

Condensed Interim Consolidated  
Financial Statements of  
Canada Pension Plan Investment Board

JUNE 30, 2022



## Condensed Interim Consolidated Balance Sheet

(Unaudited)

<b>(CAD millions)</b>	<b>As at June 30, 2022</b>	<b>As at March 31, 2022<sup>1</sup></b>
<b>Assets</b>		
Investments (note 2)	\$ 651,878	\$ 679,115
Pending trades receivable	7,604	7,964
Premises and equipment	420	447
Other assets	357	390
<b>Total assets</b>	<b>660,259</b>	<b>687,916</b>
<b>Liabilities</b>		
Investment liabilities (note 2)	122,748	123,545
Pending trades payable	13,876	24,168
Accounts payable and accrued liabilities	540	892
<b>Total liabilities</b>	<b>137,164</b>	<b>148,605</b>
<b>Net assets</b>	<b>\$ 523,095</b>	<b>\$ 539,311</b>
<b>Net assets, represented by:</b>		
Share capital	\$ -	\$ -
Accumulated net income	355,260	378,080
Accumulated net transfers from the Canada Pension Plan	167,835	161,231
<b>Net assets</b>	<b>\$ 523,095</b>	<b>\$ 539,311</b>

<sup>1</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

## Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

<i>(CAD millions)</i>	For the three months ended June 30,	
	2022	2021 <sup>1</sup>
<b>(Loss) income:</b>		
Interest, dividends, and other income	\$ 2,394	\$ 2,361
Net (losses) gains on private investments	(116)	525
Net (losses) gains on public and other investments	(22,833)	7,049
Net (losses) gains on investment holding subsidiaries (note 4)	(1,844)	8,321
	(22,399)	18,256
<b>Expenses:</b>		
Personnel	266	277
General and administrative	122	94
Management fees	9	3
Performance fees	66	29
Transaction-related	104	56
Taxes	(8)	50
Financing	(138)	(28)
	421	481
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (22,820)</b>	<b>\$ 17,775</b>

<sup>1</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

## Condensed Interim Consolidated Statement of Changes in Net Assets

(Unaudited)

<i>(CAD millions)</i>	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income	Total net assets
<b>As at April 1, 2021</b>	10	\$ -	\$ 153,522	\$ 343,665	\$ 497,187
Total net income for the period		-	-	17,775	17,775
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	14,792	-	14,792
Transfers to the Canada Pension Plan		-	(10,105)	-	(10,105)
<b>As at June 30, 2021</b>	10	\$ -	\$ 158,209	\$ 361,440	\$ 519,649
<b>As at April 1, 2022</b>	10	\$ -	\$ 161,231	\$ 378,080	\$ 539,311
Total net loss for the period		-	-	(22,820)	(22,820)
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	16,533	-	16,533
Transfers to the Canada Pension Plan		-	(9,929)	-	(9,929)
<b>As at June 30, 2022</b>	10	\$ -	\$ 167,835	\$ 355,260	\$ 523,095

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

## Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)

(CAD millions)	For the three months ended June 30,	
	2022	2021 <sup>3</sup>
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (22,820)	\$ 17,775
Adjustments for non-cash items:		
Amortization of premises and equipment	17	15
(Gains) on debt financing liabilities (note 10)	(2,121)	(349)
Adjustments for net changes in operating assets and liabilities:		
Decrease (increase) in investments	32,537	(32,351)
Decrease (increase) in pending trades receivable	360	(871)
(Increase) in other assets	(5)	(4)
(Decrease) increase in investment liabilities	(251)	5,015
(Decrease) in pending trades payable	(10,292)	(118)
(Decrease) in accounts payable and accrued liabilities	(352)	(320)
<b>Net cash flows (used in) operating activities</b>	<b>(2,927)</b>	<b>(11,208)</b>
<b>Cash flows from financing activities</b>		
Transfers from the Canada Pension Plan	16,533	14,792
Transfers to the Canada Pension Plan	(9,929)	(10,105)
Proceeds from debt financing liabilities (note 10)	3,270	3,581
Repayment of debt financing liabilities (note 10)	(1,695)	-
<b>Net cash flows provided by financing activities</b>	<b>8,179</b>	<b>8,268</b>
<b>Cash flows from investing activities</b>		
Net disposition (acquisition) of premises and equipment	10	(12)
<b>Net cash flows provided by (used in) investing activities</b>	<b>10</b>	<b>(12)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(202)</b>	<b>(5)</b>
Net increase (decrease) in cash and cash equivalents	5,060	(2,957)
Cash and cash equivalents at the beginning of the period	13,595	13,969
<b>Cash and cash equivalents at the end of the period</b>	<b>18,655</b>	<b>11,012</b>
<b>Cash and cash equivalents at the end of the period are comprised of:</b>		
Cash and cash equivalents held for operating purposes <sup>1</sup>	265	274
Cash and cash equivalents held for investment purposes <sup>2</sup>	18,390	10,738
<b>Total</b>	<b>\$ 18,655</b>	<b>\$ 11,012</b>

<sup>1</sup> Presented as a component of other assets on the Condensed Interim Consolidated Balance Sheet.

<sup>2</sup> Presented as a component of investments on the Condensed Interim Consolidated Balance Sheet.

<sup>3</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

## Condensed Interim Consolidated Schedule of Investment Portfolio

(Unaudited)

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.

<i>(CAD millions)</i>	As at June 30, 2022	As at March 31, 2022 <sup>2</sup>
<b>Cash and cash equivalents</b>	\$ 20,374	\$ 15,341
<b>Equities</b>		
Private equities	174,817	173,767
Public equities	144,782	159,564
<b>Total equities</b>	<b>319,599</b>	<b>333,331</b>
<b>Fixed income</b>		
Bonds	105,880	108,311
Other debt	42,213	40,956
Money market securities	947	1,368
<b>Total fixed income</b>	<b>149,040</b>	<b>150,635</b>
<b>Absolute return strategies</b>	<b>37,564</b>	<b>34,681</b>
<b>Infrastructure</b>	<b>46,159</b>	<b>46,481</b>
<b>Real estate</b>	<b>43,021</b>	<b>42,336</b>
<b>Investment receivables</b>		
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	34,974	56,809
Derivative assets	4,108	2,933
Other	4,353	5,986
<b>Total investment receivables</b>	<b>43,435</b>	<b>65,728</b>
<b>Total investments<sup>1</sup></b>	<b>\$ 659,192</b>	<b>\$ 688,533</b>
<b>Investment liabilities</b>		
Debt financing liabilities	48,852	49,507
Securities and loans sold under repurchase agreements and cash collateral received on securities lent	47,687	43,629
Securities sold short	24,349	29,003
Derivative liabilities	4,588	4,775
Short-term secured debt	1,228	1,196
Other	3,305	2,775
<b>Total investment liabilities<sup>1</sup></b>	<b>130,009</b>	<b>130,885</b>
Pending trades receivable <sup>1</sup>	7,764	8,525
Pending trades payable <sup>1</sup>	14,089	26,807
<b>Net investments</b>	<b>\$ 522,858</b>	<b>\$ 539,366</b>

<sup>1</sup> Consists of all the financial assets and liabilities held by both Canada Pension Plan Investment Board and its investment holding subsidiaries. In contrast, the Condensed Interim Consolidated Balance Sheet presents all financial assets and liabilities held by investment holding subsidiaries as investments. This results in a difference of \$7,314 million (March 31, 2022 - \$9,418 million), \$7,261 million (March 31, 2022 - \$7,340 million), \$160 million (March 31, 2022 - \$561 million) and \$213 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 Condensed Interim Consolidated Balance Sheet. Refer to note 1.2, 2.1 and 2.2 for further details.

