2015 ANNUAL REPORT

People | Purpose | Performance

CPP INVESTMENT BOARD

Corporate Profile

Canada Pension Plan Investment Board (CPPIB) is a professional investment management organization with a critical purpose – to help provide a foundation on which Canadians build financial security in retirement. We invest the assets of the Canada Pension Plan (CPP) not currently needed to pay pension, disability and survivor benefits.

CPPIB is headquartered in Toronto with offices in Hong Kong, London, Luxembourg, New York and São Paulo. We invest in public equities, private equities, bonds, private debt, real estate, infrastructure, agriculture and other investment areas. Assets currently total $264.6 billion. The Investment Portfolio consists of 75.9% or $201.0 billion in global investments with the remaining 24.1% or $63.8 billion invested in Canada. Our investments have become increasingly international, as we diversify risk and seek growth opportunities in global markets.

Created by an Act of Parliament in 1997, CPPIB is accountable to Parliament and to the federal and provincial finance ministers who serve as the CPP's stewards. However, we are governed independently from the CPP, operating at arm's length from governments with a singular objective: to maximize returns without undue risk of loss. The funds that we invest belong to 18 million CPP contributors and beneficiaries; we owe them high standards of investment management, as well as transparency and accountability for their assets.

The CPP Fund ranks among the world's 10 largest retirement funds. In managing the Fund, CPPIB pursues a diverse set of investment programs that contribute to the long-term sustainability of the CPP. The most recent triennial report by the Chief Actuary of Canada, as at December 31, 2012, indicated that the CPP is sustainable over a 75-year projection period, and that contributions to the Fund will exceed benefits paid until 2023. The report also projected that the CPP Fund will grow to approximately $300 billion by 2020 and over $500 billion by 2030.

Scale and our long-term commitment make CPPIB a valued business partner, allowing us to participate in some of the world's largest investment transactions. Scale also creates investing efficiencies and provides the capacity to build the necessary tools, systems and analytics that support a global investment platform.

The certainty of cash inflows from contributions means we can be flexible, patient investors able to take advantage of opportunities in volatile markets when others face liquidity pressures. Our investment strategy ensures ideal diversification across asset classes, geographies and other factors through defined target allocation ranges, and our distinct Total Portfolio Approach ensures we maintain targeted exposures across the entire portfolio as individual investments are bought or sold, or change in value. Finally, our exceptionally long investment horizon is an increasingly important competitive strength. We can assess and pursue opportunities differently and stay the course when many cannot. Further, CPPIB's long-term perspective makes patient capital available for direct commitments that can create value for the Fund over many years to come.

Taken together, our clarity of mission, independence, scale, certainty of assets, investment strategy and long horizon set us apart from most other funds. These advantages have earned CPPIB an international reputation, and help us attract, motivate and retain a world-class team.

For more information, please visit our website at **www.cppib.com.**

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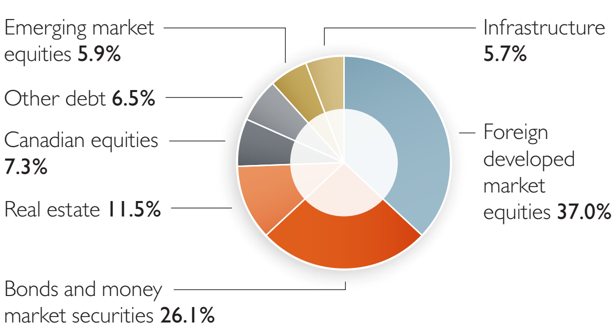
Fiscal 2015 Financial Highlights

OUR CRITICAL PURPOSE

is to help provide a foundation on which Canadians build financial security in retirement.

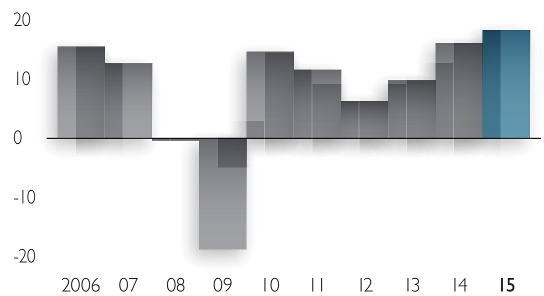
ASSET MIX

AS AT MARCH 31, 2015



RATE OF RETURN (NET NOMINAL)

FOR THE YEAR ENDED MARCH 31 (%)



$264.6 Billion
CPP Fund at March 31, 2015

$40.6 Billion
Net Investment Income After All CPPIB Costs

$129.5 Billion
Net Cumulative Investment Income for 10-Year Period

18.3%
Fiscal 2015 Rate of Return (net nominal)

12.3%
Five-Year Annualized Rate of Return (net nominal)

8.0%
10-Year Annualized Rate of Return (net nominal)

$107.5 Billion
Investments in Private Assets

$52.9 Billion
Implied Assets Under Management for Active Public Market Programs

Chair's Report

Dr. Heather Munroe-Blum, Chair

Fellow contributors and beneficiaries of the Canada Pension Plan, I am delighted to provide this annual update on the activities of the Canada Pension Plan Investment Board (CPPIB) for fiscal 2015.

In October 2014, I had the honour of being named the third Chair of the CPPIB Board of Directors, a trust I embrace. As a Director of CPPIB since 2010, I have great pride in playing a role in this organization, which works to represent the best interests of the Canada Pension Plan's 18 million contributors and beneficiaries. CPPIB has a strong public purpose, and a governance model that is viewed as a benchmark to which investment organizations around the world aspire.

Fiscal 2015 was again a year of evolution and growth for CPPIB, as it was for the CPPIB Board of Directors. We acknowledged with great appreciation the contribution of long-time, outgoing Director and Chair Robert Astley and we welcomed new Director Tahira Hassan. While the face of our boardroom is changing, we collectively continue our engaged stewardship of CPPIB's global strategy and long-term vision and we commend the Senior Management Team (SMT) for the significant progress that the organization realized this year.

CPPIB achieved a strong net return of 18.3% on your CPP Fund assets, resulting in $40.6 billion of investment income after expenses in fiscal 2015. Most importantly, the CPP remains on solid financial footing and CPPIB's 10-year real rate of return of 6.2%, after all expenses, remains well above the prospective 4% real rate of return that the Chief Actuary of Canada assumes in assessing the sustainability of the Fund. At $264.6 billion, the CPP Fund is one of the 10 largest retirement funds in the world today – and growing.

Against this backdrop, fiscal 2015 also continued to be a very active year for the Board of Directors as we focused on three major themes:

1. Stewardship of CPPIB's long-term investment strategy.
2. Alignment of the Board's governance responsibilities with CPPIB's evolving investment framework.
3. Sustained strengthening of our Board and its governance practices, including the successful transition to a new Chair.

Before providing details on each of these themes, I wish to acknowledge the tremendous efforts of all CPPIB employees in fiscal 2015. CPPIB's strong public purpose drives the behaviour of CPPIB's Directors, management and employees alike – this purpose is engrained in the unique CPPIB culture. As Chair, I now have the opportunity to engage with new employees in the Conduct Review Advisor sessions. I and my fellow Directors are encouraged as we continue to see CPPIB attract talented leaders and employees who, every day, exemplify CPPIB's strong values of integrity, partnership and high performance. These are values you should rightly expect from the managers of your pension assets.

Now allow me to return to the Board's main areas of focus over this past fiscal year.

1. Stewardship of CPPIB's long-term investment strategy

Overseeing the SMT's development of CPPIB's multi-year business strategy was the most significant work of our Board this past year. The goal of this exercise was to examine how CPPIB can best position the organization today with a view to achieving a maximum rate of return over an exceptionally long horizon with an appropriate level of risk. A key outcome of that work was the proposed evolution of CPPIB's investment framework which the Board fully endorsed, given our belief that it will best serve the interests of CPP's current and future beneficiaries.

The enhanced investment framework is designed to fully leverage the unique characteristics of the CPP Fund – its exceptionally long horizon, certainty of assets and scale, all of which constitute CPPIB's special structural comparative advantages. As the details of this framework are addressed more fully elsewhere in this Annual Report (see page 31), I take this opportunity simply to highlight the element that I believe is most relevant to CPP contributors and beneficiaries: CPPIB's greater focus on total Fund returns.

This evolution of the investment framework of course is done within the context of CPPIB's mandate to maximize returns "without undue risk of loss." Indeed, part of the Board's role is to set the risk limits for CPPIB, while being ever-attentive to the organization's very long-term investment horizon. The Board believes that the comparative advantages of CPPIB put the organization in a position where it can and should seek higher returns by prudently raising the Fund's exposure to equity, relative to fixed income investments. Equity in this sense does not necessarily imply an increase in the actual equity holdings in the CPP Fund; rather, we use equity in a broader sense to mean investment in equity-like investments that could include participation in private equity, real estate and infrastructure projects. The Board fully endorses this approach, which builds on the best practices of other institutional investors around the world, including some that don't have the benefit of CPPIB's structural advantages.

As the quintessential long-term investor, CPPIB's most important measure of success will always be its long-term performance. It is the Board's duty to ensure management is building a sustainable organization and strategy, and that it has implementation plans in place designed to deliver such results over the coming decades. This exceptionally long horizon presents a unique challenge to Directors and the SMT alike as it requires us to make decisions today, the results of which will not be realized for years to come.

The best example of such a decision is the ongoing investment CPPIB is making, with the full support of the Board, in building the talent, global office network and systems required for a sophisticated global investment organization. While our investments in resources have increased, and will continue to increase in the coming years, the Board closely monitors costs as the business grows. Our guidepost is always to see enhanced net investment returns over the long term with effective attention to cost containment.

2. Alignment of the Board's governance responsibilities

From the Board's perspective, a crucial part of this evolved investment framework has been to put the right oversight mechanisms in place to ensure both the Board and the SMT are aligned on our respective responsibilities, and that both are working in support of total Fund returns.

To achieve this goal, we have enhanced how and when the Board engages with management in a number of key areas, including oversight over:

> Composition of the Reference Portfolio and the new long-term Strategic Portfolio, both of which will be reviewed at least every three years;
> Composition of the current-year Target Portfolio ranges;
> Total Fund risk limits, specifically, ensuring that these are consistent with achieving our mandate as an expression of the range of absolute risk levels within which the investment portfolio will operate;
> Short-term deliberate changes to the portfolio to allow management to strategically pursue market opportunities or to reduce risk exposures (while CPPIB looks at global economic and market trends over a five- to 10-year horizon, we must be prepared, nonetheless, to adjust the portfolio in the short term, within prudent limits, given the inherent uncertainties in the market);
> Annual business planning and risk budgeting;
> Alignment of the compensation framework with the evolved investment framework, while preserving pay-for-performance as an enduring and principal feature of compensation; and
> Risk monitoring and reporting.

One area I'd like to expand on is the Board's responsibility as it relates to risk management, as this is a key element of our oversight activities. To this end, along with management, we conducted a comprehensive review of our risk appetite, and our approach to oversight of our strategic, investment, reputation, regulatory and operational risks. Following this review, the Board approved new risk appetite statements and our framework for oversight of these risks.

In addition, the Board continues its regular oversight and management of risks related to investments, financial reporting, human resources and governance. The Board reviews and approves major transactions and new external investment manager appointments – this year, we approved 20 such transactions, totalling approximately $19 billion, and seven fund investments. This includes transactions that were approved by the Board but did not proceed because CPPIB was not the successful bidder or transactions that are not yet completed.

However, risk oversight doesn't stop there. Due diligence never ends. As the Fund grows, so do the number of assets in the portfolio, giving rise to a wide variety of considerations for which the Board's guidance adds value to CPPIB's increasing asset management function, following an initial investment. We continue to work with management to monitor and assess issues arising within our portfolio of assets as we continue to expand our investments globally.

By consolidating Board and management responsibilities for the entire investment portfolio, we believe the new framework will foster portfolio designs and investment strategies that best suit the total Fund objectives while also serving the best interests of the CPP's current and future beneficiaries. This will continue to help pay pensions for the decades to come.

3. Sustained strengthening of the Board and its governance practices including the successful transition to a new Chair

As an organization with a prime public purpose, good governance is critical to CPPIB's ability to operate and to succeed. Our arm's-length relationship with government provides us authority to act solely in the best interest of you, the CPP's contributors and beneficiaries. CPPIB's governance model continues to be hailed globally as best-in-class. As Chair, I feel a great sense of responsibility to uphold this high standard, as do all of our Directors.

I believe these high standards of governance are best achieved by ensuring our Board is, and remains, a 'working Board.' We continuously challenge ourselves, as Directors representing your interests, to evolve with governance best-practices and to continue to ensure our competencies. We devote the time necessary to maintain current knowledge of market developments relevant to CPPIB's long-term strategy. All of which, together, ensure we are well-positioned to be risk-aware, to challenge management as needed, and to productively support the organization to ensure that the best long-term strategy is in place.

Practically, we accomplish this through a variety of activities. Allow me to highlight a few from this year.

First, in October 2014, we held a Board session in China, a market in which CPPIB has $9.8 billion invested, representing 3.7% of the total Fund. CPPIB's China and broader Asia investments are likely to grow as this region will undoubtedly continue to play a pivotal role in the global economy for decades to come. To ensure that the Board continues to be risk-aware and understands the complexities of this crucial market, we met with approximately 150 investment peers, governments, partners, large asset companies and experts. These meetings enhanced our knowledge of the local investment landscape, the opportunities and challenges CPPIB faces in the region, and the chance to engage with our world-class team in Asia. All of this has allowed us to undertake a deep strategic review of CPPIB's Asia strategy with the SMT.

Beyond this visit, we also held a number of education sessions throughout the year including seminars with external experts covering topics including business ethics and corporate accountability, cyber security for organizations, and global economic conditions and outlook.

Another significant event for the Board this year occurred on October 9, 2014, when the Federal Cabinet formally gave effect to the amendment to the *Canada Pension Plan Investment Board Act* permitting up to three of our Board members to be individuals who are not residents of Canada. Over time, this change will allow CPPIB to bolster the Board with individuals who have current, on-the-ground knowledge of key global markets where CPPIB invests.

Finally, we made a number of changes within our Board, including changes to committee Chairs and my appointment as Chair. Effective January 1, 2015, Karen Sheriff became Chair of the Human Resources and Compensation Committee, Ian Bourne became Chair of the Governance Committee and Jo Mark Zurel became Chair of the Audit Committee. Appreciation is also noted for the outgoing committee Chairs: Pierre Choquette, Nancy Hopkins and Ian Bourne. Changing and rotating committee Chairs provides the members of the Board with broader shared perspectives on each of these important Board committees. As noted, I took on the role of Chair of the Board of Directors in October 2014, and transitioned into this role with the great support of our outgoing Chair, Bob Astley, and the Board as a whole.

In closing

At the close of fiscal 2015, the Board of Directors continues to have every confidence that under the fine leadership of Mark Wiseman and his Senior Management Team, CPPIB is on track to continue to fulfill its mandate with the highest level of integrity and expertise. I look forward to continuing in the year ahead to work with the talented and dedicated team of CPPIB employees, managers and directors who share a deep sense of responsibility to act in the best interests of the 18 million CPP contributors and beneficiaries who have entrusted CPPIB with investing your hard earned money for the long term.

And on behalf of those contributors and beneficiaries, in closing I want to acknowledge again the excellent contributions of outgoing Chair Bob Astley. CPPIB went through significant transformations during Bob's six years as Chair, and CPP contributors and beneficiaries can be grateful for his leadership and the significant role he has played in shaping CPPIB as a world-respected institution.

Dr. Heather Munroe-Blum, Chair

President's Message

Mark D. Wiseman, President & CEO

Dear fellow contributors to and beneficiaries of the Canada Pension Plan,

While the world's economy has clearly become more global, it is also clear that it is operating at multiple speeds, with countries like China and India occupying the fast lanes and certain developed countries like Japan and parts of Western Europe stuck in the slow lanes. This observation is backed up by the numbers. For instance, China's economy grew roughly three times as fast as Canada's last year. The traditional wisdom of 'not keeping all your eggs in one basket' has never been more important, both for individual investors and for CPPIB, which manages nearly $265 billion on your behalf.

The wisdom of diversification was driven home for Canadians this year by the collapse in global oil prices, with crude oil prices falling by 42% in our third fiscal quarter alone. For long-term investors like CPPIB, such market events always present a mixed story. We saw an impact across asset classes and geographies, bringing attractive buying opportunities in some areas, while presenting challenges in others. Nevertheless, as a long-term investor, we are well-positioned to weather such market shocks and, indeed, profit from them. The events of the past year serve as an illustration of why we must retain our focus on building a resilient, well-diversified portfolio to help keep your pensions, your children's pensions and your grandchildren's pensions secure.

As the manager of a portion of your retirement savings, our aim is to build a portfolio that will help to provide financial security in retirement for generations of Canadians. As such, I am pleased to report to you on our progress this past fiscal year.

Our performance.

Strong global equity markets and a strengthening U.S. dollar bolstered the Fund and we achieved an 18.7% gross return. Factoring in all CPPIB costs, our net return was 18.3%, our highest annual return ever. In fact, CPPIB added $40.6 billion in net investment income or an average of approximately $2,250 for each contributor to and beneficiary of the CPP. In addition to this investment-related growth, we received $4.9 billion in net CPP contributions from you and your employers.

I should point out that these amounts are calculated after deducting all of CPPIB's costs. In this last fiscal year, our operating costs were $803 million, while external management fees accounted for $1,254 million and transaction costs were $273 million. These amounts were higher than last year, in part because our operating costs and external management fees are linked to performance and, as this Annual Report details, both our internal programs and external managers significantly exceeded their benchmarks. In addition, we hired more people and more external managers to prudently manage your growing portfolio.

Taking investment income and net contributions into account, by the end of our fiscal year, your Fund had grown to $264.6 billion. To put this figure into perspective, the CPP Fund has increased more than $100 billion over just the last three fiscal years. This extraordinary result demonstrates the power of compounding.

Looking at our fiscal 2015 performance on a 'dollar value-add' basis compared to our public market-based benchmark, CPPIB's investment programs contributed $2.8 billion more (after all costs) than what a cost-free passive index-based portfolio would have generated over the same period.

This year's total Fund and absolute and relative returns demonstrate the benefits of a resilient portfolio that is broadly diversified across geographies and a mix of public and private asset classes. All of our investment departments generated significant investment income and dollar value-add.

CPPIB's strong returns in fiscal 2015 are great news, as the income that the fund earned will continue to compound – however, we cannot place too much significance on our results in any given fiscal year. The CPP is designed to be exceptionally long-term in nature and that means we can afford to take on more risk (i.e. volatility in short-term returns) in order to achieve a higher long-term return. Our extraordinarily long investment horizon combined with the unique nature of the CPP simply allows us to invest differently from many other institutional investors.

A case in point is our view on currency hedging, which we describe on page 26. Many pension funds use substantial currency hedging to stabilize the values of their international assets in Canadian dollar terms. In comparison, for the most part, we do not hedge foreign currency holdings to the Canadian dollar. As a result we must tolerate significant impacts on our financial results in any given year due to currency gains/losses. For example, in fiscal 2010 alone the Fund experienced losses of $10.1 billion in the Canadian dollar value of our foreign holdings, however since fiscal 2010 we have realized gains of $16.1 billion, including $7.8 billion this year. Hedging to manage short-term results has a material financial cost with no expected benefit over the long term.

Our portfolio is highly resilient, but as an exceptionally long-term investor we cannot and should not escape exposure to general market movements. We have every reason to believe that the Fund will experience future shocks resulting in downward pressure, yet given our long investment horizon we can tolerate considerable negative short-term returns in continued pursuit of higher long-term returns. Thus, in the same way that we temper our enthusiasm for this year's exceptional performance, we also do not let negative returns in any given period side-track our attention from our long-term strategy. The best measure of our performance is longer term and we must continue to focus on 10-plus year results.

As indicated in Heather's Chair's Report, your Fund's 10-year net nominal rate of return is 8.0%. After accounting for inflation, which is important because CPP benefits are indexed to inflation, your Fund's 10-year net real rate of return is 6.2%. In the immediate wake of the financial crisis the Fund had substantial losses, yet taking a longer-term view shows the 10-year return is comfortably above the 4% real rate of return that the Chief Actuary of Canada indicates is required to sustain the CPP over the next 75 years. As an organization, we maintain a disciplined focus on the long-term results and overall growth of the Fund because it is long-term returns that are ultimately required to pay our pensions and the pensions of future generations.

Indeed, as a long-term investor, we often look beyond the 10-year horizon. That is why I have written and spoken often about *Focusing Capital on the Long Term* (visit www.fclt.org), an initiative to shift the thinking and actions of investors, corporate directors and managers away from short-termism. As part of this effort, CPPIB helped convene global leaders for a one-day summit in March, where I was energized by the progress being made to address the perils of the all too prevalent short-term mindset in today's capital markets and corporate boardrooms. But, there is still much to be done. While the Focusing Capital on the Long Term initiative is a personal passion of mine, it also dovetails with my role as CEO of CPPIB. CPPIB is in a unique position to best serve your interests when markets themselves are better designed to serve long-term investors – markets that serve an ownership mentality, not a trading mentality.

So how did we achieve these returns?

For those of you who follow professional sports, you know that building a winning team is a careful, deliberate process. Long-term strategies, such as acquiring young talent with future potential, rather than chasing current league superstars, are often the ones that pay off over time.

CPPIB's focus this year was on building for the future, and we did so by investing your money in three things.

1. The best long-term assets

Today, there is intense competition for high-quality assets. Achieving the best returns often requires having the ability to purchase these types of assets *before* a transaction becomes open to many bidders, or having the opportunity to invest in a promising private company years prior to an initial public offering (such as we did with the Alibaba Group). Buying high-quality assets at the right price requires having the best information, building long-term relationships with trusted partners, and having the discipline and patience to see an investment pay off.

