plan. The normal payment cycle applies and payments are subject to the same conditions. All benefits stop on the date an employee retires.

Table 4 below shows the payments that would be made, as of March 31, 2023, to the Named Executive Officers if they retire or are terminated without cause.

Table 4: Potential Termination and Retirement Payments[1]

Name	Currency	Completed years of service	Severance[2]	Retirement treatment of unvested awards[3,4]
John Graham President & CEO	CAD	15	4,810,052	4,141,740
Kristina Fanjoy Senior Managing Director & Chief Financial Officer	CAD	13	1,057,888	616,014
Agus Tandiono Senior Managing Director, Head of Asia Pacific & AE Asia	HKD	9	18,719,748	16,088,914
Maximilian Biagosch Senior Managing Director, Global Head of Real Assets & Head of Europe	GBP	8	1,772,206	1,581,586
Edwin Cass Senior Managing Director & Chief Investment Officer	CAD	15	3,288,753	3,910,619
Suyi Kim[5] Senior Managing Director & Global Head of Private Equity	CAD	15	2,307,009	1,385,714

1. Excludes incentive compensation payouts included in Table 2: Summary Compensation. Termination and retirement payments are estimated as of March 31, 2023. Actual payments are prorated based on time worked in the performance period.
2. Excludes the value of any deferred awards (including one-time awards) that may continue to vest as per severance terms and the cost of benefits continued during the relevant notice period, where applicable.
3. Upon retirement, payout of the unvested awards will be subject to the following conditions:
   – Performance is measured at the end of the vesting period;
   – Continued compliance with post-employment obligations; and
   – Payment is made at the end of vesting period.
4. The unvested awards assume a net return of 0% on the Fund for future years.
5. Upon appointment as SMD & Global Head of Private Equity and relocation to Canada, Ms. Kim forfeited past unvested awards and the fiscal 2022 Deferred Award. In fiscal 2023, she received a SRFU award in lieu.

Governance Practices of the Board of Directors

Letter from the Chair of the Governance Committee

We believe sound governance practices are integral to the successful long-term performance of all companies in which we invest. This extends to the success of CPP Investments. Strong governance practices help to ensure compliance with the law and with the ethical standards that we expect of everyone at CPP Investments. We are committed to rigorous standards of corporate governance and strive to be a leader in setting global governance best practices for our industry.

Good governance starts with our Board of Directors. The Governance Committee of the Board regularly assesses our corporate governance. It takes into account evolving global best practices, regulatory changes and stakeholder expectations. The Committee works to ensure the Board's effectiveness by reviewing criteria and qualifications for Directors, planning for Board succession and overseeing Director orientation and ongoing development programs. The Committee also oversees the annual Board evaluation process as described under A Commitment to Accountability on page 83. We monitor the application of the Code of Conduct and related policies in fostering a culture of ethics and integrity throughout CPP Investments. In addition, we recommend for Board approval the Proxy Voting Principles and Guidelines, which provide the public companies in which CPP Investments owns shares guidance on how we are likely to vote on matters put to shareholders.

My colleagues on the Committee in fiscal 2023 were: Judith Athaide (from December 2022), Dean Connor, Tahira Hassan, Heather Munroe-Blum (in an ex officio capacity) and Boon Sim (until January 2023).

Fiscal 2023 report on activities

One of the primary responsibilities of the Governance Committee is to lead the Board in assessing and planning for Board composition and succession, ensuring an appropriate balance of renewal and continuity. This includes working with the Chairperson to support the Board in considering Chairperson succession planning. With Chairperson Heather Munroe-Blum's final term on the Board ending in October 2023, this year the Committee oversaw a comprehensive Chairperson succession and selection process to plan for a smooth transition of this critical Board leadership role.

Our other Board renewal activities included undertaking in-depth searches for a director candidate to succeed Kathleen Taylor who retired from the Board effective March 31, 2023 after completing three full terms, and for a candidate to replace Dr. Munroe-Blum as a director. We have made a recommendation to CPP Investments' stewards for an individual to succeed Ms. Taylor on the Board, while the search for Dr. Munroe-Blum's successor as a director remains in progress. The Committee also recommended each of John Montalbano, Mary Phibbs and Boon Sim for reappointment, as well as my own reappointment.

All appointment and reappointment recommendations, including those made by us in fiscal 2023, are based upon our stringent Director Appointment and Reappointment Process described on page 80. This includes taking into account the Board composition matrix set out on page 82 and the results of our established Board, committee and peer evaluation process, among other factors.

The Governance Committee continued a review commenced the prior year of the governance of CPP Investments' portfolio companies, examining the approach to governance across CPP Investments' asset management and value creation activities.

In addition, the Governance Committee oversaw the orientation program for new Directors, as well as continuing development and education for all Directors, with consideration to ensuring the most effective use of the hybrid meeting schedule introduced this year.

In the upcoming year, in addition to our continuing activities, we will focus on the transition and orientation of the incoming Chairperson and carry out the biennial review of director compensation.

N. Ashleigh Everett
Chair, Governance Committee

Governance Practices of the Board of Directors

This section sets out certain key governance practices of the Board of Directors. Additional governance information is available on our website.

Mandate, duties and objectives of the Board of Directors

The Board of Directors is responsible for overseeing the management of the business and affairs of CPP Investments. Among other duties, the Board of Directors:

- Appoints the President & CEO and annually reviews their performance;
- Determines the organization's strategic direction in collaboration with Management;
- Reviews and approves investment policies, standards and procedures;
- Reviews and approves the Risk Policy which establishes enterprise risk appetite;
- Approves the framework for investment transaction approvals and for retaining external investment managers;
- Reviews the Investment Portfolios and the results of investment decisions;
- Reviews and approves the annual business plan and budget;
- Appoints and oversees succession planning for Senior Management positions;
- Sets compensation policies and approves Senior Management compensation;
- Appoints CPP Investments' external auditor;
- Establishes and monitors compliance with the Code of Conduct for Directors and employees;
- Establishes procedures to identify and resolve conflicts of interest;
- Establishes other policies relating to matters such as authorities, procurement, anti-corruption, privacy, and travel and expenses;
- Reviews and approves material disclosures such as quarterly and annual financial statements and this annual report; and
- Assesses the performance of the Board itself, including an annual Chairperson and Director peer review.

With a commitment to all appropriate accountability and transparency, one of the Board's most important responsibilities is to preserve a governance model in which CPP Investments operates at arm's length from governments, acting as an independent, professional investment organization. The Board ensures that CPP Investments' investment-only mandate is undertaken without regard to political considerations or any other non-investment objectives.

There is an expectation that Directors, like Officers and employees, will promptly report any attempted political interference with respect to investments, procurement, hiring or any other decisions. No such reports have been made.

Mandates, activities and composition of Board committees

The Board has five standing committees that met during fiscal 2023: Investment Strategy, Audit, Risk, Human Resources and Compensation, and Governance. Membership is shown in the Board Attendance chart on page 85.

The Investment Strategy Committee, established as the investment committee required by the *Canada Pension Plan Investment Board Act* (CPPIB Act), reviews and recommends investment policies to the Board. It also reviews, approves and monitors the long-term investment strategy. In addition, the Committee approves certain investment transactions as well as the framework for engaging external investment managers in accordance with the CPPIB Act.

The Audit Committee oversees Management's design and maintenance of systems of internal controls and the financial reporting of the Fund. This includes recommending for Board approval the financial statements and the Management's Discussion and Analysis section of this report. It also involves overseeing the internal audit function and external auditor, including appointing the internal auditor and recommending the external auditor for appointment by the Board. Without Management present, the Audit Committee regularly meets separately with each of the external and internal auditors, as well as with the Chief Financial Officer.

The Audit Committee advises the Board in connection with the statutorily mandated special examination, which reviews CPP Investments' systems and practices every six years. The most recent special examination was completed in fiscal 2022. It concluded there is reasonable assurance that there were no significant deficiencies in the systems and practices examined. Copies of this special examination report, as well as prior reports, are available on CPP Investments' website. The next special examination will take place in 2028.

The focus of the Risk Committee is on risk governance and overseeing risk management. It reviews and recommends the Risk Policy and considers any exceptions to the Risk Policy. In addition, the Committee monitors CPP Investments' risk profile against its risk appetite. It also reviews key existing and emerging risks to which CPP Investments is exposed. The Risk Committee regularly meets separately with the Chief Risk Officer. For more details about CPP Investments' risk governance practices, see page 23.

The Human Resources and Compensation Committee (HRCC) administers the performance evaluation process for the CEO and senior leadership. It reviews and recommends the compensation framework, reviews the organizational structure and oversees Management succession planning. It also oversees human resources policies, employee benefits and employee pension plans. The role of the HRCC is further outlined in the Compensation Discussion and Analysis section.

The Governance Committee ensures that CPP Investments follows appropriate governance best practices. The Governance Committee oversees conduct and culture matters, including reviewing and monitoring the application of the Code of Conduct and related policies. It establishes and recommends performance evaluation processes for the Board, Board committees, individual Directors and the Chairperson. It also oversees Board succession planning. This includes reviewing criteria and qualifications for Director appointments and reappointments. The Governance Committee recommends Director compensation, oversees the design of orientation and ongoing education programs for Directors and recommends the Proxy Voting Principles and Guidelines and the Board of Directors Diversity Policy for Board approval.

At every regularly scheduled meeting, the Board of Directors and each standing committee has sessions without members of Management present. In addition, the Board generally meets alone with the CEO at regularly scheduled Board meetings.

Decisions requiring prior Board approval

Management's discretion in making operational and investment decisions is described in the policies approved by the Board. This includes a detailed policy dealing exclusively with authorities. In particular, Board approval is required for matters affecting the strategic direction of the organization and for the annual business plan and budget. Appointments of Officers, as well as their annual and incentive-based compensation, also require Board approval.

Board expectations of Management

The Board expects Management to comply with all policies approved by the Board and with the CPPIB Act and regulations, and to act in accordance with applicable law. With involvement from the Board, Management develops the strategic direction of the organization. The strategy incorporates risk management policies and controls, as well as monitoring and reporting mechanisms. Management is also expected to sustain and promote a culture of high integrity, to adhere to a stringent Code of Conduct and to manage any conflicts of interest appropriately.

Management is charged with developing benchmarks that objectively measure the performance of the markets, asset classes and strategies in which CPP Investments invests. The Board assesses and approves benchmarks at the total Fund level. These benchmarks assist the Board in evaluating Management's investment performance and structuring performance-based compensation incentives.

Management is expected to disclose all material information and activities to the Board and the public on a timely basis. This includes new investments, quarterly and annual financial results, and developments that may materially affect CPP Investments' reputation.

Ensuring Board effectiveness

Managing prudent Board renewal and Board leadership renewal

The CPPIB Act provides that each Director be appointed for a term of up to three years and may be reappointed for one or more additional terms. The federal and participating provincial finance ministers have agreed that CPP Investments Directors are generally limited to a maximum of three three-year terms, with the Chairperson able to serve a fourth term. The Board seeks to work closely with the federal-provincial Nominating Committee in prudently managing continuity and renewal, seeking to ensure that multiple tenured Directors remain on the Board as other Directors complete their terms and new Directors join.

In fiscal 2023, Judith Athaide joined the Board, replacing Chuck Magro who resigned effective March 31, 2022 as a result of the responsibilities associated with a new executive role. Mark Evans was reappointed for a second term on the Board.

This year, the Board recommended a Director candidate to succeed Kathleen Taylor who completed three terms on the Board and retired effective March 31, 2023. A search is in process to recommend a Director candidate to succeed Heather Munroe-Blum as a Director, whose final term on the Board ends in October 2023. The Board also recommended Ashleigh Everett, John Montalbano and Mary Phibbs for reappointment for a third three-year term on the Board, and Boon Sim for reappointment for a second three-year term.

In fiscal 2023, the Board agreed to the following term limit policy for the Board Chairperson and Board committee chairs in order to enhance leadership opportunities for all Directors and balance the benefits of experience with the desire for fresh perspectives:

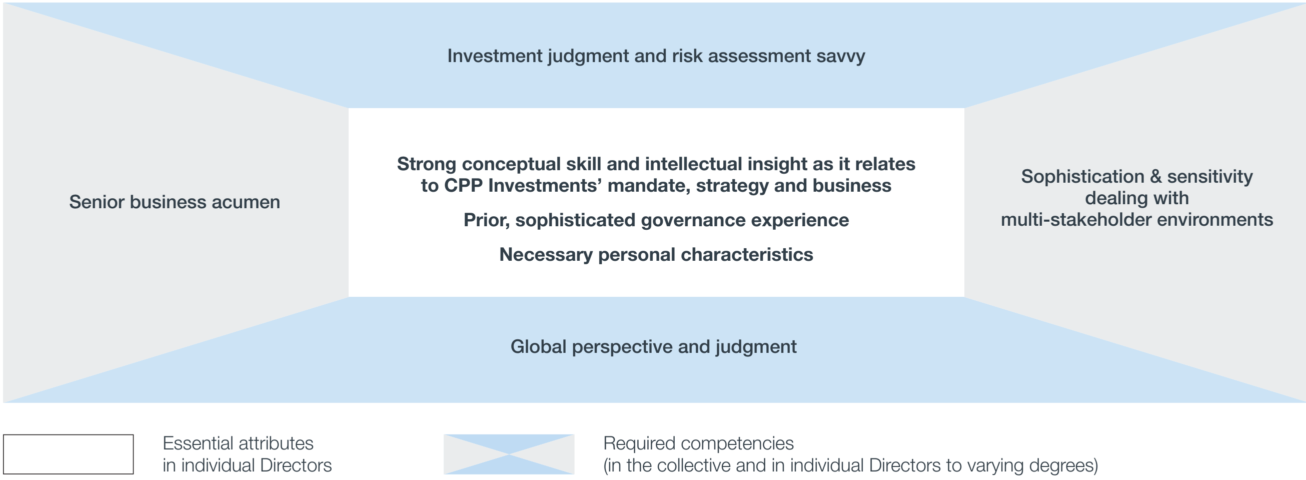
- ***Board Chairperson:*** The term of the Board Chairperson is normally five years, renewable up to three additional years considering the leadership requirements of the Board.
- ***Committee chairs:*** The term of a standing Committee Chair (other than the Chair of the Investment Strategy Committee, given it is currently coupled with the role of Board Chairperson) is normally three years, renewable up to two additional years considering the expertise required to lead the relevant committee.

The Board, upon the recommendation of the Governance Committee, retains discretion to waive or vary these term limits which are in each case subject to the terms of the relevant federal appointing Order-in-Council. The Board plans to assess the tenure of current committee chairs as part of its annual consideration of the membership and leadership of committees later in 2023.

Board appointment and reappointment process

The Director appointment and reappointment process is designed to ensure an independent, qualified Board of Directors that provides effective oversight to help CPP Investments achieve its objectives, including having a sufficient number with proven financial ability or relevant work experience as required by the CPPIB Act. CPP Investments seeks to uphold its governance practices as a leading model in the oversight of public pension management. To that end, the Director appointment and reappointment process is based on the principles of merit, openness, transparency and diversity.

The Governance Committee regularly reviews and updates both desirable and actual competencies and attributes of the Board. The Committee establishes the essential attributes required of individuals, along with other competencies required of the Board as a whole and in individual Board members to varying degrees, as outlined on page 81. It then compares these requirements to CPP Investments' existing Board composition to determine which competencies and attributes are required or are likely to be required in the foreseeable future.



As part of the Director appointment process, CPP Investments engages executive search firms to source qualified candidates for consideration. To meet the principles of openness, transparency and independence, a Notice of Appointment opportunity is posted on CPP Investments' website. This enables members of the general public to view the eligibility factors and the critical competencies required of Directors. Interested qualified individuals can then submit their names for consideration. These applicants augment the candidates identified by the Board and external search firms to ensure that the widest possible pool of candidates is considered for appointments. An analysis of competencies and diversity, as described under the Board Composition section below and the Diversity and Inclusion section on page 86, is used to establish the selection criteria for a particular Board vacancy. The Governance Committee (or an ad hoc Director search committee) then uses these criteria to assess candidates.

In assessing potential Director and Chairperson reappointments, the Governance Committee considers the results of the annual evaluations of the relevant individual and their performance on the Board. It also considers the ongoing fulfilment of attributes considered to be essential, Board competencies, other potential candidates, including applications in response to the Notice of Appointment opportunity, and the overall diversity of the Board.

Once agreed by the Board, qualified candidates for appointments and reappointments are provided to the Nominating Committee for Appointments to CPP Investments' Board of Directors. The Nominating Committee is constituted by the federal Minister of Finance. It considers recommended candidates and submits them to the federal Finance Minister. Following consultation with the participating provincial finance ministers, the federal Minister of Finance recommends Directors to the federal Governor in Council for appointment or reappointment.

Chairperson succession process

Heather Munroe-Blum's final term as Chairperson and as a Director ends in October 2023. Throughout the fiscal year, the Board has been engaged in a comprehensive Chairperson succession planning process. This includes the establishment in April 2022 of an ad hoc chairperson succession planning committee which met regularly throughout fiscal 2023. The ad hoc committee was tasked with undertaking all activities necessary to support the Board of Directors in selecting a recommended candidate from among the current Directors to serve as the next CPP Investments Chairperson. This included establishing desired domains and competencies influencing Chairperson preparedness, and in-depth discussions with individual Directors to assess potential candidates. The Board has completed its process and aims to have the Chairperson successor appointed and announced on a timetable which allows for an orderly transition in advance of Dr. Munroe-Blum's term ending. .

Board composition

The Board maintains and regularly reviews a skills matrix to monitor the skills and experience necessary for the Board to supervise CPP Investments' business and activities and to identify any gaps in the Board's collective skill set. Directors are asked to identify up to their top five key areas of experience, recognizing that they may have experience in other areas as well, in consultation with the Governance Committee.

The Board has determined that the governance, functional and industry experience of the Board, as well as its diversity, currently provide for the effective oversight of CPP Investments. Details of the competencies and diversity of the Board, as at March 31, 2023, are set out in the following table. CPP Investments Director biographies on pages 88 and 89 provide additional details of each Director's background and professional experience in support of these areas.

Board composition matrix

Skills and Experience[1]	Judith Athaide	Sylvia Chrominska	Dean Connor	Mark Evans	Ashleigh Everett	Tahira Hassan	John Montalbano	Heather Munroe-Blum	Barry Perry	Mary Phibbs	Boon Sim	Kathleen Taylor
Large-Scale Governance	✓				✓			✓	✓		✓	✓
C-Suite Executive Leadership		✓	✓		✓	✓	✓		✓	✓	✓	
Investment/Asset Management			✓	✓			✓		✓		✓	
Financial Services		✓			✓					✓		✓
Risk Management		✓	✓	✓			✓	✓		✓		
Accounting/Finance						✓	✓		✓	✓		✓
Business Building and Transformation	✓			✓	✓	✓					✓	
Government/Regulatory/Public Policy	✓		✓					✓				
Global Business		✓	✓	✓		✓		✓		✓		✓
Talent Management/Compensation	✓	✓			✓		✓	✓	✓			✓
Technology and Data	✓			✓		✓					✓	
Diversity												
Age[2]	60	71	66	65	66	69	58	72	58	65	60	65
Tenure on Board[2]	<1	4	1	3	6	8	6	12	1	5	2	9
Gender Diversity	✓	✓			✓	✓		✓		✓		✓
Non-Gender Diversity[3]	✓					✓					✓	

1. Directors are asked to identify their top five key areas of experience, recognizing that they have experience in other areas as well, in consultation with the Governance Committee.
2. As of March 31, 2023.
3. Directors who self-identify in categories such as a visible minority, a person with a disability, indigenous or LGBTQ+, are noted in this category.