<sup>2</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## Table of Contents

<b>Note</b>	<b>Description</b>	<b>Page</b>
1.	Summary of significant accounting policies .....	7
2.	Fair value measurement.....	8
3.	Derivatives .....	18
4.	Net (losses) gains on investment holding subsidiaries.....	19
5.	Segment information.....	19
6.	Risk management .....	21
7.	Market risk.....	22
8.	Credit risk.....	23
9.	Liquidity and leverage risk.....	23
10.	Reconciliation of debt financing liabilities.....	25
11.	Collateral .....	26
12.	Commitments .....	26
13.	Guarantees .....	27
14.	Base CPP and additional CPP .....	27

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## General 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 responsible for assisting the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries under the legislation *Canada Pension Plan* (CPP Act).

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*. 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. All references to “CPP Investments” mean base CPP and additional CPP together.

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

The Interim Financial Statements for the three months ended June 30, 2022 were approved by the Board of Directors and authorized for issue on August 10, 2022.

## 1. Summary of significant accounting policies

### 1.1 Basis of presentation

The Interim Financial Statements have been prepared in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the Annual Consolidated Financial Statements. The Interim Financial Statements should be read in conjunction with CPP Investments’ 2022 Annual Consolidated Financial Statements included on pages 86 to 131 of CPP Investments’ 2022 Annual Report. The Interim Financial Statements follow the same accounting policies and methods as the most recent Annual Consolidated Financial Statements.

### 1.2 Subsidiaries

CPP Investments qualifies as an investment entity and reports the results of its operations in accordance with International Financial Reporting Standards (IFRS) 10 *Consolidated Financial Statements*. As a consequence, the Interim 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 Interim Financial Statements but instead are measured and reported at fair value through profit and loss 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.



# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 1.3 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 June 30, 2022, CPP Investments' exposures 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 \$10 billion and \$6 billion relating to non-derivatives (fair value) and derivatives (notional), respectively.

In May 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of Canadian Dollar Offered Rate (CDOR), published a CDOR cessation notice stating that the publication for all tenors of CDOR will cease in June 2024. We are currently assessing the impact of the CDOR reform to our exposures.

## 2. Fair value measurement

This note categorizes the fair value of investments and investment liabilities into the following 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).

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 2.1 Fair value hierarchy of investments and investment liabilities held directly by CPP Investments

(CAD millions)	As at June 30, 2022				Total
	Level 1	Level 2	Level 3		
<b>Investments</b>					
<b>Cash and cash equivalents</b>	\$ -	\$ 18,390	\$ -	\$ -	\$ 18,390
<b>Equities</b>					
Private equities	-	1,659	5,926	-	7,585
Public equities <sup>1</sup>	126,566	3,297	-	-	129,863
<b>Total equities</b>	<b>126,566</b>	<b>4,956</b>	<b>5,926</b>	<b>-</b>	<b>137,448</b>
<b>Fixed income</b>					
Bonds	61,564	40,935	-	-	102,499
Other debt	-	681	5,093	-	5,774
Money market securities	-	947	-	-	947
<b>Total fixed income</b>	<b>61,564</b>	<b>42,563</b>	<b>5,093</b>	<b>-</b>	<b>109,220</b>
<b>Absolute return strategies</b>	<b>-</b>	<b>19,198</b>	<b>819</b>	<b>-</b>	<b>20,017</b>
<b>Infrastructure</b>	<b>-</b>	<b>-</b>	<b>10,739</b>	<b>-</b>	<b>10,739</b>
<b>Real estate</b>	<b>-</b>	<b>-</b>	<b>9,653</b>	<b>-</b>	<b>9,653</b>
<b>Investment receivables</b>					
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	34,974	-	-	34,974
Derivative assets	-	4,065	-	-	4,065
Other <sup>2</sup>	-	3,712	50	-	3,762
<b>Total investment receivables</b>	<b>-</b>	<b>42,751</b>	<b>50</b>	<b>-</b>	<b>42,801</b>
<b>Investments in investment holding subsidiaries (note 2.2)</b>	<b>-</b>	<b>-</b>	<b>303,610</b>	<b>-</b>	<b>303,610</b>
<b>Total investments</b>	<b>\$ 188,130</b>	<b>\$ 127,858</b>	<b>\$ 335,890</b>	<b>\$ -</b>	<b>\$ 651,878</b>
<b>Investment liabilities</b>					
Debt financing liabilities	43,233	387	-	-	43,620
Securities sold under repurchase agreements and cash collateral received on securities lent	-	47,508	-	-	47,508
Securities sold short	24,349	-	-	-	24,349
Derivative liabilities	98	4,490	-	-	4,588
Short-term secured debt	-	1,228	-	-	1,228
Other <sup>2</sup>	-	1,253	202	-	1,455
<b>Total investment liabilities</b>	<b>67,680</b>	<b>54,866</b>	<b>202</b>	<b>-</b>	<b>122,748</b>
Pending trades receivable <sup>3</sup>	-	7,604	-	-	7,604
Pending trades payable <sup>3</sup>	-	13,876	-	-	13,876
<b>Net investments</b>	<b>\$ 120,450</b>	<b>\$ 66,720</b>	<b>\$ 335,688</b>	<b>\$ -</b>	<b>\$ 522,858</b>

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	As at March 31, 2022 <sup>4</sup>			
(CAD millions)	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
<b>Cash and cash equivalents</b>	\$ -	\$ 13,292	\$ -	\$ 13,292
<b>Equities</b>				
Private equities	-	1,683	6,479	8,162
Public equities <sup>1</sup>	139,496	3,519	-	143,015
<b>Total equities</b>	139,496	5,202	6,479	151,177
<b>Fixed income</b>				
Bonds	56,027	48,343	-	104,370
Other debt	-	713	4,163	4,876
Money market securities	-	1,368	-	1,368
<b>Total fixed income</b>	56,027	50,424	4,163	110,614
<b>Absolute return strategies</b>	-	17,723	809	18,532
<b>Infrastructure</b>	-	-	10,550	10,550
<b>Real estate</b>	-	-	10,336	10,336
<b>Investment receivables</b>				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	56,809	-	56,809
Derivative assets	-	2,852	-	2,852
Other <sup>2</sup>	-	5,375	22	5,397
<b>Total investment receivables</b>	-	65,036	22	65,058
<b>Investments in investment holding subsidiaries (note 2.2)</b>	-	-	299,556	299,556
<b>Total investments</b>	\$ 195,523	\$ 151,677	\$ 331,915	\$ 679,115
<b>Investment liabilities</b>				
Debt financing liabilities	43,916	250	-	44,166
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
Short-term secured debt	-	1,196	-	1,196
Other <sup>2</sup>	-	677	267	944
<b>Total investment liabilities</b>	73,021	50,257	267	123,545
Pending trades receivable <sup>3</sup>	-	7,964	-	7,964
Pending trades payable <sup>3</sup>	-	24,168	-	24,168
<b>Net investments</b>	\$ 122,502	\$ 85,216	\$ 331,648	\$ 539,366

<sup>1</sup> Includes investments in funds.