A good example of such a deal was the investment we made this year in partnership with India's largest engineering and construction company. Our joint venture owns, among other assets, India's largest private toll road concession portfolio. Toll roads are a good choice for CPPIB because they generate steady, reliable, long-term income (we are also part owners of the 407 Express Toll Road in Ontario). With India's rising incomes leading to more car ownership and increased traffic in coming years, the opportunity is for long-term profits from this investment. We will be patient.

In all, we completed 40 transactions of over $200 million each in 15 countries around the world this year. This is an impressive figure, but one that demonstrates our discipline in high-priced environments. Indeed we completed *fewer* large transactions in fiscal 2015 than we did in fiscal 2014, although the transactions that we did complete were more diversified. Some highlights include investments in a U.S.-based company that is the world's largest cancer care treatment operator, Hong Kong's second-largest broadband service provider and Australia's longest motorway tunnel. We also completed our largest-ever European real estate deal. Such assets are only available to global investors like CPPIB, with the necessary size and scale. Access to these investments for Canadian workers and retirees through CPPIB is an enormous advantage that you have by being a participant in the CPP.

2. The best people

Returning to my sports analogy, CPPIB is continuing to enhance a "build not buy" model to the development of a winning team. Given the unique character of our business and our long investment horizon, we continue to invest in the next generation of leaders. New efforts this year included training programs for both new grads and those entering management roles for the first time. And our Women's Advisory Council is working specifically to attract top female talent from school campuses.

At year end, CPPIB employed 1,157 full-time staff to invest and manage your Fund. I truly believe that these people are among the best and brightest in the world. They excel at what they do and show tremendous commitment to our collective purpose, which is to produce excellent long-term risk-adjusted returns on your behalf.

3. Building a winning global organization

Running a global investment firm is a complex task. We need to have the right people, processes and systems to move information and capital around the world. To make the best investments, we need a global perspective on the economy, but also deep knowledge of local markets. We also need a strong brand and reputation for integrity, partnership and high performance to win in markets characterized by intensifying competition amongst funds that often have substantially more capital than CPPIB. And, we need people on the ground to search for investments and to monitor existing ones. Indeed, we expect that, as CPPIB matures as an investor, we will devote even more time to managing existing assets.

For all of these reasons, we began preparations in fiscal 2015 to open an office in Mumbai, India. The office will not only expand our presence in the region, but will also enable us to leverage local expertise. Over the next few years, we expect to open an additional three to five offices to enhance CPPIB's global footprint.

As we continue to strengthen our capabilities, build our international presence and skillfully monitor our growing collection of investments, we expect operating expenses to increase incrementally. In incurring expenses, we are ever mindful that we are investing *your* hard-earned money. We continue to assess our performance after all costs to ensure you get an appropriate return on the investments we are making today in our people, technology systems and physical infrastructure. We believe that we are demonstrating the discipline to build a winning investment franchise on your behalf.

The year ahead.

Last year, I wrote about four objectives CPPIB set for fiscal 2015 that were part of a multi-year plan to evolve: (i) scaling our investment programs; (ii) expanding our global presence; (iii) building operational capacity and capabilities; and, (iv) developing talent and maintaining our distinctive culture. I've touched on our progress on many of these fronts already, and throughout this report you'll find more detailed explanations.

An important priority and a central focus for fiscal 2016 is continuing the evolution of our investment framework. Our approach to investing has steadily progressed over the years, as we have sought to take full advantage of CPPIB's comparative advantages to achieve higher long-term investment returns for you. Page 23 of this report outlines the series of steps we have taken since 1999.

As with previous steps, this latest evolution of our framework is designed with the best interests of CPP's current and future beneficiaries in mind. It includes two key components: first, prudently raising our long-term risk-return appetite; and second, an added emphasis on constructing a portfolio with optimal diversification (in terms of asset classes, geographies, currencies and underlying active management strategies), at times making strategic changes to the portfolio to reflect evolving market conditions.

Implementing this framework will be a multi-year process and will enable us to design a portfolio to maximize the risk-adjusted return on your CPP Fund investments. Importantly, this framework is guided by the 'without undue risk of loss' component of our legislative mandate. As a long-term investor we can carry higher risk and invest in assets that are more volatile in the short term (for example, increasing our participation in emerging markets or adding new development infrastructure projects) in pursuit of higher returns over the long term. But diversification is a critical component of mitigating risk. Given our scale, we can balance such higher-risk strategies with stable, income-generating assets (for example, intellectual property royalties or core real estate holdings). We provide a detailed discussion of the evolution of our investment framework on page 31.

We have already begun to build the crucial foundation for this evolution: strong governance and risk controls (including Board approval for portfolio composition, risk assessments and continued close monitoring of our investment portfolio), and compensation and incentive programs that align every employee – from the mailroom to the Senior Management Team – to our long-term goals.

The best-run funds in the world today assess performance against long-term return targets and benchmarks that reflect risk-adjusted fundamentals. Unfortunately, too many asset managers still tie their compensation to outperforming an annual stock market benchmark, which takes their focus away from where it should be: on delivering sustainable, long-term returns. We are dedicated to building and managing a highly resilient portfolio because this is what ultimately will pay your pensions. I highlighted above the dangers of focusing on short-term results. At CPPIB we want our people to continuously think and act long-term and we are committed to ensuring we incent them to do so. As a result, we will also evolve our compensation system to reflect longer-term returns on both an absolute basis and relative to long-term (not annual) benchmarks.

I am looking forward to updating you on our progress on this next year.

To conclude.

I want to add a personal note to echo Heather's thanks to our outgoing Chair Bob Astley for his exemplary service. Bob was a mentor during my first years as CEO of this organization, and I owe him an enormous debt of gratitude for his wisdom, guidance and friendship.

I also want to let you know that I have taken on the role of United Way Campaign Chair for Toronto and York Region for 2015. While this is a part-time role supported by dedicated United Way staff and literally thousands of volunteers, I am very proud to be affiliated with this important effort to give back to the local community and to help provide people in our home region with the tools to reach their full potential. In 2014, I am proud to say that CPPIB smashed our own United Way fundraising record by 15%, with our employees contributing approximately $500,000. I hope that this is a record that we will beat again in 2015.

Finally, I'd like to thank all CPPIB employees for all of their ongoing hard work and dedication. I am extremely proud to be part of such a committed and knowledgeable team.

M. Wiseman

Mark D. Wiseman, President & CEO

People

Associated British Ports

The Infrastructure group signed an agreement for CPPIB's largest European investment to date. CPPIB and Hermes, an existing U.K.-based partner of CPPIB, will invest approximately £1.6 billion to acquire a 33% stake in Associated British Ports (ABP). ABP is the U.K.'s leading ports group, owning and operating 21 ports with a diverse cargo base, long-term contracts and experienced management.

(l–r)
Philip Butcher, Cressida Hogg, Palak Trivedi, Rob Wall, Assia Belkahia, Marc-Antoine Allen

JW Childs Funds

A significant secondary private equity transaction this year was a US$596 million investment in two JW Childs funds. We invested US$477 million in a secondary transaction related to the JW Childs Equity Partners III fund, which provided an attractive liquidity solution to existing limited partners. We also committed US$119 million to the new JW Childs fund. JW Childs focuses primarily on mid-market investments in the consumer products, specialty retail and healthcare services sectors across North America.

(l–r)
Giorgio Riva, Neal Costello, Tom Kapsimalis, Yann Robard, Chris Cunningham, Sebastien Siou

Purpose

The CPP Fund has a critical purpose – to help Canadians build financial security in retirement. The sole mandate of Canada Pension Plan Investment Board is to invest the Fund assets on behalf of the CPP's 18 million contributors and beneficiaries to maximize returns over the long term without undue risk of loss.

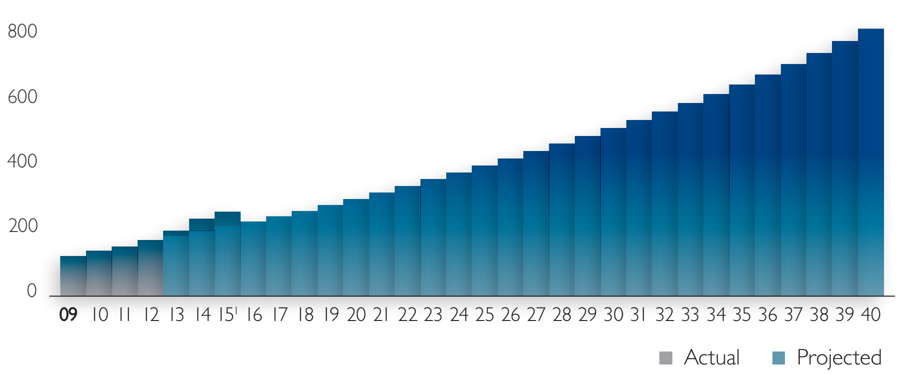
75 +Years
Duration of CPP Sustainability

8 Years
Before Investment Income Needed to Pay Pensions

18 Million
Number of CPP Contributors and Beneficiaries

History and Projections of the CPP Fund

AS AT DECEMBER 31 ($ billions)

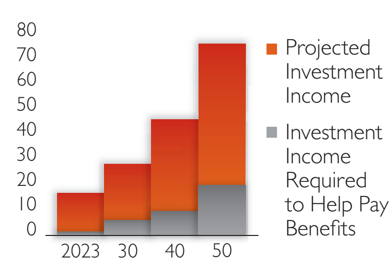


CPPIB's sole focus is investing the assets of the CPP. As at December 31, 2012, the Chief Actuary has projected that the CPP Fund will reach approximately $300 billion by the end of 2020. We have built, and will maintain, a professional investment organization capable of handling this substantial growth.

[1] Table modified by CPPIB to show fiscal 2015 actual assets under management, as at March 31, 2015.

Investment Income Required Starting at 2023

AS AT DECEMBER 31 ($ billions)



The Chief Actuary of Canada has projected that CPP contributions will exceed annual benefits paid until the end of 2022, providing eight more years in which excess CPP contributions will be available for investment. Starting in 2023, the CPP is expected to begin using a small portion of CPPIB investment earnings to supplement the contributions that constitute the primary means of funding benefits.

People

NorthConnex

We expanded our Australian infrastructure portfolio with a A$525 million commitment to build and operate a new tunnelled motorway in Sydney, called NorthConnex. This transaction was done with Transurban Group and Queensland Investment Corporation, our existing partners in the Westlink M7 toll road. CPPIB will own a 25% stake in the nine-kilometre motorway that will connect Sydney's northern suburbs with the orbital road network, making it the longest road tunnel project in Australia.

(l–r)
Annie Harlow, Bruce Hogg, Paul Bernath, Andrew Hay, Michael Conrad, Jason MacNeill

Hong Kong Broadband Network

Our Relationship Investments team completed a transaction in Asia as the sole cornerstone investor in the initial public offering of Hong Kong Broadband Network Limited. CPPIB invested HK$1,551 million for an approximate 17% ownership interest, becoming the largest shareholder. HKBN is the second-largest residential broadband service provider in Hong Kong by number of subscriptions, reaching more than 2.1 million residential homes and 1,900 commercial buildings.

(l–r)
Sean Cheah, Deb Orida, Tony Xing, Jocelyn Chen, Scott Lawrence

Performance

In pursuit of maximizing returns, our investment strategies and innovative Total Portfolio Approach underlie our deep commitment to deliver the long-term returns needed to help keep the CPP sustainable over many generations. Our purpose-driven culture of Integrity, Partnership and High Performance is integral to our success. This culture enables us to attract and retain a highly talented team of professionals with the experience and expertise required to handle significant asset growth and complex investments.

$264.6 Billion
CPP Fund at March 31, 2015

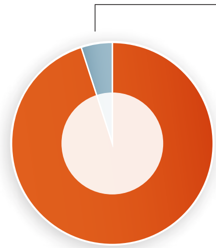
$40.6 Billion
Net Investment Income After All CPPIB Costs in Fiscal 2015

18.3%
Fiscal 2015 Rate of Return (net nominal)

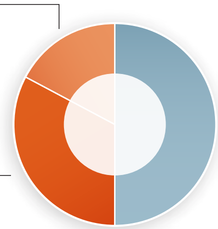
Historical Asset Mix Comparison

AS AT MARCH 31

2000: $44.5 billion



2015: $264.8 billion



8.0%
10-Year Annualized Rate of Return (net nominal)

$129.5 Billion
Cumulative Investment Income for 10-Year Period Ending March 31, 2015 (net)

People

CPPIB Global Capital Markets Team

As a global investor, CPPIB's successful management of our trading activities is a vital part of achieving our mandate. Global Capital Markets is responsible for all of CPPIB's trading activities, including the efficient management of the passive portfolio, alpha-generating trading strategies and execution of all public market transactions. Using world-class trading infrastructure and a leading-edge electronic execution platform, the team of 30 professionals oversees trading of currencies, equities, fixed income and derivatives that span some 26 markets globally.

(l–r)
Will Chan, Darryl MacKenzie, Kevin Cunningham, George Barkas, Manjeet Ram, James Logush

Liberty Living

We entered into a new real estate sector this year with the 100% acquisition of a U.K. student accommodation portfolio and management platform operating under the Liberty Living brand, at an enterprise value of £1.1 billion. Liberty Living is one of the U.K.'s largest student accommodation providers with over 40 high-quality residences located in 17 of the largest university towns and cities across the U.K. This is an ideal platform investment through which we can build scale in this sector.

(l–r)
Rod Carnan, Andrea Orlandi, Tom Jackson, Quentin Kerrault

Advantages

CPPIB benefits from the CPP Fund's scale, an exceptionally long investment horizon and certainty of assets. We have also developed strong internal capabilities, aligned with expert external partners in every major area of investing, and have a disciplined approach to managing the total portfolio. The combination of these comparative advantages differentiates CPPIB from other funds and investors, enabling us to pursue complex investments in order to achieve our long-term objectives.

OUR COMPARATIVE ADVANTAGES

Long-Term View

The 75-year scope of the Chief Actuary's CPP projection enables us to acquire assets that offer substantial Fund returns over time.

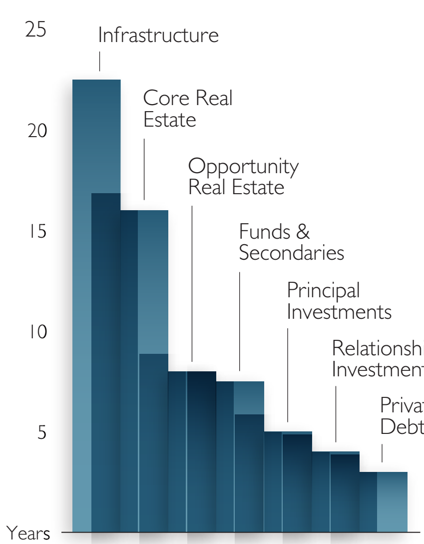
Certainty of Assets

The CPP will collect excess contributions until 2023, providing incoming cash for new investments and allowing us to build and adjust our portfolio with discipline.

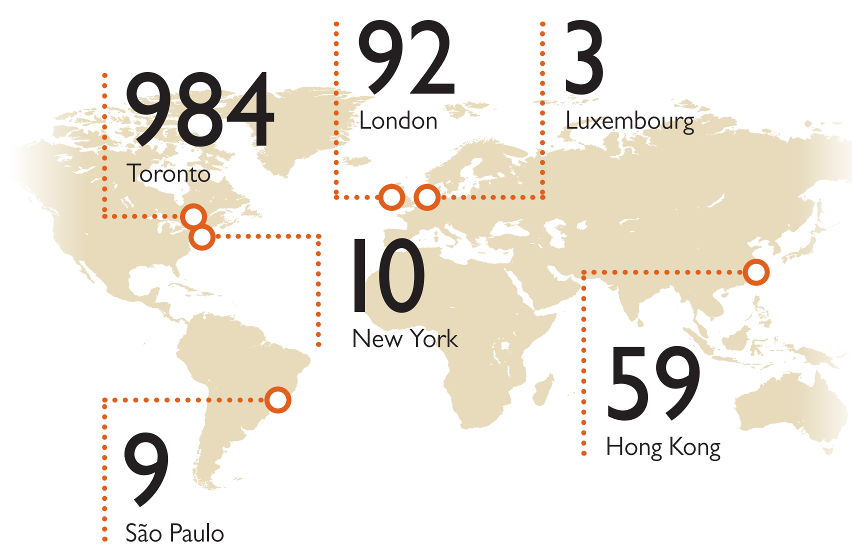
Size and Scale

The CPP Fund has scale. We can invest substantially in private markets, many of which are larger than their public market counterparts and are expected to offer greater returns over time.

CPPIB Expected Average Hold Periods by Asset Type



Global Employees



People

Times Paradise Walk Project

We completed our first direct joint venture with Longfor Properties to invest in a major mixed-used development in China. CPPIB committed RMB1,250 million to jointly develop the Times Paradise Walk Project in Suzhou, the fifth most affluent city in China. The development is designed to be a top-quality, one-stop commercial destination that comprises residential, office, retail and hotel space for a total gross floor area of 7.9 million square feet.

(l–r)
Kay Fan, Jimmy Phua,
Rebecca Lam, Guy Fulton

Brazilian Real Estate Investments

Over the past year, our real estate team based in São Paulo worked hard to significantly expand our real estate portfolio in Brazil. In fiscal 2015, we committed approximately R$1.3 billion to Brazilian retail, logistics and residential assets, bringing our total equity commitment to date to R$5.5 billion. Leveraging its strong local presence and deep investment knowledge, this team will continue to focus on attractive real estate investment opportunities in Brazil.

(l–r)
Peter Ballon, Chris Moad,
Jose Antonio Pereira, Fabiana Ralston,
Fabio Nogueira, Phillip Mueller,
Corey Albert

Global Perspective

Enabled by our scale, we seek the most attractive investment opportunities as we continue to build a highly diversified global portfolio. We continue to enhance CPPIB's reputation as a trusted partner, able to contribute expertise and participate in major investment opportunities alongside like-minded organizations with a strong local presence. Today, we have international offices in Toronto, Hong Kong, London, Luxembourg, New York and São Paulo, broadening CPPIB's global reach and internal capabilities.

208
Global Investment Partners

41
Total Number of Countries in Which We Have Private Holdings

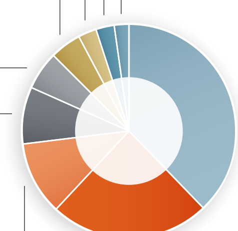
114
Total Number of Global Transactions in Fiscal 2015

$63.8 Billion
Canadian Assets

$201.0 Billion
International Assets

Global Diversification by Region

AS AT MARCH 31, 2015



Global Investments

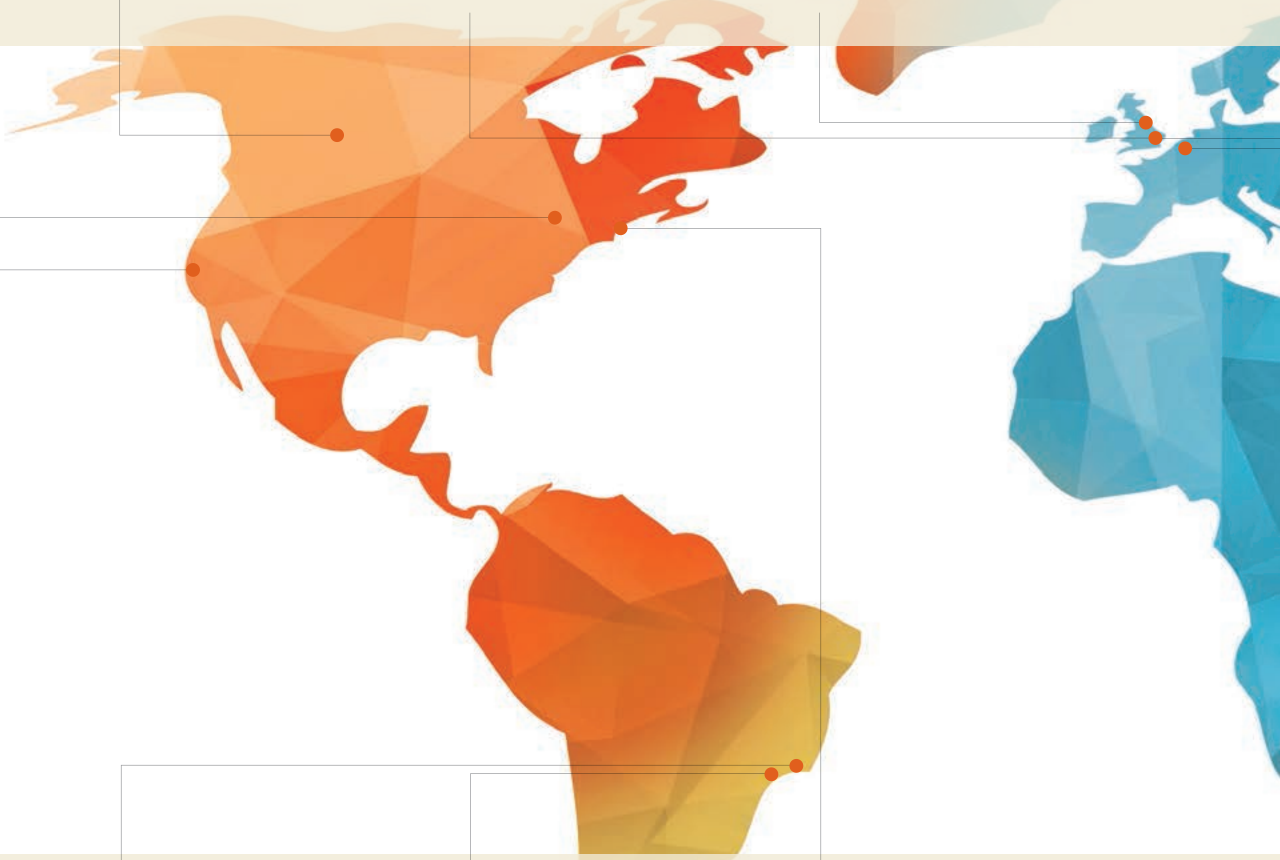
Key Transactions in Fiscal 2015

Northleaf Capital Partners
Canada
C$330 million
Additional commitment to the Canadian private equity market through fund-of-funds program

Henday Industrial Park
Edmonton, Alberta
C$200 million
85% interest in joint venture with Walton and WAM Development Group to develop 250-acre industrial site

Associated British Ports
United Kingdom
£1.6 billion
To acquire a 33% stake in the U.K.'s leading ports group, which owns and operates 21 ports, with partner Hermes

Wellington Place
Leeds, U.K.
£185 million
Joint venture with Hermes Real Estate to develop 1.5 million square feet of commercial, retail, leisure and residential space



1455 Market Street
San Francisco, U.S.
US$219.2 million
45% ownership interest in 22-storey, Class-A office building in San Francisco's Mid-Market neighbourhood

Nova Iguaçu Development
Rio de Janeiro, Brazil
C$90 million
44% equity ownership in a new shopping centre development with joint venture partner Ancar Ivanhoe

Global Logistic Properties JV
São Paulo & Rio de Janeiro, Brazil
C$226 million
30% stake in a high-quality portfolio of modern logistics properties totalling approximately 10 million square feet

JW Childs Funds
Boston, U.S.
US$596 million
Investment in two JW Childs funds including a secondary private equity transaction

Citycon Oyj

Helsinki, Finland

€236 million

15% ownership of a leading owner and developer of shopping centres in the Nordic region

Liberty Living

United Kingdom

£1.1 billion

100% ownership of one of the largest student accommodation providers with more than 40 high-quality residences across the U.K.