Board member orientation and development

The Board has an established orientation program for new Directors. This includes several comprehensive sessions on the background, history and mandate of CPP Investments as well as its strategy, business planning process and current corporate and departmental priorities. Each new Director receives background material in advance and intensive interaction with Management during the orientation process. Directors are invited to attend supplemental orientation sessions to deepen their knowledge of the organization in specific areas. Feedback is sought from each new Director on the orientation program for continuous improvement purposes.

Professional development for all Directors is a key focus for the Board because of the evolving responsibilities of directors and the unique nature of CPP Investments. Ongoing presentations for Directors focus on our business as well as current and emerging global issues, which feature both internal and external speakers. Directors identify continuing development topics in several ways, including during Board and Committee meetings, in the annual evaluation process described on page 83, and through regular feedback to the Chairperson. In fiscal 2023, the topics for these development sessions included inflation, cybersecurity, climate change reporting, next generation climate technologies, geopolitical developments, and the actuarial assumptions underpinning the Canada Pension Plan.

A key education component for Board members is to develop an in-depth understanding of the various regions in which CPP Investments operates and invests. Virtual ‘offsite’ meetings focused on the Asia Pacific and San Francisco regions were held during the extended pandemic context in support of this objective. With the Board having resumed its in-person activities, planning is underway to have the Board meet at a CPP Investments international office in fiscal 2024.

Given CPP Investments’ scale and breadth of activities, Directors are also encouraged to participate in relevant external development programs as a means of further enhancing their knowledge and skill sets.

A commitment to accountability

Procedures for the assessment of Board performance

The Board has an established annual process for evaluating its own performance and that of its committees, the Chairperson and each Director. Board evaluation topics include Board and Committee organization and culture, access to information, and oversight of strategy and risk. All assessments are currently conducted through confidential questionnaires. The full Board then reviews a summary of the evaluations which provides a basis for continuous improvement plans.

The Chairperson leads the confidential annual peer review. This is designed to assist each Director in identifying self-development opportunities. It is also used to explore new Board and committee roles for individual Directors. After receiving relevant questionnaire feedback, the Chairperson meets formally with each Director. The Chairperson also checks in with each Director at least one more time formally during the year regarding feedback. The Board considers improvements to this process annually.

The Chair of the Governance Committee leads the confidential annual Chairperson review and, subject to the direction of the Board, provides feedback to the Chairperson.

A summary of the feedback obtained through the evaluations process is conveyed to the external Nominating Committee. The external Nominating Committee uses this information when considering the potential reappointment of CPP Investments Directors and the Chairperson as the ends of each of their current terms are approaching.

Directors' outside activities

To ensure independence among Directors, the Board of Directors monitors interlocking board and committee relationships, in line with leading governance practices. No CPP Investments Director currently serves on another public company board with another CPP Investments Director.

Directors are also expected to notify the Chairperson in advance if they plan to accept an appointment to another board or to an executive position to ensure that there are no conflicts with CPP Investments' activities and that Directors will continue to have sufficient time to devote to CPP Investments matters.

Directors' compensation

The Governance Committee of the Board is responsible for making recommendations with respect to Directors' compensation. Under the CPPIB Act, Directors are to receive such remuneration and benefits having regard to the remuneration and benefits received by persons having similar responsibilities and engaged in similar activities. This compensation consists of annual retainers, meeting fees, and travel and other allowances. Directors' compensation is reviewed at least every two years. Changes, if any, are recommended to the Board for approval.

As outlined in our 2022 annual report, the Committee reviewed Directors' compensation in the fall of 2021 and approved increases in annual retainers for Directors as well as the Chairperson effective April 1, 2022. The Board also approved a meeting fee for the Chairperson for Board meetings in excess of ten meetings held in a fiscal year, as well as an annual retainer for the Chair of the Investment Strategy Committee, equal to the Chair retainer for other Board committees and intended to compensate the Investment Strategy Committee Chair for the additional responsibilities associated with the role. The Committee's objective was to ensure CPP Investments remains competitive in recruiting and retaining outstanding directors in order to meet its statutory objectives, while taking into account the organization's public mandate, consistent with the Directors' Compensation Philosophy outlined on page 84.

The following table reflects changes to Directors' compensation for fiscal 2023 and fiscal 2024. The Governance Committee and the Board will review Directors' compensation during fiscal 2024.

Directors' compensation for fiscal 2022 and fiscal 2023/2024

	Fiscal 2022 ($)	Fiscal 2023 and Fiscal 2024 ($)
Annual Retainers		
Chairperson[1]	255,000	290,000
Director	80,000	100,000
Committee Chair, additional retainer	25,000	25,000
Meeting Fees		
Full meeting fee[2]	2,000	2,000
Partial meeting fee[3]	1,000	1,000
Travel and Other Allowances (aggregate)		
More than 200 km	1,000	1,000
Crossing an international border	1,000	1,000
Annual allowance for Directors residing outside Canada	40,000	40,000

1. In the case of the Board Chairperson, compensation is a flat annual fee, recognizing the difference in the role of the Board Chairperson versus individual Directors. The Board Chairperson is, however, eligible for the Committee Chair retainer, travel time reimbursement for regularly scheduled meetings and meeting fees for each meeting of the Board attended by the Chairperson in excess of 10 meetings in a fiscal year or in the event the Chairperson serves on an ad hoc committee or attends public meetings.
2. A meeting that is 90 minutes or more in length or that is otherwise assessed as warranting a full meeting in accordance with guidelines agreed by the Governance Committee.
3. A meeting that is less than 90 minutes in length or that is otherwise assessed as warranting a partial meeting in accordance with guidelines agreed by the Governance Committee.

CPP Investments Directors' compensation philosophy

Safeguarding the interests of CPP contributors and beneficiaries requires professional directors with the capabilities to ensure the effective stewardship and oversight of CPP Investments. The Board maintains a compensation approach that takes into account:

- Leading governance performance;
- The recruitment and retention of directors with extensive international experience and expertise in business, finance or investments; and
- The considerable time demands of the position.

An equitable balance between CPP Investments' commercial activities and public purpose promotes the selection of individuals who will reinforce the organization's unique culture.

CPP Investments Directors' compensation principles

I. Pay Neutrality

Compensation alone should not attract or detract desirable candidates.

- In reviewing the compensation of CPP Investments Directors, the Board's objective must be to set a reasonable "threshold" level of compensation, which neutralizes compensation so that it is not a significant favourable or unfavourable influence on the decision of a candidate in joining the CPP Investments Board.

II. Public Purpose

Canadian governments established CPP Investments with a purpose to serve millions of contributors to the compulsory CPP program. Directors' compensation should reflect a purpose distinct from other commercial organizations oriented to profits and stock price.

- While Directors' compensation should reflect the reality that both the workload and time commitment of a CPP Investments Directorship, and the expertise and experience required are comparable to private sector directorships, the total pay opportunity for CPP Investments Directors should reflect our public purpose.

III. Time Commitment

The compensation structure should recognize the differential in time commitment among Directors.

- The Board must contemplate and design a compensation structure that takes into account the fact that the CPP Investments Board is a true 'working board' with significant time and travel requirements. Directors are expected to be continuously engaged on organizational matters well beyond preparing for, and participating in, frequent Board and Committee meetings. The structure should recognize the incremental time, travel and meeting commitments expected of each Director, Committee Chairs and the unique role of the Board Chairperson.

IV. Relative Benchmark

CPP Investments is a complex global investment management organization and is correctly considered a peer relative to other major financial institutions and large companies globally.

- There is a highly competitive global market for top director talent and the Board must consider how candidates perceive the value proposition of being a CPP Investments Director to recruit and retain top governance talent. For compensation-benchmarking purposes, the Board should consider alternative directorship opportunities available to these candidates in four target talent markets: (1) Canadian pension funds and smaller Canadian asset managers; (2) TSX 100 boards and larger Canadian asset managers; (3) large Canadian banks and U.S./U.K. asset managers; and (4) international sovereign and pension funds.

V. Appropriate Discount to Benchmark

A full market-based level of compensation is not appropriate given CPP Investments' public purpose as described in Principle II.

- Upon review of the relative target talent markets for benchmarking purposes, an approximate 20% discount was applied during the review of compensation in fiscal 2022.

Board and committee meetings

There were eight regularly scheduled Board meetings in fiscal 2023. In addition, there were five regularly scheduled Audit Committee meetings, five regularly scheduled Human Resources and Compensation Committee meetings, five regularly scheduled Governance Committee meetings, five regularly scheduled Risk Committee meetings, and seven regularly scheduled Investment Strategy Committee meetings. In addition, there were a number of special Board or Committee meetings held to address specific issues or approvals, some of which were scheduled at times where all Directors were not able to attend given pre-existing commitments.

After more than two years of meeting virtually due to the impact of the COVID-19 pandemic on Directors' ability to travel, the Board resumed in-person meetings in fiscal 2023. The Board has moved to a hybrid meeting calendar whereby four regular meetings are scheduled to be held in-person with the remaining regular meetings and most special meetings held virtually. The Board is of the view that this mix of in-person and virtual Board meetings effectively balances the benefits of coming together regularly in-person while maintaining the flexibility and efficiency of virtual meetings.

The table below shows the number of meetings that each Director attended in fiscal 2023 relative to the number of meetings he or she could have attended. The number of Board meetings decreased compared to fiscal 2021 and 2022, largely returning to pre-COVID levels with the Board's resumption of in-person meetings.

Board and committee meetings and attendance

Director	Board Meeting	Investment Strategy Committee	Audit Committee	Governance Committee	HRCC	Risk Committee
Heather Munroe-Blum[1]	10 / 10	8 / 8	4 / 5	5 / 6	5 / 6	4 / 5
Judith Athaide[2]	3 / 3	3 / 3	–	2 / 2	–	1 / 1
Sylvia Chrominska	10 / 10	8 / 8	–	–	6 / 6	5 / 5
Dean Connor	10 / 10	8 / 8	–	6 / 6	–	5 / 5
Mark Evans	10 / 10	8 / 8	–	–	5 / 6	5 / 5
Ashleigh Everett[3]	9 / 10	8 / 8	–	6 / 6	–	–
Tahira Hassan[4]	10 / 10	8 / 8	2 / 2	6 / 6	–	4 / 4
John Montalbano	10 / 10	7 / 8	5 / 5	–	–	5 / 5
Barry Perry[5]	9 / 10	7 / 8	5 / 5	–	6 / 6	1 / 1
Mary Phibbs	9 / 10	7 / 8	5 / 5	–	–	5 / 5
Boon Sim[6]	10 / 10	8 / 8	5 / 5	4 / 4	1 / 1	–
Katie Taylor[7]	9 / 10	8 / 8	5 / 5	–	6 / 6	–

1. Ex officio member of the Audit Committee, Governance Committee, HRCC and Risk Committee.
2. Became a director effective November 10, 2022. Appointed to the Investment Strategy Committee, Risk Committee and Governance Committee effective December 19, 2022.
3. Unable to attend a special Board meeting held to address a specific issue or approval.
4. Became a member of the Audit Committee effective January 1, 2023. Ceased to be member of the Risk Committee effective January 1, 2023.
5. Attended Risk Committee by invitation. Unable to attend a special Board and Investment Strategy Committee meeting held to address a specific issue or approval.
6. Became a member of the Human Resources and Compensation Committee effective January 1, 2023. Ceased to be member of the Governance Committee effective January 1, 2023.
7. Unable to attend a special Board meeting held to address a specific issue or approval.

During fiscal 2023, the following ad hoc committees of the Board were formed or continued to meet:

- The ad hoc Director search committee formed in fiscal 2022 to consider potential candidates and recommend a preferred candidate to the Governance Committee and the Board to replace Kathleen Taylor, continued to meet in fiscal 2023. Membership of the committee consisted of Sylvia Chrominska, Dean Connor, Ashleigh Everett (Chair), Heather Munroe-Blum and Kathleen Taylor.
- An ad hoc Director search committee was formed in fiscal 2023 to consider potential candidates and recommend a preferred candidate to the Governance Committee and the Board to replace Heather Munroe-Blum as a Director. Membership of the committee consisted of Sylvia Chrominska, Dean Connor, Ashleigh Everett (Chair), Tahira Hassan and Heather Munroe-Blum.
- An ad hoc committee was formed in fiscal 2023 to carry out the process to arrive at a recommended candidate as the next Chairperson for CPP Investments. Membership of the committee consisted of Ashleigh Everett, Heather Munroe-Blum (Chair) and Kathleen Taylor.

Directors' compensation for fiscal 2023

Based on the fee schedule in effect for fiscal 2023 and Directors' attendance, individual compensation for each Director for fiscal 2023 was as follows:

Director	Annual Retainers ($)	Board and Committee Meeting Fees ($)	Public Meeting Fees ($)	Travel Fees ($)	Total Remuneration ($)
Heather Munroe-Blum	315,000	24,000	4,000	4,000	347,000
Judith Athaide[1]	39,167	21,000	–	1,000	61,167
Sylvia Chrominska	125,000	67,000	–	2,000	194,000
Dean Connor	100,000	68,000	1,000	–	169,000
Mark Evans	140,000	52,000	–	6,000	198,000
Ashleigh Everett	125,000	62,000	1,000	5,000	193,000
Tahira Hassan[2]	100,000	64,000	1,000	–	165,000
John Montalbano	125,000	51,000	–	4,000	180,000
Barry Perry[3]	100,000	56,000	–	5,000	161,000
Mary Phibbs	165,000	52,000	–	10,000	227,000
Boon Sim[4]	140,000	56,000	–	10,000	206,000
Katie Taylor	100,000	66,000	–	–	166,000

1. Became a director effective November 10, 2022. Appointed to the Investment Strategy Committee, Risk Committee and Governance Committee effective December 19, 2022.
2. Became a member of the Audit Committee effective January 1, 2023. Ceased to be member of the Risk Committee effective January 1, 2023.
3. Attended Risk Committee by invitation.
4. Became a member of the Human Resources and Compensation Committee effective January 1, 2023. Ceased to be member of the Governance Committee effective January 1, 2023.

Diversity and inclusion

Board of Directors

CPP Investments believes that diversity, including gender diversity, is crucial to promoting the inclusion of different perspectives and contributing to Board effectiveness. The Board has adopted a written Board of Directors Diversity Policy. It reflects our long-standing belief that CPP Investments is best served by a Board with a wide array of skills, backgrounds, perspectives and ideas. For purposes of Board composition, diverse representation considerations include, but are not limited to, professional experience and expertise, age, gender, ethnicity, geographic background, disability status, sexual orientation and other personally defining dimensions.

The Board Diversity Policy applies to both the nomination of new candidates to serve as Directors as well as recommendations for existing Directors to be reappointed to the Board. Under the Policy, when assessing Board composition or identifying suitable candidates for appointment or reappointment, the Board or any search committee it establishes will have due regard to the benefits of ensuring diversity among the Directors. In particular, in furtherance of Board diversity it includes the objective of gender parity among Directors so that at least 40% are persons who self-identity as women and at least 40% are persons who self-identify as men. Currently, six of the usual complement of 12 CPP Investments Directors (50%) identify as women, including Heather Munroe-Blum who is the Chairperson.

The Board Diversity Policy does not include targets for the representation on the Board of other traditionally under-represented groups given the small size of the Board and the importance of considering a variety of factors for Director appointments and reappointments. Currently, three of 12 Directors (25%) are members of visible minorities.

Any search firm engaged to assist the Board with the identification of candidates for nomination to the Board is directed to the Board Diversity Policy. The Governance Committee reviews the Board Diversity Policy and the Board's adherence to it annually.

Senior Management Team

The importance we place on diversity and inclusion in relation to our talent practices, outlined in the How We Pay for Performance section on page 28, applies equally at the executive level. The Board regularly considers diversity in pipeline discussions for senior leadership positions and implements development plans for top-performing diverse senior talent. The Board considers gender and non-gender diversity dimensions when appointing CPP Investments Officers.

Currently six of 15 (40%) Senior Management Team members identify as women. CPP Investments is committed to ensuring that at least 30% of senior management positions are held by women. Currently three of 15 (20%) of Senior Management Team members identify as members of visible minorities. We have not established specific representation targets beyond gender for the Senior Management Team due to the relatively small size of this group and our belief that efforts are best focused on furthering the strong talent pipeline at CPP Investments and considering a broad pool of candidates for senior leadership positions.

Conduct and culture

A culture of integrity and ethical conduct

The Board places utmost importance on fostering an inclusive culture of ethics and integrity throughout CPP Investments. It requires and expects Management to support the Board in setting the tone for a strong governance culture.

Code of Conduct and related policies

The Code of Conduct can be found on our website. It outlines what is expected of everyone at CPP Investments and our accountability to each other.

The Code sets out strict criteria for the acceptance of any entertainment, gifts or favour. Such benefits must not create or appear to create a favoured position for actual or potential contractors or suppliers or any party with whom we do business.

It also deals with such matters as conflicts of interest, personal and professional conduct, confidentiality of proprietary information, and personal investments.

Related internal policies provide additional information on conflicts of interest and personal investments. These are intended to identify, manage and, where possible, eliminate conflicts of interest relating to Directors and employees. Conflicts of interest were anticipated in CPP Investments' legislation as a result of the need to recruit Directors and employees with financial and investment experience. Our policies are designed to ensure that Directors and employees act in the best interests of the organization. They must disclose any personal or business interests that might lead to a real, potential or perceived conflict of interest. Any involvement in relevant decision-making is prohibited, should those circumstances arise. Further, Directors are expected to resign from the Board if they take on executive responsibilities with an organization whose objectives and mandates may be, or might reasonably be perceived to be, in conflict with CPP Investments' objectives or mandate.

These policies also cover the personal trading of CPP Investments Directors and employees. They establish strict pre-clearance procedures and restrictions on personal trading in prescribed circumstances.

As part of the hiring process, new recruits must agree to comply with the Code of Conduct and related conduct policies. Collectively, these set a high standard for promoting ethical conduct and addressing conflicts of interest. Semi-annually, Directors and employees must reconfirm their compliance and employees must complete an online module to confirm their understanding of the Code and their ability to apply it in day-to-day decisions and actions. The Code also requires everyone at CPP Investments to report it if they become aware of a suspected breach.

Guiding Principles

Our Guiding Principles of Integrity, Partnership and High Performance are embedded in the Code of Conduct. CPP Investments holds annual sessions for all employees on the same day across all offices to renew their commitment to the Guiding Principles and to maintain the focus on this cornerstone of our culture.

When the Board hires or conducts annual performance reviews of the CEO, it considers the individual's leadership in promoting ethical conduct and championing a culture of Integrity, Partnership and High Performance. These factors are also relevant in the hiring and review of all employees.