<sup>2</sup> Included in other investment receivables and other investment liabilities is cash pledged as collateral of \$2,442 million (March 31, 2022 - \$4,052 million) and cash held as collateral of \$1,199 million (March 31, 2022 - \$538 million) on derivative transactions, respectively.

<sup>3</sup> Cash and cash equivalents, pending trades receivable and payable are measured at amortized cost, which approximates fair value.

<sup>4</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 2.2 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.

<i>(CAD millions)</i>	As at June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
<b>Cash and cash equivalents</b>	\$ -	\$ 1,984	\$ -	\$ 1,984
<b>Equities</b>				
Private equities	-	1,804	165,428	167,232
Public equities <sup>1</sup>	9,563	5,325	31	14,919
<b>Total equities</b>	<b>9,563</b>	<b>7,129</b>	<b>165,459</b>	<b>182,151</b>
<b>Fixed income</b>				
Bonds	-	3,327	54	3,381
Other debt	-	7,163	29,276	36,439
<b>Total fixed income</b>	<b>-</b>	<b>10,490</b>	<b>29,330</b>	<b>39,820</b>
<b>Absolute return strategies</b>	<b>-</b>	<b>15,540</b>	<b>2,007</b>	<b>17,547</b>
<b>Infrastructure</b>	<b>-</b>	<b>-</b>	<b>35,420</b>	<b>35,420</b>
<b>Real estate</b>	<b>-</b>	<b>-</b>	<b>33,368</b>	<b>33,368</b>
<b>Investment receivables</b>				
Derivative assets	-	43	-	43
Other	-	549	42	591
<b>Total investment receivables</b>	<b>-</b>	<b>592</b>	<b>42</b>	<b>634</b>
<b>Total investments held by investment holding subsidiaries</b>	<b>\$ 9,563</b>	<b>\$ 35,735</b>	<b>\$ 265,626</b>	<b>\$ 310,924</b>
<b>Investment liabilities</b>				
Debt financing liabilities	-	5,086	146	5,232
Loans sold under repurchase agreements	-	179	-	179
Other	-	16	1,834	1,850
<b>Total investment liabilities held by investment holding subsidiaries</b>	<b>-</b>	<b>5,281</b>	<b>1,980</b>	<b>7,261</b>
Pending trades receivable <sup>2</sup>	-	160	-	160
Pending trades payable <sup>2</sup>	-	213	-	213
<b>Investments in investment holding subsidiaries</b>	<b>\$ 9,563</b>	<b>\$ 30,401</b>	<b>\$ 263,646</b>	<b>\$ 303,610</b>

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

(CAD millions)	As at March 31, 2022 <sup>3</sup>			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
<b>Cash and cash equivalents</b>	\$ -	\$ 2,049	\$ -	\$ 2,049
<b>Equities</b>				
Private equities	-	2,816	162,789	165,605
Public equities <sup>1</sup>	11,104	5,413	32	16,549
<b>Total equities</b>	11,104	8,229	162,821	182,154
<b>Fixed income</b>				
Bonds	-	3,941	-	3,941
Other debt	-	7,965	28,115	36,080
<b>Total fixed income</b>	-	11,906	28,115	40,021
<b>Absolute return strategies</b>	-	14,203	1,946	16,149
<b>Infrastructure</b>	-	-	35,931	35,931
<b>Real estate</b>	-	-	32,000	32,000
<b>Investment receivables</b>				
Derivative assets	-	81	-	81
Other	-	540	49	589
<b>Total investment receivables</b>	-	621	49	670
<b>Total investments held by investment holding subsidiaries</b>	\$ 11,104	\$ 37,008	\$ 260,862	\$ 308,974
<b>Investment liabilities</b>				
Debt financing liabilities	-	5,191	150	5,341
Loans sold under repurchase agreements	-	168	-	168
Other	-	16	1,815	1,831
<b>Total investment liabilities held by investment holding subsidiaries</b>	-	5,375	1,965	7,340
Pending trades receivable <sup>2</sup>	-	561	-	561
Pending trades payable <sup>2</sup>	-	2,639	-	2,639
<b>Investments in investment holding subsidiaries</b>	\$ 11,104	\$ 29,555	\$ 258,897	\$ 299,556

<sup>1</sup> Includes investments in funds.

<sup>2</sup> Cash and cash equivalents, pending trades receivable and payable are measured at amortized cost, which approximates fair value.

<sup>3</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

### 2.3 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 three months ended June 30, 2022, there were no transfers from Level 1 to Level 2 of investments or of investment liabilities held directly by CPP Investments (during the year ended March 31, 2022 - \$106 million and \$24 million, respectively). During the three months ended June 30, 2022, transfers from Level 2 to Level 1 included \$1 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.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 2.4 Level 3 reconciliation

The following table presents the reconciliations for investments included in Level 3 of the fair value hierarchy:

For the three months ended June 30, 2022										
(CAD millions)	Fair value as at April 1, 2022		Gain (loss) included in net income as at		Purchases	Sales <sup>2</sup>	Transfers into Level 3	Transfers out of Level 3	Fair value as at June 30, 2022	Change in unrealized gains (losses) on investments still held at June 30, 2022 <sup>3</sup>
			(loss)							
<b>Investments</b>										
<b>Equities</b>										
Private equities	\$ 6,479	\$ (210)	\$ -	\$ -	\$ -	\$ -	\$ (343)	\$ 5,926	\$ (563)	
Public equities	-	-	-	-	-	-	-	-	-	
<b>Total equities</b>	<b>6,479</b>	<b>(210)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(343)</b>	<b>5,926</b>	<b>(563)</b>	
<b>Fixed income</b>										
Other debt	4,163	11	1,079	(160)	-	-	-	5,093	(10)	
<b>Absolute return strategies</b>	<b>809</b>	<b>36</b>	<b>-</b>	<b>(26)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>819</b>	<b>32</b>	
<b>Infrastructure</b>	<b>10,550</b>	<b>131</b>	<b>97</b>	<b>(39)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,739</b>	<b>133</b>	
<b>Real estate</b>	<b>10,336</b>	<b>346</b>	<b>116</b>	<b>(1,145)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,653</b>	<b>371</b>	
<b>Investment receivables</b>										
Other	22	28	-	-	-	-	-	50	28	
<b>Investments in investment holding subsidiaries<sup>1</sup></b>	<b>299,556</b>	<b>(1,844)</b>	<b>6,469</b>	<b>(571)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303,610</b>	<b>(1,844)</b>	
<b>Total investments</b>	<b>\$ 331,915</b>	<b>\$ (1,502)</b>	<b>\$ 7,761</b>	<b>\$ (1,941)</b>	<b>\$ -</b>	<b>\$ (343)</b>	<b>\$ 335,890</b>	<b>\$ (1,853)</b>		
<b>Investment liabilities</b>										
Other	267	(50)	-	-	-	(15)	202	50		
<b>Net investments</b>	<b>\$ 331,648</b>	<b>\$ (1,452)</b>	<b>\$ 7,761</b>	<b>\$ (1,941)</b>	<b>\$ -</b>	<b>\$ (328)</b>	<b>\$ 335,688</b>	<b>\$ (1,803)</b>		