Markit Ltd.

London, U.K.

US$250 million

Approximate 6% ownership interest in global provider of financial information services

Times Paradise Walk Project

Suzhou, China

C$234 million

Partnership with Longfor Properties to develop a 7.9 million-square-foot mixed-use development comprising residential, office, retail and hotel space

Interparking

Brussels, Belgium

€376 million

39% stake in one of Europe's largest car park operators with 657 car parks in 350 cities

L&T Infrastructure Development Projects

India

US$332 million

Completed half our commitment to India's infrastructure sector through a portfolio of 20 assets, including the country's largest private toll road

Hong Kong Broadband Network

Hong Kong

US$200 million

Approximate 17% ownership of second-largest broadband service provider in Hong Kong through initial public offering

NorthConnex

Sydney, Australia

A$525 million

25% ownership stake to build and operate a tunnelled motorway, the longest road tunnel project in Australia

Senior Management Team

(l–r)

Mark G.A. Machin
Senior Managing Director & Head of International and President, CPPIB Asia Inc.

Eric M. Wetlaufer
Senior Managing Director & Global Head of Public Market Investments

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

Nicholas Zelenczuk
Senior Managing Director & Chief Operations Officer

Mark Jenkins
Senior Managing Director & Global Head of Private Investments

Mark D. Wiseman
President & Chief Executive Officer

Benita M. Warmbold
Senior Managing Director & Chief Financial Officer

Edwin D. Cass
Senior Managing Director & Chief Investment Strategist

Graeme M. Eadie
Senior Managing Director & Global Head of Real Estate Investments

Pierre Lavallée
Senior Managing Director & Global Head of Investment Partnerships
Chief Talent Officer

Key Operational Highlights

Scaling our Investment Programs

Expanded our investment programs and capabilities in all investment departments to keep pace with Fund growth.

> Public Market Investments deployed new investment strategies and expanded existing programs:
  – broadened the scope of the Managed Account platform to include new mandates and managers and enhance scalability and investment oversight;
  – added new strategies and products to the Short Horizon Alpha platforms to further capitalize on capital market inefficiencies; and
  – launched new investment platforms for the Thematic Investing program developed in 2014.

> Committed $15.2 billion in Private Investments including the acquisition alongside Hermes Infrastructure of a 33% stake in Associated British Ports, the leading landlord ports group that owns and operates 21 ports across the U.K.

> Committed $6.0 billion in Real Estate Investments including the acquisition of Liberty Living, one of the U.K.'s largest providers of high-quality student accommodation.

> Completed the conceptual design of the key components of our enhanced investment framework, as described on page 31, with implementation beginning in fiscal 2016.

> Developed a set of best-practice guidelines for those who sit on the board of an investee company to ensure that we provide best-in-class and consistent governance across our portfolio to maximize the creation of long-term value of our active investments.

Expanding our Global Presence

Increased our range of global activities to access the best investment opportunities in the world, with a focus on Asia, Europe and Latin America.

> Increased staff in our international offices to 173 from 114. This increase includes the appointment of a senior executive to build our presence in Latin America and the addition of three professionals in our newly opened Luxembourg office. International staff account for 15% of our total workforce and include staff from all our investment departments as well as selected roles from our Finance, Tax and Human Resources functions.

> Completed 40 transactions of over $200 million each in 15 countries. Among these were investments across all regions including: our first investment in India's infrastructure sector, acquisition of a minority interest in one of the leading retail owner/operators in the Nordic and Baltic regions, and the significant expansion of the real estate portfolio in Brazil with additional equity commitments to logistics and retail assets.

> Investments outside Canada grew from $151.1 billion to $201.0 billion during the year; this represents 75.9% of our total assets.

Building Operational Capacity and Capabilities

Continued to develop the operational processes, systems and controls required to efficiently support the growth and globalization of our investment programs.

> Further enhanced our Enterprise Risk Management practices and formalized the Board of Directors framework for enterprise risk oversight.

> Completed a new investment risk analysis and reporting platform that enables more timely and accurate risk analysis and monitoring.

> Strengthened and formalized operational standards and processes for the governance and management of international subsidiaries relating to our private investment and real estate transactions.

> Developed a detailed process and system design to advance our multi-year initiative to establish a scalable end-to-end transaction execution process for publicly traded securities.

> Improved the resilience and capacity of our technology infrastructure and business recovery practices, in the event that CPPIB experiences a business disruption that affects the availability of its systems or office facilities.

Developing Talent and Maintaining our Distinctive Culture

Attracted, developed and retained a diverse and global workforce that embodies our Guiding Principles of Integrity, Partnership and High Performance.

> Added 244 people during the year, including 15 Managing Directors and Directors across the investment and core services departments.

> Expanded and improved our talent development initiatives including the launch of two new training programs to build talent from within: one for new graduates as they begin their career at CPPIB and another for experienced professionals as they advance towards a management role.

> Successfully filled leadership positions with internal candidates including the position of Senior Managing Director & Global Head of Private Investments.

> Reinforced and renewed employee commitment to our unique culture through the annual Living our Guiding Principles sessions held across the entire organization.

Our Mission and Investment Strategy

HOW WE MANAGE THE CPP FUND

BACKGROUND

The money used to pay CPP benefits comes from two sources:

> The contributions made by employers and workers, based on earnings; and
> Investment returns on the CPP Fund.

At its inception in 1966, the rate of contributions was set quite low but with the expectation that it would rise over time. Despite several contribution rate increases due to changes to demographic assumptions, by 1997 serious concern had arisen about the long-term viability of the CPP. In response, the federal and provincial governments worked together to place the CPP on a more secure financial footing, through a mechanism designed to set contribution rates at a long-term, stable level, and by broadening the permitted assets of the CPP Fund beyond the non-marketable Canadian federal, provincial and territorial bonds that had been issued for CPP funding purposes.

One of the most significant outcomes of the 1997 reforms was the creation of the CPP Investment Board to take over investment management of the CPP Fund. Operating as an independent organization, our single purpose is to generate investment returns that will help sustain the Canada Pension Plan indefinitely into the future.

Since our establishment, we have built a professional investment organization and executed an investment strategy that, together with contribution net inflows of $68.5 billion, have resulted in the Fund growing from the $36.5 billion in CPP bonds that we inherited in 1998 to a current value of $264.6 billion, invested in a wide range of assets across the globe.

With its breadth and depth of expertise, our dedicated team is fully capable of handling the substantial growth of the CPP Fund that is anticipated. But managing a fund successfully is not just about investment skills and techniques – it is also about the culture of the enterprise.

We have developed a strong and unifying culture whose foundation is our Guiding Principles – *Integrity, Partnership and High Performance*. All new employees receive in-depth orientation and training on the meaning and consequences of our Guiding Principles. In addition, all staff attend an intensive workshop once a year devoted to discussing the Principles and reinforcing their use in everyday duties. Our regular performance reviews include a rating on how well employees demonstrate these principles.

OUR INVESTMENT OBJECTIVE

We are governed by the *Canada Pension Plan Investment Board Act*. It directs us to invest *"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."*

The Act sets no specific investment requirements. There are no geographic, economic development, or social limitations. The federal and provincial finance ministers are the stewards of the CPP Fund but they do not direct us to follow any particular investing path. As a result, we have a clear and unambiguous investment objective as set out above.

Over the years, we have continued to evolve our internal capabilities and global opportunities as the Fund has grown. As described later, we are now making further enhancements to our investment strategy that will take the management of the Fund into the next phase of its evolution.

OUR INDEPENDENCE IS KEY

Canadians expect the CPP to remain free from political interference. Under the 1997 CPP reforms, the federal and provincial finance ministers enshrined that independence with carefully written legislation. It ensures that we operate at arm's length from any government.

CPP Fund assets cannot be used for any purpose other than paying CPP benefits and related administration costs. We make decisions based solely on investment considerations for the long-term benefit of the CPP – we are not influenced by any other political or policy objective.

To maintain the public's trust, we operate in an accountable and highly transparent way. This includes:

> Continuous disclosure of our investment activities;
> Timely reporting of our performance results; and
> Full compliance with all legislative requirements, such as public meetings every two years.

CPP members can take comfort knowing the 1996–97 reforms cannot easily be changed. Amendments to the governing legislation require agreement by the federal government plus two-thirds of the provinces representing two-thirds of the population. This is a higher requirement than for changes to the Canadian Constitution.

WHAT DIFFERENTIATES US

The nature of the CPP Fund, our expertise, our culture and the strategic choices we make provide us several comparative advantages. While no single advantage is unique to our organization, they reinforce each other to build a strong foundation for our investment programs and global competitiveness.

OUR BUILT-IN ADVANTAGES

The nature of the CPP Fund gives us three distinct structural advantages:

Long horizon – By law and its purpose, the CPP must serve Canadians for many generations to come. As a result, the CPP Fund has an exceptionally long investment horizon. We assess our opportunities, returns and risks over decades, not years or months. Other market participants are often forced to take a short-term approach because of business pressures or legislation. We can benefit from the opportunities these short-term investors create. We can also take advantage of investments they ignore or that are not available to them.

Certainty of assets to invest – The CPP Fund's cash flows and future asset base are very certain and stable. We do not need to sell off investments to pay CPP benefits, nor do we need to provide cash for any other purpose. Nevertheless, we always maintain a level of available cash resources to make major new investments and to adjust the total portfolio mix at any time.

Scale – As one of the largest retirement funds in the world, we can access major opportunities globally that few others can compete for. We are able to make substantial investments in private markets, and engage in public market strategies that are not readily accessible to all investors. Our size also enables us to build highly skilled in-house investment teams and the best investment technology and operational capabilities. By handling many of these activities ourselves, we ensure we have the most cost-effective global investing platform.

OUR STRATEGIC ADVANTAGES

The choices we make as an organization afford us three key strategic or developed advantages:

Internal expertise – Our world-class investment team has considerable depth, experience and expertise. We are able to attract high-calibre international professionals who recognize and appreciate the organization's global reputation; a strong, principled culture; and a critical purpose.

Expert partners – We also benefit from the expertise of top-tier external partners to complement our internal capabilities. They offer access to well-researched investment opportunities and provide in-depth analysis, experience and ongoing management services. In turn, they value us as a highly knowledgeable investor and a trusted financial partner.

Management of risk and return – In managing the CPP Fund's investments we take what we call a *Total Portfolio Approach*. A full explanation of this begins on page 35. It is a way of investing that looks beyond labels such as "equity" and "fixed income." Instead, we determine the true underlying risk and return characteristics of each investment and program. This allows us to manage the overall portfolio with more insight and precision.

CURRENT AND PROJECTED STATUS OF THE CPP FUND

Every three years, the Chief Actuary of Canada reviews the contribution rate required to sustain the CPP over the next 75 years. This review takes many factors into account, including:

> The growing base of contributors and earnings;
> The rising number of pensioners compared to employees, as baby boomers retire; and
> Increases in life expectancy.

The most recent actuarial review was conducted as of December 31, 2012, and released in December 2013. It again concluded that the CPP can maintain pension benefits by keeping contributions at the current legislated rate of 9.9% of covered earnings – an amount shared equally between employees and employers.

A key assumption is that CPP Fund investments will earn a compound rate of return, after all investment costs and operating expenses, of 4.0% per annum above the rate of consumer price index inflation.

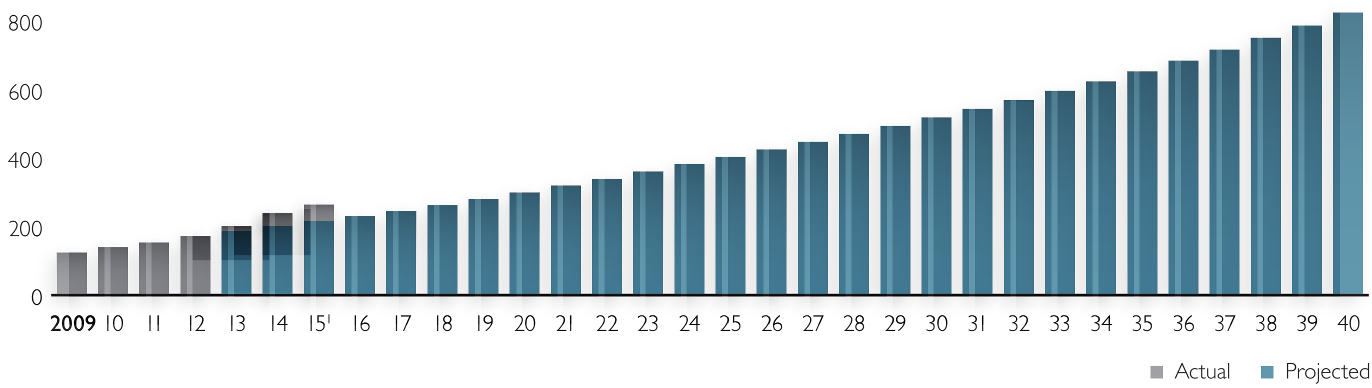
Based on very long-term projections, the Chief Actuary estimates that employer and employee contributions will cover 75–80% of future CPP benefits, with investment returns covering 20–25%, i.e. future contributions are three to four times as important as investment returns in sustaining future CPP benefits. This balance contrasts with conventional fully funded defined benefit pension plans where investment returns are the dominant source for long-term benefits.

While the CPP's sustainability does depend on meeting or exceeding long-term investment goals, the contribution/returns balance in its financing means that fluctuations in short-term returns generally have only a modest effect on the Chief Actuary's assessment of the minimum contributions required. This characteristic of resilience in required contributions is a key factor when we determine the prudent risks we can take when seeking to maximize long-term returns.

The Chief Actuary has projected that CPP contributions will exceed annual benefit payments until 2023. The CPP is then expected to begin using a portion of the Fund's investment earnings to supplement the contributions. The chart below shows the actual value of the Fund assets and the Chief Actuary's projected values.

HISTORY AND PROJECTIONS OF THE CPP FUND

As at December 31 ($billions)



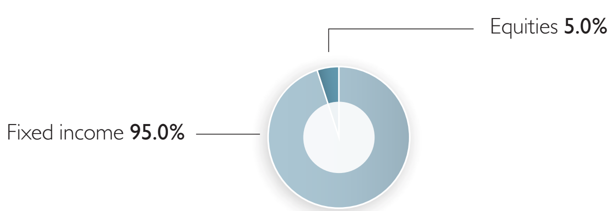
The December 31, 2012, review projected that the CPP Fund will grow to approximately $300 billion by 2020. At a current value of $264.6 billion, the Fund is well on track towards that level.

[1] Table modified by CPPIB to show fiscal 2015 actual assets under management, as at March 31, 2015.

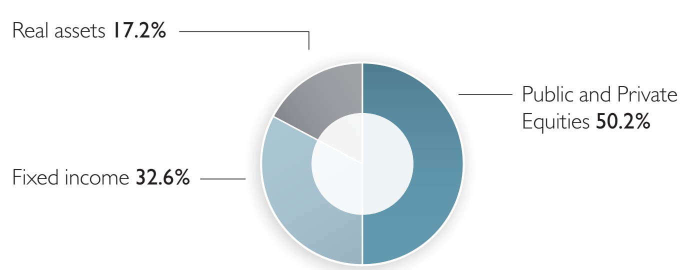
HISTORICAL ASSET MIX COMPARISON

As at March 31

2000: $44.5 billion



2015: $264.8 billion



OUR INVESTMENT STRATEGY

The objective of our work is to earn enough from Fund investments to help keep the CPP on a solid financial footing well into the future. In this section, we explain our approach to investing. We begin with a brief history of how the investment strategy has progressed over the years.

OUR INVESTMENT HISTORY

Before CPPIB started managing the investments of the CPP Fund, the Fund consisted of only Canadian federal, provincial and territorial bonds that were not traded on the open market.

In 1999, CPPIB commenced operations and we began a series of programs to achieve higher long-term investment returns. Here are the highlights of the steps taken:

1999:
Invested for the first time in publicly traded Canadian and foreign stocks, by mirroring broad equity market indexes.

2001:
Launched private investing programs.

2003:
In-house investment staff took on the management of our index-based equity portfolios.

2004:
Started investing actively in equities and acquired our first infrastructure assets, such as highways, electrical systems and ports.

2005:
The government removed all limits on Canadian pensions and retirement funds' investments in international assets.

We started increasing our investments in both developed and emerging economies. This broadened diversification reduced our dependence on the narrowly based Canadian economy and capital markets.

2006:
Made the strategic decision to move away from index-based investments towards a more active investment approach. The intent is to seek returns higher than those available from passive investments, as expressed in the benchmark low-cost Reference Portfolio, by capitalizing on our comparative advantages.

2007:
To maintain the desired balance of equity and debt investments in our total portfolio, we began building major holdings of government bonds (beyond the legacy CPP bonds inherited from 1998). These holdings mirrored market indexes.

2009–2014:
Expanded into private debt and commercial property mortgages (2009), intellectual property, such as drug patent royalties (2010), agricultural land and other resource holdings (2013), and thematic investing (2014).

Over the past three years, we have also broadened the range and size of public market holdings that our external partners manage for us.

THEMATIC INVESTING
In Thematic Investing, the investment team first identifies a major structural change or a broad trend that is expected to evolve and affect security prices significantly over many years. The team then determines the asset classes, industries and companies expected to gain or lose from this evolution, and constructs portfolios accordingly.

No matter what form individual investments take, at the total portfolio level we always:

- Maintain a long-term perspective;
- Determine the risk-appropriate level of exposure to equity markets to benefit from general economic growth. We can do this either by owning company shares or indirectly through other forms of assets;
- Diversify among types of assets with different drivers of return and risk, to reduce overall risk while enhancing potential returns;
- Invest in many countries of the world, to participate in global growth and reduce the CPP Fund's dependence on returns in any one country, currency or region;
- Access private markets and specialized areas that are well-suited to our comparative advantages, to earn additional risk-adjusted returns for the Fund commensurate with the risks involved;
- Deploy capital strategically as economic and market cycles evolve; and
- Engage with corporations as a major shareholder, to seek improved practices with better long-term outcomes for the benefit of the Fund and all stakeholders. Our approach to investing has steadily progressed over the years.

The past two years have seen further deliberate and logical evolution in our overall investment strategy, which we explain starting on page 31.

HOW WE CREATE VALUE FOR THE CPP FUND

Our strategic choice in 2006 to manage the Fund actively was not made lightly. Many investors seek above-market, risk-adjusted returns. Few consistently achieve them.

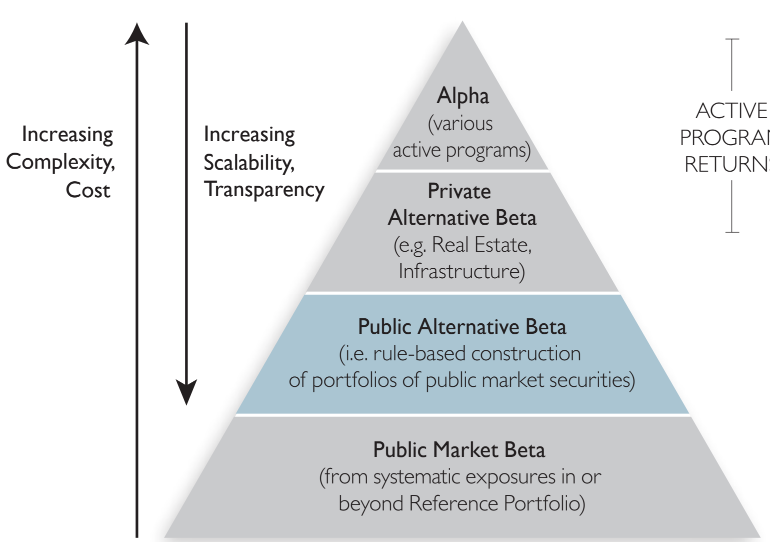
Active management increases costs and complexity, and introduces additional risk factors. Our managers must continually assure themselves and the Board of Directors that they can expect sufficient additional returns over the long term to justify active management. And to sustain long-term success in active management we must be thoughtful, patient and disciplined. We must also retain strong internal expertise, use complementary external expertise, and strive for operational excellence.