Conduct Review Advisor

To augment the Code of Conduct, the Board of Directors has appointed an external Conduct Review Advisor to discuss Code of Conduct issues with Directors, employees and relevant third parties on a confidential basis. The Conduct Review Advisor also assists the Governance Committee with how the Code is applied and in reviewing it for any appropriate changes. Sheila Block, a distinguished Canadian litigation lawyer, currently holds this position. The Conduct Review Advisor submits a report and meets with the Board at least once a year to discuss the advisor's activities.

Board of Directors Biographies

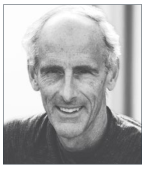
as at March 31, 2023

HEATHER MUNROE-BLUM, O.C., O.Q., PH.D., F.R.S.C., CHAIRPERSON[1,2*,3*,4*,5*]

Corporate Director and Public Policy Leader,
Montreal, Quebec
Director since December 2010.
Appointed Chairperson in October 2014.
Chairperson, Investment Strategy Committee.

Chairperson, Gairdner Foundation; Co-founder/Co-Chair, the Canadian Children's Literacy Foundation (CCLF); Co-Chair, Leader's Council, McGill's Tanenbaum Open Science Institute. Principal and Vice Chancellor Emerita, McGill University – the first woman to serve in this role. Among others, served as Director, Royal Bank of Canada and Four Seasons Hotels. Officer, the Order of Canada; l'Ordre National du Québec; and, Fellow of the Institute of Corporate Directors.

More than three decades of executive leadership in higher education, health, public policy, research and development; extensive board experience.



WILLIAM 'MARK' EVANS[1,4,5]

Early-stage technology investor,
London, United Kingdom
Director since May 2019.

Spent the past 20 years working with early-stage technology entrepreneurs, following 15 years with a private financial services firm in Europe, Asia and the U.S. He has Economics degrees from Queen's University and the University of Oxford.

JUDITH ATHAIDE[1,2,3]

Corporate Executive, Corporate Director,
Calgary, Alberta
Director since November 2022.

Director of Sustainable Development Technology Canada, HSBC Bank Canada, Kiwetinohk Energy and CMG Ltd. President and CEO of The Cogent Group Inc. She has held academic positions at the Universities of Alberta, Brandon, Calgary and Mount Royal. University of Manitoba B. Comm (Honours), University of Alberta Master of Business Administration and Bachelor of Science in Mechanical Engineering.

Experience in the energy sector, as a professional engineer and entrepreneur.

ASHLEIGH EVERETT[1,3]

Corporate Executive, Corporate Director,
Winnipeg, Manitoba
Director since February 2017.
Chair, Governance Committee.

Director of The Wawanesa Mutual Insurance Company. Former Director of The Bank of Nova Scotia and Manitoba Telecom Services, President & Director of Royal Canadian Securities Limited, subsidiaries Royal Canadian Properties Limited, Domo Corporation Ltd., and L'Eau-1 Inc. Masters of Business Administration, Ivey Business School, University of Western Ontario.

Extensive board experience in the public finance and telecom sectors and more than 30 years of senior management experience in private property development and retail business operations.

SYLVIA CHROMINSKA[1,4,5]

Corporate Director, Stratford, Ontario
Director since September 2018.
Chairperson, Human Resources and Compensation Committee.

Chairperson of the Human Resources and Compensation Committee of Wajax Inc. and ex officio board member of the Stratford Festival. Former Director of Scotiabank (Trinidad and Tobago), Emera Inc., Dofasco Inc. and Canadian Bankers Association. Honours Degree in Business Administration and Honorary Doctorate from Western University.

More than 30 years of banking experience, including executive positions in human resources and corporate credit risk, as well as extensive board experience.

TAHIRA HASSAN[1,2,3]

Corporate Director, Toronto, Ontario
Director since February 2015.

Non-executive Director of Ontario Shores Centre for Mental Health Sciences. Served as Director on boards of Brambles Limited, Recall Holdings Limited, Dreyer's Grand Ice Cream Holdings Inc., and Dairy Partners America. Retired Senior Vice-President at Nestlé SA. Chartered Professional Accountant & Certified Management Accountant (Canada), Fellow of the Chartered Institute of Management Accountants (U.K.) and Chartered Global Management Accountant.

Over 45 years of business and board governance expertise, in multinational environments including lived-in experiences in Canada, the U.K., Switzerland and Pakistan.

DEAN CONNOR[1,3,5]

Corporate Director, Toronto, Ontario
Director since August 2021.

Trustee for the University Health Network and member of the Ivey Advisory Board. Former President & CEO of Sun Life Financial Inc. and President (Americas) of Mercer Human Resource Consulting. Qualified as a fellow of the Society of Actuaries and the Canadian Institute of Actuaries. Honours Business Administration Degree from the Ivey Business School, University of Western Ontario.

More than four decades of global experience in financial services.

JOHN MONTALBANO, CFA[1,2,5*]

Corporate Director, Vancouver, British Columbia
Director since February 2017.
Chair, Audit Committee.

Director of AbCellera Biologics, Aritzia Inc., Eupraxia Pharmaceuticals, the St. Paul's Foundation Board, Gairdner Foundation, Rideau Hall Foundation and Windmill Microlending. Former Vice Chairman of RBC Wealth Management, Chair of University of British Columbia, and CEO of RBC Global Asset Management. Chartered Financial Analyst. Leslie Wong Fellow of the UBC Portfolio Management Foundation. UBC B.Comm. (Hons).

Over 30 years working in asset management and extensive senior management experience.

BARRY PERRY[1,2,4]

Corporate Director, Newfoundland & Labrador
Director since August 2021.

Director of Capital Power Corporation. Former President and CEO of Fortis and former Director of Fortis, ITC Holdings, UNS Energy, FortisBC Energy, FortisAlberta, Central Hudson Gas & Electric and Newfoundland Power. Bachelor of Commerce from Memorial University of Newfoundland. Member of the Association of Chartered Professional Accountants of Newfoundland and Labrador.

More than 30 years of executive and board experience in the utilities and manufacturing sector.

BOON SIM[1,2,4]

Corporate Director, New York, NY, United States
Director since July 2020.

Managing Partner of Artius Capital Partners. Former Director of WorldPay Inc. and former executive at Temasek International, Credit Suisse Group and The First Boston Corporation. Member of the Yale University School of Management Board of Advisors. Master of Science in Engineering from Massachusetts Institute of Technology and Master of Private & Public Management from Yale University.

More than 30 years of global experience in the finance and technologies industries and expertise in a range of high-growth sectors.

MARY PHIBBS[1,2*,5]

Corporate Director, London, United Kingdom
Director since May 2017.
Chair, Risk Committee.

Non-executive Director of Just Group plc, Chairperson of Virgin Money Unit Trust Managers Limited. Former non-executive Director of Morgan Stanley International Limited and Novae Group plc, and former executive at Standard Chartered Bank plc. Bachelor of Science from the University of Surrey. Fellow of the Institute of Chartered Accountants England and Wales and Fellow of Chartered Accountants Australia and New Zealand.

More than 40 years of international business, risk management and board experience.

KATHLEEN TAYLOR, C.M., BA (Hons), JD, MBA[1,2,4]

Global Executive, Corporate Director, Toronto, Ontario
Director since October 2013.

Partner and Chair of Altas Partners; Vice Chair of The Adecco Group; Director of Air Canada and Mattamy Asset Management; Chair of the Board of Trustees of the Hospital for Sick Children and a Director of SickKids Foundation. Former Chair of the Royal Bank of Canada, former President and CEO of Four Seasons Hotels and Resorts. Officer of the Order of Canada.

Over 30 years of international experience building global cultures, overseeing major strategic and operational initiatives, as well as extensive board experience.

Committee membership as of March 31, 2023:
1) Investment Strategy Committee
2) Audit Committee
3) Governance Committee
4) Human Resources and Compensation Committee
5) Risk Committee

* Ex officio member

Management's Responsibility for Financial Reporting

The Consolidated Financial Statements of Canada Pension Plan Investment Board (CPP Investments) have been prepared by Management and approved by the Board of Directors. Management is responsible for the integrity and reliability of the Consolidated Financial Statements and the financial information contained within the Annual Report. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the *Canada Pension Plan Investment Board Act* (CPPIB Act) and the accompanying regulations. The financial information throughout the Annual Report is consistent with the Consolidated Financial Statements.

The Consolidated Financial Statements include certain amounts based on Management's judgments and best estimates where deemed appropriate. The significant accounting policies used are disclosed in Note 1 to the Consolidated Financial Statements or in the Notes to which the accounting policies relate.

CPP Investments develops and maintains systems of internal control and supporting procedures designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded, authorized and are in accordance with the CPPIB Act, the accompanying regulations, the by-laws and investment policies of CPP Investments. The internal control framework includes a strong corporate governance structure, an enterprise risk management framework that identifies, monitors and reports on key risks facing the organization, a Code of Conduct, conflict of interest procedures and other policies, as well as management authorities and procedures that guide decision-making. The controls also include the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability, the selection and training of qualified staff and the communication of policies, management authorities and procedures throughout the organization. The systems of internal control are further supported by a compliance management system to monitor CPP Investments' compliance with legislation, policies, management authorities and procedures and by internal and external auditors who review and evaluate internal controls in accordance with their respective annual audit plans approved by the Audit Committee.

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, the CPPIB Act and accompanying regulations. Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2023 as part of our CEO/CFO certification process as described on page 68 of Management's Discussion and Analysis in the 2023 Annual Report.

The Audit Committee assists the Board of Directors in discharging its responsibility to approve the Consolidated Financial Statements. The Audit Committee, consisting of independent directors, meets regularly with Management and the internal and external auditors to discuss the scope and findings of audits and other work they may be requested to perform from time to time, to review financial information and to discuss the adequacy of internal controls. The Audit Committee reviews the Consolidated Financial Statements and recommends them to the Board of Directors for approval.

CPP Investments' external auditor, Deloitte LLP, has conducted an independent audit of the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as it considers necessary to express an opinion in its Independent Auditor's Report. Deloitte LLP has also independently audited internal controls over financial reporting. For the full form audit opinion on CPP Investments' internal control over financial reporting, please refer to our website. The external auditor has full and unrestricted access to Management and the Audit Committee to discuss any findings related to the integrity and reliability of CPP Investments' financial reporting and the adequacy of internal control systems.

John Graham
President & Chief Executive Officer

Kristina Fanjoy, CPA, CA
Senior Managing Director & Chief Financial Officer

Toronto, Ontario
May 18, 2023

Investment Certificate

The *Canada Pension Plan Investment Board Act* (CPPIB Act) requires that a certificate be signed by a director on behalf of the Board of Directors, stating that the investments of CPP Investments held during the year were in accordance with the CPPIB Act and CPP Investments' investment policies, standards and procedures. Accordingly, the Investment Certificate follows.

John Montalbano
Chair of the Audit Committee on behalf of the Board of Directors

Toronto, Ontario
May 18, 2023

The investments of CPP Investments, held during the year ended March 31, 2023, were in accordance with the CPPIB Act and CPP Investments' investment policies, standards and procedures.

Independent Auditor’s Report

To the Board of Directors of Canada Pension Plan Investment Board

Opinion

We have audited the consolidated financial statements of Canada Pension Plan Investment Board (CPP Investments), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CPP Investments as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

We have also audited, in accordance with the standards for audits of internal control over financial reporting set out in the CPA Canada Handbook-Assurance, CPP Investments’ internal control over financial reporting as of March 31, 2023, in accordance with criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 18, 2023, expressed an unqualified opinion on CPP Investments’ internal control over financial reporting.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CPP Investments in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor’s report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing CPP Investments’ ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate CPP Investments or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CPP Investments’ financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CPP Investments' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CPP Investments to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of CPP Investments that have come to our attention during our audit of the financial statements have been, in all material respects, in accordance with the *Canada Pension Plan Investment Board Act* ("CPPIB Act") and the by-laws, as the case may be.

Further, in our opinion, the record of investments kept by CPP Investments Management, pursuant to paragraph 39(1)(c) of the CPPIB Act fairly presents, in all material respects, the information required by the CPPIB Act.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 18, 2023

Consolidated Financial Statements and Notes

Consolidated Balance Sheet

(CAD millions)	As at March 31, 2023	As at March 31, 2022[1]
Assets		
Investments (Note 3)	$ 702,533	$ 679,115
Pending trades receivable (Note 3)	2,945	7,964
Premises and equipment	527	447
Other assets	281	390
Total assets	706,286	687,916
Liabilities		
Investment liabilities (Note 3)	133,583	123,545
Pending trades payable (Note 3)	1,599	24,168
Accounts payable and accrued liabilities	1,062	892
Total liabilities	136,244	148,605
Net assets	$ 570,042	$ 539,311
Net assets, represented by:		
Share capital	$ –	$ –
Accumulated net income and comprehensive income	385,911	378,080
Accumulated net transfers from the Canada Pension Plan	184,131	161,231
Net assets	$ 570,042	$ 539,311

1. Certain comparatives have been reclassified to conform to the current year's presentation.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

On behalf of the Board of Directors

Heather Munroe-Blum
Chairperson

John Montalbano
Chair of the Audit Committee

Consolidated Statement of Comprehensive Income (Loss)

(CAD millions)	For the years ended March 31, 2023	March 31, 2022
Income:		
Interest, dividends, and other income	$ 11,719	$ 11,647
Net gains (losses) on private investments (Note 1.7)	(1,597)	412
Net (losses) on public and other investments (Note 1.7)	(15,328)	(8,217)
Net gains on investment holding subsidiaries (Note 5)	17,155	32,476
	11,949	36,318
Expenses:		
Personnel	1,038	1,013
General and administrative (Note 13)	502	415
Management fees	19	20
Performance fees	71	38
Transaction-related	295	321
Taxes	46	232
Financing	2,147	(136)
	4,118	1,903
Net income and comprehensive income	$ 7,831	$ 34,415

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

(CAD millions)	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income and comprehensive income	Total net assets
As at April 1, 2021	10	$ –	$ 153,522	$ 343,665	$ 497,187
Total net income and comprehensive income		–	–	34,415	34,415
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		–	49,195	–	49,195
Transfers to the Canada Pension Plan		–	(41,486)	–	(41,486)
As at March 31, 2022	10	$ –	$ 161,231	$ 378,080	$ 539,311
As at April 1, 2022	**10**	**$ –**	**$ 161,231**	**$ 378,080**	**$ 539,311**
Total net income and comprehensive income		**–**	**–**	**7,831**	**7,831**
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		**–**	**66,598**	**–**	**66,598**
Transfers to the Canada Pension Plan		**–**	**(43,698)**	**–**	**(43,698)**
As at March 31, 2023	**10**	**$ –**	**$ 184,131**	**$ 385,911**	**$ 570,042**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(CAD millions)	For the years ended March 31, 2023	For the years ended March 31, 2022[3]
Cash flows from operating activities		
Net income and comprehensive income	**$ 7,831**	$ 34,415
Adjustments for non-cash items:		
Amortization of premises and equipment	**72**	61
(Gains) on debt financing liabilities (Note 11)	**(853)**	(4,137)
Adjustments for net changes in operating assets and liabilities:		
(Increase) in investments	**(25,921)**	(83,297)
Decrease (increase) in pending trades receivable	**5,019**	(5,301)
(Increase) in other assets	**(5)**	(1)
Increase in investment liabilities	**1,944**	17,480
(Decrease) increase in pending trades payable	**(22,569)**	20,977
Increase in accounts payable and accrued liabilities	**170**	43
Net cash flows (used in) operating activities	**(34,312)**	(19,760)
Cash flows from financing activities		
Transfers from the Canada Pension Plan	**66,598**	49,195
Transfers to the Canada Pension Plan	**(43,698)**	(41,486)
Proceeds from debt financing liabilities (Note 11)	**13,671**	17,229
Repayment of debt financing liabilities (Note 11)	**(4,724)**	(5,413)
Net cash flows provided by financing activities	**31,847**	19,525
Cash flows from investing activities		
Acquisitions of premises and equipment	**(152)**	(49)
Net cash flows (used in) investing activities	**(152)**	(49)
Effect of exchange rate changes on cash and cash equivalents	**727**	(90)
Net (decrease) in cash and cash equivalents	**(1,890)**	(374)
Cash and cash equivalents at the beginning of the year	**13,595**	13,969
Cash and cash equivalents at the end of the year	**11,705**	13,595
Cash and cash equivalents at the end of the year are comprised of:		
Cash and cash equivalents held for operating purposes[1]	**189**	303
Cash and cash equivalents held for investment purposes[2]	**11,516**	13,292
Total	**$ 11,705**	$ 13,595

1. Presented as a component of Other assets on the Consolidated Balance Sheet.
2. Presented as a component of Investments on the Consolidated Balance Sheet.
3. Certain comparatives have been reclassified to conform to the current year's presentation.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Schedule of Investment Portfolio

The schedule below provides information on investments and investment liabilities held by Canada Pension Plan Investment Board and its investment holding subsidiaries on a combined basis. The nature of these investments and investment liabilities is further described in Note 2.

(CAD millions)	As at March 31, 2023	As at March 31, 2022[2]
Cash and cash equivalents	$ 12,866	$ 15,341
Equities		
Private equities	187,126	173,767
Public equities	165,958	159,564
Total equities	353,084	333,331
Fixed income		
Bonds	128,103	108,311
Other debt	48,819	40,956
Money market securities	2,576	1,368
Total fixed income	179,498	150,635
Absolute return strategies	42,673	34,681
Infrastructure	46,690	46,481
Real estate	45,508	42,336
Investment receivables		
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	23,522	56,809
Derivative assets	2,862	2,933
Other	4,002	5,986
Total investment receivables	30,386	65,728
Total investments[1]	$ 710,705	$ 688,533
Investment liabilities		
Debt financing liabilities	59,362	50,703
Securities and loans sold under repurchase agreements and cash collateral received on securities lent	54,515	43,629
Securities sold short	22,065	29,003
Derivative liabilities	2,710	4,775
Other	3,411	2,775
Total investment liabilities[1]	142,063	130,885
Pending trades receivable[1]	3,526	8,525
Pending trades payable[1]	1,872	26,807
Net investments	$ 570,296	$ 539,366

1. Consists of all the financial assets and liabilities held by both Canada Pension Plan Investment Board and its investment holding subsidiaries. In contrast, the Consolidated Balance Sheet presents all financial assets and liabilities held by investment holding subsidiaries as investments. This results in a difference of $8,172 million (March 31, 2022 – $9,418 million), $8,480 million (March 31, 2022 – $7,340 million), $581 million (March 31, 2022 – $561 million) and $273 million (March 31, 2022 – $2,639 million) as compared to Investments, Investment liabilities, Pending trades receivable and Pending trades payable, respectively, as presented in the Consolidated Balance Sheet. Refer to Notes 1.2, 3.1 and 3.2 for further details.
2. Certain comparatives have been reclassified to conform to the current year's presentation.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Corporate information

Canada Pension Plan Investment Board (CPP Investments) was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (CPPIB Act). CPP Investments is a federal Crown corporation, all of the shares of which are issued to the Minister of Finance and held on behalf of His Majesty in right of Canada (Government of Canada). The issued and authorized share capital of CPP Investments is $100 divided into 10 shares with a par value of $10 each.