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the year ended March 31, 2022 <sup>4</sup>									
(CAD millions)	Fair value as at April 1, 2021	Gain (loss) included in net income (loss)	Purchases	Sales <sup>2</sup>	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 <sup>3</sup>	
<b>Investments</b>									
<b>Equities</b>									
Private equities	\$ 11,541	\$ 238	\$ 824	\$ (1,887)	\$ 54	\$ (4,291)	\$ 6,479	\$ 45	
Public equities	45	(3)	-	(42)	-	-	-	-	
<b>Total equities</b>	<b>11,586</b>	<b>235</b>	<b>824</b>	<b>(1,929)</b>	<b>54</b>	<b>(4,291)</b>	<b>6,479</b>	<b>45</b>	
<b>Fixed income</b>									
Other debt	2,709	16	2,780	(1,534)	192	-	4,163	(58)	
<b>Absolute return strategies</b>									
	1,012	15	-	(218)	-	-	809	(27)	
<b>Infrastructure</b>	<b>8,037</b>	<b>1,179</b>	<b>2,201</b>	<b>(867)</b>	<b>-</b>	<b>-</b>	<b>10,550</b>	<b>710</b>	
<b>Real estate</b>	<b>9,565</b>	<b>876</b>	<b>508</b>	<b>(613)</b>	<b>-</b>	<b>-</b>	<b>10,336</b>	<b>809</b>	
<b>Investment receivables</b>									
Other	17	(2)	7	-	-	-	22	(2)	
<b>Investments in investment holding subsidiaries<sup>1</sup></b>									
	265,706	32,476	2,704	(1,330)	-	-	299,556	32,476	
<b>Total investments</b>	<b>\$ 298,632</b>	<b>\$ 34,795</b>	<b>\$ 9,024</b>	<b>\$ (6,491)</b>	<b>\$ 246</b>	<b>\$ (4,291)</b>	<b>\$ 331,915</b>	<b>\$ 33,953</b>	
<b>Investment liabilities</b>									
Other	228	-	40	(93)	148	(56)	267	-	
<b>Net investments</b>	<b>\$ 298,404</b>	<b>\$ 34,795</b>	<b>\$ 8,984</b>	<b>\$ (6,398)</b>	<b>\$ 98</b>	<b>\$ (4,235)</b>	<b>\$ 331,648</b>	<b>\$ 33,953</b>	

<sup>1</sup> 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.

<sup>2</sup> Includes return of capital.

<sup>3</sup> Included in income (loss). Includes or excludes investments transferred into or out of Level 3, respectively.

<sup>4</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

Transfers into and out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value and are deemed to have occurred at the end of the reporting period.

### 2.5 Level 3 – Significant unobservable inputs

The table below presents the fair value of investments directly held by CPP Investments, valuation techniques used to determine their fair values, and the ranges and weighted averages of unobservable inputs.

Investment holding subsidiaries are also classified as Level 3 in the fair value hierarchy. The fair value is largely driven by Level 3 investments, for which the valuation techniques, ranges and weighted averages of unobservable inputs are included below. However, certain investments held by the investment holding subsidiaries are based on quoted prices in active markets (Level 1) or valued using observable inputs (Level 2). These amount to \$9,563 million (March 31, 2022 - \$11,104 million) and \$30,401 million (March 31, 2022 - \$29,555 million), respectively. Refer to note 2.2 for further details on Level 1 and Level 2 investments relating to investment holding subsidiaries. As each investment holding subsidiary is largely composed of Level 3 investments, the entire subsidiary is classified as Level 3.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	Fair value of investments held by:		As at June 30, 2022			
	CPP Investments	Investment holding subsidiaries	Primary valuation techniques used <sup>2</sup>	Significant unobservable inputs	Range of input values <sup>3</sup>	Weighted average <sup>3</sup>
<b>(CAD millions)</b>						
<b>Cash and cash equivalents</b>	\$ -	\$ 1,984	Cost with accrued interest	-	-	-
<b>Private equities</b>						
Direct	5,913	73,693	Earnings multiples of comparable companies	EBITDA multiple	7.2X-22.0X	15.3X
			Discounted cash flow	Discount rate	6.7%-19.5%	10.8%
	11	16,946	Net asset value provided by investment manager	-	-	-
Fund investments	2	76,593	Net asset value provided by investment manager	-	-	-
<b>Public equities</b>						
Direct	-	9,859	Quoted market price	-	-	-
Fund investments	-	5,060	Net asset value provided by investment manager	-	-	-
<b>Bonds</b>	-	3,381	Quoted market prices or discounted cash flow using observable inputs	-	-	-
<b>Other debt</b>						
Direct private debt	184	28,662	Discounted cash flow	Discount rate	4.3%-32.4%	10.4%
	-	3,206	Net asset value provided by investment manager	-	-	-
Asset-backed securities	4,704	461	Comparable pricing	Price	71.0%-101.8%	96.4%
Fund investments	205	4,110	Net asset value provided by investment manager	-	-	-
<b>Absolute return strategies</b>						
Fund investments	819	17,547	Net asset value provided by investment manager	-	-	-
<b>Infrastructure</b>						
Direct	10,739	35,366	Discounted cash flow	Discount rate	7.1%-13.3%	8.7%
Fund investments	-	54	Net asset value provided by investment manager	-	-	-
<b>Real estate</b>						
Direct	7,922	6,104	Discounted cash flow	Discount rate	4.8%-14.3%	6.4%
				Terminal capitalization rate	3.8%-11.5%	5.2%
	1,644	25,740	Net asset value provided by investment partner	-	-	-
Fund investments	87	1,524	Net asset value provided by investment manager	-	-	-
<b>Investment receivables</b>						
Derivative assets	-	43	Option model	-	-	-
Other	50	591	Cost with accrued interest	-	-	-
<b>Investment liabilities</b>						
Debt financing liabilities	-	5,232	Cost with accrued interest	-	-	-
			Discounted cash flow	Discount rate	4.2%-4.8%	4.5%
Loans sold under repurchase agreements	-	179	Cost with accrued interest	-	-	-
Other <sup>1</sup>	202	1,850	Amortized cost	-	-	-
<b>Pending trades net receivable/(payable)</b>	-	(53)	Amortized cost	-	-	-
<b>Total</b>	<b>\$ 32,078</b>	<b>\$ 303,610</b>				



# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	Fair value of investments held by:		As at March 31, 2022 <sup>4</sup>			
	CPP Investments	Investment holding subsidiaries	Primary valuation techniques used <sup>2</sup>	Significant unobservable inputs	Range of input values <sup>3</sup>	Weighted average <sup>3</sup>
<i>(CAD millions)</i>						
<b>Cash and cash equivalents</b>	\$ -	\$ 2,049	Cost with accrued interest	-	-	-
<b>Private equities</b>						
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	-	-	-
<b>Public equities</b>						
Direct	-	11,451	Quoted market price	-	-	-
Fund investments	-	5,098	Net asset value provided by investment manager	-	-	-
<b>Bonds</b>						
	-	3,941	Quoted market prices or discounted cash flow using observable inputs	-	-	-
<b>Other debt</b>						
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	-	-	-
<b>Absolute return strategies</b>						
Fund investments	809	16,149	Net asset value provided by investment manager	-	-	-
<b>Infrastructure</b>						
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	-	-	-
<b>Real estate</b>						
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	-	-	-
<b>Investment receivables</b>						
Derivative assets	-	81	Option model	-	-	-
Other	22	589	Cost with accrued interest	-	-	-
<b>Investment liabilities</b>						
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 <sup>1</sup>	267	1,831	Amortized cost	-	-	-
<b>Pending trades net receivable/(payable)</b>						
	-	(2,078)	Amortized cost	-	-	-
<b>Total</b>	\$ 32,092	\$ 299,556				

<sup>1</sup> Primarily includes contingent considerations and deferred tax liabilities related to investments.