SYSTEMATIC AND NON-SYSTEMATIC RISK

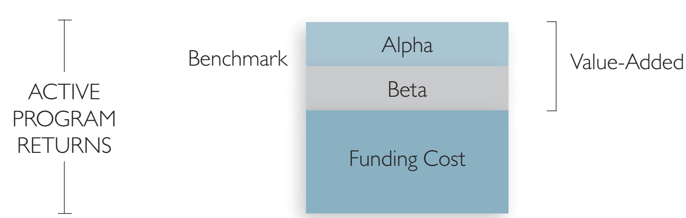
Investors face two general types of risk: systematic and non-systematic. Systematic risks stem from common factors that affect all investments of a particular type. The market returns from systematic risk are often called "beta". Non-systematic risks are the risks introduced by specific investments and the manager's decisions. The returns from non-systematic risks are often called "alpha". Diversification of the total portfolio can reduce overall systematic risk but cannot eliminate it. Diversification within specific investment types reduces non-systematic risk but it also reduces potential alpha.

Clearly, we must understand the sources of the returns from active management. For each investment program, we identify a market index or blend of indexes that best represents the nature of the holdings in the program. The return on this index is systematic, i.e. beta. The value added by management, i.e. alpha, is the excess return of the program over its benchmark return.

ALPHA/BETA SOURCES OF RETURN



ALPHA AND BETA VALUE-ADDED RETURNS



We assign a benchmark to each investment program to determine how much management is contributing to its total return. The benchmark is a market index or blend of indexes that best represents the nature of the holdings in the program. The value-added by the managers, what is called alpha, is the excess return of the program over its benchmark return. The beta value-added by the program is the excess of the benchmark return over the program's funding costs. This is the foregone returns of investments appropriate to fund the investment purchases in the program.

Total portfolio returns are driven by three key components:

> Asset diversification
> Investment selection
> Strategic management activities

Here is a closer look at the ways we use active management to create value for the CPP Fund.

1. ASSET DIVERSIFICATION

We seek sustainable returns by investing significantly in all major asset classes around the world. There are three major sources of potential beta returns:

a) **Public markets.** We seek to profit from economic growth by having ownership in, or lending to, public corporations around the world. The Investment Portfolio also has meaningful holdings of government bonds.
b) **Private alternatives.** We invest in privately held companies and private debt, which carry illiquidity, credit quality and management premiums. We likewise take ownership or debt interests in "real assets." These include real estate, infrastructure, agricultural land and natural resources.
c) **Public alternative beta.** Public equities are exposed to a number of systematic risk factors. These include the sector or industry; the company's capitalization; and its value, growth or volatility characteristics. We can better capture the returns associated with these risks through structured portfolios that deviate from market weights.

2. INVESTMENT SELECTION

Investment managers can generate value-added returns through their investment skills, whether markets are rising or falling. Such pure "alpha" return is extremely valuable as it adds relatively little to total risk in the portfolio. We deploy numerous strategies to earn this extra return, including:

a) Taking advantage of special opportunities available only to large, sophisticated investors. Alone or with partners we can access, structure and carry out major transactions globally in private equity, principal lending, infrastructure and real estate.
b) Buying individual public securities that outperform the assets we sold to finance them. We take long positions in assets that are expected to grow and short positions in assets that are set to decline. Our Global Corporate Securities group, Relationship Investments group and select external specialist managers supply this expertise. Similarly, skilled selection of private investments can yield gains to above-average expertise.
c) Structuring the simultaneous buying and selling of very similar assets to profit from price differences. This activity allows us to capture additional returns with little additional risk. Our Global Capital Markets and Short Horizon Alpha groups are specialists in this area.
d) Changing our investment mix in anticipation of relative price movements within specific areas such as currencies, equity markets, bond markets and commodities, or across asset classes. Our Global Tactical Asset Allocation group and select external managers provide the tactical skills for this strategy.
e) Investing through "themes," by anticipating structural changes and secular trends such as demographic shifts or alternative energy. These changes are expected to affect security prices significantly and differentially over a long horizon. We then develop investment portfolios to capitalize on these trends.

3. STRATEGIC MANAGEMENT ACTIVITIES

We seek sustainable value creation over decades into the future. While this principle runs through all of our investing activities, three aspects are particularly relevant:

a) We anticipate global economic trends and broad market developments over a five- to 10-year horizon. We are prepared to adjust total portfolio mix, and total risk if justified, to capitalize on these medium- to long-term expectations. We call these "strategic tilts."
b) We regularly review the underlying thesis and execution of all active management programs to assess whether they can still be expected to deliver meaningful and sustained net risk-adjusted value.
c) We play an active role, as engaged owners, in our direct equity, real estate and infrastructure investments. These investments make up more than 45% of the total portfolio. Active involvement is especially critical when we have significant ownership in private companies and partnerships. In some cases we have representation on the board. We are also active owners when it comes to our long-term holdings in many public companies. When we see an opportunity or need to improve a company's long-term corporate performance materially, we will act – either alone or with like-minded investors. We are prepared to support companies with sound long-term strategies in the face of short-term activists' attacks. These actions can be a powerful counterweight to prevailing short-term pressure in markets, to the benefit of the Fund and all stakeholders.

Our view on currency hedging

Many pension funds use substantial currency hedging to stabilize the values of their international assets in Canadian dollar terms. But hedging has a financial cost. And when the Canadian dollar depreciates, hedging requires setting aside cash or generating it quickly to meet hedging contract obligations.

We believe extensive hedging of foreign investments is not appropriate for the CPP Fund for the following reasons:

1. We do not expect exchange rate movements to significantly affect ex-inflation returns of the Fund over the long term, because the Fund holds such a widely diversified set of currencies.
2. The cost of hedging currencies of many developing countries is prohibitively high. And if these countries increase productivity and economic growth, their currencies will tend to strengthen.
3. As we have often seen, the Canadian dollar is strongly linked to the price of oil. In principle, it is prudent to diversify away from a currency under such a singular and uncertain influence.
4. When the Canadian dollar strengthens against other currencies, the Canadian economy will likely also get stronger. That also means increased earnings for CPP contributors. As earnings rise, so do contributions to the CPP. This represents a natural hedge, reducing the need for explicit currency hedging of the CPP Fund's foreign investments.

For the most part, we do not hedge foreign holdings exposures to the Canadian dollar. In years of major currency moves, total performance of the CPP Fund may not keep pace with funds that have a policy of hedging to a much greater degree. This effect can work in either direction. For example, when the Canadian dollar strengthened in fiscal 2010, the Fund experienced losses of $10.1 billion in the Canadian dollar value of our foreign holdings. On the other hand, since fiscal 2010, we have realized gains of $16.1 billion including $9.7 billion in fiscal 2014 and $7.8 billion in fiscal 2015 as foreign currencies strengthened against the Canadian dollar as a result of stronger economic activity in the U.S. and U.K. contrasted against continued low economic growth in Canada.

The importance of private markets

Capitalizing on our advantages, CPPIB has made a major commitment to investing in private markets. Over the long term, many private markets are expected to provide better returns than the nearest public equivalents. With the potential for large transactions, private markets fit CPPIB's scale advantage especially when these investments are not accessible to most public market investors. Our long investment horizon also applies as we are well positioned to capture the premium for illiquidity associated with private investments. In addition, private investments work to further diversify and strengthen the resiliency of our portfolio resulting in less volatility over time, even if the value of those assets increase over a longer duration.

The chart below shows the growth of our private investing programs.

GROWTH OF PRIVATE INVESTING PROGRAMS

ASSET TYPE ($ billions)	March 31 2005	2010	**2015**
Private equity	2.9	16.1	**50.6**
Real estate	0.4	7.0	**30.3**
Infrastructure	0.2	5.8	**15.2**
Private debt	0	0.9	**7.6**
Private real estate debt	0	0.3	**3.8**
TOTAL	3.5	30.1	**107.5**
% OF FUND	4.3%	23.6%	**40.6%**

The role of public markets

We also invest actively in global public markets, which provide both returns and liquidity to the Fund. We do this through our in-house investment teams and carefully selected external partners whose expertise complements our in-house capabilities.

With many of these programs, we take long positions in assets that are expected to grow and short positions in assets that are expected to decline. As a result, they have a greater impact on the Investment Portfolio than their total net assets may suggest.

In order to compare them fairly with the rest of the Fund, we calculate the amount of risk-equivalent assets under management these programs would represent. See page 55 for more detail. The chart below shows the growth of our active public market investments using this measure.

GROWTH OF PUBLIC MARKET INVESTMENTS IN ACTIVE PROGRAMS

ASSET TYPE ($ billions)	Fiscal Year 2005	2010	**2015**
Implied Assets Under Active Management	1.4	16.2	**52.9**

THE BENEFITS OF MANAGING THE FUND USING OUR INTERNAL EXPERTISE

Because of our size, we can maintain expert internal teams to manage large parts of the CPP Fund. This has two main benefits.

First, it lowers management costs. We often carry out activities similar to those of external management firms at a fraction of the cost. Every dollar saved is additional net income for the Fund – and much more certain than a dollar of possible return. You will find more on how we control costs in the Managing Total Costs section on page 53.

The second benefit comes from the depth of expertise that we bring to assessing investments and strategies:

> All groups in our Public Market Investments department have specialized trading and structuring capabilities designed specifically for our programs;

> Our External Portfolio Management group has the experience and knowledge needed to evaluate the flow of emerging strategies and managers. This enables us to distinguish those opportunities with a solid case for significant and sustainable future returns;

> Our Relationship Investments group brings the management experience needed to contribute in a major way to the corporate growth and operational strategies of carefully selected companies in which we take a substantial stake; and

> The professionals in our Real Estate Investments and Private Investments departments give us the ability to access and engage with expert partners in private markets.

Our success depends on the reputation and skills of our internal teams. However, we also engage and value highly well-aligned external partners who provide access and specialist capabilities for major private investments and emerging public market opportunities.

Many investors are at a disadvantage because the external managers they appoint are far more knowledgeable and better qualified than their in-house staff. At CPPIB, our teams are highly skilled and have the capabilities to work with our world-class partners as mutually respected peers.

HOW WE MAINTAIN ACCOUNTABILITY

We assign accountability for the performance of the CPP Fund through a process we call the Risk/Return Accountability Framework. For the fiscal years 2007 to 2015, this framework has had two primary Board-approved elements:

1. The Reference Portfolio. This is a simple, low-cost and globally diversified portfolio of public market equity and debt indexes, which sets the long-term performance benchmark and also the default economic, currency, geographic and sector exposures for the Investment Portfolio.
2. The Active Risk Limit. This sets the maximum risk arising from deviations of the Investment Portfolio versus the Reference Portfolio that management is permitted to take on.

As part of our planned multi-year evolution, we have updated the Risk/Return Accountability Framework for fiscal 2016 as further discussed on page 31.

The Investment Planning Committee (IPC) is responsible for controlling overall portfolio composition risk within the framework outlined above. Also, each year, it approves the investment plans and annual risk budget for all investment departments, as well as for its own investment programs, and evaluates each department's business plan for CEO approval.

The committee issues comprehensive quarterly reports on the Investment Portfolio enabling the Board to monitor:

> Portfolio growth and composition;
> Management's progress against the year's investment plans;
> Risk measures, and individual program contributions;
> Total returns, and individual program contributions; and
> Value-added versus the Reference Portfolio.

The diagram below summarizes Board and management accountabilities:

RISK/RETURN ACCOUNTABILITY FRAMEWORK

Accountability	Risk/Return 2015
Board of Directors[1]	• Reference Portfolio • Active Risk Limit
Human Resources and Compensation Committee[1]	Active program benchmarks and incentive frameworks
Investment Planning Committee (advised/implemented by Total Portfolio Management department)	Departmental asset and risk targets; active program approvals and funding; total portfolio risk management Beta Value-Added → Total DVA ← Alpha Value-Added
Investment Departments	Execute investment strategies and active programs to generate alpha and beta

[1] Approval of management recommendations.

Here are the specific management accountabilities for risk undertaken and returns achieved:

INVESTMENT PLANNING COMMITTEE

The Investment Planning Committee is accountable for:

> Establishing and maintaining targeted systematic risk exposures of the Fund;
> Controlling total portfolio risks within any limits set by the Board;
> Decisions to add, increase, decrease, or end investment programs;
> Assigning and approving investment mandates for each active program; and
> Strategically important investments that lend themselves more to central accountability than a particular investment group.

In addition to the foregoing controls, the Investment Risk group within the Finance, Analytics and Risk department provides the IPC with other risk assessments, including stress tests to estimate the potential impacts of major events. For example, we model the potential impact of incidents similar to the 1987 equity crash, the emerging markets currency and debt crisis of 1997–98, and the global financial crisis of 2008–09. We continue to develop new risk models to estimate long-term risk better and enhance our strategic decision-making.

The IPC's measures of success are:

> The long-term absolute returns on the Investment Portfolio;
> The total net dollar value-added relative to the Reference Portfolio; and
> The net dollar value that each active program adds, over its funding costs.

Using Value at Risk measures, our risk management also recognizes the important factor of credit risk. This is an estimate of the potential losses if other parties default on loans we have made. We also consider counterparty risk. This predicts the impact if other parties in financial contracts fail to meet their financial obligations to CPPIB.

The IPC sets policies and procedures to control credit risk and counterparty risk at the overall Fund level.

INVESTMENT DEPARTMENTS AND GROUPS

Each investment department or group is accountable for:

> Efficient execution of active portfolio management programs within their mandate; and
> Its decisions to propose or reject new strategies and to undertake individual investment transactions.

The primary numeric measure of investment success for each department or group is its alpha contribution – the dollar value they added, after all costs, compared to their approved benchmark.

HOW WE MEASURE AND COMPENSATE PERFORMANCE

Each year, the Human Resources and Compensation Committee (HRCC) of the Board of Directors approves the compensation structure for all levels of employees. It ties incentive compensation to the following elements:

1. Total Fund investment results relative to the Reference Portfolio;
2. For investment departments and groups, the value-added versus investment program benchmarks; and
3. Individual performance.

You can read full details of our compensation system in the Compensation Discussion and Analysis, beginning on page 75.

For incentive compensation purposes, we calculate Fund and investment program returns after deducting all investment costs, external manager and other fees, and internal operating expenses (for each program including both its direct costs and attributed costs for oversight, management, operations and technology).

For benchmarking department or group investment performance results, we generally use public market indexes specific to each investment program. When these are not available or representative enough, the performance of comparable investors may be approved as a standard.

HOW WE SET BENCHMARKS AND TARGETS FOR COMPENSATION

The Total Portfolio Management department identifies benchmarks that best represent each active program and are operationally feasible. They do this independently of any investment department. They recommend these benchmarks for approval by the Investment Planning Committee and then the HRCC.

They also recommend competitive value-added targets that reflect:

> The intended scope and focus of decision-making and investment selection;
> The degree of risk inherent in the program. There should be no incentive to earn additional compensation simply by taking on more risk;
> The return that might reasonably be expected for the projected risk; and
> The range of results achieved by external managers in the same or a related field.

Our external auditors examine the methods and results for actual and benchmark returns and report their findings to the HRCC. An independent advisor has confirmed that our processes meet or exceed the standards in the G20 Principles on Compensation in Financial Services.

We describe below specific benchmarks used for individual investment programs. In all cases, we adjust the benchmark returns to remove the influence of currency fluctuations, since currency management is conducted at the total portfolio level.

Public Market Investments: Most active programs in the department are intended to generate returns that are independent of market movements. At the start of each year, we set dollar targets for the degree of risk each of these programs is expected to take. Certain programs that use external managers may involve significant systematic risks. In these cases, we assign an appropriate benchmark index. In all programs, the amount of value managers are expected to add is based on competitive ratios of value added per unit of risk.

Private Equity: The underlying benchmark for each investment is the return on public large/mid-capitalization equity in the relevant region and sector. We then adjust this to a beta equivalent of 1.3, reflecting an estimated average 30% higher degree of long-term market risk in private than in comparable public companies. Reported returns for private companies tend to lag behind those of public companies. They also tend to be less volatile. Our benchmarks take these characteristics into account by using a weighted average of the quarterly public market index returns over the previous four quarters. This substantially improves tracking between private equity and public market returns without introducing any positive or negative bias over time.

Agriculture: There is no satisfactory published index that is sufficiently representative of this program. Therefore our benchmark is the return on a blend of equity and government bond indexes that represent an equivalent level of risk. As with Private Equity, we use a weighted average of the quarterly blended index returns for the previous four quarters to calculate the benchmark return.

Infrastructure: Each investment is benchmarked against a blend of indexes of public equities and government bonds. The equity weighting is based on the systematic risk of the investment's particular sector relative to the public equity index. We then adjust it to reflect the risk level of the specific investment within that sector. We average the returns on this benchmark over the latest eight quarters, to better track the pattern of actual reported returns without introducing any systematic bias over time.

Private Debt: The benchmark is a weighted blend of published indexes for high-yield debt and leveraged loans. The weights reflect the expected distribution of the portfolio holdings across types of loans or debt, credit ratings and regional composition.

Intellectual Property: The benchmark is a weighted blend of published U.S. high-yield and investment-grade intermediate-term bond indexes, and stock indexes for the U.S. healthcare, information technology, telecom and media industries. The weights reflect the expected distribution of the portfolio holdings for the fiscal year across types of royalty investments and quality classifications.

Private Real Estate Equity: The Investment Property Databank (IPD) maintains performance surveys for a variety of countries and regions. These are well-recognized results for comparable private real estate investments by institutions. We use returns from the relevant surveys as benchmarks for the regional and sector components of our real estate program. We then reduce these benchmark returns to take into account certain unavoidable expenses that are not included in the IPD calculations. Examples are land transfer and other taxes, acquisition costs and the basic portfolio management fees or costs.

Private Real Estate Debt: The benchmark is a weighted blend of market indexes of publicly traded corporate bonds and loans. These have comparable credit quality and term to maturity.

THE NEXT STEP IN THE EVOLUTION OF OUR INVESTMENT STRATEGY

In the 2014 fiscal year, the Board and management undertook an intensive review to decide where we should be headed with a view to the next decade. The review resulted in two principal themes:

1. Investments that carry higher risk are more volatile in the short term. However, they strongly correspond with higher returns over the long term. The CPP Fund has an exceptionally long-term horizon, as well as a certainty of assets and, in particular, the characteristic of resilience in required contributions noted on page 21. As a result, the Board concluded:

   We can and should seek higher returns by prudently raising our long-term return-risk profile. We will explicitly express overall risk appetite in our benchmark, the Reference Portfolio, which is described on page 32.

2. To prudently maximize long-term returns, it is critical to focus on total Fund returns, in particular through optimal diversification of the CPP Fund – in asset classes, geographies, currencies, active management strategies and underlying risk factors. At times, it is also critical to make strategic changes in portfolio composition to capture opportunities or protect the Fund. As a result, the Board concluded:

   We can and should focus on total returns, not simply value-added versus the benchmark Reference Portfolio. This requires a balance of optimal asset diversification and strategic exposure shifts, as well as investment selection.

   Correspondingly, our risk focus should be on the overall total risk we believe is appropriate to take over the long term in the CPP Fund, rather than active risk from deviations versus the Reference Portfolio.

The Board and management then developed a multi-year business plan based on these themes. This year, we began implementing that plan. It involves incrementally and prudently shifting the Investment Portfolio along the return-risk spectrum commensurate with our expressed risk appetite. It also involves changing processes to clarify and align investment activities with the greater focus on total returns.

We will explain the plan more fully below. But first, we answer a key question: Why are we taking this step?

WHY OUR INVESTMENT STRATEGY IS EVOLVING

We start with the best interests of current and future beneficiaries. Our mandate is to maximize the return on CPP Fund investments, without undue risk of loss. The steps we are taking will help us achieve that mandate.

Suppose we generate significantly higher net returns than required simply to sustain the CPP at its current levels of benefits and contributions. If other assumptions turn out as projected, that gives options to the CPP stewards. They could:

> Retain an additional margin of safety in the CPP finances;
> Reduce contribution rates; or
> Increase benefits.

A long-term net real (ex-inflation) annual return of 4.0% is assumed by the Chief Actuary in assessing the sustainability of the CPP. Based on current projections, if we could increase that return by one percentage point per annum over the long term, the contribution rate could eventually be reduced from 9.9% of covered earnings to 9.4%, equivalent to a combined savings to employees and employers of more than $2 billion annually at current earnings levels. Alternatively, the additional returns could be used to increase benefits or enhance Fund sustainability.

Turning to the control of risks, the future framework will provide more precise and comprehensive risk limits that are aligned more directly with the shift in focus. This is clearly appropriate when moving up the return-risk spectrum. At the same time, the framework will retain clear and sufficient latitude for management to apply its full expertise to direct the day-to-day management of the Fund in the most productive way.

KEY COMPONENTS OF OUR INVESTMENT STRATEGY GOING FORWARD

A key part of the upcoming multi-year evolution involves updating what we call our Reference Portfolio. It is the benchmark we use to gauge the performance of the Investment Portfolio, and in future the tool we use to express the total risk appetite for the Fund. The future investment strategy also involves creation of two new tools to guide our investment choices: the *Strategic Portfolio* and the *Target Portfolio*.

The last element is modification of our *Total Portfolio Approach*. We explain these four principal components:

1. THE REFERENCE PORTFOLIO

When we began actively managing the CPP Fund in 2006, one of the first things we did was design a benchmark called the *Reference Portfolio*. It was a simple and readily investable portfolio expected to deliver at least the 4% net real return over the long term assumed by the Chief Actuary, and its composition has evolved over time through triennial reviews.

The Reference Portfolio comprises only public market equities and bonds represented by broad market indexes that can be invested in at minimal expense. While it has maintained a 65% equity/35% total debt mix throughout, its Canadian equity content has steadily diminished as we have developed global capabilities to deliver soundly based diversification of the Fund in a wider variety of asset classes.

We are making two important updates to the Reference Portfolio:

First, the role of the Reference Portfolio will be shifted to explicitly express the prudent appetite for total risk of the Investment Portfolio on average over the long term. Until the end of fiscal 2015, the total risk of our actual Investment Portfolio was a combination of two things:

> The risk created by the Reference Portfolio holdings; and
> The "active risk" introduced whenever Fund holdings deviated from the Reference Portfolio.

This created an intended gap between the return-risk profiles of the Reference Portfolio and the actual Investment Portfolio. In fiscal 2015, the Reference Portfolio had a composition of 65% equities and 35% debt. The actual Investment Portfolio risk, including active risk, mirrored that of a portfolio with 72% equity and 28% debt.