CPP Investments is responsible for assisting the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries under the legislation *Canada Pension Plan* (CPP Act). It is responsible for managing amounts that are transferred to it under Sections 108.1 and 108.3 of the CPP Act in the best interests of CPP beneficiaries and contributors. CPP Investments received its first funds for investing purposes from the CPP in March 1999. CPP Investments' assets are to be invested in accordance with the CPPIB Act, the accompanying regulations and CPP Investments' investment policies with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

In December 2016, Royal Assent was given to Bill C-26 titled *An Act to Amend the Canada Pension Plan, the Canada Pension Plan Investment Board Act and the Income Tax Act*. These legislative amendments increase the amount of CPP contributions and the corresponding retirement pensions and other benefits that are paid on CPP contributions made after 2018. The CPP Act now defines two separate parts of the CPP. The "base CPP" refers to the benefits and contributions established before 2019. The "additional CPP" refers to the additional benefits and additional contributions that began on January 1, 2019. The assets attributable to the CPP's additional CPP account are accounted for separately from those of the base CPP account. Note 18 provides information on the net assets, net investments and net income of the base CPP account and additional CPP account. All references to "CPP Investments" mean base CPP and additional CPP together.

CPP Investments is exempt from Part I tax under paragraph 149(1)(d) of the *Income Tax Act (Canada)* on the basis that all of the shares of CPP Investments are owned by the Government of Canada. Further, all of CPP Investments' wholly owned subsidiaries are exempt from Part I tax.

The Consolidated Financial Statements provide information on the net assets managed by CPP Investments and do not include the liabilities and other assets of the CPP.

CPP Investments' registered office is located at One Queen Street East, Toronto, Ontario, Canada.

The Consolidated Financial Statements were approved by the Board of Directors and authorized for issue on May 18, 2023.

1. Summary of significant accounting policies

AT A GLANCE

This Note describes significant accounting policies that are relevant to the Consolidated Financial Statements as a whole. Where an accounting policy is specific to one financial statement element, the policy is described in the Note to which it relates.

USE OF ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Consolidated Financial Statements requires Management to make estimates, judgments and assumptions that affect the amounts recognized for assets and liabilities, principally the valuation of financial instruments which are not actively traded. Uncertainty about these estimates, judgments and assumptions may result in outcomes that could require a material adjustment to the carrying amount of the affected assets or liabilities in the future.

1.1 Basis of presentation

These Consolidated Financial Statements present the financial position and the financial performance of CPP Investments in accordance with International Financial Reporting Standards (IFRS).

CPP Investments qualifies as an investment entity as it meets the following definition of an investment entity outlined in IFRS 10, *Consolidated Financial Statements* (IFRS 10):

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services. In the case of CPP Investments, there is one investor (more specifically, CPP Investments invests amounts transferred from the CPP that are not required to pay current CPP benefits), but the funds are invested in the best interests of a wide group of individuals being the contributors and beneficiaries of the CPP.
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

No significant judgments or assumptions were made in determining that CPP Investments meets the definition of an investment entity as defined in IFRS 10.

Statement of compliance

The Consolidated Financial Statements of CPP Investments have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and the requirements of the CPPIB Act and the accompanying regulations.

1.2 Subsidiaries

CPP Investments qualifies as an investment entity and reports the results of its operations in accordance with IFRS 10. As a consequence, the Consolidated Financial Statements represent the results of operations of CPP Investments and its wholly owned subsidiaries that were created to provide investment-related services to support its operations. Operating subsidiaries of this nature include those that provide investment advisory services or subsidiaries that were created to provide financing to CPP Investments.

Wholly owned subsidiaries that are managed by CPP Investments to hold investments are referred to herein as investment holding subsidiaries. Such subsidiaries are not consolidated in these Consolidated Financial Statements but instead are measured and reported at fair value through profit and loss (FVTPL) in accordance with IFRS 9, *Financial Instruments* (IFRS 9). Fair value for unconsolidated investment holding subsidiaries is based on the fair value of the underlying investments, investment liabilities and pending trades held by the investment holding subsidiary together with its accumulated net income less dividends paid. The determination of the fair value of the underlying investments and investment liabilities is based on the valuation techniques and related inputs described in Note 2.

1.3 Associates and joint ventures

An associate is an entity in which CPP Investments or its investment holding subsidiaries has the ability to exercise significant influence over its decision-making.

Investments in joint ventures are those arrangements where CPP Investments or its investment holding subsidiaries have joint control of the arrangements.

CPP Investments is an investment entity and measures investments in its associates and joint ventures at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* (IAS 28) and IFRS 9.

1.4 Financial instruments

Classification

CPP Investments classifies its financial assets and financial liabilities, in accordance with IFRS 9 as follows:

Financial assets

Financial assets are either classified at FVTPL or at amortized cost. The classification depends on: (a) the business model for managing the financial assets and (b) the cash flow characteristics of the financial assets. Financial assets are classified at FVTPL on the basis that they are part of a portfolio of investments which is managed to maximize returns without undue risk of loss and whose performance is evaluated on a fair value basis in accordance with investment strategies and risk management of CPP Investments. Financial assets classified at FVTPL include investments in equities, fixed income, absolute return strategies, infrastructure, real estate, securities purchased under reverse repurchase agreements and derivatives. Financial assets carried at amortized cost include cash and cash equivalents, pending trades receivable, cash collateral pledged on securities borrowed, other investment receivables and other assets.

Financial liabilities

Financial liabilities are either classified at FVTPL or at amortized cost. A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative, or it is designated as such on initial recognition.

Financial liabilities at FVTPL are derivative liabilities and securities sold short. Financial liabilities designated at FVTPL include debt financing liabilities, securities and loans sold under repurchase agreements and other investment liabilities. Financial liabilities at amortized cost include pending trades payable, cash collateral received on securities lent, accounts payable and accrued liabilities and other investment liabilities.

Recognition

CPP Investments recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the financial instrument. Investments, investment receivables, investment liabilities, pending trades receivable and pending trades payable are recorded on a trade date basis.

Derecognition

A financial asset is derecognized under the following situations: (a) when the contractual rights to receive the cash flows from the financial asset expire, (b) when CPP Investments has transferred the financial asset and substantially all the risks and rewards of the asset, or (c) in cases where CPP Investments has neither retained nor transferred substantially all risks and rewards of the asset, it no longer retains control over the asset.

CPP Investments derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

Initial measurement

Financial assets and financial liabilities are measured on initial recognition at fair value.

Subsequent measurement

After initial measurement, financial assets and financial liabilities continue to be measured at fair value or amortized cost. Subsequent changes in the fair value of those financial assets and financial liabilities classified at fair value are recorded as gains or losses on the Consolidated Statement of Comprehensive Income (Loss).

1.5 Functional and presentation currency

CPP Investments' functional and presentation currency is the Canadian dollar, which is the currency of the primary economic environment in which it operates. CPP Investments' performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

1.6 Foreign currency translation

Transactions, including purchases and sales of investments, and income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Investments and monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate at each Balance Sheet date. Non-monetary items in a foreign currency are measured at historical cost and are translated using the exchange rates at the dates of the initial transactions.

Foreign currency transaction gains and losses on financial instruments classified at FVTPL are included with associated fair value gains and losses in the Consolidated Statement of Comprehensive Income (Loss).

1.7 Income

Interest, dividends, and other income

Interest and other income are recognized as earned. Dividend income is recognized on the ex-dividend date, which is when CPP Investments' right to receive the dividend has been established. Interest, dividends, and other income also includes dividend income received by CPP Investments from its investment holding subsidiaries.

Net gains (losses) on private investments and net gains (losses) on public and other investments

Net gains (losses) on private investments is composed of realized and unrealized gains (losses) from private equities, infrastructure and real estate. Net gains (losses) on public and other investments is composed of realized and unrealized gains (losses) from public equities, fixed income, absolute return strategies, derivatives, securities sold short, reverse repurchase agreements, repurchase agreements and other.

Net gains (losses) on investment holding subsidiaries

Net gains (losses) from investment holding subsidiaries is composed of realized and unrealized gains (losses) from investments in investment holding subsidiaries.

1.8 Expenses

Personnel expenses

Personnel expenses include salaries, incentives and benefits. Personnel expenses are expensed as incurred.

General and administrative expenses

General and administrative expenses include costs incurred for professional services, technology, data, premises and equipment, communications, auditor's remuneration, travel and directors' remuneration. General and administrative expenses are expensed as incurred.

Management fees

Management fees include payments to external managers who invest and manage capital committed by CPP Investments. Management fees are expensed as incurred.

Performance fees

Performance fees include payments to external managers when CPP Investments earns a return that exceeds a set rate of return. Performance fees are expensed as incurred.

Transaction-related expenses

Transaction-related expenses include incremental costs that are directly attributable to the acquisition, maintenance, restructuring or disposal of an investment. Such expenses include a variety of non-recurring expenses, including due diligence on potential investments, legal and tax advisory fees required to support transactions involving private market assets, or, in the case of public markets, custodial fees and commissions paid when trading securities. Transaction-related expenses are expensed as incurred.

Taxes

CPP Investments is exempt from income tax on its operations in Canada but is subject to taxes in a number of foreign jurisdictions and incurs indirect taxes. Taxes in the Consolidated Statement of Comprehensive Income (Loss) consists largely of taxes on dividends, interest income and capital gains related to investments in equities, debt and investment holding subsidiaries. The majority of these taxes are collected at source.

Withholding taxes, net of deductions for refundable amounts, are recognized at the same time as the related dividend or interest income. Refundable withholding tax is presented in the Consolidated Schedule of Investment Portfolio as Other investment receivables.

Other income tax, which is not collected at source, is recognized in the Consolidated Statement of Comprehensive Income (Loss) in the same period as the related income or gain. Deferred tax on capital gains is recognized as a liability in the Consolidated Balance Sheet within Investment liabilities, based on the expected future payment when CPP Investments is in a gain position in the applicable market. Changes in deferred tax liabilities in the year are recorded as an expense or recovery within Taxes in the Consolidated Statement of Comprehensive Income (Loss).

All uncertain tax positions, such as disputed withholding tax refunds, are assessed each reporting period.

Financing expenses

Financing expenses include interest and other costs that are incurred when borrowing funds or securities. Financing expenses are composed of expenses from debt financing liabilities, securities and loans sold under repurchase agreements, prime brokerage and other securities lending and borrowing transactions. Gains and losses associated with certain interest rate derivatives used as part of financing activities are also included in financing expenses. Financing expenses are expensed as incurred.

1.9 Current year update on Interbank Offered Rates (IBORs) reform

The transition from IBORs to alternative reference rates impacts financial instruments referencing United States (U.S.) dollar London Interbank Offered Rates (LIBOR) with a maturity date beyond June 30, 2023. As at March 31, 2023, CPP Investments and its investment holding subsidiaries' exposure to financial instruments subject to U.S. dollar LIBOR reform that have yet to transition to Secured Overnight Financing Rate with a maturity date beyond June 30, 2023 was $9 billion relating to non-derivative investments (fair value), $1 billion relating to non-derivative investment liabilities (fair value), and nil relating to derivatives (notional).

In May 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of the Canadian Dollar Offered Rate (CDOR), published a CDOR cessation notice stating that the publication of all tenors of CDOR will cease in June 2024. As at March 31, 2023, CPP Investments and its investment holding subsidiaries' exposure to financial instruments subject to CDOR reform that have yet to transition to alternative benchmark interest rates with a maturity date beyond June 28, 2024 was $1 billion and $15 billion relating to non-derivative investments (fair value) and derivatives (notional), respectively. The non-derivative investments are recognized in Other debt.

1.10 Future changes in accounting policies

There were no adoptions of newly issued IFRS standards, changes in existing standards or new interpretations during the year ended March 31, 2023 that had a material impact on the Consolidated Financial Statements. CPP Investments is currently assessing the impact of new IFRS standards, changes in existing standards or new interpretations that have been issued but are not yet effective for CPP Investments.

2. Investments and investment liabilities

AT A GLANCE

All investments and investment liabilities are measured at fair value.

This Note describes the types of investments and investment liabilities held by CPP Investments and its investment holding subsidiaries and explains how Management determines their fair value.

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

CPP Investments manages the following types of investments and investment liabilities and determines fair value as described below.

2.1 Cash and cash equivalents

Cash includes cash on hand. Cash equivalents includes short-term deposits, commercial paper, bank accepted bills, floating rate deposit notes and treasury bills with a maturity of 90 days or less.

Cash and cash equivalents held for investment purposes are included in Investments on the Consolidated Balance Sheet and are presented separately on the Consolidated Statement of Cash Flows. Cash and cash equivalents for operating purposes are presented in Other assets on the Consolidated Balance Sheet and separately on the Consolidated Statement of Cash Flows.

Fair value is determined using cost, which, together with accrued interest, approximates fair value due to the short-term or floating rate nature of these assets.

2.2 Equities

Private equities

Private equity investments are generally made directly or through ownership in limited partnership funds.

Fair value for investments held directly is primarily determined using accepted industry valuation methods such as earnings multiples of comparable publicly traded companies or discounted cash flows. Significant inputs for these valuation methods include company-specific earnings before interest, taxes, depreciation and amortization (EBITDA), earnings multiples of comparable publicly traded companies, projected cash flows and discount rates using current market yields of instruments with similar characteristics. Recent market transactions, where available, are also used. In the case of investments held through a limited partnership fund, fair value is generally based on net asset value or relevant information reported by the general partner using similar accepted industry valuation methods.

Public equities

Public equity investments are generally made directly or through funds, including hedge funds.

Fair value for publicly traded equities, including equity short positions, is based on quoted market prices. Fair value for fund investments is generally based on the net asset value reported by the external administrators or managers of the funds.

2.3 Fixed income

Bonds

Bonds include non-marketable and marketable bonds, which include government bonds issued by Canadian and foreign governments and corporate bonds.

Fair value for non-marketable Canadian provincial government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics. In the case of marketable bonds, including bond short positions, fair value is based on quoted prices or calculated using discounted cash flows based on benchmark yield curves and credit spreads pertaining to the issuer.

Other debt

Other debt includes investments in direct private debt, asset-backed securities, distressed mortgage funds, private debt funds, hedge funds and investments in royalty-related income streams.

Fair value for direct investments in private debt and asset-backed securities is based on quoted market prices, broker quotes or recent market transactions, if available. Where the market price is not available, fair value is calculated using discounted cash flows based on significant inputs such as projected cash flows and discount rates using current market yields of instruments with similar characteristics.

Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

In the case of investments in royalty-related income streams, fair value is primarily determined using discounted cash flows based on projected cash flows and discount rates using current market yields of instruments with similar characteristics.

Money market securities

Money market securities include term deposits, treasury bills, commercial paper and floating rate notes, all of which have a maturity date of over 90 days.

Fair value is determined using cost, which, together with accrued interest income, approximates fair value due to the short-term or floating rate nature of these securities.

2.4 Absolute return strategies

Absolute return strategies include investments in hedge funds whose objective is to generate positive returns regardless of market conditions, as they have a low correlation to broad market indexes. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

Fair value for these fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

2.5 Infrastructure

Infrastructure investments are generally made directly, but can also occur through limited partnership funds.

The fair value of these investments is primarily determined using discounted cash flows based on significant inputs, including projected cash flows and discount rates using current market yields of instruments with similar characteristics.

Fair value for investments held through limited partnership funds is generally based on the net asset value as reported by the external managers of the funds.

2.6 Real estate

Real estate investments are generally made through direct private investments, or through ownership of real estate funds. Private real estate investments are managed by investment partners primarily through co-ownership arrangements.

Fair value for private real estate investments is determined using accepted industry valuation methods such as discounted cash flows. Significant inputs include projected cash flows, net operating income, discount and terminal capitalization rates. Fair value is also determined using net asset value provided by the investment partner.

Fair value for real estate funds is generally based on the net asset value reported by the external managers of the funds.

2.7 Securities purchased under reverse repurchase agreements and securities and loans sold under repurchase agreements

ACCOUNTING POLICY

Securities purchased under reverse repurchase agreements represent the purchase of securities with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. The purchased securities under these agreements are not recognized on the Consolidated Balance Sheet. The fair value of securities to be resold under reverse repurchase agreements is monitored and additional collateral is obtained, when appropriate, to protect against credit exposure. In the event of counterparty default, CPP Investments has the right to liquidate the collateral held.

Securities and loans sold under repurchase agreements are accounted for as collateralized borrowing because they represent the sale of securities with a simultaneous agreement to buy them back at a specified price at a specified future date. The securities and loans sold under these agreements continue to be recognized on the Consolidated Balance Sheet with any changes in fair value recorded as gain (loss) on investments and investment holding subsidiaries.

Interest earned on reverse repurchase agreements is included in interest income. Interest incurred on repurchase agreements is included in financing expenses.

Reverse repurchase and repurchase agreements are carried at the amounts at which the securities or loans were initially acquired or sold, which, together with accrued interest income or expense, approximate fair value due to the short-term nature or variable interest rate of these agreements.

2.8 Securities borrowed and lent

ACCOUNTING POLICY

Securities borrowing and lending agreements are transactions in which CPP Investments borrows securities from or lends securities to third parties.

Borrowed securities are not recognized on the Consolidated Balance Sheet. Lent securities remain on the Consolidated Balance Sheet as CPP Investments retains substantially all of the risks and rewards of ownership of the transferred securities.

Collateral received or pledged is generally in the form of cash, equities or fixed income securities. Cash collateral received is accounted for as an investment liability while equities and fixed income securities received as collateral are not recognized on the Consolidated Balance Sheet. Cash collateral pledged is accounted for as an investment receivable, while securities collateral pledged by CPP Investments in securities borrowing agreements remain on the Consolidated Balance Sheet. Costs relating to securities borrowing and lending are included in financing expenses.

2.9 Derivative assets and liabilities

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges, centrally cleared or negotiated in over-the-counter markets.

Fair value for exchange-traded derivatives, which includes futures, options and warrants, is based on quoted market prices. Fair value for over-the-counter derivatives, which includes forwards, swaps, options and warrants, is determined based on valuation techniques that make maximum use of inputs observed from markets such as option pricing models, discounted cash flows and consensus pricing from independent brokers and/or third-party vendors. Inputs used in these valuation techniques can include, but are not limited to, spot prices, price volatilities, currency exchange rates, interest rate curves and credit spreads. In determining fair value, consideration is also given to the credit risk of the counterparty.

CPP Investments uses the types of derivatives described below.

Futures and forwards

Futures are standardized contracts transacted on an exchange, whereas forwards are customized over-the-counter contracts negotiated between counterparties. Futures contracts may be cash-settled or require physical delivery of the underlying asset. Examples of futures and forwards are described below.

Equity futures are contractual obligations to purchase or sell a specified quantity of an equity index, a basket of stocks, or a single stock at a predetermined price and date in the future.

Foreign exchange forwards are contractual obligations negotiated between counterparties to purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future.

Interest rate futures and forwards, including bond futures, are contractual obligations to purchase or sell a specified amount of an interest-rate-sensitive financial instrument(s) or index at a predetermined price and date in the future.