<sup>2</sup> May include certain recently acquired investments held at cost, which approximates fair value.

<sup>3</sup> 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.

<sup>4</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 2.6 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 2.1 and 2.2 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 \$9,400 million (March 31, 2022 - \$8,600 million) or an increase of \$9,000 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.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 3. Derivatives

The fair value of derivative contracts held by CPP Investments and its investment holding subsidiaries is as follows:

<i>(CAD millions)</i>	As at June 30, 2022		As at March 31, 2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
<b>Equity contracts</b>				
Swaps	\$ 2,768	\$ (2,611)	\$ 1,722	\$ (3,741)
Options:				
Over-the-counter – purchased	22	-	19	-
Over-the-counter – written	-	(227)	-	(122)
Warrants	40	-	80	-
<b>Total equity contracts</b>	<b>2,830</b>	<b>(2,838)</b>	<b>1,821</b>	<b>(3,863)</b>
<b>Foreign exchange contracts</b>				
Forwards	721	(922)	729	(307)
Options:				
Over-the-counter – purchased	129	-	80	-
Over-the-counter – written	-	(99)	-	(44)
<b>Total foreign exchange contracts</b>	<b>850</b>	<b>(1,021)</b>	<b>809</b>	<b>(351)</b>
<b>Interest rate contracts</b>				
Swaps	67	(392)	43	(257)
Options:				
Over-the-counter – purchased	339	-	224	-
Over-the-counter – written	-	(159)	-	(175)
<b>Total interest rate contracts</b>	<b>406</b>	<b>(551)</b>	<b>267</b>	<b>(432)</b>
<b>Credit contracts</b>				
Credit default swaps:				
Over-the-counter – purchased	4	(1)	1	(3)
Over-the-counter – written	12	(38)	32	(6)
Options:				
Over-the-counter – purchased	6	-	3	-
Over-the-counter – written	-	(41)	-	(18)
<b>Total credit contracts</b>	<b>22</b>	<b>(80)</b>	<b>36</b>	<b>(27)</b>
<b>Commodity contracts</b>				
Options:				
Exchange-traded – written	-	(98)	-	(102)
<b>Total commodity contracts</b>	<b>-</b>	<b>(98)</b>	<b>-</b>	<b>(102)</b>
<b>Total<sup>1</sup></b>	<b>\$ 4,108</b>	<b>\$ (4,588)</b>	<b>\$ 2,933</b>	<b>\$ (4,775)</b>

<sup>1</sup> Includes \$40 million (March 31, 2022 - \$80 million) relating to warrants and \$3 million (March 31, 2022 - \$1 million) relating to interest rate swaps transacted by investment holding subsidiaries.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 4. Net (losses) gains on investment holding subsidiaries

<i>(CAD millions)</i>	For the three months ended June 30,	
	2022	2021 <sup>1</sup>
<b>(Loss) income:</b>		
Interest, dividends, and other income	\$ 1,910	\$ 1,618
Net (losses) gains on private investments	(1,336)	5,813
Net (losses) gains on public and other investments	(1,983)	1,848
	(1,409)	9,279
<b>Expenses:</b>		
Transaction-related	6	37
Taxes	(90)	80
Financing	35	26
	(49)	143
<b>Net (losses) gains before dividends paid to CPP Investments</b>	<b>(1,360)</b>	<b>9,136</b>
Dividends paid to CPP Investments	484	815
<b>Net (losses) gains on investment holding subsidiaries</b>	<b>\$ (1,844)</b>	<b>\$ 8,321</b>

<sup>1</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

### 5. Segment information

#### 5.1 Net (loss) income by investment segment

The table below presents the (losses) income and expenses incurred by each investment department.

<i>(CAD millions)</i>	For the three months ended June 30, 2022							
	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Adjustment	Total
<b>(Loss) income:</b>	\$ (20,323)	\$ 2,293	\$ (839)	\$ (545)	\$ (979)	\$ (919)	\$ (1,087)	\$ (22,399)
<b>Expenses<sup>1</sup>:</b>								
Personnel	29	29	39	37	63	69	-	266
General and administrative	21	22	22	14	18	25	-	122
Management fees <sup>2</sup>	-	132	2	30	141	33	(329)	9
Performance fees <sup>3</sup>	-	381	-	-	240	4	(559)	66
Transaction-related <sup>4</sup>	19	2	18	20	22	29	(6)	104
Taxes <sup>4</sup>	(3)	-	16	15	3	(129)	90	(8)
Financing <sup>5</sup>	110	-	-	18	12	5	(283)	(138)
	176	566	97	134	499	36	(1,087)	421
<b>Net (loss) income</b>	<b>\$ (20,499)</b>	<b>\$ 1,727</b>	<b>\$ (936)</b>	<b>\$ (679)</b>	<b>\$ (1,478)</b>	<b>\$ (955)</b>	<b>\$ -</b>	<b>\$ (22,820)</b>

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended June 30, 2021 <sup>6</sup>								
(CAD millions)	Capital Markets		Active Equities	Credit Investments	Private Equity	Real Assets	Adjustment	Total
	Total Fund Management	and Factor Investing						
<b>(Loss) income:</b>	\$ 9,221	\$ 1,067	\$ (392)	\$ 889	\$ 6,139	\$ 2,271	\$ (939)	\$ 18,256
<b>Expenses<sup>1</sup>:</b>								
Personnel	31	37	45	33	61	70	-	277
General and administrative	18	16	18	11	15	16	-	94
Management fees <sup>2</sup>	-	114	6	9	125	28	(279)	3
Performance fees <sup>3</sup>	-	278	5	-	198	2	(454)	29
Transaction-related <sup>4</sup>	15	5	19	8	15	31	(37)	56
Taxes <sup>4</sup>	10	1	33	-	(9)	95	(80)	50
Financing <sup>5</sup>	36	-	-	7	13	5	(89)	(28)
	110	451	126	68	418	247	(939)	481
<b>Net (loss) income</b>	\$ 9,111	\$ 616	\$ (518)	\$ 821	\$ 5,721	\$ 2,024	\$ -	\$ 17,775

<sup>1</sup> Includes expenses borne by CPP Investments and its investment holding subsidiaries in relation to the respective departments.

<sup>2</sup> Includes costs incurred within funds of \$329 million (June 30, 2021 - \$279 million).

<sup>3</sup> Includes costs incurred within funds of \$559 million (June 30, 2021 - \$454 million).

<sup>4</sup> Adjustments consist of expenses borne by investment holding subsidiaries, which are reclassified into income (loss).