In the future, our total risk appetite and benchmark for the CPP Fund will be the same as that of the Reference Portfolio. The actual Investment Portfolio may have more or less risk than the Reference Portfolio, but maintained within limits described below.

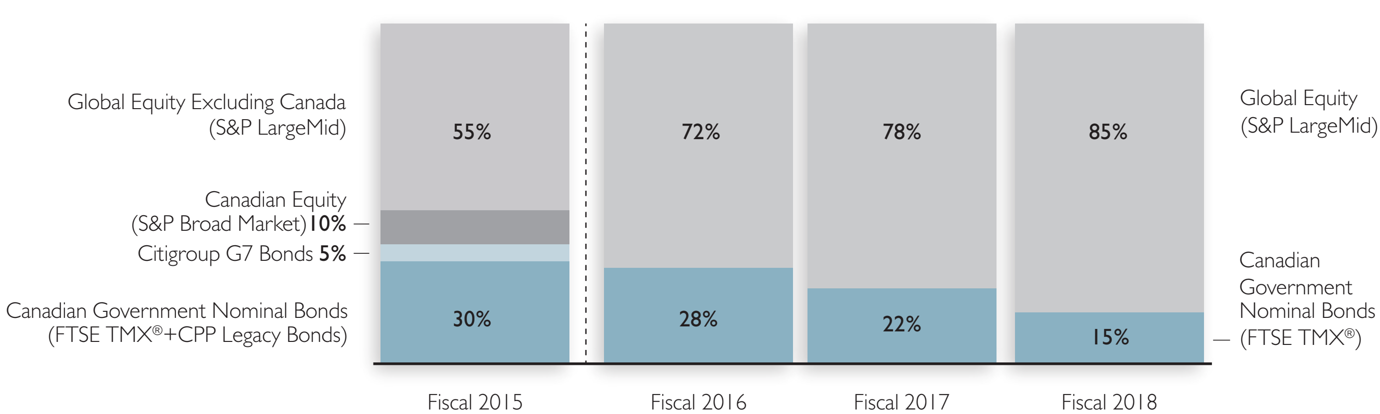
Second, in recognition of the changed role of the Reference Portfolio, we have chosen to simplify the Reference Portfolio to just two asset classes: global equities, and bonds issued by Canadian governments. (We use nominal bonds – ones whose pay-outs are not adjusted for inflation.)

"Global equities" includes both developed and emerging markets, and takes into account their evolving market capitalization. It also includes Canadian equities. In the future, the composition of the S&P Global LargeMidCap equity index will determine the weighting of Canadian equities in the Reference Portfolio. As of March 31, 2015, this market weighting was approximately 9.4%. However, the actual Investment Portfolio will likely continue to contain a higher percentage of exposure to Canadian equities, as we take advantage of our home-country knowledge and access.

A SHIFT ALONG THE RETURN-RISK SPECTRUM

We will make the shift in the return-risk profile of the Fund in a prudent and gradual manner, moving to a Reference Portfolio that is comprised of, and expresses a risk appetite equivalent to that of 85% global equities and 15% Canadian nominal bonds. The chart below shows the planned

REFERENCE PORTFOLIO



Reference Portfolios for the upcoming three fiscal years: It is important to note that matching the risk of a Reference Portfolio of 85% equity and 15% debt does not mean that we will simply increase the percentage of public equity holdings in the actual Investment Portfolio. This is because higher return-risk exposures do not only come from public equities in order to achieve risk equivalency. Rather, equivalency can be generated from a variety of different investments, each of which fits our portfolio and offers attractive returns, such as:

> Replacing publicly traded companies with privately held ones;
> Substituting some Canadian government bonds with higher-yielding credits in private debt;
> Real estate development;
> Greenfield infrastructure projects; and
> Increased participation in emerging markets.

We can balance these investment programs with stable, income-generating assets like:

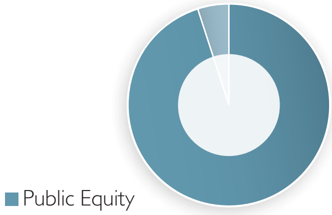
> Core real estate
> Basic infrastructure
> Farmland
> Intellectual property royalties
> Life insurance contracts

The result is a highly diversified portfolio at the intended total risk level, but one that is much more robust and we believe resilient under a wide range of future economic and market circumstances than a simple portfolio of 85% public equity and 15% government bonds.

CHARACTERISTICS OF INVESTMENT PORTFOLIO WITH HIGHER RETURN-RISK PROFILE

Simple Portfolio in Two Asset Classes

Risk Contributions



Illustrative CPP Portfolio in Multiple Asset Classes

Risk Contributions

	Simple Portfolio in Two Asset Classes	Illustrative CPP Portfolio in Multiple Asset Classes
Risk Equivalence	85/15	85/15
Active Programs Contribution	None	High
Public Equity Allocation	High	Low
Diversification	Low	High
Comparative Advantage Alignment	Low	High
Loss Potential	High	Moderate
Best Return-Risk	**No**	**Yes**

Acceptable increased volatility

As we increase expected long-term returns, we expect some increase in year-to-year volatility. We believe this can be intentionally accepted and absorbed given the CPP Fund's structural advantages of an exceptionally long investment horizon and asset certainty, and the resilience of the CPP contribution rate.

After the Chief Actuary's next triennial review is published, we will review the Reference Portfolio weights and asset classes for fiscal 2019 and beyond, to affirm or modify the total Fund performance benchmark and the appropriate level of total risk for the long term.

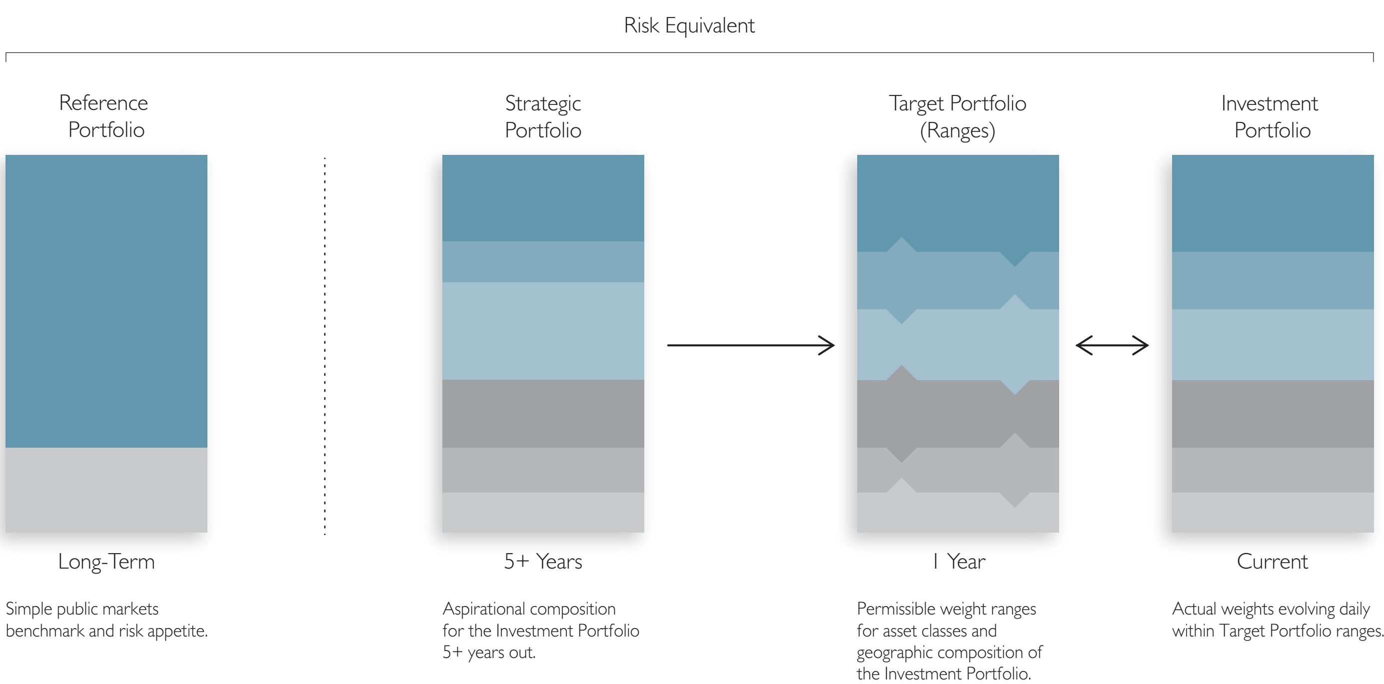
2. THE STRATEGIC PORTFOLIO

In fiscal 2016, we will introduce a new tool we call the *Strategic Portfolio*. While the Reference Portfolio is the performance and risk benchmark we will measure ourselves against, the Strategic Portfolio is our long-term vision for the asset diversification of the Investment Portfolio five or more years into the future.

We will design the Strategic Portfolio from a highly diversified mix of investments and absolute return strategies. The combination can be expected to maximize long-term returns, with the same total risk level as the Reference Portfolio, but greater robustness to varying circumstances. It will be expressed as percentage weights of the Investment Portfolio in six distinct public and private asset classes that we can use to define all of our portfolio holdings. It will recognize that some investment strategies contribute significantly to total risk even when they make up a small portion of net assets. The Strategic Portfolio has no investment restrictions other than the market limitations facing a fund of our size. It will also set out our long-term plan for allocating assets to geographic regions. And, it will provide our vision to guide the development of concrete business plans beyond 12-month cycles.

We will review the Strategic Portfolio every three years, unless market conditions warrant an earlier review. This is the same time frame as the Reference Portfolio review. The Strategic Portfolio will be a roadmap to guide the choices we make as the CPP Fund continues to grow, seeking higher returns in the best diversified manner possible given our resources and capabilities.

ELEMENTS OF ENHANCED INVESTMENT FRAMEWORK



3. THE TARGET PORTFOLIO

Each year, starting in our 2016 fiscal year, we will steer the investment of funds for each asset class and geographic area using a new tool called the *Target Portfolio*. While the Strategic Portfolio is a long-term plan for reaching our goals, the Target Portfolio is our plan for how we will actually invest assets today and over the fiscal year.

Using the same classifications as the Strategic Portfolio, the Target Portfolio will define the percentage weight ranges within which we expect the asset class and geographic composition of the Investment Portfolio to evolve over the year. While the aspirational Strategic Portfolio will strongly influence these ranges from the top down, determining them must also take into account the practical business and investment plans of each investment department and group in the current market environment.

STRATEGIC AND TARGET PORTFOLIO CONTROL CLASSIFICATIONS

Asset Class
Public Equity
Private Equity
Public Fixed Income (high-quality government issues)
Credit Investments (private debt and public fixed income excluding high-quality governments)
Real Assets (public and private, including real estate, infrastructure, agricultural land)
Cash and Absolute Return Strategies

Geographic Region
Americas Developed Markets
Europe, Middle East and Africa Developed Markets
Asia Pacific Developed Markets
Emerging Markets

As we have always done, we will only invest when there is a reasonable prospect of an appropriate risk-adjusted return. We will also compare expected returns to the returns foregone on the investments that might have been expected to be held had the new investment not been undertaken (we call this the opportunity or "funding cost"). We never make an investment simply because it fills a gap in a particular class or geography of investment.

At the same time, the Target Portfolio will ensure control and balance of total portfolio composition. It directs available resources to the best areas of long-term opportunity that suit our comparative advantages. It is also a primary risk control mechanism.

4. THE TOTAL PORTFOLIO APPROACH

The final component of our strategy is the continued application of a sophisticated portfolio management system called the *Total Portfolio Approach*. This is the way we view and control the underlying return-risk in the construction of the total portfolio.

By themselves, asset class labels do not clearly convey the highly diverse nature of the investments within each class. Simply calling something an equity or a debt security does not tell you the whole story about its underlying risk factors.

For example, real estate and infrastructure investments clearly have attributes of both equities and fixed income in addition to real estate-specific attributes. Private and public investments may appear very similar, but the ease with which they can be turned into cash may be very different. Debt securities carry a wide range of credit risk.

To deal with this reality, we look through the asset class labels to understand and weigh the underlying return drivers, risk factors and exposures. We deconstruct investments and/or programs to determine how much each is affected by the following key return-risk factors including:

> Equity markets sensitivity;
> Government fixed income yields and returns;
> Credit investment spreads;
> Currency exchange rates;
> Country and regional influences;
> Commercial sector influences; and
> Liquidity – how easy it is to convert to cash.

When we create our Strategic and Target Portfolios, part of their design is to carefully take into account how much overall exposure is expected for each of these factors. We also use these factors to analyze major potential new investments by their impact on exposures at the total portfolio level.

This system helps us to decide how to fund our investments. When we buy a new investment, we generally fund it by selling other investments that have a similar risk profile and similar exposure to these factors. This way we preserve the intended risk profile and structure of the entire investment portfolio as fully as possible.

As markets change, the Total Portfolio Approach helps us rebalance the portfolio and keep intended exposures within an acceptable range. It is a critical tool to help us avoid unintended risks. For example, it has enabled us to prevent unrecognized equity-like risk from creeping into the portfolio through all private asset classes, not just private equity.

Finally, we monitor our evolving risk exposures through time and rebalance the Investment Portfolio when needed. We pay particular attention to the equity/debt balance, the foreign currency exposures, the weightings by country, and the extent of liquidity in the Investment Portfolio.

Risk/Return Accountability Framework

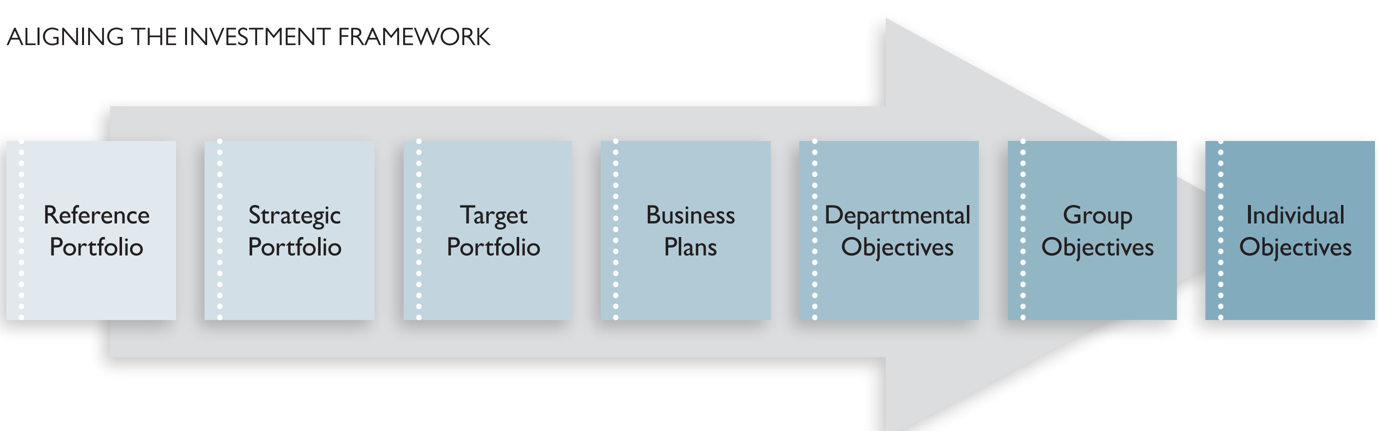
Changes in governance and accountability necessarily accompany and will enforce the evolving investment strategy. Board governance of the investment strategy now has four basic elements:

1. Reference Portfolio. The composition of the Reference Portfolio, triennially reviewed and approved, establishes the total risk appetite for the Investment Portfolio. It also continues to be a long-term performance benchmark. But, it no longer defines the default composition of the portfolio investments or risk exposures.
2. Upper and Lower Absolute Risk Limits. These limits are defined as equity and debt risk-equivalent percentages. Management must maintain the Investment Portfolio within these limits at all times.
3. Business Plan. This annually confirms or adjusts the Strategic Portfolio and specifies the Target Portfolio, which contains permitted ranges of deployment for each asset class and geography. It also sets the Absolute Risk Operating Range for the upcoming fiscal year, which limits how far the total risk of the Investment Portfolio can stray from that of the Reference Portfolio.
4. Risk Policy. This document formalizes the three previous elements and sets out the measures the Board and management use to monitor and control risks. It also spells out limits on other risks, such as credit risk and the exposures to counterparties.

At times, management may wish to make a strategic shift in total portfolio composition. If the shift would take the portfolio outside the Target Portfolio or Absolute Risk Operating Range, prior approval from the Board is required. If market changes take the portfolio materially outside these ranges, management notifies the Board with a plan to address any such occurrence.

Successful investing requires clear decision-making and accountability. It also requires competitive compensation and performance-based incentives. The diagram below shows how we align all our activities with the investment framework:

ALIGNING THE INVESTMENT FRAMEWORK



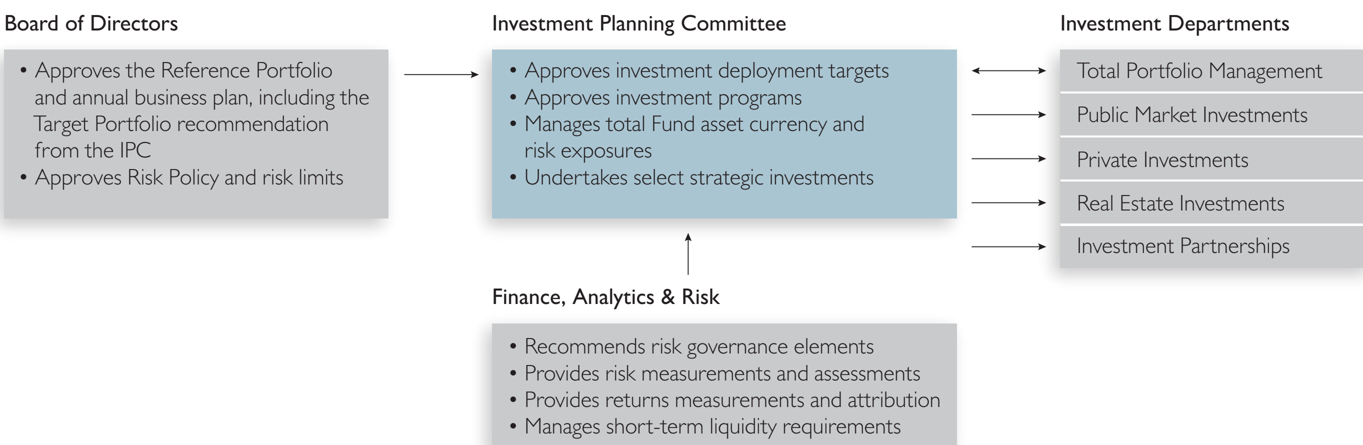
INVESTMENT DEPARTMENTS OVERVIEW

This section provides an overview of the responsibilities of our three investment departments – Public Market Investments, Private Investments and Real Estate Investments. It also describes the responsibilities of the Total Portfolio Management department, which supports the Investment Planning Committee in coordinating all investment programs under our Total Portfolio Approach. Details about the fiscal 2015 performance for each investment department are described on pages 54 to 66.

In January 2015, a new investment department was created called Investment Partnerships. The new Investment Partnerships department comprises the existing Funds, Secondaries and Co-Investments, Thematic Investing and External Portfolio Management groups. As one integrated department, the team will focus on broadening relationships with CPPIB's external managers in private and public market funds, secondaries and co-investments, expanding direct private equity investments in Asia and further building thematic investing capabilities. Performance reporting for this fourth investment department will begin in fiscal 2016.

INVESTMENT PLANNING COMMITTEE

Management's Investment Planning Committee (IPC) has overall management accountability for the oversight and management of the Investment Portfolio within the investment framework. The IPC is chaired by the Chief Investment Strategist, who also heads the Total Portfolio Management department. Other IPC members are the President & CEO; the department heads of Public Market Investments, Private Investments and Real Estate Investments; the Senior Managing Director, International; the Chief Operations Officer; the Chief Financial Officer; the Chief Talent Officer; and the Managing Director, Investment Risk. To facilitate effective decision-making in distinct areas, the IPC has designated two sub-committees, one dealing with investment decisions and the other addressing benchmarks and incentive compensation recommendations.



The IPC is responsible for certain active investments that are deemed in the best long-term interest of the Fund but better suited for the IPC account rather than any particular investment department. These investments could represent risk sharing with an investment department of large investments, exploratory areas and poor fits with existing programs and benchmarks, or strategic shifts in risk factor exposures. In each case, the IPC mandates a specific group within an investment department to carry out day-to-day management. Among this diverse set of return generators are:

> Variance swaps – strategy of selling long-horizon equity index volatility which capitalizes on several of CPPIB's comparative advantages and carries low correlation with most other programs;

> Efficient passive portfolio management (EPPM) – strategies that harvest additional returns through the optimal management of the index-based investments in the portfolio;

> Strategic investments – for example, gaining access to loan and real estate investments in Spain, publicly traded real estate in Brazil, and diversified financial services in India; and provision of liquidity to the natural catastrophe insurance market; and
> Exposure tilts – positions intended to capitalize on mid-term macro outlooks for broad relative systematic risk/reward directions.

The IPC also maintains the overall liquidity positions of the Fund. To this end, in fiscal 2010, CPPIB established a Canadian commercial paper program to ensure sufficient flexibility in managing short-term liquidity. Extended to the U.S. in fiscal 2013, these borrowings continue to carry the highest AAA credit ratings from Standard & Poor's, Moody's and DBRS. Overseen by the IPC but operationally managed by the Treasury and Global Capital Market groups, the total amounts outstanding were $10.0 billion at year end.

With these same groups, the IPC oversees the Fund's overall foreign currency exposures (excluding active tactical programs) under the policy described on page 26. This centralized approach is more cost-effective and provides better control of exposures at the total portfolio level than managing currencies within each investment department.