Commodity futures are contractual obligations to purchase or sell a specified quantity of a commodity, such as precious metals and energy-related products, at a predetermined price and date in the future.

Swaps

Swaps are over-the-counter contracts between two parties to exchange a series of cash flows. Examples of swaps are described below.

Equity-based swaps include equity swaps, volatility swaps, variance swaps and dividend swaps. Equity swaps are contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Volatility and variance swaps are contracts where cash flows are exchanged based on the realized volatility or variance of an equity index, a basket of stocks, or a single stock compared to the fixed strike level specified in the contract. Dividend swaps are contracts where one party pays the other future dividend flows of a single stock or index in exchange for predefined fixed amounts at sequential intervals or at termination.

Interest rate-related swaps include bond swaps, interest rate swaps and cross-currency swaps. Bond swaps are contracts in which counterparties exchange the return on a bond, or group of such instruments, for the return on a fixed or floating interest rate or the return on another instrument. Interest rate swaps are contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency, with no exchange of a notional amount. Cross-currency swaps involve the exchange of both interest and notional amounts in two different currencies.

Credit default swaps are contracts that provide credit protection against a specified credit event such as the default or bankruptcy of the underlying financial instrument (referenced asset). The purchaser (buyer) pays a premium to the writer (seller) in return for payment, which is contingent on a credit event affecting the referenced asset. Credit default swaps require the writer to compensate counterparties for the decline in value of the referenced asset as a result of the occurrence of a specified credit event. The notional amount represents the maximum amount payable to these counterparties under these written credit default swap contracts.

Options and warrants

Options are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell a specified amount of an equity, currency, interest rate, credit, commodity or other financial instrument at or before a specified future date at a predetermined price. The purchaser pays a premium to the seller for this right. Options can be transacted in standardized amounts on regulated exchanges or customized in over-the-counter markets. Call or put options may require the writer to sell or purchase the underlying asset at a fixed date or at any time within a fixed future period.

Warrants are transacted both over-the-counter and through exchanges. Under a warrant, the issuer gives the purchaser the right, but not the obligation, to buy a specified quantity of stock of the issuer at or before a specified future date at a predetermined price.

2.10 Debt financing liabilities

Debt financing liabilities consist of commercial paper payable, term debt, cash advances from prime brokers and loans to provide CPP Investments with funding. Commercial paper payable and cash advances from prime brokers is carried at the amount originally issued, which, together with accrued interest expense, approximates fair value due to the short-term nature of these liabilities. Fair value for term debt is based on quoted market prices. The fair value of loans is based on the discounted cash flows method or cost with accrued interest, where this approximates fair value. Interest expense and associated costs on debt financing liabilities are included in financing expenses.

2.11 Securities sold short

Securities sold short represent securities that are sold, but not owned, by CPP Investments. CPP Investments has an obligation to cover these short positions, which are accounted for as an investment liability based on the fair value of the securities sold. Collateral is pledged to the counterparty, as required. Interest and dividend expenses on securities sold short are included in Net gains (losses) on public and other investments.

3. Fair value measurement

AT A GLANCE

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value can be significantly more complex and often subjective, requiring judgment.

This Note categorizes the fair value of investments and investment liabilities within the three levels of the fair value hierarchy. For fair value estimates that require significant judgment, the Note further provides the roll-forward of these investments during the year and the range of valuation techniques and inputs used.

Investments and investment liabilities owned by investment holding subsidiaries are indirectly held by CPP Investments. The fair value of each investment holding subsidiary is determined based on the fair value of the underlying investments held, net of any investment liabilities and pending trades together with its accumulated net income less dividends paid. Further detail on investment holding subsidiaries is provided in Note 3.2.

ACCOUNTING POLICY

The fair value of CPP Investments' investments and investment liabilities is categorized into the following fair value hierarchy based on the level of significant inputs used in the fair value measurement:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

SIGNIFICANT ESTIMATE

Level 3 investments consist of instruments held at fair value that are not traded or quoted in active markets. Fair value is, therefore, determined using valuation techniques that use models with unobservable inputs while maximizing the use of inputs observed from markets. The resulting values are particularly judgmental. Refer to Note 3.5 for the valuation techniques used to determine the fair value of Level 3 investments.

3.1 Fair value hierarchy of investments and investment liabilities held directly by CPP Investments

(CAD millions)	As at March 31, 2023 Level 1	Level 2	Level 3	Total
Cash and cash equivalents[1]	$ –	$ 11,516	$ –	$ 11,516
Equities				
Private equities[2]	–	2,974	4,979	7,953
Public equities[2]	146,280	2,827	710	149,817
Total equities	146,280	5,801	5,689	157,770
Fixed income				
Bonds	86,104	38,391	–	124,495
Other debt[2]	–	338	8,979	9,317
Money market securities	–	2,576	–	2,576
Total fixed income	86,104	41,305	8,979	136,388
Absolute return strategies[2]	–	19,586	1,754	21,340
Infrastructure[2]	–	–	10,064	10,064
Real estate[2]	–	–	9,153	9,153
Investment receivables				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	–	23,390	–	23,390
Derivative assets	–	2,839	–	2,839
Other[3]	–	3,210	–	3,210
Total investment receivables	–	29,439	–	29,439
Investments in investment holding subsidiaries (Note 3.2)	–	–	326,863	326,863
Total investments	$ 232,384	$ 107,647	$ 362,502	$ 702,533
Investment liabilities				
Debt financing liabilities	53,027	429	–	53,456
Securities sold under repurchase agreements and cash collateral received on securities lent	–	54,303	–	54,303
Securities sold short	22,065	–	–	22,065
Derivative liabilities	41	2,669	–	2,710
Other[3]	–	933	116	1,049
Total investment liabilities	75,133	58,334	116	133,583
Pending trades receivable[1]	–	2,945	–	2,945
Pending trades payable[1]	–	1,599	–	1,599
Net investments	$ 157,251	$ 50,659	$ 362,386	$ 570,296

(CAD millions)	As at March 31, 2022[4] Level 1	Level 2	Level 3	Total
Cash and cash equivalents[1]	$ –	$ 13,292	$ –	$ 13,292
Equities				
Private equities[2]	–	1,683	6,479	8,162
Public equities[2]	139,496	3,519	–	143,015
Total equities	139,496	5,202	6,479	151,177
Fixed income				
Bonds	56,027	48,343	–	104,370
Other debt[2]	–	713	4,163	4,876
Money market securities	–	1,368	–	1,368
Total fixed income	56,027	50,424	4,163	110,614
Absolute return strategies[2]	–	17,723	809	18,532
Infrastructure[2]	–	–	10,550	10,550
Real estate[2]	–	–	10,336	10,336
Investment receivables				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	–	56,809	–	56,809
Derivative assets	–	2,852	–	2,852
Other[3]	–	5,375	22	5,397
Total investment receivables	–	65,036	22	65,058
Investments in investment holding subsidiaries (Note 3.2)	–	–	299,556	299,556
Total investments	$ 195,523	$ 151,677	$ 331,915	$ 679,115
Investment liabilities				
Debt financing liabilities	43,916	1,446	–	45,362
Securities sold under repurchase agreements and cash collateral received on securities lent	–	43,461	–	43,461
Securities sold short	29,003	–	–	29,003
Derivative liabilities	102	4,673	–	4,775
Other[3]	–	677	267	944
Total investment liabilities	73,021	50,257	267	123,545
Pending trades receivable[1]	–	7,964	–	7,964
Pending trades payable[1]	–	24,168	–	24,168
Net investments	$ 122,502	$ 85,216	$ 331,648	$ 539,366

1. Cash and cash equivalents, Pending trades receivable and Pending trades payable are measured at amortized cost, which approximates fair value.
2. Includes investments in funds.
3. Included in Other investment receivables are cash pledged as collateral of $1,426 million (March 31, 2022 – $4,053 million) and interest receivable of $1,112 million (March 31, 2022 – $935 million). Included in Other investment liabilities is cash held as collateral of $777 million (March 31, 2022 – $538 million) on derivative transactions.
4. Certain comparatives have been reclassified to conform to the current year's presentation.

3.2 Supplemental information on fair value hierarchy relating to investment holding subsidiaries

The following table presents the fair value hierarchy of the underlying investments and investment liabilities held by investment holding subsidiaries. For further details on the nature and purpose of investment holding subsidiaries, refer to Note 1.2.

	As at March 31, 2023			
(CAD millions)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents[1]	$ –	$ 1,350	$ –	$ 1,350
Equities				
Private equities[2]	–	3,623	175,550	179,173
Public equities[2]	11,472	3,937	732	16,141
Total equities	11,472	7,560	176,282	195,314
Fixed income				
Bonds	–	3,352	256	3,608
Other debt[2]	–	6,443	33,059	39,502
Total fixed income	–	9,795	33,315	43,110
Absolute return strategies[2]	–	17,907	3,426	21,333
Infrastructure[2]	–	–	36,626	36,626
Real estate[2]	–	294	36,061	36,355
Investment receivables				
Securities purchased under reverse repurchase agreements	–	132	–	132
Derivative assets	–	23	–	23
Other[3]	–	756	36	792
Total investment receivables	–	911	36	947
Total investments held by investment holding subsidiaries	$ 11,472	$ 37,817	$ 285,746	$ 335,035
Investment liabilities				
Debt financing liabilities	–	5,846	60	5,906
Loans sold under repurchase agreements	–	212	–	212
Other[3]	–	430	1,932	2,362
Total investment liabilities held by investment holding subsidiaries	–	6,488	1,992	8,480
Pending trades receivable[1]	–	581	–	581
Pending trades payable[1]	–	273	–	273
Investments in investment holding subsidiaries	$ 11,472	$ 31,637	$ 283,754	$ 326,863

(CAD millions)	As at March 31, 2022[4] Level 1	Level 2	Level 3	Total
Cash and cash equivalents[1]	$ –	$ 2,049	$ –	$ 2,049
Equities				
Private equities[2]	–	2,816	162,789	165,605
Public equities[2]	11,104	5,413	32	16,549
Total equities	11,104	8,229	162,821	182,154
Fixed income				
Bonds	–	3,941	–	3,941
Other debt[2]	–	7,965	28,115	36,080
Total fixed income	–	11,906	28,115	40,021
Absolute return strategies[2]	–	14,203	1,946	16,149
Infrastructure[2]	–	–	35,931	35,931
Real estate[2]	–	–	32,000	32,000
Investment receivables				
Securities purchased under reverse repurchase agreements	–	–	–	–
Derivative assets	–	81	–	81
Other[3]	–	540	49	589
Total investment receivables	–	621	49	670
Total investments held by investment holding subsidiaries	$ 11,104	$ 37,008	$ 260,862	$ 308,974
Investment liabilities				
Debt financing liabilities	–	5,191	150	5,341
Loans sold under repurchase agreements	–	168	–	168
Other[3]	–	16	1,815	1,831
Total investment liabilities held by investment holding subsidiaries	–	5,375	1,965	7,340
Pending trades receivable[1]	–	561	–	561
Pending trades payable[1]	–	2,639	–	2,639
Investments in investment holding subsidiaries	$ 11,104	$ 29,555	$ 258,897	$ 299,556

1. Cash and cash equivalents, Pending trades receivable and Pending trades payable are recorded at amortized cost, as it approximates fair value.
2. Includes investments in funds.
3. Included in Other investment receivables and Other investment liabilities is interest receivable of $673 million (March 31, 2022 – $493 million) and deferred tax liabilities of $1,714 million (March 31, 2022 – $1,605 million) on investments, respectively.
4. Certain comparatives have been reclassified to conform to the current year's presentation.

3.3 Transfers between Level 1 and Level 2

Transfers between levels in the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the year ended March 31, 2023, there were no transfers from Level 1 to Level 2 of investments or investment liabilities held directly by CPP Investments (during the year ended March 31, 2022 – $106 million and $24 million, respectively). During the year ended March 31, 2023, transfers from Level 2 to Level 1 included $240 million of investments and nil of investment liabilities held directly by CPP Investments (during the year ended March 31, 2022 – $587 million and $24 million, respectively). Transfers between Level 1 and Level 2 depend on the availability of quoted market prices in active markets and valuation techniques using inputs other than quoted prices that are observable.

3.4 Level 3 reconciliation

The following table presents the reconciliations for investments held directly by CPP Investments included in Level 3 of the fair value hierarchy:

For the year ended March 31, 2023

(CAD millions)	Fair value as at April 1, 2022	Gain (loss) included in net income (loss)	Purchases	Sales[2]	Transfers into Level 3	Transfers out of Level 3	Fair value as at March 31, 2023	Change in unrealized gains (losses) on investments still held at March 31, 2023[3]
Equities								
Private equities	$ 6,479	$ (802)	$ 162	$ –	$ –	$ (860)	$ 4,979	$ (187)
Public equities	–	–	–	–	710	–	710	60
Total equities	6,479	(802)	162	–	710	(860)	5,689	(127)
Fixed income								
Other debt	4,163	279	6,188	(1,755)	104	–	8,979	(121)
Absolute return strategies	809	2	–	(155)	1,098	–	1,754	203
Infrastructure	10,550	69	2,227	(2,782)	–	–	10,064	(149)
Real estate	10,336	(58)	376	(1,501)	–	–	9,153	(127)
Investment receivables								
Other	22	9	–	–	–	(31)	–	–
Investments in investment holding subsidiaries[1]	299,556	17,155	13,986	(3,834)	–	–	326,863	17,155
Total investments	$ 331,915	$ 16,654	$ 22,939	$ (10,027)	$ 1,912	$ (891)	$ 362,502	$ 16,834
Investment liabilities								
Other	267	(105)	–	–	–	(46)	116	(114)
Net investments	$ 331,648	$ 16,759	$ 22,939	$ (10,027)	$ 1,912	$ (845)	$ 362,386	$ 16,948

For the year ended March 31, 2022[4]

(CAD millions)	Fair value as at April 1, 2021	Gain (loss) included in net income (loss)	Purchases	Sales[2]	Transfers into Level 3	Transfers out of Level 3	Fair value as at March 31, 2022	Change in unrealized gains (losses) on investments still held at March 31, 2022[3]
Equities								
Private equities	$ 11,541	$ 238	$ 824	$ (1,887)	$ 54	$ (4,291)	$ 6,479	$ 45
Public equities	45	(3)	–	(42)	–	–	–	–
Total equities	11,586	235	824	(1,929)	54	(4,291)	6,479	45
Fixed income								
Other debt	2,709	16	2,780	(1,534)	192	–	4,163	(58)
Absolute return strategies	1,012	15	–	(218)	–	–	809	(27)
Infrastructure	8,037	1,179	2,201	(867)	–	–	10,550	710
Real estate	9,565	876	508	(613)	–	–	10,336	809
Investment receivables								
Other	17	(2)	7	–	–	–	22	(2)
Investments in investment holding subsidiaries[1]	265,706	32,476	2,704	(1,330)	–	–	299,556	32,476
Total investments	$ 298,632	$ 34,795	$ 9,024	$ (6,491)	$ 246	$ (4,291)	$ 331,915	$ 33,953
Investment liabilities								
Other	228	–	40	(93)	148	(56)	267	–
Net investments	$ 298,404	$ 34,795	$ 8,984	$ (6,398)	$ 98	$ (4,235)	$ 331,648	$ 33,953

1. Purchases relating to investment holding subsidiaries represent capital contributions or net loan funding provided to these subsidiaries. Sales relating to investment holding subsidiaries represent return of capital or payment of dividends from these subsidiaries.
2. Includes return of capital.
3. Included in income (loss). Includes or excludes investments transferred into or out of Level 3, respectively.
4. Certain comparatives have been reclassified to conform to the current year's presentation.

During the year ended March 31, 2023, $1,912 million of investments were transferred from Level 2 to Level 3 and $594 million of investments were transferred from Level 3 to Level 2. Transfers into and out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value. Transfers are deemed to have occurred at the end of the reporting period.

3.5 Level 3 – Significant unobservable inputs

The table below presents the fair value of investments directly held by CPP Investments and held by its investment holding subsidiaries, including valuation techniques used to determine their fair values and the ranges and weighted averages of unobservable inputs used in the calculation of their fair values.

While investment holding subsidiaries are classified as Level 3 given the nature of their underlying holdings, certain investments held by these subsidiaries are based on quoted prices in an active market (Level 1) or are valued using observable inputs (Level 2). These amount to $11,472 million (March 31, 2022 – $11,104 million) and $31,637 million (March 31, 2022 – $29,555 million), respectively. Refer to Note 3.2 for further details on Level 1 and Level 2 investments relating to investment holding subsidiaries.