<sup>5</sup> Includes financing expenses borne by CPP Investments and its investment holding subsidiaries of \$(103) million (June 30, 2021 - \$(2) million), as well as the notional interest expense from derivatives (primarily swaps and futures) used to generate additional leverage for CPP Investments of \$248 million (June 30, 2021 - \$63 million). Together these amounts reflect the total leverage-related expenses used by Management to monitor the cost of Total Fund Leverage, as described in note 9.2.

<sup>6</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

### 5.2 Net investments by investment segment

Net investments <sup>1</sup>							
(CAD millions)	Capital Markets		Active Equities	Credit Investments	Private Equity	Real Assets	Total
	Total Fund Management	and Factor Investing					
<b>As at:</b>							
<b>June 30, 2022</b>	\$ 206,290	\$ 4,278	\$ (764)	\$ 53,372	\$ 136,385	\$ 123,297	\$ 522,858
March 31, 2022	228,176	3,413	(2,705)	53,672	134,170	122,640	539,366

<sup>1</sup> Net investments excludes net corporate assets of \$237 million (March 31, 2022 net corporate liabilities of \$55 million).

### 5.3 Geographic information

Net investments are presented in the table below based on the region to which they have primary economic exposure:

Net investments						
(CAD millions)	Canada	U.S.	Asia Pacific	Europe	Latin America	Total
<b>As at:</b>						
<b>June 30, 2022</b>	\$ 83,070	\$ 186,177	\$ 142,846	\$ 82,290	\$ 28,475	\$ 522,858
March 31, 2022	85,183	196,199	141,199	86,427	30,358	539,366

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 6. Risk management

CPP Investments manages 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 the key risks of CPP Investments. 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 the mandate of CPP Investments.

### 6.1 Total Fund risk

A suite of risk measures is used within CPP Investments to monitor and assess the risk profile of the base CPP Investment Portfolio and the additional CPP Investment Portfolio (collectively the Investment Portfolios). Regular risk reports are provided to Senior Management and the Board of Directors to support the governance of the various dimensions of risk to which the Investment Portfolios are exposed. The target level of market risk, expressed in terms of an equity/debt risk equivalence ratio, 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%.

Plan adjustment risk is a central concept in CPP Investments' portfolio design and risk governance activities. It is defined as the risk of an increase to the Minimum Contribution Rate (applicable to CPP contributors) primarily due to adverse investment experience. It is an overarching risk that is impacted by any key risk that could materially impact our long-term returns. These key risks are denoted in the risk notes below.

Other key investment risk governance measures include:

- Market risk: The 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.
- Potential investment losses: The reported loss of the Investment Portfolios over a one-year horizon is not expected to exceed the established limit 19 times out of 20. The potential loss of the Investment Portfolios over a five-year horizon is also measured and monitored by Management.
- Liquidity and leverage risk measures, which are further described in note 9.

The monitoring of adherence to investment risk limits is conducted independent of the investment departments by the internal risk group using both industry standards and internally developed risk models. The tables below provide a summary of the key investment risk governance measures of the Investment Portfolios.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

			As at June 30, 2022		As at March 31, 2022	
	Limit		base CPP		base CPP	
Plan adjustment risk	n/a		16	%	16	%
Market risk	80 - 90	%	86	%	85	%
Potential investment loss:						
One-year horizon <sup>1</sup>	20	%	19	%	18	%
Five-year horizon <sup>1</sup>	n/a		23	%	19	%

			As at June 30, 2022		As at March 31, 2022	
	Limit		additional CPP		additional CPP	
Plan adjustment risk	n/a		18	%	18	%
Market risk	50 - 60	%	54	%	55	%
Potential investment loss:						
One-year horizon <sup>1</sup>	14	%	13	%	13	%
Five-year horizon <sup>1</sup>	n/a		15	%	15	%

<sup>1</sup> Percentage of investment value.

### 7. 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. Market risk includes equity risk, interest rate risk, credit spread risk and currency risk.

#### 7.1 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.

#### 7.2 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.

#### 7.3 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 net investments.

#### 7.4 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.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 7.4.1 Currency risk exposures

The net currency exposures after allocating foreign currency derivatives, in Canadian dollars, are as follows:

<i>(CAD millions)</i> Currency	As at June 30, 2022		As at March 31, 2022	
	Net exposure	% of total <sup>1</sup>	Net exposure	% of total <sup>1</sup>
U.S. dollar	\$ 268,651	51 %	\$ 296,341	55 %
Euro	35,357	7	39,127	7
Chinese renminbi	26,848	5	25,953	5
British pound sterling	14,686	3	16,828	3
Other	78,732	15	73,927	14
Total foreign exposure	424,274	81	452,176	84
Canadian dollar	98,584	19	87,190	16
<b>Total</b>	<b>\$ 522,858</b>	<b>100 %</b>	<b>\$ 539,366</b>	<b>100 %</b>

<sup>1</sup> May not reflect actual percentage of total due to rounding.

## 8. Credit risk

Credit risk represents the potential permanent 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 Balance Sheet date. Credit risk is also incorporated as a component of potential investment loss measures in note 6.1.

### 8.1 Credit value-at-risk

In addition to incorporating credit risk within the potential investment loss measures as described in note 6.1, 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 June 30, 2022		As at March 31, 2022	
	base CPP	additional CPP	base CPP	additional CPP
Credit value-at-risk	3.5 %	2.2 %	3.4 %	2.3 %

## 9. Liquidity and leverage risk

### 9.1 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 June 30, 2022	As at March 31, 2022
Liquidity coverage ratio	1.0x	2.7x	2.9x



## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

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 9.2.

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 commercial paper and term debt and 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 June 30, 2022 and March 31, 2022.

<i>(CAD millions)</i>	<b>As at June 30, 2022</b>	As at March 31, 2022
Unsecured credit facilities held	\$ 1,500	\$ 1,500

### 9.2 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 non-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. Non-recourse leverage generally represents the debt issued through our investment holding subsidiaries that limit recourse to specific investments held within these subsidiaries. Together, recourse leverage and non-recourse leverage constitute 'Total Fund Leverage'.

<b>Base CPP</b>	<b>Limit</b>	<b>As at June 30, 2022</b>	As at March 31, 2022
Recourse leverage <sup>1</sup>	45 %	26.8 %	22.8 %

<b>Additional CPP</b>	<b>Limit</b>	<b>As at June 30, 2022</b>	As at March 31, 2022
Recourse leverage <sup>1</sup>	30 %	16.3 %	14.7 %

<sup>1</sup> Effective April 1, 2022 the Board approved these recourse leverage limits.

For the three months ended June 30, 2022, expenses of \$107 million (three months ended June 30, 2021 - \$35 million) and \$38 million (three months ended June 30, 2021 - \$26 million) were incurred on recourse leverage of \$138,729 million (June 30, 2021 - \$91,785 million) and non-recourse leverage of \$5,619 million (June 30, 2021 - \$4,071 million), respectively. Together, these expenses make up CPP Investments' total leverage-related expenses incurred on Total Fund Leverage (as disclosed in note 5.1).