TOTAL PORTFOLIO MANAGEMENT

The Total Portfolio Management (TPM) department is the operational arm of the IPC and responsible for ensuring comprehensive implementation of the investment framework. Supporting this, the department also conducts high-level investment research on asset classes, risk factors and active management strategies, and develops CPPIB's primary economic and market forecasts that help frame investment decision-making for the total portfolio and within specific investment programs.

TPM enhances portfolio performance and composition in three broad ways: top-down strategic orientation of investment department activity, bottom-up risk pricing of individual investment opportunities, and management of the IPC portfolio on behalf of the IPC.

Top-down levers include the previously noted Strategic Portfolio and the annual investment plan, acting through asset diversification and strategic shifts. Our formal process of risk budgeting is integral to the development of the total portfolio. We believe that some portfolio configurations are clearly of higher quality than others and carry more robust expected outcomes over a wide range of economic and market scenarios. However, long lead times accompany the necessary staffing, market access and operational capabilities for significant changes, so portfolio composition must evolve gradually. Within these practical constraints, we first scope out the full range of potentially attractive investments in each active program over one-year and five-year periods. Considering the portfolio as a whole, we then narrow these to the "range of the preferred" as the planned longer-term direction from a departmental perspective. The annual risk budgeting exercise seeks to align investment opportunities, liquidity, people and other resources for growth. We believe that further development of TPM's total portfolio investment process with a five- to 10-year perspective carries the potential for a more thoughtful evolution of portfolio composition, designed to strategically emphasize opportunities or scale back exposures as global capital market conditions change and fundamental economic themes emerge.

Bottom-up levers act on specific investment selections through hurdle rates, benchmarks and other signals that provide tangible and specific guides for investment decision-makers. They are designed to motivate decision-making to ensure that the expected return of each incremental investment and its prospective value-added net of opportunity costs, justify the accompanying risks in a total portfolio context.

The IPC portfolio contains all fund exposures not originated by the investment departments, including foreign currency hedges, unsecured borrowing, and liquid equities and bonds not deployed in our active strategies. On behalf of the IPC, TPM monitors and adjusts the IPC portfolio with the aim of complementing investment department activities and delivering the highest quality total portfolio.

"Quality" is not a single quantitative or prescriptive measure, but rather a range of desired characteristics. These include adherence to intended total risk, sound diversification of asset classes, risk factors and geographic exposures, expected returns to risks, liquidity, resource requirements and expense implications, scalability and flexibility. We believe that continuously evolving a high-quality portfolio will carry the best odds of maximizing long-term returns without undue risk.

In addition to influencing total portfolio composition via the levers described above, TPM is responsible for the asset-liability modelling and portfolio analyses that underlie our formal triennial reviews of the Reference Portfolio and the Strategic Portfolio, for recommendation to the Board of Directors. The next reviews will begin following release of the Chief Actuary's next triennial Actuarial Report on the CPP, anticipated in late calendar 2016.

PUBLIC MARKET INVESTMENTS

Public Market Investments (PMI) invests in publicly traded equity and fixed income securities, and in listed and over-the-counter derivatives that are based upon the price of these assets or others, such as commodities, currencies and interest rates. Substantial additional active management is undertaken through market-neutral or long/short strategies for which a portion of the index-related, passively managed assets form the backing assets or security.

PMI's mandate has two aspects:

> Functions provided by the Global Capital Markets group, including:
  i. Management of public market index-related exposures on behalf of the IPC;
  ii. Management of CPPIB debt issuance; and
  iii. Execution of public market transactions for all active programs.

> Management by the other six PMI groups of a diverse array of active strategies designed primarily to capture alpha – the additional returns from successful active management beyond the market returns for systematic risks.

PMI is organized into seven groups:

GLOBAL CAPITAL MARKETS

Global Capital Markets (GCM) delivers three services critical to the efficient management of public markets assets:

1. On behalf of the IPC, management of the portfolio's passive component against the constituent weights within benchmark indexes, balancing minimization of transaction costs against close tracking to the benchmark returns. This also provides the means for disciplined ongoing rebalancing of the total portfolio against its targeted market and currency exposures;
2. Maintenance of necessary liquidity and execution of transactions required to fund major investments without undue negative market impact; and
3. Provision of price-effective and timely execution services for active programs within PMI. This activity is fundamental to the realization of value-added return.

GLOBAL CORPORATE SECURITIES

Global Corporate Securities (GCS) seeks to add value through bottom-up equity selections, directly or via derivatives when appropriate. Portfolios balance long and short positions, optimally structured to maximize returns for a given level of overall risk. Unlike other long/short managers, CPPIB's structural advantage as a long-term investor allows GCS to focus decision-making on intrinsic value over a multi-year horizon. We thus benefit from markedly less portfolio turnover and correspondingly lower transaction costs. The group manages two distinct portfolios. One employs a quantitative approach and the other assesses company fundamentals and prospects.

> Our quantitative research is focused on refining existing strategies for greater efficacy, and developing new strategies that can be implemented at a scale that is meaningful for the CPP Fund. We manage quantitative stock-selection programs in Canada, the U.S., Japan and the developed markets in Europe and Asia ex-Japan. In addition to actual investment activity, the quantitative team also focuses on strengthening its data and analytics foundations, sharing research not only within the group but also across the department.

> Our fundamental investing team conducts extensive primary research to uncover investment opportunities. In fiscal 2015, the team conducted in-depth thematic research on structural change taking place in consumer behaviour toward nutrition, resource consumption, semiconductor manufacturing, delivery of media content and innovations in genomic research. This included hundreds of interviews with scientists, manufacturers, distributors, industry associations, consultants and company executives. We incorporate this research into a financial forecast to derive an estimate of intrinsic value for a specific company. We construct a portfolio consisting of long positions in companies whose market prices are well below their intrinsic values and short positions whose market prices are well above their intrinsic values. The portfolio is global in scope, encompassing developed and emerging markets.

RELATIONSHIP INVESTMENTS

Relationship Investments (RI) considers significant direct minority investments in public companies, or those about to become public, providing strategic capital to help generate meaningful longer-term outperformance relative to their peers. Investments can range from $100 million to several billion dollars for a 5–25% ownership position. Each investment involves an active ongoing relationship with the company's management team and board of directors. The group focuses particularly on transformative growth opportunities and transactions involving the strengthening of balance sheets or transition of ownership blocks. In most cases, RI obtains governance rights commensurate with the importance of its stake while the company benefits from having a patient and supportive major investor.

GLOBAL TACTICAL ASSET ALLOCATION

Global Tactical Asset Allocation (GTAA) adds value through scalable, top-down active management within and across broad asset classes. Positions are taken in markets heavily influenced by macroeconomic drivers, such as currencies, government bonds, equity indexes and commodities. The program is global in nature, encompassing both developed and emerging markets. The GTAA program currently has exposure to 32 countries, trading over 80 different assets. GTAA's primary focus is on longer-horizon views, while shorter-horizon insights allow the group to better manage macro risks and changes in economic conditions.

SHORT HORIZON ALPHA

Short Horizon Alpha (SHA) develops and implements short-horizon active management programs including a suite of relative value programs. With a quantitative emphasis, SHA strategies are designed to systematically take advantage of opportunities resulting from temporary market dislocations in cash and derivative products in foreign exchange, credit, equities and other asset classes and products. In general, SHA targets closure of their position inside three to six months; however, the majority of positions to date have been held for shorter periods.

EXTERNAL PORTFOLIO MANAGEMENT

External Portfolio Management (EPM) creates value through the engagement of external managers whose distinct strategies and expertise are accretive to the overall PMI portfolio. These strategies are expected to offer attractive, sustainable results on a risk-adjusted basis, with value-added that has low correlation to that of internal investment programs. Each mandate must also be sufficiently scalable to be meaningful for the CPP Fund's current size and expected growth.

Our external managers are valued partners with whom we seek strong long-term relationships. EPM differs from many traditional multi-manager programs by not making aggressive shifts in assets between strategies and managers. Rather, we control exposures and risks through balancing various types of strategies and generating a diversified return stream.

THEMATIC INVESTING

We established Thematic Investing in the current fiscal year to conduct research and make investments that aim to capitalize on large structural changes and mega trends across the globe that are expected to affect security prices. As these structural changes and trends evolve over many years, in some cases decades, they align well with CPPIB's long-term investment strategy and may be deployed using any asset class, public and/or private.

NOTE: As described on page 43, in January 2015, the Thematic Investing and External Portfolio Management groups joined a newly formed investment department, Investment Partnerships, along with the existing Funds, Secondaries & Co-Investments group.

PRIVATE INVESTMENTS

Private Investments (PI) invests in a wide range of private equity, debt and infrastructure assets. The markets for these private assets are in some cases comparable in size to their public equivalents, and they are well-suited for patient, knowledgeable investors. We seek to harvest the return premiums for investing in less liquid and longer-term assets, and for meeting particular financing needs of the entities to which we provide capital. Further, with expert partners, we can generate skill-based additional returns in a wide variety of ways:

> At the decision to invest, through access to the best opportunities, superior information, unique insights, and expert structuring and financing of transactions;
> During the holding period, through careful stewardship, enhanced governance, and improvement in assets, operations and profitability; and
> Upon exit, through selection of the optimal means and timing with conclusion on favourable terms.

While early investments were made entirely through funds, our developed internal expertise has led to new investments increasingly and cost-effectively being made on a direct basis and in larger amounts. Nevertheless, partnerships with leading fund managers remain important to our strategy.

The PI department is organized into six specialized groups:

FUNDS, SECONDARIES AND CO-INVESTMENTS

Working as one global team, Funds, Secondaries and Co-Investments (FSC) is a leading investor in private equity funds. The group also engages in co-investments alongside private equity partners. FSC is a large global player in secondary market transactions through which we acquire portfolios of seasoned assets from other private equity owners.

Funds: The Funds team focuses on identifying, making and monitoring capital commitments to large- and middle-market buyout and growth equity funds in North America, Europe and Latin America. We remain selective with commitments to large private equity managers while actively pursuing new relationships in the middle market and with emerging managers.

Secondaries & Co-Investments (S&C): In the secondary market, CPPIB continues to acquire seasoned portfolios at satisfactory prices by leveraging our scale, information advantage and team capabilities. We participate in the secondary market by acquiring interests in existing funds (LP Secondaries) or providing whole-fund liquidity solutions to existing funds (Direct Secondaries). The Co-Investment program focuses on minority investments alongside our private equity partners, with a target investment size of $50 million to $150 million.

Private Equity Asia (PE Asia): This business unit focuses on commitments to both regional and single-country private equity funds in Asia and transacts in direct co-investment and co-sponsorship opportunities.

NOTE: As described on page 43, in January 2015, the Funds, Secondaries & Co-Investments group joined a newly formed investment department, Investment Partnerships, along with the existing Thematic Investing and External Portfolio Management groups.

DIRECT PRIVATE EQUITY

Direct Private Equity (DPE) focuses on North American and European co-sponsorship and other direct private equity transactions, typically alongside existing fund partners but will also seek to invest in additional opportunities not accessible through our co-sponsorship model. The team may undertake a lead role in a transaction without a partner or provide a full or partial exit to a partner in an existing portfolio company. The group invests across multiple industry sectors. The Agriculture and Farmland team within DPE is focused on building a global portfolio staged geographically and operationally.

NATURAL RESOURCES

The Natural Resources team focuses on direct private investments in the oil and gas, power, and metals and mining industries. The team invests directly in companies, strategic partnerships and direct resource interests with an investment size of $500 million or more.

PRINCIPAL CREDIT INVESTMENTS

Principal Credit Investments (PCI) is focused on investing in sub-investment-grade corporate debt through both primary and secondary transactions. With investments in the Americas, Europe and Asia, the team provides debt financing across the entire capital structure, including term loans, high-yield bonds, mezzanine lending and other solutions for corporations.

The PCI platform also includes a sub-group that specializes in acquiring intellectual property rights, primarily in pharmaceuticals and technology. The group participates in unique event-driven opportunities, such as acquisitions, refinancings, restructurings and recapitalizations. It has to date targeted single-name position sizes ranging between $50 million and $500 million.

INFRASTRUCTURE

The Infrastructure group invests globally in significant private and public-to-private infrastructure assets that have stable long-term returns, strong regulatory elements and minimal substitution risk. These opportunities include essential electricity, water, gas and communications infrastructure, toll roads, bridges, tunnels, airports and ports. The group also considers investments in more competitive assets if they possess significant levels of contracted revenues.

The target investment size for infrastructure investments is between $500 million to $2 billion, although given the right opportunity, the group will invest up to $4 billion in a single investment. We seek to be a significant shareholder with meaningful governance and often invest with like-minded partners whose interests align with ours.

As a long-term total return investor with no required exit, we have developed an attractive global platform of infrastructure assets. Our primary geographic focus has been international markets with strong regulatory frameworks, typically in North America, Western Europe and Australasia. We are also focusing on selected emerging markets around the world and will continue to expand our geographic reach.

PORTFOLIO VALUE CREATION

Portfolio Value Creation (PVC) supports ongoing asset management activities across all direct portfolio holdings. Effective portfolio management and value creation continue to differentiate CPPIB from other investors. The PVC team is actively involved in the governance and management of CPPIB's private assets. The team monitors developments in portfolio companies, and identifies and helps resolve emerging issues related to both governance and operational matters. The group also assists other teams in defining and executing commercial and operational due diligence, selecting advisors and reviewing conclusions.

REAL ESTATE INVESTMENTS

The mandate of Real Estate Investments (REI) is to build and manage a portfolio of property investments that delivers stable and growing income to the Fund. The team focuses on well-located, high-quality assets managed by experienced local operating partners. Real estate offers stable income streams that rise with inflation over the long term, and asset values that likewise grow over time. As such, it provides diversification benefits to the Fund, as it has a relatively low correlation with other asset classes such as public equities and bonds, and helps cushion the Fund against market and business-cycle volatility.

The majority of the world's commercial real estate is privately owned by public and private operating companies, REITs, pension funds, insurance companies and high-net-worth individuals. As such, REI's primary strategy has been to build its program by investing through the private markets. As an investment management organization, we act as an investor first and take a partnership approach to owning and managing our real estate portfolio by working with experienced local operators and sponsors. These partners have the necessary leasing and property management capabilities to effectively oversee the day-to-day operation of the assets. While REI's investment mandate is global, we take a targeted approach by focusing on select markets that can bring sufficient scale to investment activities. We are strong advocates in establishing a local presence in our key markets, as it enables us to develop deeper internal expertise and fosters relationship-building with local partners.

The real estate portfolio consists primarily of core holdings, which are investments underpinned by high-quality, income-producing properties that generate a stable income stream and are suitable for long-term ownership. We have also pursued development-oriented strategies where we seek attractive risk-adjusted returns supported by favourable supply/demand dynamics. This "build to core" strategy is designed to manufacture high-quality assets that will be suitable for long-term investment once completed. As the portfolio has grown in size, we have also made select value-add investments that offer the potential to deliver outsized performance in order to complement the portfolio's core return profile. Such programs are typically asset rehabilitation or repositioning strategies that require active asset management.

REI's strategy continues to evolve to respond to emerging trends and changing market dynamics. But we remain focused on core geographic markets and sectors, which include (i) the key developed markets of Canada, U.S., U.K. and Australia, as well as the key emerging markets of Brazil, China and India, and (ii) the four main commercial property sectors of office, retail, industrial and multi-family residential. These markets and sectors are among the largest and most liquid in the real estate investable universe and continue to form the majority of our portfolio.

REI is organized along two main groups:

EQUITY PROGRAMS

The Equity group forms the majority of our portfolio (89%) and is organized geographically into the Americas, Europe and Asia sub-groups. The Equity group's primary activity is to source best-in-class real estate owner/operators in select markets and partner with them through co-ownership structures such as joint ventures (JV). These partners provide the necessary local market expertise and are responsible for the day-to-day management of our properties. In order to ensure strong alignment with our partners, we generally seek a significant co-ownership stake from them in our investments. Our goal of building scalable programs requires significant capital investments from our partners, who tend to be large, well-capitalized, listed real estate companies. While JVs will continue to be the primary focus for our Equity group, in recent years we have made a number of strategic investments in real estate operating companies in order to broaden our opportunity set. We expect the ownership of operating companies or platforms to be a growing area of focus in the coming years, as we believe it is an efficient way to build scale while enhancing alignment of interests with our operating partners.

PRIVATE REAL ESTATE DEBT

The Private Real Estate Debt group (PRED) complements the equity program by providing debt financing across the capital structure of properties. PRED's geographic and sector focus is broadly consistent with that of the Equity group, enabling it to leverage our in-house market knowledge and existing relationships. The two groups work closely in sharing market intelligence with the ultimate goal of providing a one-stop capital solution to potential partners.

INTERNAL CAPABILITIES

Our success depends on building a high-performing global workforce to execute our long-term active investment strategy. This involves developing strong talent within the organization and enhancing our commitment to employee diversity with a focus on the career advancement of women.

GLOBAL WORKFORCE

At the end of fiscal 2015, the number of regular full-time employees grew to 1,157, an increase of 16% over fiscal 2014: Toronto – 984, Hong Kong – 59, London – 92, Luxembourg – 3, New York – 10, São Paulo – 9. Through the fiscal year, we transferred 18 employees among our offices, further deepening our knowledge and expertise and helping to reinforce a consistent CPPIB culture across all our locations.

In May 2015, we continued to expand our global presence with the official opening of a CPPIB office in Luxembourg, representing our sixth international office. We have a significant asset base in Europe today. Establishing an office in Luxembourg supports our global strategy of building out our internal capabilities to support our long-term investment goals. Through our Luxembourg office, we will conduct asset management activities such as investment monitoring, cash management, finance and operations, including transaction support, legal and regulatory compliance. Looking ahead, we expect to complete our previously announced plans to open an office in Mumbai later in calendar 2015.

We strengthened our regional leadership under Mark Machin, Senior Managing Director & Head of International. In addition to Alain Carrier, Managing Director, Head of Europe, who was already in place, we hired Rodolfo Spielmann as Managing Director, Head of Latin America. They each cover all aspects of our mandate and provide active leadership to our London and São Paulo offices by spearheading the building of local teams and coordinating all of our activities in their regions.

We also streamlined our organizational design to ensure optimal management efficiency as we continue to grow and expand our global operations. The heads of the Public Affairs and Communications and Human Resources functions now report into the Chief Operations Officer, and the head of the Legal function now reports into the Chief Financial Officer. These individuals previously reported to the President and CEO. Making this change ensures an efficient management structure, given the increasing breadth and complexity of each function.

TALENT DEVELOPMENT

This year, we increased our focus on talent development. Our career frameworks, rolled out to all departments, outline job expectations and provide employees with greater clarity on career progression.

In building talent from within, we added two new training programs to our roster: our New Grad Program is designed specifically for new hires who have recently graduated to support their career development from the start, and our EDGE program (Enhance, Develop, Grow and Engage) supports employees as they advance in their career towards a management role. Both programs focus on core skills and reinforce enterprise-wide working and mentoring relationships.

Other training programs are in place across our offices, providing managers with the skills to lead teams, coach employees, provide feedback and encourage career growth and development. In fiscal 2015, attendance at these programs set new highs.

Our commitment to talent development has yielded positive results. In the past year, 179 employees were promoted and we filled 31% of our open roles internally. CPPIB continues to maintain a high employee retention rate.

DIVERSITY

We believe that having a diverse workforce will allow us to make better decisions. We are making progress on our three-year Employment Equity Plan that includes measures to address barriers that may disadvantage four groups: women, people with disabilities, Aboriginal peoples and visible minorities.

In Canada, our employees are more diverse than the country's population, with 38% of our employees self-identifying as a visible minority. At fiscal year-end there were 14 women at the Managing Director level or higher, representing 1% of our workforce. While we are making progress, we are working to bridge the gaps in the representation of women, Aboriginals and persons with disabilities.

Supported by leaders from all parts of our organization, our Women's Advisory Council is executing a multi-pronged plan to attract, develop and retain women at all levels. These plans include targeted strategies to increase the number of women that apply and are hired by our organization, and training for hiring managers to help them objectively select candidates and reduce unconscious bias. In 2015, we initiated two mentoring programs to support women's development and growth at CPPIB.

ORGANIZATIONAL CHANGES AND SENIOR APPOINTMENTS

We created a new Investment Partnerships department that brings together certain teams previously in our Private Investments and Public Market Investments departments, with a focus on broadening relationships with CPPIB's external managers in private and public market funds, secondaries and co-investments, expanding direct private equity investments in Asia, and further building thematic investing capabilities. Pierre Lavallée assumed the role of Senior Managing Director & Global Head of Investment Partnerships.

After nine years, André Bourbonnais, previously Senior Managing Director & Global Head of Private Investments left CPPIB in February 2015 to become President & CEO of PSP Investment Board. Mark Jenkins was promoted to Senior Managing Director & Global Head of Private Investments and became a member of the Senior Management Team. Mark's team includes Direct Private Equity, Principal Credit and Infrastructure investments as well as the Portfolio Value Creation and Investment Advisory, Structuring & Business Management teams in Private Investments.

These appointments demonstrate our ability to fill senior leadership roles with well-qualified individuals from within.

OUR CULTURE

We remain committed to an enduring and consistent culture across all our offices. For the second year, employees attended our Living our Guiding Principles sessions to reaffirm their commitment to and bring deep focus to the principles of Integrity, Partnership and High Performance that drive our culture. Held across all of our offices, the sessions were attended by close to 1,200 participants. More than 90 leaders hosted approximately 100 sessions in Toronto, Hong Kong, London, New York and São Paulo.

An important part of maintaining a strong culture is engaging our workforce through their feedback. Although the results of our latest employee survey indicate that CPPIB ranks among the top-performing global organizations, we have initiated a series of team-based discussions to help identify ways to make CPPIB an even better place to work.

FURTHERING OPERATIONAL CAPABILITIES

Our operational capabilities aim to support the continued growth and globalization of CPPIB's investment programs. We continue to ensure that our processes and controls are scalable and responsive to the unique requirements of each investment program as they are developed across global markets.