	As at March 31, 2023					
	Fair value of investments held by:					
(CAD millions)	CPP Investments	Investment holding subsidiaries	Primary valuation techniques used[2]	Significant unobservable inputs	Range of input values[3]	Weighted average[3]
Cash and cash equivalents	$ –	$ 1,350	Cost with accrued interest	–	–	–
Private equities						
Direct	4,968	79,846	Earnings multiples of comparable companies	EBITDA multiple	6.3X-25.0X	16.0X
			Discounted cash flow	Discount rate	7.1%-20.0%	11.3%
	11	20,362	Net asset value provided by investment manager	–	–	–
Fund investments	–	78,965	Net asset value provided by investment manager	–	–	–
Public equities						
Direct	–	11,472	Quoted market price	–	–	–
Fund investments	710	4,669	Net asset value provided by investment manager	–	–	–
Bonds	–	3,608	Quoted market prices or discounted cash flow using observable inputs	–	–	–
Other debt						
Direct private debt	203	31,451	Discounted cash flow	Discount rate	3.1%-33.9%	12.4%
	–	3,198	Net asset value provided by investment manager	–	–	–
Asset-backed securities	8,457	616	Comparable pricing	Price	53.8%-104.0%	97.5%
Fund investments	319	4,237	Net asset value provided by investment manager	–	–	–
Absolute return strategies						
Fund investments	1,754	21,333	Net asset value provided by investment manager	–	–	–
Infrastructure						
Direct	10,064	36,546	Discounted cash flow	Discount rate	7.4%-15.8%	9.3%
Fund investments	–	80	Net asset value provided by investment manager	–	–	–
Real estate						
Direct	7,651	5,218	Discounted cash flow	Discount rate	5.5%-15.9%	7.6%
				Terminal capitalization rate	4.3%-12.3%	5.9%
	1,482	29,426	Net asset value provided by investment partner	–	–	–
Fund investments	20	1,711	Net asset value provided by investment manager	–	–	–
Investment receivables						
Securities purchased under reverse repurchase agreements	–	132	Discounted cash flow	–	–	–
Derivative assets	–	23	Option model	–	–	–
Other	–	792	Cost with accrued interest	–	–	–
Investment liabilities						
Debt financing liabilities	–	5,906	Discounted cash flow	Discount rate	5.2%-6.6%	5.4%
			Cost with accrued interest	–	–	–
Loans sold under repurchase agreements	–	212	Cost with accrued interest	–	–	–
Other[1]	116	2,362	Amortized cost	–	–	–
Pending trades net receivable/(payable)	–	308	Amortized cost	–	–	–
Total	$ 35,523	$ 326,863				

	As at March 31, 2022[4]					
	Fair value of investments held by:					
(CAD millions)	CPP Investments	Investment holding subsidiaries	Primary valuation techniques used[2]	Significant unobservable inputs	Range of input values[3]	Weighted average[3]
Cash and cash equivalents	$ –	$ 2,049	Cost with accrued interest	–	–	–
Private equities						
Direct	6,466	73,818	Earnings multiples of comparable companies	EBITDA multiple	8.9X–22.0X	15.4X
			Discounted cash flow	Discount rate	6.7%–16.4%	10.7%
	11	16,361	Net asset value provided by investment manager	–	–	–
Fund investments	2	75,426	Net asset value provided by investment manager	–	–	–
Public equities						
Direct	–	11,451	Quoted market price	–	–	–
Fund investments	–	5,098	Net asset value provided by investment manager	–	–	–
Bonds	–	3,941	Quoted market prices or discounted cash flows using observable inputs	–	–	–
Other debt						
Direct private debt	187	29,879	Discounted cash flow	Discount rate	4.0%–31.5%	8.3%
	–	1,401	Net asset value provided by investment manager	–	–	–
Asset-backed securities	3,766	538	Comparable pricing	Price	74.5%–103.4%	98.3%
Fund investments	210	4,262	Net asset value provided by investment manager	–	–	–
Absolute return strategies						
Fund investments	809	16,149	Net asset value provided by investment manager	–	–	–
Infrastructure						
Direct	10,550	35,878	Discounted cash flow	Discount rate	7.1%–13.3%	8.7%
Fund investments	–	53	Net asset value provided by investment manager	–	–	–
Real estate						
Direct	8,715	5,047	Discounted cash flow	Discount rate	4.8%–14.3%	6.7%
				Terminal capitalization rate	3.8%–11.5%	5.3%
	1,545	25,438	Net asset value provided by investment partner	–	–	–
Fund investments	76	1,515	Net asset value provided by investment manager	–	–	–
Investment receivables						
Derivative assets	–	81	Option model	–	–	–
Other	22	589	Cost with accrued interest	–	–	–
Investment liabilities						
Debt financing liabilities	–	5,341	Cost with accrued interest	–	–	–
			Discounted cash flow	Discount rate	3.1%–3.7%	3.3%
Loans sold under repurchase agreements	–	168	Cost with accrued interest	–	–	–
Other[1]	267	1,831	Amortized cost	–	–	–
Pending trades net receivable/(payable)	–	(2,078)	Amortized cost	–	–	–
Total	$ 32,092	$ 299,556				

1. Primarily includes deferred tax liabilities related to investments.
2. May include certain recently acquired investments held at cost, which approximates fair value.
3. The range of input values represents the highest and lowest inputs used to value the investments in a particular asset class. The weighted average of the input values is calculated based on the relative fair values of the investments within the asset class. The diversity of investments reported within each asset class, such as the geographic location and industry sector of the investments, may result in certain ranges of inputs being wide and unevenly distributed across the range.
4. Certain comparatives have been reclassified to conform to the current year's presentation.

3.6 Sensitivity analysis of valuations using unobservable inputs

Significant changes in any of the above unobservable inputs would result in a significantly higher or lower fair value measurement. The interrelationship of significant unobservable inputs and fair value measurement for the most significant key inputs identified in the table above is as follows:

- An increase (decrease) in the EBITDA multiple will result in a higher (lower) fair value.
- An increase (decrease) in the discount rate and terminal capitalization rate will result in a lower (higher) fair value.

The fair values of the investments classified within Level 3 of the fair value hierarchy in Note 3.1 and 3.2 are based on accepted industry valuation methods that may include the use of estimates made by Management, appraisers or both where significant judgment is required. The use of valuation methods based on reasonable alternative assumptions could have a significant impact on the resulting fair values.

With all other variables held constant, the use of reasonable alternative assumptions would result in a decrease of $10,300 million (March 31, 2022 – $8,600 million) or an increase of $9,900 million (March 31, 2022 – $10,100 million) in net assets. This sensitivity analysis is subject to the exercise of judgment and excludes investments where fair values are provided by investment managers as the underlying assumptions used are not available to CPP Investments.

4. Derivatives

AT A GLANCE

CPP Investments enters into a variety of derivatives to manage its exposure to currency exchange, credit, interest and other market risks, and to obtain the exposure in its assets and asset classes.

The fair values, notional amounts and contractual maturities of all derivative financial instruments are set out in Note 4.1 and 4.2. Through these breakdowns, information is provided regarding the extent to which different types of derivatives are used.

4.1 Fair value of derivatives

Derivatives generate positive or negative value, as the value of underlying assets, indexes, interest rates, currency exchange rates or other market-based factors change such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and remaining period to expiry.

The derivative-related market risk is a component of the total portfolio market risk, which is managed through the Risk Policy described in Note 7.

The maximum exposure to credit risk is represented by the positive fair value of the derivative and is normally a small fraction of the contract's notional amount. Negotiated over-the-counter derivatives generally present greater credit exposure than exchange-traded contracts. Credit risk on exchange-traded or centrally cleared contracts is limited because these transactions are either executed on regulated exchanges or settled through well-capitalized clearing houses that assume the obligation of the writer of a contract and guarantee their performance.

The fair value of derivative contracts held by CPP Investments and its investment holding subsidiaries is as follows:

(CAD millions)	As at March 31, 2023 Positive fair value	As at March 31, 2023 Negative fair value	As at March 31, 2022 Positive fair value	As at March 31, 2022 Negative fair value
Equity contracts				
Futures	$ –	$ –	$ –	$ –
Swaps	1,610	(1,562)	1,722	(3,741)
Options:				
Over-the-counter – purchased	1	–	19	–
Over-the-counter – written	–	(73)	–	(122)
Warrants	18	–	80	–
Total equity contracts	1,629	(1,635)	1,821	(3,863)
Foreign exchange contracts				
Forwards	848	(292)	729	(307)
Options:				
Over-the-counter – purchased	73	–	80	–
Over-the-counter – written	–	(27)	–	(44)
Total foreign exchange contracts	921	(319)	809	(351)
Interest rate contracts				
Futures	–	–	–	–
Swaps	66	(545)	43	(257)
Options:				
Over-the-counter – purchased	220	–	224	–
Over-the-counter – written	–	(127)	–	(175)
Total interest rate contracts	286	(672)	267	(432)
Credit contracts				
Credit default swaps:				
Over-the-counter – purchased	2	(2)	1	(3)
Over-the-counter – written	21	(23)	32	(6)
Options:				
Over-the-counter – purchased	3	–	3	–
Over-the-counter – written	–	(18)	–	(18)
Total credit contracts	26	(43)	36	(27)
Commodity contracts				
Futures	–	–	–	–
Options:				
Exchange-traded – written	–	(41)	–	(102)
Total commodity contracts	–	(41)	–	(102)
Total[1]	$ 2,862	$ (2,710)	$ 2,933	$ (4,775)

1. Includes $18 million (March 31, 2022 – $80 million) relating to warrants and $5 million (March 31, 2022 – $1 million) relating to interest rate swaps transacted by investment holding subsidiaries.

4.2 Notional amounts of derivatives by terms to maturity

Notional amounts of derivatives represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts. They are not recorded as assets or liabilities on the Consolidated Balance Sheet. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from derivatives.

The terms to maturity of the notional amounts for derivatives held by CPP Investments and its investment holding subsidiaries are as follows:

	Terms to maturity					
	As at March 31, 2023					As at March 31, 2022
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Total
Equity contracts						
Futures	$ 2,202	$ 7	$ –	$ –	$ 2,209	$ 6,965
Swaps	101,407	2,078	1	–	103,486	116,841
Options:						
Over-the-counter – purchased	162	–	–	–	162	824
Over-the-counter – written	5,368	–	–	–	5,368	6,391
Warrants	7	10	59	60	136	70
Total equity contracts	109,146	2,095	60	60	111,361	131,091
Foreign exchange contracts						
Forwards	94,095	125	–	–	94,220	42,074
Options:						
Over-the-counter – purchased	1,116	652	–	–	1,768	2,536
Over-the-counter – written	8,319	–	–	–	8,319	7,531
Total foreign exchange contracts	103,530	777	–	–	104,307	52,141
Interest rate contracts						
Futures	16,391	–	–	–	16,391	15,840
Swaps	76,686	76,119	25,029	12,050	189,884	110,525
Options:						
Over-the-counter – purchased	7,227	–	–	–	7,227	6,158
Over-the-counter – written	7,782	–	–	–	7,782	9,705
Total interest rate contracts	108,086	76,119	25,029	12,050	221,284	142,228
Credit contracts						
Credit default swaps:						
Over-the-counter – purchased	103	85,849	1,954	–	87,906	64,154
Over-the-counter – written	416	106,264	15,163	–	121,843	100,829
Options:						
Over-the-counter – purchased	1,309	–	–	–	1,309	999
Over-the-counter – written	10,010	–	–	–	10,010	8,462
Total credit contracts	11,838	192,113	17,117	–	221,068	174,444
Commodity contracts						
Futures	8,546	–	–	–	8,546	7,300
Options:						
Exchange-traded – written	1,374	–	–	–	1,374	1,596
Total commodity contracts	9,920	–	–	–	9,920	8,896
Total[1]	$ 342,520	$ 271,104	$ 42,206	$ 12,110	$ 667,940	$ 508,800

1. Includes $134 million (March 31, 2022 – $69 million) relating to warrants and $63 million (March 31, 2022 – $65 million) relating to interest rate swaps transacted by investment holding subsidiaries.

5. Net gains on investment holding subsidiaries

AT A GLANCE

Wholly owned subsidiaries that are managed by CPP Investments to hold investments are referred to as investment holding subsidiaries. Income and expenses borne by the investment holding subsidiaries are presented below and comprise the net gains on investment holding subsidiaries in accordance with IFRS 10.

	For the years ended	
(CAD millions)	**March 31, 2023**	March 31, 2022[1]
Income:		
Interest, dividends, and other income	**$ 8,082**	$ 8,207
Net gains on private investments	**10,238**	28,727
Net gains on public and other investments	**2,972**	1,643
	21,292	38,577
Expenses:		
Transaction-related	**121**	246
Taxes	**140**	60
Financing	**208**	120
	469	426
Net gains before dividends paid to CPP Investments:	**20,823**	38,151
Dividends paid to CPP Investments	**3,668**	5,675
Net gains on investment holding subsidiaries	**$ 17,155**	$ 32,476

1. Certain comparatives have been reclassified to conform to the current year's presentation.

6. Segment information

ACCOUNTING POLICY

CPP Investments has six investment departments for which the operating results are regularly reviewed for resource allocation and performance assessment purposes. These departments represent operating segments under IFRS 8, *Operating Segments*. Segment results include items that are directly attributable to a segment as well as those that are allocated on a reasonable basis.

6.1 Investment segments

CPP Investments' purpose is to manage amounts transferred to it under Sections 108.1 and 108.3 of the CPP Act in the best interests of CPP beneficiaries and contributors. This requires investing its assets with a view to achieving a maximum rate of return without undue risk of loss. Investments are managed by six departments as described below.

- **Total Fund Management –** Responsible for CPP Investments' strategic and tactical portfolio design, capital allocations to investment strategies, and the management of exposures, leverage and liquidity. As part of these activities Total Fund Management invests the Balancing Portfolio, the remaining portion of net investments after excluding assets managed by the other investment departments, in global public securities. Total Fund Management leads the ongoing execution of the Total Portfolio Investment Framework and ensures that CPP Investments' investing activities collectively produce a total portfolio that seeks to maximize long-term returns without undue risk.
- **Capital Markets and Factor Investing –** Includes both externally managed hedge funds and internally managed active strategies that invest globally in public equities, fixed income, currencies, and commodities. Most Capital Markets and Factor Investing strategies are constructed as market neutral portfolios.
- **Active Equities –** Invests in global public and soon-to-be-public companies, leveraging long-term fundamental research to generate unique company-specific insights.
- **Credit Investments –** Invests in both public and private credit and credit-like products globally. This includes investments across corporate, consumer and real assets credit along the credit rating spectrum, with the exception of sovereign bonds.
- **Private Equity –** Invests in a wide range of private equity assets globally, both directly and with partners. Private Equity seeks return premiums by investing in less liquid assets and focusing on long-term value creation through commitments to funds, secondary markets and direct investments in private companies.
- **Real Assets –** Invests in real estate, infrastructure, as well as both conventional and renewable energy assets globally. Its portfolio delivers a broad range of exposures, income and capital growth to CPP Investments, while also providing cash flows that increase with inflation over time.

6.1.1 Net income (loss) by investment segment

The table below presents the income (loss) and expenses incurred by each investment department.

	For the year ended March 31, 2023							
(CAD millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Adjustment	Total
Income (loss):	$ (7,277)	$ 4,422	$ (1,015)	$ 4,364	$ 7,876	$ 7,182	$ (3,603)	$ 11,949
Expenses[1]**:**								
Personnel	115	124	139	137	247	276	–	1,038
General and administrative	89	65	83	62	91	112	–	502
Management fees[2]	–	543	13	58	681	164	(1,440)	19
Performance fees[2]	–	1,010	–	1	664	90	(1,694)	71
Transaction-related[3]	70	27	58	63	57	141	(121)	295
Taxes[3]	48	7	32	29	20	50	(140)	46
Financing[3]	2,147	–	–	135	51	22	(208)	2,147
	$ 2,469	$ 1,776	$ 325	$ 485	$ 1,811	$ 855	$ (3,603)	$ 4,118
Net income (loss)	$ (9,746)	$ 2,646	$ (1,340)	$ 3,879	$ 6,065	$ 6,327	$ –	$ 7,831

	For the year ended March 31, 2022[4]							
(CAD millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Adjustment	Total
Income (loss):	$ (581)	$ 3,584	$ (4,052)	$ 3,621	$ 23,051	$ 14,743	$ (4,048)	$ 36,318
Expenses[1]**:**								
Personnel	107	130	162	136	223	255	–	1,013
General and administrative	75	67	75	48	70	80	–	415
Management fees[2]	–	490	27	30	597	150	(1,274)	20
Performance fees[2]	–	938	4	2	1,347	95	(2,348)	38
Transaction-related[3]	87	27	98	56	82	217	(246)	321
Taxes[3]	28	10	73	21	94	66	(60)	232
Financing[3]	(132)	–	–	41	55	20	(120)	(136)
	$ 165	$ 1,662	$ 439	$ 334	$ 2,468	$ 883	$ (4,048)	$ 1,903
Net income (loss)	$ (746)	$ 1,922	$ (4,491)	$ 3,287	$ 20,583	$ 13,860	$ –	$ 34,415

1. Includes expenses borne by CPP Investments and its investment holding subsidiaries in relation to the respective departments.
2. Adjustment consists of costs incurred within funds.
3. Adjustments consist of expenses borne by investment holding subsidiaries, which are reclassified into income (loss).
4. Certain comparatives have been reclassified to conform to the current year's presentation.

6.1.2 Net investments by investment segment

	Net investments[1]						
(CAD millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Total
As at:							
March 31, 2023	$ 228,554	$ 1,254	$ 1,474	$ 57,714	$ 146,070	$ 135,230	$ 570,296
March 31, 2022	228,176	3,413	(2,705)	53,672	134,170	122,640	539,366

1. Net investments excludes net corporate liabilities of $254 million (March 31, 2022 – $55 million).

6.2 Geographic information

Net investments are presented in the table below based on the region to which they have primary economic exposure:

	Net investments[1]					
(CAD millions)	Canada	U.S.	Asia Pacific	Europe	Latin America	Total
As at:						
March 31, 2023	$ 83,236	$ 206,144	$ 147,578	$ 100,462	$ 32,876	$ 570,296
March 31, 2022	85,183	196,199	141,199	86,427	30,358	539,366

1. Net investments excludes net corporate liabilities of $254 million (March 31, 2022 – $55 million).

7. Risk management

AT A GLANCE

The base CPP Investment Portfolio and additional CPP Investment Portfolio (collectively the Investment Portfolios) are exposed to a variety of investment risks which are managed through the Risk Policy. The underlying risk categories, exposures and the related risk management techniques are described in the following Notes:

- Note 8 – Market risk
- Note 9 – Credit risk
- Note 10 – Liquidity and leverage risk

Any references to the investment activities and risk exposures of CPP Investments also include those of its unconsolidated investment holding subsidiaries.

The evolving geopolitical landscape and inflation continue to have widespread impacts around the world, including an increase in market volatility. Throughout this volatile environment, CPP Investments continues to remain within all risk limits established by its Board of Directors, including limits related to market, credit, liquidity and leverage risks.

7.1 Introduction

CPP Investments manages and mitigates investment risks in accordance with the Risk Policy (Policy). This Policy establishes accountability of the Board of Directors, the various committees, including the Risk Committee, and departments to manage investment-related risks. The Policy is updated and approved by the Board of Directors at least once every fiscal year, and contains risk appetite (in the form of limits, statements and targets) and risk management provisions that govern investment decisions in accordance with CPP Investments' mandate.

Upper and lower absolute risk limits are included within the Policy, and these govern the amount of total investment risk that CPP Investments can take in the Investment Portfolios. CPP Investments monitors potential investment losses in the Investment Portfolios daily and reports to the Board of Directors on at least a quarterly basis. The target equity content for each of the base CPP Investment Portfolio and additional CPP Investment Portfolio is assessed using an equity/debt risk equivalence ratio, which is the proportion of equity versus debt in a simple two-asset reference portfolio that would give the same market and credit risk as that of the applicable Investment Portfolio. Each Investment Portfolio's ratio must be within the Board of Directors' approved absolute risk limits.

7.1.1 Independent risk oversight

The Risk department within CPP Investments reports to the Chief Risk Officer. The function is responsible for assessing, monitoring and ensuring management of the Investment Portfolios is consistent with the established risk appetites. This oversight is exercised through independent control and support functions. Investment departments are accountable for managing risk within prescribed risk appetites.

7.1.2 Investment risk measures

A suite of measures is used to estimate the risk of loss from small, moderate and significant market moves over various time horizons. In addition to industry standard market and credit risk models, CPP Investments uses proprietary models to assess potential losses to the portfolio over longer time horizons. Furthermore, a number of trading desk-specific risk measures are tracked that are related to the specific nature of the strategy.

7.1.3 Stress scenario analysis

To complement the suite of potential loss measures used to monitor the Investment Portfolios, CPP Investments further examines the potential impact of extreme but plausible adverse market events. Scenario analysis considers the effect of various market stress events, including potential geopolitical or adverse economic events, using a bottom-up approach that considers the effect of parameter shocks across the entire portfolio. These assessments are reported to both Senior Management and the Board of Directors.

7.1.4 Model validation

The model validation function within the risk department independently validates strategically important portfolio construction and risk management models as well as valuation methodologies within the main investment systems. A risk-based approach is used to establish the frequency and depth of the validation activities, with increased focus on higher risk models.

7.2 Total fund risk

A suite of risk measures is used within CPP Investments to monitor and assess the risk profile of the Investment Portfolios. Regular risk reports are provided to the Senior Management Team and the Board of Directors to support the governance of the various dimensions of risk to which the Investment Portfolios are exposed.