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 9.3 Terms to maturity

### 9.3.1 Terms to maturity of non-derivative investment liabilities held directly by CPP Investments

	Terms to maturity						As at March 31, 2022	
	As at June 30, 2022						Total contractual amount	Weighted average interest rate
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total contractual amount	Weighted average interest rate	Total contractual amount	Weighted average interest rate
Debt financing liabilities	\$ 1,128	\$ 25,907	\$ 13,247	\$ 7,249	\$ 47,531	1.4 %	\$ 46,170	1.2 %
Securities sold under repurchase agreements	40,608	-	-	-	40,608	1.5	35,740	(0.1)
Cash collateral received on securities lent	7,096	-	-	-	7,096	n/a	7,714	n/a
Securities sold short <sup>1,2</sup>	24,349	-	-	-	24,349	n/a	29,003	n/a
Short-term secured debt	1,228	-	-	-	1,228	1.9	1,196	0.6
<b>Total</b>	<b>\$ 74,409</b>	<b>\$ 25,907</b>	<b>\$ 13,247</b>	<b>\$ 7,249</b>	<b>\$ 120,812</b>	<b>n/a</b>	<b>\$ 119,823</b>	<b>n/a</b>

<sup>1</sup> Considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.

<sup>2</sup> Includes equities sold short for which the average interest rate is not applicable.

### 9.3.2 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.

	Terms to maturity						As at March 31, 2022	
	As at June 30, 2022						Total contractual amount	Weighted average interest rate
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total contractual amount	Weighted average interest rate	Total contractual amount	Weighted average interest rate
Debt financing liabilities	\$ 84	\$ 4,091	\$ 773	\$ 249	\$ 5,197	2.7 %	\$ 5,298	2.6 %
Loans sold under repurchase agreements	-	179	-	-	179	3.8	168	2.9
<b>Total</b>	<b>\$ 84</b>	<b>\$ 4,270</b>	<b>\$ 773</b>	<b>\$ 249</b>	<b>\$ 5,376</b>	<b>n/a</b>	<b>\$ 5,466</b>	<b>n/a</b>

## 10 Reconciliation of debt financing liabilities

The following table provides a reconciliation of debt financing liabilities issued by CPP Investments arising from financing activities:

	For the three months ended June 30,	
	2022	2021
(CAD millions)		
Balance, beginning of period	\$ 44,166	\$ 36,449
Proceeds	3,270	3,581
Repayments	(1,695)	-
Non-cash changes in fair value <sup>1</sup>	(2,121)	(349)
<b>Balance, end of period</b>	<b>\$ 43,620</b>	<b>\$ 39,681</b>

<sup>1</sup> Includes foreign exchange gains of \$10 million (June 30, 2021 - \$404 million).

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 11 Collateral

### 11.1 Collateral held and pledged directly by CPP Investments

The net fair value of collateral held and pledged directly by CPP Investments was as follows:

<i>(CAD millions)</i>	As at June 30, 2022	As at March 31, 2022
<b>Third-party assets held as collateral on<sup>1</sup>:</b>		
Reverse repurchase agreements	\$ 32,195	\$ 55,897
Derivative transactions	1,199	538
Securities lent <sup>2,4</sup>	7,563	8,935
<b>Own and third-party assets pledged as collateral on:</b>		
Repurchase agreements	(40,091)	(35,518)
Securities borrowed <sup>3,4</sup>	(27,622)	(32,298)
Short-term secured debt <sup>5</sup>	(1,538)	(1,429)
Derivative transactions	(10,757)	(10,634)
Debt financing liabilities	(833)	(535)
<b>Total</b>	<b>\$ (39,884)</b>	<b>\$ (15,044)</b>

<sup>1</sup> The fair value of collateral sold or repledged as at June 30, 2022 was \$8,675 million (March 31, 2022 - \$16,233 million).

<sup>2</sup> The fair value of securities lent as at June 30, 2022 was \$7,363 million (March 31, 2022 - \$9,054 million).

<sup>3</sup> The fair value of securities borrowed as at June 30, 2022 was \$18,548 million (March 31, 2022 - \$21,888 million) of which \$18,424 million (March 31, 2022 - \$21,752 million) was used for short selling activity.

<sup>4</sup> Cash collateral payable on the balance sheet of \$7,096 million (March 31, 2022 - \$7,714 million) consists of collateral receivable of \$113 million and collateral payable of \$7,209 million that qualify for netting (March 31, 2022 - \$140 million and \$7,854 million, respectively).

<sup>5</sup> Represents securities pledged as collateral on short-term cash borrowings from prime brokers.

### 11.2 Supplemental information on collateral relating to investment holding subsidiaries

The net fair value of collateral held and pledged directly by investment holding subsidiaries was as follows:

<i>(CAD millions)</i>	As at June 30, 2022	As at March 31, 2022
<b>Own and third-party assets pledged as collateral on:</b>		
Repurchase agreements	\$ (313)	\$ (292)
Securities borrowed <sup>1,2</sup>	(10,647)	(8,469)
Derivative transactions <sup>2</sup>	(548)	(574)
Private equities <sup>3</sup>	(10,464)	(10,156)
Debt financing liabilities	(9,200)	(10,037)
<b>Total</b>	<b>\$ (31,172)</b>	<b>\$ (29,528)</b>

<sup>1</sup> The fair value of securities borrowed as at June 30, 2022 was \$6,571 million (March 31, 2022 - \$4,967 million), which were all used for short selling activity.

<sup>2</sup> The cash collateral at the prime brokers may be used for securities borrowed and derivatives transacted by brokers.

<sup>3</sup> Represents securities pledged as collateral on loan borrowings of the investees.

## 12 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 June 30, 2022, the unfunded commitments for CPP Investments and its investment holding subsidiaries totalled \$1,089 million (March 31, 2022 - \$1,083 million) and \$58,234 million (March 31, 2022 - \$54,064 million), respectively.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 13 Guarantees

As part of certain investment transactions, CPP Investments and its investment holding subsidiaries agreed to guarantee, as at June 30, 2022, up to \$213 million (March 31, 2022 - \$228 million) and \$7,069 million (March 31, 2022 - \$7,006 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.

### 14 Base CPP and additional CPP

The following note discloses the net assets, net investments and net income of CPP Investments' base CPP account and additional CPP account.

#### 14.1 Changes in net assets

The accumulated transfers from/to the CPP and its two parts, the base CPP and additional CPP, as well as their accumulated net income (loss) since inception, are as follows:

<i>(CAD millions)</i>	For the three months ended							Total net assets
	Accumulated net transfers from CPP			Accumulated net income (loss)				
	base CPP	additional CPP	Total	base CPP	additional CPP	Total		
<b>As at April 1, 2021</b>	\$ 147,665	\$ 5,857	\$ 153,522	\$ 343,242	\$ 423	\$ 343,665	\$ 497,187	
Total net income for the period	-	-	-	17,549	226	17,775	17,775	
Transfers from CPP	13,205	1,587	14,792	-	-	-	14,792	
Transfers to CPP	(10,105)	-	(10,105)	-	-	-	(10,105)	
<b>As at June 30, 2021</b>	\$ 150,765	\$ 7,444	\$ 158,209	\$ 360,791	\$ 649	\$ 361,440	\$ 519,649	
<b>As at April 1, 2022</b>	\$ 149,184	\$ 12,047	\$ 161,231	\$ 377,510	\$ 570	\$ 378,080	\$ 539,311	
Total net (loss) for the period	-	-	-	(22,173)	(647)	(22,820)	(22,820)	
Transfers from CPP	13,903	2,630	16,533	-	-	-	16,533	
Transfers to CPP	(9,929)	-	(9,929)	-	-	-	(9,929)	
<b>As at June 30, 2022</b>	\$ 153,158	\$ 14,677	\$ 167,835	\$ 355,337	\$ (77)	\$ 355,260	\$ 523,095	