In fiscal 2015, we completed the multi-year initiative to deliver a new risk analysis and reporting platform for investment programs and the total Fund. The new platform provides us with a core risk system that better integrates our risk input data, risk analytical engines and risk reporting. This enables more timely and accurate risk analysis and monitoring, and increases the flexibility and scalability of our investment risk management capabilities. In fiscal 2016 and future years, we will build on this new platform to address strategic and incremental needs in risk measurement and reporting.

Investment in portfolio reporting and analytics continued this year to gain additional insights into our investment performance, operating expenses, transaction costs and management fees. These enhancements have delivered improved business efficiencies as a result of standardizing information that supports investment decision-making and portfolio analysis across the Fund.

In fiscal 2015, we advanced our multi-year legal entity management initiative which focuses on enhancing the governance and management of the growing number of international subsidiaries relating to our private investment and real estate transactions. During the year, we began to operationalize the management and controls framework that was initiated in fiscal 2014. We strengthened and formalized operational standards and processes, and implemented a new platform to centralize the monitoring, maintenance and reporting of CPPIB's legal entities. In fiscal 2016, we will continue to refine our policies and processes to support the proactive administration of CPPIB's legal entities by our Investment and Finance teams internationally.

Our multi-year initiative to establish a scalable end-to-end transaction execution process for publicly traded securities also continued. This year, we developed a detailed process and system design that integrates our Global Capital Markets and Operations processes. During fiscal 2016, we will begin to implement the new trade execution and processing systems needed to support listed and over-the-counter securities across our passively and actively managed portfolios. This is a principal fiscal 2016 corporate objective.

We continued to improve the resilience and capacity of our technology infrastructure in fiscal 2015. We made further investments in CPPIB's business and data centre operations to ensure that we can conduct our most important business activities in the event that computing facilities or office premises suffer a power failure or other event.

During fiscal 2015, we established selected Finance, Tax and Human Resources roles in international offices including London and Hong Kong, as well as in the newly opened Luxembourg office. These roles will increase responsiveness to investment teams in these offices and facilitate direct engagement with local partners and service providers. These changes reflect the continuing evolution of our operational capabilities as part of CPPIB's multi-year business strategy to increase international exposure in the Fund.

SUSTAINABLE INVESTING

At the start of the fiscal year, our Sustainable Investing group changed its name from the former "Responsible Investing". The new name better reflects the integral role of the Sustainable Investing group in enhancing long-term investment returns of the CPP Fund, rather than suggesting a separate mission of responsible investing. Our Sustainable Investing group is comprised of six individuals with expertise in environmental, social and governance (ESG) matters. We believe that considering ESG factors in our investment decisions and asset management activities will lead to better long-term investment performance across the CPP Fund. A company's approach to ESG often serves as a good indicator of the quality of the business and its management and board oversight, and how it will perform over the long term.

The Sustainable Investing group is focused on two core functions:

> **ESG Integration** – Sustainable Investing works with investment teams in Public Market Investments, Private Investments and Real Estate Investments to ensure that ESG risks and opportunities are incorporated into our investment decision-making and asset management activities, as standard practice. Given CPPIB's singular mandate to pursue maximum investment returns without undue risk of loss, we integrate ESG factors into our investment analysis alongside other investment considerations, rather than screening investments or, conversely, targeting investments, based on ESG factors

alone. Sustainable Investing facilitates ESG integration by working with investment teams across CPPIB to establish and refine ESG-related investment processes, and by acting as an internal ESG domain expert resource providing analysis and advice. Each asset class and geography presents unique ESG risks and opportunities and, therefore, we employ a tailored approach to how we consider ESG factors both in our investment review and asset management activities.

> **Engagement** – Sustainable Investing supports CPPIB's role as an active, engaged owner and works to enhance long-term performance of companies in which we invest by engaging, either individually or collaboratively with other investors. In our engagements, we encourage companies to provide better disclosure and adopt better practices on ESG factors that we believe are material to the long-term performance of the company. We pursue the full spectrum of engagement that ranges from thoughtful exercise of our proxy voting rights to direct discussions with the chair of the board. Sustainable Investing actively engages with companies and stakeholders through a variety of means, including through engagement platforms such as the United Nations-supported Principles for Responsible Investment (PRI) initiative and the Canadian Coalition for Good Governance. Engagement activity is directed at companies that present material ESG risks and opportunities based on research on the company, industry, and region, along with industry standards and global best practices on ESG factors. Rather than solely voting with our feet and excluding companies from our investment portfolio based on ESG factors, we work to promote positive change by working with companies on ESG issues that we believe are material to our investments. We fully exercise our rights as shareholders, including proxy voting, and provide public disclosure of our *Proxy Voting Principles and Guidelines* that are updated annually. We also publicly disclose our proxy voting intentions in advance of shareholder meetings.

Eric Wetlaufer, Senior Managing Director & Global Head of Public Market Investments, was elected in 2012 to the PRI Advisory Board for a three-year term and has had a role in shaping its governance structure and setting its strategy. Mark Wiseman, President & CEO, sits on the Board of the Canadian Coalition for Good Governance and is the Chair of its Public Policy Committee.

The approach and activities of our Sustainable Investing and investment teams are further described in our *2014 Report on Sustainable Investing*, which is available on our website.

ACCOUNTABILITY AND DISCLOSURE

CPPIB is accountable to Parliament and the federal and provincial finance ministers who serve as the CPP's stewards. We report to Parliament through the federal finance minister who tables our Annual Report in the House of Commons. Quarterly financial statements are filed with the federal and provincial finance ministers and made public. Further, our Chair and CEO hold biennial public meetings in the provinces that participate in the CPP. These meetings offer individual Canadians and stakeholder groups the opportunity to ask questions and learn more about CPPIB. The next public meetings will be held in 2016. We are also committed to timely and continuous disclosure of significant investments and events.

An external accounting firm audits our financial statements annually. We provide information to the Office of the Chief Actuary of Canada to facilitate its triennial evaluation of the CPP. We also provide requested information to the federal and provincial finance ministers for their periodic reviews of the CPP.

Every six years, we undergo an external Special Examination of our records, systems and practices as required for all Crown corporations. A Special Examination was completed in 2010 with a favourable opinion. The next Special Examination will be conducted in calendar 2016. Additionally, the federal minister of finance can require a special audit at any time.

All public reports issued by CPPIB are subject to review and approval by the Audit Committee of our Board of Directors, which then recommends their approval to the full Board. This includes the Financial Statements and Annual Report.

CPPIB seeks to meet or exceed both legislated requirements and industry norms in maintaining high standards of conduct and business practice, and our commitment to ethical conduct. Our comprehensive governance and accountability framework includes measures designed to preserve the public trust.

One of these measures is our Code of Conduct for Directors and employees. This Code, which is available on our website, obligates everyone at CPPIB to act as whistle-blowers if they become aware of a suspected breach. This can be done confidentially to an external conduct review advisor who is not part of management or the Board of Directors. The Honourable Frank Iacobucci was appointed to this position in fiscal 2006. He is a former justice of the Supreme Court of Canada, former member of the Ontario Securities Commission and author of five major books on business law. Mr. Iacobucci submits a report and meets in person with the Board at least once a year to discuss his activities.

We have also adopted internal standards and policies to ensure we act responsibly at all times as a major capital markets participant.

DISCLOSURE

We believe in transparency as the foundation of public trust and CPPIB is committed to keeping stakeholders informed. Our disclosure policy reflects the level of information that will help inform CPP contributors and beneficiaries about how we are managing their CPP money. This policy is designed to foster a better understanding of what drives performance and sustainability of the Fund over time. Our disclosure includes the quarterly release of investment results and the Annual Report, which contain extensive information about Fund performance and investment activities.

We strive for consistent disclosure at the organizational level and within investment programs, recognizing that each program has unique legal, competitive and practical requirements. We are also committed to timely and continuous disclosure of significant investments and dispositions as well as material events.

Our website contains comprehensive information about how we operate. This includes details of our investments and partners. It also provides access to CPPIB's governing legislation and regulations, by-laws, governance manual and policies. These policies include the investment statements that guide us in managing the long-term CPP Fund Investment Portfolio and the short-term Cash for Benefits portfolio. We also maintain alternative digital channels to communicate new developments.

CPPIB exceeds its statutory disclosure requirements, and we are committed to reviewing our disclosure policies and practices on an ongoing basis to ensure that they keep pace with the evolution of the organization, and the needs of Canadians.

Financial Review

This Annual Report contains forward-looking statements reflecting management's objectives, outlook and expectations as at May 13, 2015. These statements involve risks and uncertainties. Therefore, our future investment activities may vary from those outlined herein.

The following information provides analysis of the operations and financial position of the Canada Pension Plan Investment Board and should be read in conjunction with the Financial Statements and accompanying notes for the year ending March 31, 2015. The Financial Statements have been prepared in accordance with International Financial Reporting Standards.

Management's Discussion and Analysis

FINANCIAL PERFORMANCE

Fiscal 2015 was an exceptional year for CPPIB as we realized the benefits of a well-diversified global Investment Portfolio. Both our public and private portfolios expanded significantly in size and global breadth.

The chart below provides a more detailed view of the Fund's asset weightings, both by asset category and economic exposures, as discussed in the Total Portfolio Approach section on page 35.

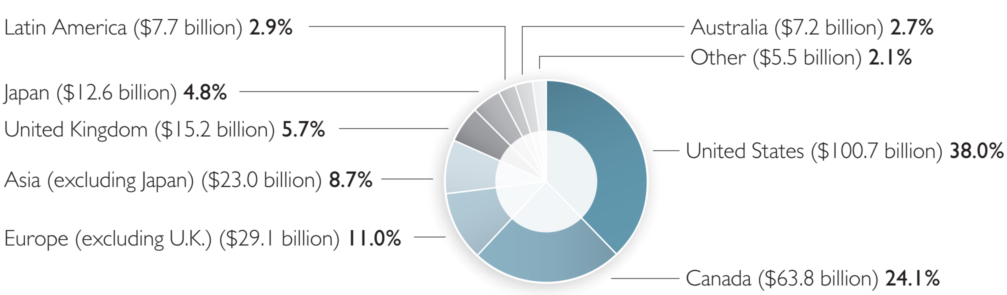
ASSET MIX

As at March 31, 2015	Asset Mix		Exposure Mix	
ASSET CLASS	$ billions	%	$ billions	%
CANADIAN EQUITIES	**19.5**	**7.3%**	**24.0**	**9.1%**
Public	16.5	6.2%		
Private	3.0	1.1%		
FOREIGN DEVELOPED MARKET EQUITIES	**98.0**	**37.0%**	**131.3**	**49.6%**
Public	56.3	21.2%		
Private	41.7	15.8%		
EMERGING MARKET EQUITIES	**15.5**	**5.9%**	**17.3**	**6.5%**
Public	11.0	4.2%		
Private	4.5	1.7%		
FIXED INCOME	**86.3**	**32.6%**	**72.0**	**27.2%**
Non-marketable bonds	25.8	9.8%		
Marketable bonds	34.4	13.0%		
Other debt	17.2	6.5%		
Money markets and debt financing	8.9	3.3%		
FOREIGN SOVEREIGN BONDS	**–**		**20.2**	**7.6%**
REAL ASSETS	**45.5**	**17.2%**		
Real estate	30.3	11.5%		
Infrastructure	15.2	5.7%		
INVESTMENT PORTFOLIO[1]	**264.8**	**100.0%**	**264.8**	**100.0%**

[1] Excludes non-investment assets such as premises and equipment and non-investment liabilities, totalling $(0.2) billion for fiscal 2015. As a result, total assets will differ from the net assets figure of $264.6 billion.

The chart below illustrates the global diversification of our portfolio. Canadian assets represented 24.1% of the portfolio at the end of fiscal 2015, and totalled $63.8 billion. International assets represented 75.9% and totalled $201.0 billion.

GLOBAL DIVERSIFICATION
As at March 31, 2015



PORTFOLIO RETURNS[1]

ASSET CLASS[2]	Fiscal 2015	Fiscal 2014
Canadian public equities	**8.9%**	15.6%
Canadian private equities	**10.1%**	30.1%
Public foreign developed market equities	**23.0%**	26.3%
Private foreign developed market equities	**30.2%**	35.1%
Public emerging market equities	**24.2%**	5.8%
Private emerging market equities	**46.8%**	36.8%
Bonds and money market securities[3]	**8.8%**	0.3%
Non-marketable bonds	**15.4%**	-0.1%
Other debt	**18.7%**	20.0%
Real estate	**14.1%**	18.0%
Infrastructure	**16.5%**	16.6%
Investment Portfolio[4]	**18.7%**	16.5%

1 Before CPPIB operating expenses.
2 Investment results by asset class are reported on an unhedged Canadian dollar basis as any currency hedging takes place at the total CPP Fund level. Results are calculated on a time-weighted basis.
3 The Fund's remaining allocation to real return bonds was sold within fiscal 2014. Return contributions from real return bonds are reflected in Bonds and money market securities in fiscal 2014.
4 The total Fund return in fiscal 2015 includes a loss of $938 million from currency hedging activities and a $1,438 million gain from absolute return strategies, which are not attributed to an asset class.

	Fiscal 2015				Fiscal 2014			
	Gross %	**Gross $ billions**	**Net %**	**Net $ billions**	Gross %	Gross $ billions	Net %	Net $ billions
TOTAL FUND RETURNS[1,2]								
1-year return	**18.7**	**41.4**	**18.3**	**40.6**	16.5	30.7	16.1	30.1
5-year return	**12.7**	**114.4**	**12.3**	**111.7**	11.9	89.2	11.7	87.1
10-year return	**8.2**	**132.9**	**8.0**	**129.5**	7.3	97.7	7.1	95.1

1 Commencing in fiscal 2007, the rate of return reflects the performance of the Investment Portfolio, which excludes the Cash for Benefits portfolio.
2 Percentage returns are annualized, dollar figures are cumulative.

TOTAL FUND PERFORMANCE

The CPP Fund ended its fiscal year on March 31, 2015, with net assets of $264.6 billion, an increase of $45.5 billion from the prior year end. This increase consisted of $40.6 billion in net investment income after all CPPIB costs and $4.9 billion in net CPP contributions.

The portfolio delivered a gross return of 18.7% for fiscal 2015, or 18.3% on a net basis, compared with 16.5% and 16.1% for fiscal 2014. This marks the highest annual return ever earned by the Fund, bolstered by the strength in global equity markets. Exceptional returns were seen in select equity markets as the S&P 500 generated returns of 10.4% (26.7% in Canadian dollars), the Nikkei's returns were 29.5% (27.6% in Canadian dollars), and the German DAX delivered returns of 25.2% (12.0% in Canadian dollars). The Canadian S&P/TSX Composite managed to generate a return of 4.0% despite the negative impact of falling oil prices on the energy sector. Although falling oil prices negatively impacted certain of our investments, the diversification within our portfolio mitigated the negative impact to a large extent. Outside of Canada, the continued signs of economic recovery in the U.S., government stimulus and rising exports in Japan and the European Central Bank's quantitative easing program gave a boost to equity markets leading to the strong returns noted above. Fixed income market returns were also strong in fiscal 2015, with the FTSE TMX All Government Bond Index (TMX) returning 11.1% as rates declined steadily throughout the year. The surprise rate cut by the Bank of Canada in January 2015 pushed rates down to historical lows and led to a 5% increase in the TMX in January alone.

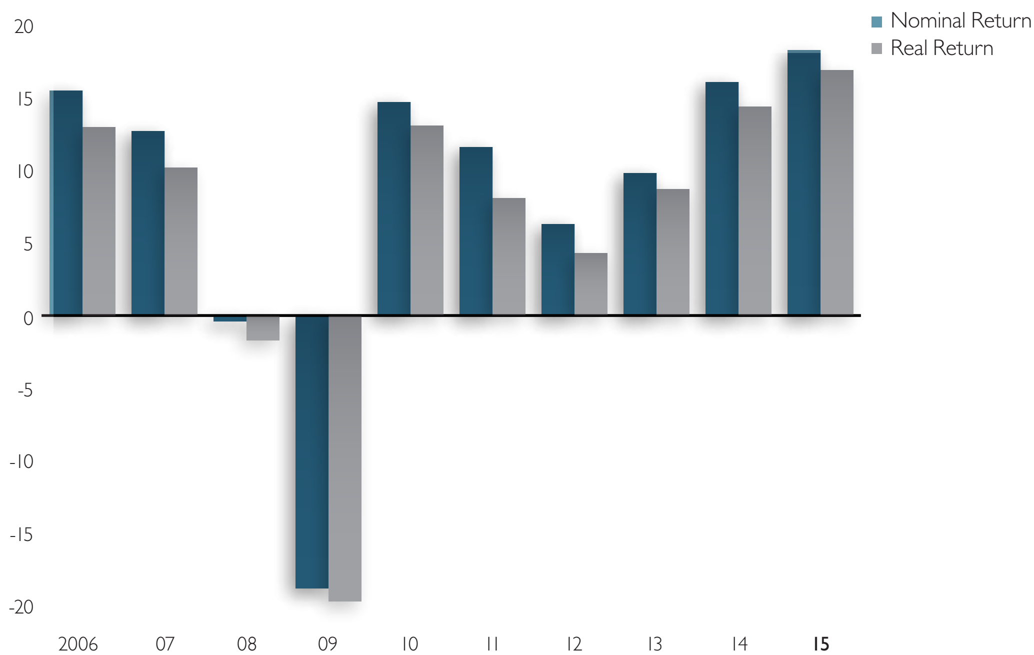
In addition to the strong returns from global equity and fixed income markets, the Fund benefited from the strength and diversification of CPPIB's global investment platform as each of our investment departments generated double-digit gains. Further details are available in the respective departmental sections within the MD&A on pages 54 to 66.

The Canadian dollar weakened significantly against the U.S. dollar, gained relative to the euro and had mixed results relative to other major currencies in fiscal 2015. The U.S. dollar gained 14.7% against the Canadian dollar, while the euro lost 10.6%. The Fund's exposure to the U.S. dollar is notably higher than its combined exposure to all other foreign currencies, so converting the Fund's foreign-denominated holdings into Canadian dollars added $7.8 billion in gains, boosting the Fund's total return by 3.1%. A wide array of factors contributed to the weakening Canadian dollar, including falling oil prices, the Bank of Canada's monetary policy and the likelihood of a rate increase by the U.S. Federal Reserve Board sometime in calendar 2015. Although our policy to not employ substantial currency hedging can lead to large foreign currency gains or losses in a single year, we do not expect exchange rate movements to significantly affect real returns over the long term. As an example, the Fund incurred foreign currency losses in fiscal 2010 of $10.1 billion, but since that time we have realized gains of $16.1 billion. Our currency hedging policy is explained on page 26.

As an investor with a long-term investment horizon we focus on performance over the past five- and especially 10-year periods. For the five-year period ending March 31, 2015, the CPP Fund generated an annualized nominal return of 12.3% after deducting all CPPIB costs. For the 10-year period, the Fund generated an annualized nominal return of 8.0% after all expenses. In the 26th Actuarial Report on the CPP, the Chief Actuary of Canada assumes a long-term prospective real rate of return of 4.0%, after all CPPIB costs, in determining the sustainability of the CPP. Adjusting for inflation, the CPP Fund generated net real returns of 10.4% and 6.2% for the five- and 10-year periods, comfortably exceeding the Chief Actuary's assumption over the same 10-year period.

As discussed on page 31, our investment framework is evolving to place increased emphasis on absolute returns along with dollar value-added relative to the Reference Portfolio.

RATE OF RETURN (NET)
For the year ended March 31 (%)



REFERENCE PORTFOLIO RETURNS

The Reference Portfolio comprises public market asset classes represented by broad indexes, blended in weights that are rebalanced quarterly. As such, it provides a clear benchmark for long-term total portfolio returns. See page 32 for more information.

REFERENCE PORTFOLIO RETURNS

ASSET CLASS	BENCHMARK	2015 Return (%)	2014 Return (%)
Canadian equities	S&P Canada Broad Market Index	**6.0%**	16.6%
Global equities	S&P Global ex-Canada LargeMidCap Index[1]	**22.3%**	27.4%
Canadian nominal bonds	Custom blended benchmark: FTSE TMX Canada All Government Bond Index, actual CPP bonds and actual Canadian real return bonds[2]	**12.6%**	0.1%
Foreign sovereign bonds (hedged)[3]	Citigroup World Government G7 Bond Index[3]	**8.7%**	1.8%
Total Reference Portfolio		**17.0%**	16.4%

[1] Net of tax, unhedged.
[2] The remaining real return bond allocation had been removed from the Reference Portfolio in fiscal 2014 and there was no allocation to real return bonds in fiscal 2015.
[3] Hedged to Canadian dollars.

PERFORMANCE AGAINST BENCHMARKS

The CPP Fund posted a net return of 18.3% in fiscal 2015, outperforming the strong return of the Reference Portfolio which earned 17.0%. Strong returns from both foreign public equity and fixed income markets, as well as foreign currency gains were the main contributors to the Reference Portfolio's performance. We measure the difference between the Investment Portfolio's performance and that of the Reference Portfolio in dollar terms, or dollar value-added (DVA). The Investment Portfolio return was $3.6 billion above the Reference Portfolio's return, or $2.8 billion after deducting all costs.

Public Market Investments outperformed its benchmark and earned significant relative gains in fiscal 2015. The portfolio benefitted from strong income generation in both our internally and externally managed portfolios, as well as from its geographic diversification, most notably in China. In Private Investments, private market asset returns this year exceeded their public market equivalents despite exceptional public market returns. Our direct investments delivered significant valuation gains as a result of strong operating results in our portfolio companies, rising public company comparable multiples and several full or partial realizations.

We have primarily tracked value-added performance over rolling four-year periods. While this does not necessarily represent a full market cycle, the four-year period provides a reasonable basis for assessing longer-term performance over such multiple periods and aligns with the fiscal 2015 incentive compensation framework.