Key investment risk measures include:

- Market risk: The target level of market risk, expressed in terms of an equity/debt risk equivalence ratio, which is the proportion of equity (versus debt) in a simple two-asset reference portfolio that would give the same market risk and credit risk as that of the applicable Investment Portfolio. The target level of market risk of the base CPP Investment Portfolio is currently set at 85%/15%, while the additional CPP Investment Portfolio target level is set at 55%/45%.
- Potential investment loss: The loss of the Investment Portfolios over a one-year horizon is not expected to exceed the established limit 19 times out of 20.
- Liquidity and leverage risk measures, which are further described in Note 10.

The monitoring of adherence to investment risk limits is conducted independent of the investment departments by the risk department using both industry standard and internally developed risk models. The tables below provide a summary of the key investment risk measures of the Investment Portfolios.

	Limit	As at March 31, 2023 base CPP	As at March 31, 2022 base CPP
Market risk	80–90%	**85%**	85%
One-year potential investment loss[1,2]	21%	**19%**	18%

	Limit	As at March 31, 2023 additional CPP	As at March 31, 2022 additional CPP
Market risk	50–60%	**56%**	55%
One-year potential investment loss[1,2]	15%	**13%**	13%

1. Percentage of investment value.
2. Effective November 10, 2022, the Board approved an increase to the one-year potential investment loss risk limit from 20% to 21% for the base CPP, and from 14% to 15% for the additional CPP.

7.2.1 Stress scenarios and results

As part of ongoing monitoring, CPP Investments performs scenario analysis to assess the impact of potential stress events and identify potential vulnerabilities that may not be fully captured by standard risk measures and models. This includes how severe market and geopolitical events could affect the Investment Portfolios. Below are examples of scenarios that are run and monitored on a regular basis:

- A repeat of the Global Financial Crisis (GFC) of 2008 – CPP Investments estimates that if an event like the GFC were to recur, it would result in losses of approximately 15% or $83 billion, unchanged in percentage terms from the previous year. This estimated loss is within risk appetite.
- Severe Stress scenario – A hypothetical worst-case scenario that aggregates several historical market stress events. This scenario also removes the foreign currency gains typically realized in past market stress events where losses were partially offset by the depreciation of the Canadian dollar against the U.S. dollar. If this more extreme scenario were to happen, CPP Investments estimates that it would result in losses of approximately 21% or $121 billion, unchanged in percentage terms from the previous year. While this stress scenario is less plausible, it highlights the sensitivity of returns to foreign currency fluctuations and is actively monitored to ensure the estimated loss broadly remains within risk appetite.

Additionally, CPP Investments ran an inflation scenario which is a historical scenario that aggregates the events of 2022, encompassing both the war in Ukraine and inflation-driven shocks. Ad hoc analysis is also performed on various plausible stress scenarios based on current global events, such as potential impacts of Chinese economic/regulatory policies, China/U.S. geopolitical tensions, and bank credit crisis scenarios. The resulting potential loss estimates are monitored and considered in the context of the Fund's stated risk appetites.

8. Market risk

Market risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in market prices and rates.

CPP Investments uses a tiered structure of limits to govern market risk by controlling the size of risk exposures. Limits include the use of equity/debt risk equivalence ratios of the two Investment Portfolios as well as various limits to reduce the probability of the individual investment departments' market risks growing faster than originally anticipated. Market risk is also incorporated as a component of the potential investment loss measure in Note 7.2. These measures are supplemented with drawdown or reported loss thresholds that highlight any public market strategies that are experiencing losses greater than their estimated market risk levels. More granular limits are also used in certain cases that are investment strategy specific and are tailored to the way that the strategies are managed on a daily basis. Examples of such granular limits and measures include: DV01 which measures the possible loss/gain in the investment strategy as a result of a 1 basis point increase/decrease in interest rate yield curves, and divergence limits that track the risks against their respective benchmarks.

Investment departments are expected to stay within their limits but are allowed to request increases to management-level limits. Any limit excesses are processed according to established escalation guidelines.

Market risk includes equity risk, interest rate risk, credit spread risk and currency risk. The sensitivity of these risks is summarized in each respective Note.

8.1 Equity risk

Equity risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in equity prices, which is a significant source of risk of the Investment Portfolios. The table below presents the instantaneous effect of a 1% decrease/increase in the S&P 500 Index on loss/profit of public equity investments, with all other variables held constant. This calculation assumes that equities other than the S&P 500 Index would move in accordance with their historical behaviour conditional on a 1% decrease/increase in the S&P 500 Index.

(CAD millions)	As at March 31, 2023	As at March 31, 2022
	Impact of 1% decrease in the S&P 500 Index	
Loss on public equity investments	**$ 1,248**	$ 1,218

8.2 Interest rate risk

Interest rate risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in market interest rates. The Investment Portfolios are exposed to interest rate risk primarily through holdings of fixed income securities, certain investment liabilities and interest rate derivatives.

8.2.1 Interest rate risk sensitivity

With all other variables held constant, a 1 basis point increase/decrease in nominal risk-free rates would result in a decrease/increase in the value of investments directly impacted by interest rate changes as follows:

(CAD millions)	As at March 31, 2023	As at March 31, 2022
Maturity	**Impact of increase of 1 basis point on net assets[1]**	
Within 1 year	**$ 1**	$ 1
1 to 5 years	**(30)**	(19)
6 to 10 years	**(29)**	(22)
Over 10 years	**(80)**	(64)
Total	**$ (138)**	$ (104)

1. This sensitivity primarily applies to debt instruments and interest-rate-sensitive derivatives.

For investments that are directly sensitive to interest rates, the sensitivity to various countries' risk-free rates is as follows:

Region	As at March 31, 2023	As at March 31, 2022
U.S.	37%	43%
Canada	18	30
Europe	15	10
Japan	15	–
United Kingdom	7	6
China	4	6
Other	4	5
Total	**100%**	100%

8.3 Credit spread risk

Credit spread risk is the difference in yield on certain securities compared to a comparable risk-free security (i.e., government issued) with the same maturity date. Credit spread risk is the risk that the fair value of these securities will fluctuate because of changes in credit spread. With all other variables held constant, an increase in credit spread rates would result in a decrease in investments.

(CAD millions)	As at March 31, 2023	As at March 31, 2022[2]
Decrease in net investments[1]	Impact of 1 basis point widening of credit spread	
AAA	2.9	2.0
AA	10.0	8.2
A	15.6	18.4
BBB	9.0	19.3
BB	2.3	(0.9)
B	6.5	7.5
CCC and below	4.3	3.6
Total	**50.6**	58.1

1. Excludes the financial benefit to CPP Investments of credit spreads widening by 1 bps on its term debt. Including these would reduce the sensitivity to $26 million (March 31, 2022 – $30 million).
2. Certain comparatives have been reclassified to conform to the current year's presentation.

8.4 Currency risk

The Investment Portfolios are exposed to currency risk through holdings of investments or investment liabilities in various foreign currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value or future cash flows of these investments and investment liabilities.

8.4.1 Currency risk exposures

The net currency exposures after allocating foreign currency derivatives, in Canadian dollars, are as follows:

(CAD millions)	As at March 31, 2023		As at March 31, 2022[2]	
Currency	Net exposure	% of total[1]	Net exposure	% of total[1]
U.S. dollar	$ 276,146	48%	$ 296,341	55%
Euro	45,124	8	39,127	7
Chinese renminbi	20,384	4	25,953	5
Japanese Yen	17,324	3	5,799	1
Other	89,164	16	84,956	16
Total foreign exposure	448,142	79	452,176	84
Canadian dollar	122,154	21	87,190	16
Total	**$ 570,296**	**100%**	$ 539,366	100%

1. May not reflect actual percentage of total due to rounding.
2. Certain comparatives have been reclassified to conform to the current year's presentation.

With all other variables and underlying values held constant, a 10% appreciation/depreciation of the Canadian dollar against all other currencies would result in a decrease/increase in net investment by $44,814 million (March 31, 2022 – $45,218 million).

9. Credit risk

Credit risk represents the potential loss of investment value due to direct or indirect counterparty exposure to a defaulted entity and/or financial losses due to deterioration of an entity's credit quality. The Investment Portfolios' credit risk arises primarily through its investments in non-investment grade entities. The carrying amounts of these investments as presented in the Consolidated Schedule of Investment Portfolio represent the maximum direct credit risk exposure at the Consolidated Balance Sheet date. Credit risk is also incorporated as a component of the potential investment loss measure in Note 7.2.

9.1 Counterparty exposures

The fair value of debt securities and over-the-counter derivatives exposed to credit risk held directly by CPP Investments and its investment holding subsidiaries, by credit rating category and without taking account of any collateral held or other credit enhancements, is as follows:

(CAD millions)	As at March 31, 2023							
Credit rating	Bonds[1]	Cash equivalents[1]	Money market securities[1]	Reverse repurchase agreements[1]	Over-the-counter derivatives	Other debt[1,2]	Total	% of Total[3]
AAA	$ 29,773	$ –	$ –	$ –	$ –	$ 5,752	$ 35,525	17%
AA	46,242	5,967	1,915	3,163	970	1,803	60,060	30
A	36,319	3,247	666	16,399	1,678	715	59,024	29
BBB	9,667	–	–	2,837	192	2,731	15,427	8
BB	4,081	–	–	–	–	2,848	6,929	3
B	2,663	–	–	–	–	16,938	19,601	10
CCC/CC/D	487	–	–	–	–	5,095	5,582	3
Total	**$ 129,232**	**$ 9,214**	**$ 2,581**	**$ 22,399**	**$ 2,840**	**$ 35,882**	**$ 202,148**	**100%**

(CAD millions)	As at March 31, 2022							
Credit rating	Bonds[1]	Cash equivalents[1]	Money market securities[1]	Reverse repurchase agreements[1]	Over-the-counter derivatives	Other debt[1,2]	Total	% of Total[3]
AAA	$ 18,460	$ 116	$ 250	$ –	$ –	$ 1,990	$ 20,816	10%
AA	40,440	4,673	100	21,486	639	1,130	68,468	33
A	26,175	5,420	1,018	26,878	1,928	410	61,829	29
BBB	15,290	–	–	7,814	284	2,917	26,305	12
BB	5,107	–	–	–	–	2,512	7,619	4
B	3,413	–	–	–	–	17,266	20,679	10
CCC/CC/D	608	–	–	–	–	3,126	3,734	2
Total	$ 109,493	$ 10,209	$ 1,368	$ 56,178	$ 2,851	$ 29,351	$ 209,450	100%

1. Includes accrued interest.
2. Includes direct investments in private debt and asset-backed securities.
3. May not reflect actual percentage of total due to rounding.

In addition to the above, the Investment Portfolios are indirectly exposed to credit risk on the underlying holdings of fund investments.

CPP Investments limits credit risk on over-the-counter contracts through a variety of means, including dealing only with authorized counterparties that meet the minimum credit rating and limiting the maximum exposures to any individual counterparty, and the use of master netting agreements and collateral.

Credit risk exposure is mitigated on certain financial assets and financial liabilities, which have conditional offset rights in the event of default, insolvency, or bankruptcy. For securities purchased under reverse repurchase agreements, securities and loans sold under repurchase agreements and over-the-counter derivatives, collateral is collected from or pledged to counterparties to manage credit exposure (see Note 15). In addition, in the event of default, amounts with a specific counterparty are settled on a net basis under master netting and collateral agreements, such as the Global Master Repurchase Agreement and the International Swaps and Derivatives Association Netting Agreements (see Note 12).

9.2 Credit value-at-risk

In addition to incorporating credit risk within the potential investment loss measures as described in Note 7.2, a standalone measure for losses due to defaults and credit rating migration is also monitored. A Monte Carlo simulation that incorporates likelihood of default, credit rating migration and recovery in the event of default for underlying investments is adopted to quantify this dimension of risk. Credit value-at-risk, at a 95% confidence level, implies there is a 5% chance that the underlying investments in the Investment Portfolios will lose more than the amounts shown below, expressed as a percentage of each Investment Portfolio, in any given year due to default and credit migration risk.

	As at March 31, 2023		As at March 31, 2022	
	base CPP	additional CPP	base CPP	additional CPP
Credit value-at-risk	3.4%	2.3%	3.4%	2.3%

10. Liquidity and leverage risk

10.1 Liquidity risk

Liquidity risk is defined as the risk of incurring unacceptable losses while obtaining the funds needed to: (i) meet payment obligations as they become due, (ii) fund new investments or (iii) rebalance the portfolio in periods of stress.

The liquidity coverage ratio measures the amount of available liquid securities relative to CPP Investments' investment obligations and obligations to transfer funds to CPP over various time horizons including any 10-day period.

	Limit	**As at March 31, 2023**	As at March 31, 2022
Liquidity coverage ratio	1.0x	**3.5x**	2.9x

Liquidity risk is impacted by the use of various forms of leverage which CPP Investments uses to manage certain other risks and enhance fund returns. The use of leverage is governed directly through leverage measures as outlined in Note 10.2.

Liquidity risk is managed by investing certain assets in a liquid portfolio of publicly traded equities, money market securities and marketable bonds. It is supplemented by the ability to raise funds through activities such as the issuance of unsecured debt, including term debt, as well as transacting in securities sold under repurchase agreements. CPP Investments also maintains unsecured credit facilities to meet potential liquidity requirements. There were no credit facilities drawn as at March 31, 2023 and March 31, 2022.

(CAD millions)	**As at March 31, 2023**	As at March 31, 2022
Unsecured credit facilities held	**$ 1,500**	$ 1,500

10.2 Leverage risk

Leverage risk is the risk that excessive financial obligations heighten market and liquidity risks during periods of stress. Leverage risk is monitored by recourse and limited recourse measures. Recourse leverage is a notional-based measure with direct recourse to CPP Investments, which represents the net amount of borrowed funds and synthetic financing used by CPP Investments to increase its investment exposure. Limited recourse leverage generally refers to the debt issued through CPP Investments' investment holding subsidiaries that limits recourse to specific investments held within these subsidiaries. The recourse leverage measures are as follows:

	Limit	**As at March 31, 2023**	As at March 31, 2022
Recourse leverage:			
base CPP	45%	**28.1%**	22.8%
additional CPP	30	**16.8**	14.7

As at March 31, 2023, recourse and limited recourse leverage amounted to $157,301 million and $6,473 million, respectively (March 31, 2022 – $121,839 million and $5,341 million, respectively).

10.3 Terms to maturity

10.3.1 Terms to maturity of non-derivative investments held directly by CPP Investments

(CAD millions)	Terms to maturity: As at March 31, 2023 Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total[2]	Average effective yield[3]	As at March 31, 2022[4] Total[2]	Average effective yield
Non-marketable bonds								
Canadian provincial government	$ 1,639	$ 3,124	$ 1,231	$ 10,087	$ 16,081	4.1%	$ 17,972	3.3%
Marketable bonds								
Government of Canada	–	4,414	1,491	1,585	7,490	3.1	7,299	2.4
Canadian provincial government	96	2,468	2,375	3,049	7,988	3.9	6,776	3.2
Canadian government corporations	–	1,524	1,272	277	3,073	3.5	2,395	2.9
Foreign government	406	23,214	16,720	38,915	79,255	2.9	52,723	2.6
Corporate bonds	645	4,194	3,272	2,497	10,608	5.0	17,213	3.5
Other debt								
Private debt[1]	–	338	–	–	338	6.0	187	–
Asset-backed securities	309	4,106	2,130	1,912	8,457	5.4	3,766	1.8
Securities purchased under reverse repurchase agreements	22,240	–	–	–	22,240	2.7	56,178	–
Cash collateral pledged on securities borrowed	1,150	–	–	–	1,150	n/a	631	n/a
Total	$ 26,485	$ 43,382	$ 28,491	$ 58,322	$ 156,680	3.3%	$ 165,140	2.8%

1. Includes direct investments that are classified as debt. Excludes fund investments.
2. Represents fair value.
3. Total average effective yield excludes certain investments for which the average effective yield is not applicable.
4. Certain comparatives have been reclassified to conform to the current year's presentation.

10.3.2 Terms to maturity of non-derivative investments held by investment holding subsidiaries

The following table presents supplemental information relating to the terms to maturity of investments held by investment holding subsidiaries.

(CAD millions)	Terms to maturity: As at March 31, 2023 Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total[2]	Average effective yield	As at March 31, 2022[3] Total[2]	Average effective yield
Marketable bonds								
Corporate bonds	$ 80	$ 1,138	$ 2,390	$ –	$ 3,608	10.3%	$ 3,941	7.0%
Other debt								
Private debt[1]	5,067	13,562	9,277	1,958	29,864	11.0	28,289	6.5
Asset-backed securities	–	36	368	212	616	12.9	538	7.8
Securities purchased under reverse repurchase agreements	–	132	–	–	132	6.2	–	–
Total	$ 5,147	$ 14,868	$ 12,035	$ 2,170	$ 34,220	10.9%	$ 32,768	6.6%

1. Includes direct investments that are classified as debt. Excludes fund investments.
2. Represents fair value.
3. Certain comparatives have been reclassified to conform to the current year's presentation.

10.3.3 Terms to maturity of non-derivative investment liabilities held directly by CPP Investments

(CAD millions)	Terms to maturity: As at March 31, 2023: Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total contractual amount	Weighted average interest rate[3]	As at March 31, 2022[4]: Total contractual amount	Weighted average interest rate
Debt financing liabilities	$ 5,192	$ 31,241	$ 15,918	$ 6,369	$ 58,720	1.9%	$ 47,366	1.2 %
Securities sold under repurchase agreements	50,785	–	–	–	50,785	2.7	35,740	(0.1 %)
Cash collateral received on securities lent	3,910	–	–	–	3,910	n/a	7,714	n/a
Securities sold short[1,2]	22,065	–	–	–	22,065	n/a	29,003	n/a
Total	$ 81,952	$ 31,241	$ 15,918	$ 6,369	$ 135,480	2.0%	$ 119,823	1.2 %

1. Considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.
2. Includes equities sold short for which the average interest rate is not applicable.
3. Total weighted average interest rate excludes certain investment liabilities for which the average interest rate is not applicable.
4. Certain comparatives have been reclassified to conform to the current year's presentation.

10.3.4 Terms to maturity of non-derivative investment liabilities held by investment holding subsidiaries

The following table presents supplemental information relating to the terms to maturity of investment liabilities held by investment holding subsidiaries.

(CAD millions)	Terms to maturity: As at March 31, 2023: Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total contractual amount	Weighted average interest rate	As at March 31, 2022[1]: Total contractual amount	Weighted average interest rate
Debt financing liabilities	$ 148	$ 4,873	$ 587	$ 237	$ 5,845	4.8%	$ 5,298	2.6%
Loans sold under repurchase agreements	–	211	–	–	211	7.2	168	2.9
Total	$ 148	$ 5,084	$ 587	$ 237	$ 6,056	4.9%	$ 5,466	2.6%

1. Certain comparatives have been reclassified to conform to the current year's presentation.

11. Reconciliation of debt financing liabilities

The following table provides a reconciliation of debt financing liabilities issued by CPP Investments arising from financing activities:

(CAD millions)	For the years ended: March 31, 2023	March 31, 2022[2]
Balance, beginning of year	$ 45,362	$ 37,683
Proceeds	13,671	17,229
Repayments	(4,724)	(5,413)
Non-cash changes in fair value[1]	(853)	(4,137)
Balance, end of year	$ 53,456	$ 45,362

1. Includes foreign exchange losses of $2,337 million (March 31, 2022 – gains of $1,087 million).
2. Certain comparatives have been reclassified to conform to the current year's presentation.