#### 14.2 Net assets of base CPP and additional CPP

The net assets of CPP Investments' base CPP and additional CPP accounts are as follows:

<i>(CAD millions)</i>	As at June 30, 2022			As at March 31, 2022		
	base CPP	additional CPP	Total	base CPP	additional CPP	Total
Cash and cash equivalents held for investment purposes	\$ 17,996	\$ 394	\$ 18,390	\$ 13,123	\$ 169	\$ 13,292
Net investments other than cash and cash equivalents	490,268	14,200	504,468	513,629	12,445	526,074
<b>Net investments</b>	<b>508,264</b>	<b>14,594</b>	<b>522,858</b>	<b>526,752</b>	<b>12,614</b>	<b>539,366</b>
Premises and equipment	409	11	420	436	11	447
Other assets <sup>1</sup>	352	5	357	383	7	390
Accounts payable and accrued liabilities	530	10	540	877	15	892
<b>Net assets</b>	<b>\$ 508,495</b>	<b>\$ 14,600</b>	<b>\$ 523,095</b>	<b>\$ 526,694</b>	<b>\$ 12,617</b>	<b>\$ 539,311</b>

<sup>1</sup> Includes cash held for operating purposes.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 14.3 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:

<i>(CAD millions)</i>	As at June 30, 2022		
	base CPP	additional CPP	Total <sup>1</sup>
<b>Cash and cash equivalents</b>	\$ 19,945	\$ 429	\$ 20,374
<b>Equities</b>			
Private equities	171,710	3,107	174,817
Public equities	142,209	2,573	144,782
<b>Total equities</b>	<b>313,919</b>	<b>5,680</b>	<b>319,599</b>
<b>Fixed income</b>			
Bonds	98,781	7,099	105,880
Other debt	41,461	752	42,213
Money market securities	932	15	947
<b>Total fixed income</b>	<b>141,174</b>	<b>7,866</b>	<b>149,040</b>
<b>Absolute return strategies</b>	<b>36,896</b>	<b>668</b>	<b>37,564</b>
<b>Infrastructure</b>	<b>45,339</b>	<b>820</b>	<b>46,159</b>
<b>Real estate</b>	<b>42,256</b>	<b>765</b>	<b>43,021</b>
<b>Investment receivables</b>			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	34,352	622	34,974
Derivative assets	4,035	73	4,108
Other	4,257	96	4,353
<b>Total investment receivables</b>	<b>42,644</b>	<b>791</b>	<b>43,435</b>
<b>Total investments</b>	<b>\$ 642,173</b>	<b>\$ 17,019</b>	<b>\$ 659,192</b>
<b>Investment liabilities</b>			
Debt financing liabilities	47,982	870	48,852
Securities and loans sold under repurchase agreements and cash collateral received on securities lent	46,840	847	47,687
Securities sold short	23,916	433	24,349
Derivative liabilities	4,506	82	4,588
Short-term secured debt	1,206	22	1,228
Other	3,246	59	3,305
<b>Total investment liabilities</b>	<b>127,696</b>	<b>2,313</b>	<b>130,009</b>
Pending trades receivable	7,611	153	7,764
Pending trades payable	13,824	265	14,089
<b>Net investments</b>	<b>\$ 508,264</b>	<b>\$ 14,594</b>	<b>\$ 522,858</b>

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

<i>(CAD millions)</i>	As at March 31, 2022		
	base CPP	additional CPP	Total <sup>1,2</sup>
<b>Cash and cash equivalents</b>	\$ 15,140	\$ 201	\$ 15,341
<b>Equities</b>			
Private equities	171,126	2,641	173,767
Public equities	157,138	2,426	159,564
<b>Total equities</b>	<b>328,264</b>	<b>5,067</b>	<b>333,331</b>
<b>Fixed income</b>			
Bonds	102,306	6,005	108,311
Other debt	40,333	623	40,956
Money market securities	1,287	81	1,368
<b>Total fixed income</b>	<b>143,926</b>	<b>6,709</b>	<b>150,635</b>
<b>Absolute return strategies</b>	<b>34,154</b>	<b>527</b>	<b>34,681</b>
<b>Infrastructure</b>	<b>45,775</b>	<b>706</b>	<b>46,481</b>
<b>Real estate</b>	<b>41,693</b>	<b>643</b>	<b>42,336</b>
<b>Investment receivables</b>			
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
<b>Total investment receivables</b>	<b>64,700</b>	<b>1,028</b>	<b>65,728</b>
<b>Total investments</b>	<b>\$ 673,652</b>	<b>\$ 14,881</b>	<b>\$ 688,533</b>
<b>Investment liabilities</b>			
Debt financing liabilities	48,754	753	49,507
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
Short-term secured debt	1,178	18	1,196
Other	2,734	41	2,775
<b>Total investment liabilities</b>	<b>128,895</b>	<b>1,990</b>	<b>130,885</b>
Pending trades receivable	8,395	130	8,525
Pending trades payable	26,400	407	26,807
<b>Net investments</b>	<b>\$ 526,752</b>	<b>\$ 12,614</b>	<b>\$ 539,366</b>

<sup>1</sup> Presented using the same basis as the Condensed Interim Consolidated Schedule of Investment Portfolio, which is different from that of the Condensed Interim Consolidated Balance Sheet. Refer to the Consolidated Schedule of Investment Portfolio for further details.

<sup>2</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

### 14.4 Net (loss) income of base CPP and additional CPP

Details of net (loss) income of CPP Investments' base CPP and additional CPP accounts are as follows:

	For the three months ended June 30,					
	2022			2021 <sup>1</sup>		
(CAD millions)	base CPP	additional CPP	Total	base CPP	additional CPP	Total
<b>(Loss) income:</b>						
Interest, dividends, and other income	\$ 2,338	\$ 56	\$ 2,394	\$ 2,338	\$ 23	\$ 2,361
Net (losses) gains on private investments	(115)	(1)	(116)	519	6	525
Net (losses) gains on public and other investments	(22,151)	(682)	(22,833)	6,943	106	7,049
Net (losses) gains on investment holding subsidiaries	(1,832)	(12)	(1,844)	8,225	96	8,321
	(21,760)	(639)	(22,399)	18,025	231	18,256
<b>Expenses:</b>						
Personnel	261	5	266	274	3	277
General and administrative	119	3	122	92	2	94
Management fees	9	-	9	3	-	3
Performance fees	65	1	66	29	-	29
Transaction-related	103	1	104	56	-	56
Taxes	(8)	-	(8)	50	-	50
Financing	(136)	(2)	(138)	(28)	-	(28)
	413	8	421	476	5	481
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (22,173)</b>	<b>\$ (647)</b>	<b>\$ (22,820)</b>	<b>\$ 17,549</b>	<b>\$ 226</b>	<b>\$ 17,775</b>

<sup>1</sup> Certain comparatives have been reclassified to conform to the current period's presentation.