12. Financial instruments – rights of offset

ACCOUNTING POLICY

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Financial Statements if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The following table presents the effect of offsetting for derivatives and repurchase and reverse repurchase agreements that are subject to master netting arrangements or similar agreements that meet the criteria for offsetting. The table also presents the amounts that are subject to enforceable netting arrangements but do not qualify for offsetting. Amounts that do not qualify for offsetting include agreements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of certain predetermined events.

For certain derivatives, the gross amounts subject to netting arrangements include the daily settlement of variation margin which is netted against the fair value of the derivatives. As a result, these derivatives are not subject to netting arrangements and are not included in the table below.

	As at March 31, 2023					
				Less: Amounts subject to master netting or similar arrangements but not presented net		
(CAD millions)	Gross amounts subject to netting arrangements	Less: Amounts offset in Consolidated Financial Statements	Net amount presented in the Consolidated Schedule of Investment Portfolio	Subject to agreements	Securities and cash collateral[3]	Net exposure
Securities purchased under reverse repurchase agreements[1]	$ 22,372	$ –	$ 22,372	$ (10,614)	$ (11,758)	$ –
Cash collateral on securities borrowed	1,150	–	1,150	–	(1,150)	–
Derivative assets[2]	2,862	–	2,862	(1,631)	(1,231)	–
Total investment receivables	**$ 26,384**	**$ –**	**$ 26,384**	**$ (12,245)**	**$ (14,139)**	**$ –**
Securities and loans sold under repurchase agreements[1]	$ 50,605	$ –	$ 50,605	$ (10,614)	$ (39,991)	$ –
Cash collateral on securities lent	3,910	–	3,910	–	(3,910)	–
Derivative liabilities	2,710	–	2,710	(1,631)	(1,079)	–
Total investment liabilities	**$ 57,225**	**$ –**	**$ 57,225**	**$ (12,245)**	**$ (44,980)**	**$ –**

	As at March 31, 2022					
				Less: Amounts subject to master netting or similar arrangements but not presented net		
(CAD millions)	Gross amounts subject to netting arrangements	Less: Amounts offset in Consolidated Financial Statements	Net amount presented in the Consolidated Schedule of Investment Portfolio	Subject to agreements	Securities and cash collateral[3]	Net exposure
Securities purchased under reverse repurchase agreements[1]	$ 56,178	$ –	$ 56,178	$ (17,480)	$ (38,698)	$ –
Cash collateral on securities borrowed	771	(140)	631	–	(631)	–
Derivative assets[2]	2,933	–	2,933	(2,162)	(771)	–
Total investment receivables	$ 59,882	$ (140)	$ 59,742	$ (19,642)	$ (40,100)	$ –
Securities and loans sold under repurchase agreements[1]	$ 35,915	$ –	$ 35,915	$ (17,480)	$ (18,435)	$ –
Cash collateral on securities lent	7,854	(140)	7,714	–	(7,714)	–
Derivative liabilities	4,775	–	4,775	(2,162)	(2,613)	–
Total investment liabilities	$ 48,544	$ (140)	$ 48,404	$ (19,642)	$ (28,762)	$ –

1. Includes $132 million (March 31, 2022 – nil) relating to Securities purchased under reverse repurchase agreements and $212 million (March 31, 2022 – $168 million) relating to Loans sold under repurchase agreements transacted by investment holding subsidiaries.
2. Includes $18 million (March 31, 2022 – $80 million) relating to warrants and $5 million (March 31, 2022 – $1 million) relating to interest rate swaps transacted by investment holding subsidiaries.
3. Securities and cash collateral exclude over-collateralization. Certain amounts of collateral are restricted from being sold or repledged in the normal course of business. Refer to Note 15 for the collateral disclosure.

13. General and administrative expenses

General and administrative expenses consist of the following:

(CAD millions)	For the years ended March 31, 2023	March 31, 2022[1]
Professional services	$ 157	$ 115
Information technology	110	107
Data services	80	71
Amortization of premises and equipment	72	61
Premises and equipment	26	26
Travel and accommodation	23	6
Communication	19	20
Auditor's remuneration	8	6
Directors' remuneration	3	2
Other	4	1
Total	$ 502	$ 415

1. Certain comparatives have been reclassified to conform to the current year's presentation.

14. Related-party transactions

Related parties of CPP Investments include unconsolidated subsidiaries, joint ventures and associates. All related-party investments are measured at fair value.

Unconsolidated subsidiaries include 250 wholly owned investment holding subsidiaries (see Note 1.2) (March 31, 2022 – 252) managed by CPP Investments. The 250 investment holding subsidiaries are incorporated as follows: 170 in Canada (March 31, 2022 – 174), 36 in the U.S. (March 31, 2022 – 34), 20 in Australia (March 31, 2022 – 20), six in Hong Kong (March 31, 2022 – six), and 18 in other jurisdictions (March 31, 2022 – 18). CPP Investments provides financial or other support to these investment holding subsidiaries to fund their day-to-day operations and investment activities under loan agreements or shareholders' resolutions, as needed.

In addition, CPP Investments owns interests in unconsolidated subsidiaries that are themselves investments. These investments, some of which may be wholly owned, are controlled through ownership rights directly or indirectly by CPP Investments. CPP Investments holds, or indirectly holds, investments in associates and joint ventures which are also related parties of CPP Investments.

Related-party transactions consist of investments and income primarily in public and private equities, bonds, other debt, funds, infrastructure and real estate. These transactions are measured at fair value and will, therefore, have the same impact on net assets and net income as those investment transactions with unrelated parties.

Related-party transactions with consolidated subsidiaries are eliminated upon consolidation.

14.1 Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of CPP Investments, consisting of the Senior Management Team and the Board of Directors.

Compensation of key management personnel of CPP Investments is as follows:

(CAD millions)	For the years ended March 31, 2023	March 31, 2022
Short-term employee compensation and benefits	$ 25	$ 28
Other long-term compensation and benefits	20	24
Total	$ 45	$ 52

15. Collateral

Collateral transactions are conducted to support investment activities under terms and conditions that are common and customary to collateral arrangements. These arrangements may be transacted by CPP Investments or its investment holding subsidiaries in their normal course of business.

15.1 Collateral held and pledged directly by CPP Investments

The fair value of collateral held and pledged directly by CPP Investments was as follows:

(CAD millions)	As at March 31, 2023	As at March 31, 2022[5]
Third-party assets held as collateral on[1]:		
Reverse repurchase agreements	$ 22,592	$ 55,897
Derivative transactions	777	538
Securities lent[2,3]	6,900	8,935
Total	$ 30,269	$ 65,370
Own and third-party assets pledged as collateral on:		
Repurchase agreements	(50,527)	(35,518)
Securities borrowed[3,4]	(26,840)	(32,298)
Derivative transactions	(10,778)	(10,634)
Debt financing liabilities	(953)	(1,964)
Total	$ (89,098)	$ (80,414)

1. The fair value of collateral sold or repledged as at March 31, 2023 was $7,347 million (March 31, 2022 – $16,233 million).
2. The fair value of securities lent as at March 31, 2023 was $6,800 million (March 31, 2022 – $9,054 million).
3. Cash collateral payable on the Consolidated Balance Sheet of $3,910 million (March 31, 2022 – $7,714 million) consists of collateral receivable of nil and collateral payable of $3,910 million that qualify for netting (March 31, 2022 – $140 million and $7,854 million, respectively).
4. The fair value of securities borrowed as at March 31, 2023 was $21,313 million (March 31, 2022 – $21,888 million) of which $18,914 million (March 31, 2022 – $21,752 million) was used for short selling activity.
5. Certain comparatives have been reclassified to conform to the current year's presentation.

15.2 Supplemental information on collateral relating to investment holding subsidiaries

The fair value of collateral held and pledged directly by investment holding subsidiaries was as follows:

(CAD millions)	As at March 31, 2023	As at March 31, 2022
Third-party assets held as collateral on[1]:		
Reverse repurchase agreements	$ 132	$ –
Total	$ 132	$ –
Own and third-party assets pledged as collateral on:		
Repurchase agreements	(353)	(292)
Securities borrowed[2,3]	(13,611)	(8,469)
Derivative transactions[3]	(785)	(574)
Private equities[4]	(11,715)	(10,156)
Debt financing liabilities	(10,466)	(10,037)
Total	$ (36,930)	$ (29,528)

1. The fair value of collateral sold or repledged as at March 31, 2023 was nil (March 31, 2022 – nil).
2. The fair value of securities borrowed as at March 31, 2023 was $8,020 million (March 31, 2022 – $4,967 million), which were all used for short selling activity.
3. The cash collateral at the prime brokers may be used for securities borrowed and derivatives transacted by brokers.
4. Represents securities pledged as collateral on loan borrowings of the investees.

16. Commitments

CPP Investments and its investment holding subsidiaries have entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement.

As at March 31, 2023, the unfunded commitments for CPP Investments and its investment holding subsidiaries totalled $1,160 million (March 31, 2022 – $1,083 million) and $60,187 million (March 31, 2022 – $54,064 million), respectively.

17. Guarantees and indemnifications

17.1 Guarantees

As part of certain investment transactions, CPP Investments and its investment holding subsidiaries agreed to guarantee, as at March 31, 2023, up to $366 million (March 31, 2022 – $408 million) and $7,052 million (March 31, 2022 – $7,215 million), respectively, to other counterparties in the event certain investee entities default under the terms of loan and other related agreements, or fail to perform under specified non-financial contractual obligations.

17.2 Indemnifications

CPP Investments provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. CPP Investments may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws, regulations and litigation claims. The contingent nature of these indemnification agreements prevents CPP Investments from making a reasonable estimate of the maximum potential payments CPP Investments could be required to make. To date, CPP Investments has not received any material claims nor made any material payments pursuant to such indemnifications.

18. Base CPP and additional CPP

AT A GLANCE

As a result of legislative amendments in December 2016, the CPP Act defines two separate parts of the CPP:

1. base CPP – the part of the CPP that existed before January 1, 2019; and
2. additional CPP – the additional part of the CPP that came into effect on January 1, 2019.

The following Note discloses the net assets, net investments and net income of CPP Investments' base CPP account and additional CPP account.

18.1 Changes in net assets

Pursuant to Sections 108.1 and 108.3 of the CPP Act, the CPPIB Act and an administrative agreement between the Government of Canada and CPP Investments, amounts not required to meet specified obligations of the CPP are transferred weekly to CPP Investments. The funds originate from employer and employee contributions to the CPP. CPP Investments remits cash to the CPP as required, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses. The accumulated transfers from/to the CPP and its two parts, the base CPP and additional CPP, as well as their accumulated net income since inception, are as follows:

	Accumulated net transfers from CPP			Accumulated net income and comprehensive income			
(CAD millions)	base CPP	additional CPP	Total	base CPP	additional CPP	Total	Total net assets
As at April 1, 2021	$ 147,665	$ 5,857	$ 153,522	$ 343,242	$ 423	$ 343,665	$ 497,187
Total net income and comprehensive income	–	–	–	34,268	147	34,415	34,415
Transfers from CPP	43,005	6,190	49,195	–	–	–	49,195
Transfers to CPP	(41,486)	–	(41,486)	–	–	–	(41,486)
As at March 31, 2022	$ 149,184	$ 12,047	$ 161,231	$ 377,510	$ 570	$ 378,080	$ 539,311
As at April 1, 2022	**$ 149,184**	**$ 12,047**	**$ 161,231**	**$ 377,510**	**$ 570**	**$ 378,080**	**$ 539,311**
Total net income and comprehensive income	**–**	**–**	**–**	**7,500**	**331**	**7,831**	**7,831**
Transfers from CPP	**55,702**	**10,896**	**66,598**	**–**	**–**	**–**	**66,598**
Transfers to CPP	**(43,698)**	**–**	**(43,698)**	**–**	**–**	**–**	**(43,698)**
As at March 31, 2023	**$ 161,188**	**$ 22,943**	**$ 184,131**	**$ 385,010**	**$ 901**	**$ 385,911**	**$ 570,042**

18.2 Net assets of base CPP and additional CPP

The net assets of CPP Investments' base CPP and additional CPP accounts are as follows:

(CAD millions)	As at March 31, 2023 base CPP	additional CPP	Total	As at March 31, 2022 base CPP	additional CPP	Total
Cash and cash equivalents held for investment purposes	$ 10,953	$ 563	$ 11,516	$ 13,123	$ 169	$ 13,292
Net investments other than cash and cash equivalents	535,479	23,301	558,780	513,629	12,445	526,074
Net investments	546,432	23,864	570,296	526,752	12,614	539,366
Premises and equipment	512	15	527	436	11	447
Other assets[1]	272	9	281	383	7	390
Accounts payable and accrued liabilities	1,018	44	1,062	877	15	892
Net assets	$ 546,198	$ 23,844	$ 570,042	$ 526,694	$ 12,617	$ 539,311

1. Includes cash held for operating purposes.

18.3 Schedule of investment portfolio for base CPP and additional CPP

The table below provides details of the investments and investment liabilities for CPP Investments' base CPP and additional CPP accounts:

(CAD millions)	As at March 31, 2023[1] base CPP	additional CPP	Total
Cash and cash equivalents	$ 12,266	$ 600	$ 12,866
Equities			
Private equities	182,026	5,100	187,126
Public equities	161,435	4,523	165,958
Total equities	343,461	9,623	353,084
Fixed income			
Bonds	116,464	11,639	128,103
Other debt	47,488	1,331	48,819
Money market securities	2,506	70	2,576
Total fixed income	166,458	13,040	179,498
Absolute return strategies	41,510	1,163	42,673
Infrastructure	45,417	1,273	46,690
Real estate	44,268	1,240	45,508
Investment receivables			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	22,189	1,333	23,522
Derivative assets	2,784	78	2,862
Other	3,828	174	4,002
Total investment receivables	28,801	1,585	30,386
Total investments	$ 682,181	$ 28,524	$ 710,705
Investment liabilities			
Debt financing liabilities	57,744	1,618	59,362
Securities and loans sold under repurchase agreements and cash collateral received on securities lent	52,343	2,172	54,515
Securities sold short	21,464	601	22,065
Derivative liabilities	2,636	74	2,710
Other	3,318	93	3,411
Total investment liabilities	137,505	4,558	142,063
Pending trades receivable	3,430	96	3,526
Pending trades payable	1,674	198	1,872
Net investments	$ 546,432	$ 23,864	$ 570,296

(CAD millions)	As at March 31, 2022[1,2] base CPP	additional CPP	Total
Cash and cash equivalents	$ 15,140	$ 201	$ 15,341
Equities			
Private equities	171,126	2,641	173,767
Public equities	157,138	2,426	159,564
Total equities	328,264	5,067	333,331
Fixed income			
Bonds	102,306	6,005	108,311
Other debt	40,333	623	40,956
Money market securities	1,287	81	1,368
Total fixed income	143,926	6,709	150,635
Absolute return strategies	34,154	527	34,681
Infrastructure	45,775	706	46,481
Real estate	41,693	643	42,336
Investment receivables			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	55,945	864	56,809
Derivative assets	2,888	45	2,933
Other	5,867	119	5,986
Total investment receivables	64,700	1,028	65,728
Total investments	$ 673,652	$ 14,881	$ 688,533
Investment liabilities			
Debt financing liabilities	49,932	771	50,703
Securities sold under repurchase agreements and cash collateral received on securities lent	42,965	664	43,629
Securities sold short	28,562	441	29,003
Derivative liabilities	4,702	73	4,775
Other	2,734	41	2,775
Total investment liabilities	128,895	1,990	130,885
Pending trades receivable	8,395	130	8,525
Pending trades payable	26,400	407	26,807
Net investments	$ 526,752	$ 12,614	$ 539,366

1. Presented using the same basis as the Consolidated Schedule of Investment Portfolio, which is different from that of the Consolidated Balance Sheet. Refer to the Consolidated Schedule of Investment Portfolio for further details.
2. Certain comparatives have been reclassified to conform to the current year's presentation.

18.4 Net income of base CPP and additional CPP

Details of net income of CPP Investments' base CPP and additional CPP accounts are as follows:

	For the years ended					
	March 31, 2023			March 31, 2022		
(CAD millions)	base CPP	additional CPP	Total	base CPP	additional CPP	Total
Income:						
Interest, dividends, and other income	$ 11,398	$ 321	$ 11,719	$ 11,532	$ 115	$ 11,647
Net gains (losses) on private investments	(1,557)	(40)	(1,597)	407	5	412
Net (losses) on public and other investments	(14,963)	(365)	(15,328)	(7,799)	(418)	(8,217)
Net gains on investment holding subsidiaries	16,640	515	17,155	32,005	471	32,476
	11,518	431	11,949	36,145	173	36,318
Expenses:						
Personnel	1,014	24	1,038	1,000	13	1,013
General and administrative	488	14	502	408	7	415
Management fees	19	–	19	20	–	20
Performance fees	70	1	71	37	1	38
Transaction-related	290	5	295	317	4	321
Taxes	45	1	46	229	3	232
Financing	2,092	55	2,147	(134)	(2)	(136)
	4,018	100	4,118	1,877	26	1,903
Net income and comprehensive income	$ 7,500	$ 331	$ 7,831	$ 34,268	$ 147	$ 34,415

Ten-year Review[1]

($ billions)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	For the year ended March 31									
CHANGE IN NET ASSETS										
Net income	**8**	34	84	12	32	37	34	9	41	30
Net contributions	**23**	8	3	6	4	2	4	5	5	6
Increase in net assets	**31**	42	87	18	36	39	38	14	46	36
NET ASSETS	**570**	539	497	410	392	356	317	279	265	219

($ billions)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Public Equities	**135**	146	145	113	130	140	120	104	90	69
Private Equities	**189**	170	153	117	106	81	67	54	49	41
Fixed Income	**70**	40	48	48	39	38	48	46	63	59
Credit	**72**	86	67	51	36	22	18	17	17	11
Real Estate	**52**	49	43	46	48	46	40	37	31	26
Infrastructure	**52**	48	41	35	33	29	24	21	15	13
Net Assets	**570**	539	497	410	392	356	317	279	265	219
Net Assets – base CPP	**546**	527	491	408	392	356	317	279	265	219
Net Assets – additional CPP	**24**	12	6	2	0[2]	–	–	–	–	–
NET RETURN (%)										
base CPP	**1.4%**	6.9%	20.5%	3.1%	8.9%	11.5%	11.8%	3.4%	18.2%	16.0%
additional CPP	**0.3%**	2.8%	11.6%	4.2%	5.0%	–	–	–	–	–
TOTAL FUND	**1.3%**	6.8%	20.4%	3.1%	8.9%	11.5%	11.8%	3.4%	18.2%	16.0%

1. The net asset table aligns with the Asset Class Mix within the Management's Discussion & Analysis.
2. Net assets for additional CPP were $423 million.

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