On a longer-term basis and showing their cumulative dollar impact on the Fund, Reference Portfolio returns have been as follows:

	%	Fiscal 2015 $ billions
REFERENCE PORTFOLIO RETURNS[1]		
1-year	17.0	37.8
4-year	11.8	91.3
Since inception[2]	6.8	110.5

[1] Percentage returns are annualized, dollar figures are cumulative.
[2] Reference Portfolio inception date: April 1, 2006.

	Fiscal 2015 $ billions
NET VALUE-ADDED RETURNS[1,2]	
1-year	2.8
4-year	5.2
Since inception[3]	5.8

[1] Relative to Reference Portfolio. Figures are cumulative.
[2] Net of CPPIB operating expenses.
[3] Reference Portfolio inception date: April 1, 2006.

Given our long-term view and Risk/Return Accountability Framework, we track cumulative value-added returns since the April 1, 2006, inception of the Reference Portfolio. Cumulative value-added over the past nine years totals $5.8 billion, after all costs. This includes operating costs allocated to the investment departments and also governance costs that are not attributable to specific departments.

Many of our investment programs, such as real estate, infrastructure and private equity, are long-term in nature. After patient management, they are producing the longer-term results that we believe reflect the benefits of our strategy. Investment income for the year, including both fund interests and direct investments, reflects both strong valuation gains and realization of the value embedded within our private market holdings.

CASH FOR BENEFITS PORTFOLIO

We have been responsible since 2004 for the short-term cash management program that supports monthly benefit payments made by the CPP. This Cash for Benefits portfolio is segregated from the long-term Investment Portfolio and invested only in liquid money market instruments. The primary objective is to ensure the CPP can meet benefit payment obligations on any business day.

A secondary objective is to match or exceed the benchmark return of the FTSE TMX Canada Capital Markets 91-day Treasury Bill Index (formerly DEX Capital Markets 91-day Treasury Bill Index). The portfolio earned 1.0% or $11.1 million for fiscal 2015 versus 0.9% for the index. Over the course of the year, this short-term portfolio had average balances of approximately $1.0 billion.

MANAGING TOTAL COSTS

CPPIB is committed to source and secure the best investment opportunities globally in a cost-effective way. In fiscal 2015, we continued to build the foundations of an enduring organization with diverse, internationally competitive investment groups with distinct strategies, expertise and capabilities to support CPPIB's active management strategy and the expected growth of the CPP Fund. We are confident the investments we are making today to secure highly skilled expertise and build out our internal operating capabilities will position CPPIB to deliver attractive returns over the long term, net of all costs.

Our cost governance framework includes expense management policies and authorities, as well as monthly expense control reporting to senior management and quarterly reporting to the Board of Directors to ensure that growth is pursued in a responsible and cost-effective manner consistent with the approved operating budget. Compliance oversight also includes regular reviews by the Internal Audit group.

Our incentive compensation program and external management fees reflect a pay-for-performance approach. Given this, operating costs and management fees will vary from year to year as a result of the Fund's performance. The cumulative DVA and total Fund returns were very strong in fiscal 2015 which contributed to higher personnel costs and management fees.

CPPIB's total costs for fiscal 2015 amounted to $2,330 million and consisted of $803 million for operating expenses, $1,254 million for external management fees and $273 million for transaction costs. In comparison, total costs for fiscal 2014 were $1,739 million which comprised $576 million for operating expense, $947 million for external management fees and $216 million for transaction costs.

This expense level reflects the resources required to maintain and further develop CPPIB's infrastructure, processes, systems and personnel to support the organization's international footprint and our 17 distinct investment groups.

We report on these three distinct cost categories below to provide greater clarity as each category is materially different in purpose, substance and variability.

OPERATING EXPENSES

Operating expenses reflect the direct costs incurred to manage the CPP Fund. Operating expenses were $803 million this year, representing 33.9 cents for every $100 of invested assets, compared to $576 million in fiscal 2014 or 29.3 cents.

Total operating expenses increased $227 million year over year in large part due to higher personnel and general operating expenses.

> Performance-based compensation expense was higher on a year-over-year basis due to the impact of strong cumulative DVA and total Fund returns over the last four years. Salary and related benefits expense also increased due to continued growth of staffing levels both in Canada and internationally. Total personnel expenses were $558 million in fiscal 2015 reflecting an increase of $158 million versus the prior year.

> General operating expenses of $184 million were also higher by $51 million on a year-over-year basis. Operational business service expenses increased in part due to higher technology and market data costs required to support both our core services and investment department activities. Also contributing to the increase in operational business services was a one-time credit to tax expenses in fiscal 2014 resulting in a significantly lower level of expense in fiscal 2014 versus fiscal 2015. Premises-related expenses also increased due to the incremental expense impact of our new international offices and the additional space required to accommodate a larger number of staff in Toronto, London and Hong Kong.

> International operations accounted for approximately 30% of CPPIB total operating expenses, with the weaker Canadian dollar exchange rate relative to the countries we have operations in acting as a contributing factor to the increase in operating expenses.

Operating expenses have increased over the years as the investment portfolio has grown and we have increased the proportion of our assets that are managed internally. We expect operating expenses will continue to increase, albeit at a slower rate, in the years ahead as we continue to build global active management activities.

We remain steadfast in our conviction that building internal investment expertise and capabilities in areas where CPPIB has comparative advantages makes good business sense from cost and competitive perspectives. Direct Private Equity (DPE) investing is a case in point. As previously noted, DPE focuses on North American and European co-sponsorship and other direct private equity transactions, typically alongside existing fund partners, but will also seek to invest in additional opportunities not accessible through our co-sponsorship model. We estimate that the total costs for an externally managed $14 billion portfolio on average would range from approximately $650 million to $750 million per year. By contrast, our fully costed internal management of our $14 billion portfolio on average of DPE investments amounted to approximately $50 million.

As a cost-conscious organization, we take managing costs seriously. We have a long-standing practice of allocating operating expenses to the investment departments to provide a complete view of the costs associated with generating the investment returns and to encourage cost awareness across the organization. This cost transparency promotes constructive conversations between the departments receiving the cost allocations and the departments allocating the costs that are focused on value for spend and accountability for the expenditures.

EXTERNAL MANAGEMENT FEES
With a Fund of our size, we use external managers to complement our internal programs and build scale. For example, our External Portfolio Management team's portfolio now includes 58 managers, up from 55 at the end of fiscal 2014. Overall, they direct 78 diverse mandates with increasingly balanced global market coverage. We continue to manage the related costs by ensuring that the external managers' interests are aligned with ours. Whenever possible, fee arrangements are largely performance-based, thus ensuring the expense incurred is proportional to the benefits derived for the Fund. This year's strong performance by external managers also speaks to the skill of our internal teams in sourcing, performing comprehensive due diligence and establishing long-term relationships with the right portfolio of external managers capable of outperforming benchmarks and delivering superior performance to CPPIB.

Management fees paid to external asset managers amounted to $1,254 million in fiscal 2015 compared to $947 million in fiscal 2014. The $307 million increase in fees is due in part to the continued growth in the level of commitments and assets deployed to external managers. Higher management fees this year also include higher performance fees paid to external managers for the strong investment performance they delivered in excess of benchmark returns.

TRANSACTION COSTS
Transaction costs for fiscal 2015 totalled $273 million compared to $216 million in the prior year. The $57 million increase is largely due to a major real estate transaction in fiscal 2015. Excluding the impact of the large transaction just noted, while the number of deals in fiscal 2015 was higher than fiscal 2014, our average transaction cost per deal was lower. These fees can include a variety of non-recurring expenses such as due diligence consulting, as well as legal and tax advisory fees in support of the acquisition of private market assets or, in the case of public markets, commissions paid when trading securities. These costs will vary from year to year according to the number, size and complexity of our investing activities and are expected to increase over time as we continue to increase our holding of real assets and as we increase public markets trading activities with the growth in the Fund.

Notes 8 and 9 to the Financial Statements provide additional total cost information on pages 123 – 125.

PERFORMANCE OF INVESTMENT DEPARTMENTS

The following section provides details about the assets, activities and performance of each investment department. A description of the responsibilities for each investment department is found on pages 37 to 42. All investment activity is conducted in accordance with the *Statement of Investment Objectives, Policies, Return Expectations and Risk Management* approved by our Board of Directors and the *Policy on Sustainable Investing* discussed on page 44. The year-end composition of assets is shown below.

YEAR-END COMPOSITION OF NET INVESTMENTS BY DEPARTMENT AND ASSET CLASS

$ millions	Public Market Investments[1]	Private Investments	Real Estate Investments	Total
Equities	83,766	49,241	–	133,007
Fixed Income	73,462	8,943	3,828	86,233
Real Assets	–	15,192	30,323	45,515
Total	157,228	73,376	34,151	264,755[2]

[1] Public Market Investments include $8.6 billion of IPC investments.
[2] Excludes non-investment assets such as premises and equipment and non-investment liabilities, totalling $(0.2) billion for fiscal 2015. As a result, total assets will differ from the net assets figure of $264.6 billion.

This year, we continued to successfully execute on our wide range of investment programs by broadening our global reach and internal capabilities in pursuit of achieving our long-term objectives. Today, we have international offices in Toronto, Hong Kong, London, New York and São Paulo, as we believe that having a local presence in key markets will ensure access to the most attractive investment opportunities around the globe. Our recently opened office in Luxembourg provides a second foothold presence in Continental Europe, and we plan to open an office in Mumbai later in calendar 2015.

In fiscal 2015, we concluded 40 transactions of over $200 million each across all of our investment programs. These sizeable and complex transactions were made in 15 countries, attesting to CPPIB's deep internal capabilities and expanding global reach.

INVESTMENT PLANNING COMMITTEE

From an overall perspective, four broad strategic areas of investment decision-making contribute to total value-added. The amounts of their respective contributions are shown in the table below.

VALUE-ADDED CONTRIBUTIONS OF INVESTMENT STRATEGIES[1]

$ billions	1-Year	4-Year	Since Inception[2]
Public Market Investments	**2.5**	4.7	5.1
Private Investments	**2.1**	2.6	4.2
Real Estate Investments	**-0.8**	-0.6	-0.7
Investment Planning Committee	**-0.1**	0.8	0.5
Total Fund	**3.6**	7.5	9.2

[1] Includes both alpha and beta value-added, before taking into account CPPIB operating expenses.
[2] Reference Portfolio inception date: April 1, 2006.

After re-allocating several IPC investments back to their respective broad strategies where appropriate, the IPC portfolio delivered negative value-added in fiscal year 2015, mainly due to an exposure tilt to lower the overall duration of bond exposures. This position is intended to protect against an expected rise in government bond yields and consequent decline in bond values and other asset prices affected by a rise in discount rates. While we expect these yields to rise to more normal levels over the medium term, the timing is uncertain. In this fiscal year, government bond yields in fact declined still further as the Bank of Canada maintained its low interest rate policy, causing losses in this strategy. We remain confident in the underlying thesis, however, and continue to maintain this protective stance in the portfolio. On the other hand, the strategies used to more efficiently manage the index-based portion of the portfolio provided significant additional returns.

PUBLIC MARKET INVESTMENTS

At the end of fiscal 2015, PMI assets were valued at $148.6 billion, or 56% of the Fund. Implied assets under management of $52.9 billion are actively managed by internal and external teams in a wide variety of alpha-oriented programs.

The distribution and development of PMI's activities is shown below at the current and prior year ends, reflecting substantial overall growth this year. Changes in PMI assets under management were driven by increases across all PMI strategies.

PMI IMPLIED ASSETS UNDER MANAGEMENT (AUM) FOR ACTIVE PROGRAMS (IN $ BILLIONS)

PMI GROUP	March 31, 2015	March 31, 2014
External Portfolio Management	**31.5**	23.2
Global Corporate Securities	**14.0**	13.0
Global Tactical Asset Allocation	**1.8**	1.3
Relationship Investments	**4.1**	1.9
Short Horizon Alpha	**1.5**	0.9
Total	**52.9**	40.3

To calculate the size of PMI's activities on a comparable basis, we compute their implied AUM in the following ways: For investments in externally managed funds, we use the reported net asset values. For internal long/short securities-based programs, we use the value of the long side of the program. For other strategies, we estimate the asset amount based on the amount of economic capital required to support the amount of risk being taken.

In fiscal 2015, we continued and expanded the collaborative efforts established in previous fiscal years. This includes sharing analytical capabilities across investment groups both within PMI's internal active investment groups and across CPPIB. Examples include coordinated research efforts around significant investment opportunities and sharing of data infrastructure between teams.

The chart below shows the combined value-added generated by PMI's active investment programs in fiscal 2015. Returns are reported only in dollar amounts, as many of the activities are conducted on a market-neutral or long/short basis for which there is no generally accepted and appropriate underlying asset base for measuring returns in percentage terms.

PUBLIC MARKET INVESTMENTS – ACTIVE	Fiscal 2015 $ billions	Fiscal 2014 $ billions
RETURNS		
1-year	5.3	2.3
1-year benchmark	3.3	1.3

PUBLIC MARKET INVESTMENTS – ACTIVE	Fiscal 2015 $ billions	Fiscal 2014 $ billions
CONTRIBUTION TO PORTFOLIO VALUE-ADDED[1]		
1-year	2.0	1.1
4-year	4.2	2.9
Since inception[2]	4.7	2.7

[1] Before CPPIB operating expenses.
[2] Reference Portfolio inception date: April 1, 2006.

PMI produced strong results again this year, in terms of both absolute returns and value-added relative to benchmarks. This was amid volatile global markets that were impacted by divergent central bank policies and supply shocks to commodity markets. Over the past 12 months, the markets have had to process the end of Quantitative Easing in the U.S., the collapse of global oil prices, and the surprising decision by the Swiss central bank to abandon its currency peg against the euro. The main theme was the resurgence of the United States economy, balanced against continued slowing in Europe and emerging markets. We saw continued outperformance among several of our external fund managers, and all investment groups within PMI contributed to our strong performance over the past year.

We remain confident in the diversity and underlying soundness of the approaches that our active programs employ and in their ability to generate and sustain significant value creation over the longer term.

FISCAL 2015 ACTIVITIES

PMI's primary focus this year was on managing a solid foundation of people, processes and systems necessary to deliver a suite of high-quality programs aimed at generating robust and consistent dollar value-added while controlling for the downside. Emphasis was placed on expanding the depth of existing programs while limiting new ones to a select few.

We extended investment activities through the award of seven new mandates to specialized external managers, notably Oryza Capital Offshore LP and Soroban Opportunities Cayman Fund Ltd., and by establishing several additional longer-term relationships with public or soon-to-be-public companies.

Supporting these initiatives, PMI strengthened its global reach by adding to our team in the London and Hong Kong offices.

Below is a summary of activities this year within PMI's groups:

GLOBAL CAPITAL MARKETS

A focus for fiscal 2015 was the expansion of capabilities, products and geographies, including required staffing and technology enhancements and extended working hours, to support active equity programs in Asia and Europe. Additionally, GCM further developed its execution capabilities in options and volatility derivatives, and enhanced its facilities for securities borrowing.

GLOBAL CORPORATE SECURITIES

The Global Corporate Securities portfolio is maintained in a market-neutral position, and its returns are thus largely unaffected by market direction. Stock selection continued the trend from last year and continued to benefit from the emphasis on specific company fundamentals, as opposed to macro factors. The Fundamental team has continued the restructuring that took place in 2013, focusing on more concentrated positions with an asymmetric payoff profile. The Fundamental team also participated in four primary issues and a market leading pre-IPO opportunity, where we continue to hold significant positions.

RELATIONSHIP INVESTMENTS

RI continued to expand its geographic reach in fiscal 2015 by completing four transactions:

> US$200 million in HKBN Ltd. which operates through Hong Kong Broadband Network Limited, the second-largest residential broadband service provider in Hong Kong by number of subscriptions;
> US$250 million investment in Markit Group Ltd., a London-based provider of financial information to regulators, financial institutions and capital markets participants globally;
> US$325 million investment in 21st Century Oncology Holdings, Inc. through a series of convertible preferred shares. 21st Century Oncology operates the largest integrated network of radiation therapy treatment centres and affiliated physician practices in the world; and
> C$200 million investment in WSP Global Inc., to support its acquisition of Parsons Brinkerhoff, a global engineering services firm. This was the fourth time that RI has invested in WSP, furthering its global expansion strategy.

GLOBAL TACTICAL ASSET ALLOCATION

The GTAA program currently has exposure to 32 countries, trading over 80 different assets. This year has been one of consolidation for GTAA, building on the prior year's move toward a more centralized portfolio construction process which gave us greater control over our exposure to different return drivers. In particular, we deliberately allocated more to value themes than a simple optimization would imply because we believe that value strategies align well with our long investment horizon. This year, there have been fewer major process changes, allowing us to steadily increase the risk that we take. We have also focused on making less visible, but important enhancements to our tools and infrastructure, such as our data management and risk systems.

In general, this year has been characterized by some pronounced trends in asset prices. Examples of this include the strength of the U.S. dollar, persistently falling bond yields, and a sharp decline in oil prices. This has meant that momentum-style strategies have tended to do well, but it has been more difficult for value-type signals. This presents a challenge given GTAA's relatively high weight in value signals, but it can also represent an opportunity for patient investors with long time horizons as valuations become increasingly stretched.

SHORT HORIZON ALPHA

In the current year SHA focused on relative value strategies and launched a number of new programs, as market conditions remained challenging for systematic and directional strategies. Market phenomena including temporary increases in volatility due to central bank interventions, geopolitical events, and steep declines in commodities, currencies, interest rates and inflation expectations proved particularly difficult for directional strategies. SHA created a new cross-asset team in fiscal 2015 to focus on dislocations between asset classes globally. SHA also implemented new programs in the area of convertible bond and capital structure arbitrage.

SHA's overall performance was strong again in fiscal 2015. Our focus going forward remains consistent: investigate new strategies to enhance the overall risk/reward profile of SHA; enhance our risk management platform; increase our global footprint; and continue to add significant and scalable alpha to PMI.

EXTERNAL PORTFOLIO MANAGEMENT

In fiscal 2015, we added three managers to our Managed Account platform, which allows external mandates to be executed through separate investments fully under the ownership and control of CPPIB rather than through participation in collective funds.

Notional assets directed by EPM grew to $31.5 billion from $23.2 billion last year, and return-seeking active risk exposures increased by 22%. We added seven new mandates, increased funding to 21 mandates and redeemed one mandate. Extensions were made primarily in Asia Equity Long/Short and macro strategies. The portfolio now includes 58 managers, up from 55 at the end of fiscal 2014. Overall, they direct 78 diverse mandates with increasingly balanced global market coverage.

The team initiated full redemptions in three funds totalling approximately US$1.0 billion.

THEMATIC INVESTING

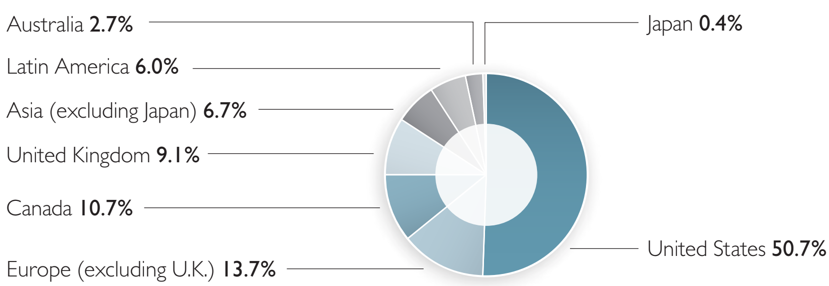
In the current year, the Thematic Investing team has initiated research on two themes related to demographics and has made its first investments.

PRIVATE INVESTMENTS

Private investment assets grew from $60.3 billion at the end of fiscal 2014 to $73.4 billion at the end of fiscal 2015. This growth includes revaluations of $10.6 billion in current investments, driven by a combination of improved operational and financial performance and strong market movement. The growth also represents new investments funded of $13.8 billion, including draws on prior commitments, as all net cash income is consolidated into the CPP Fund as it is received. PI's assets have grown to major importance in our active management programs over the past nine years. They now represent approximately 28% of the total portfolio. These investments have also become widely diversified by asset type and geographic location as shown below. In fiscal 2015, the financial sector's allocation increased to 11.9% compared to 6.0% at March 31, 2014, following the completion of the Wilton Re transaction in June 2014.

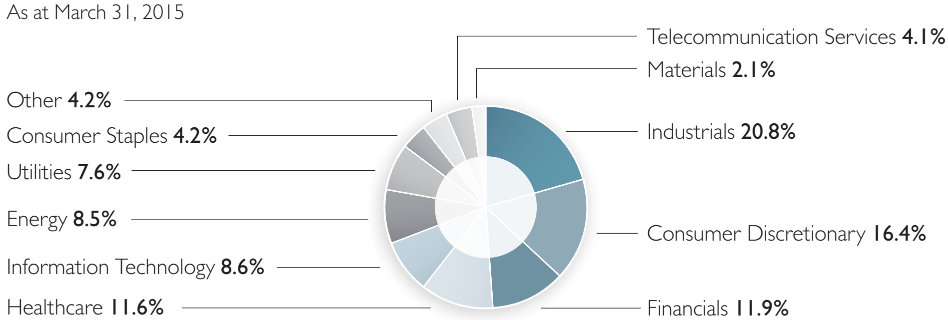
PRIVATE INVESTMENTS – GEOGRAPHIC DIVERSIFICATION

As at March 31, 2015



PRIVATE INVESTMENTS BY SECTOR

As at March 31, 2015



The first table below summarizes aggregated returns in absolute terms with rates of return calculated on an unhedged time-weighted basis. The second table shows dollars of value-added relative to the corresponding investments had they earned the returns on relevant public benchmark indexes.

PRIVATE INVESTMENTS	Fiscal 2015 %	Fiscal 2014 %
RETURNS		
1-year excluding foreign currency impact	**17.8**	18.5
1-year	**25.6**	29.2
1-year benchmark	**24.6**	35.5

PRIVATE INVESTMENTS	Fiscal 2015 $ billions	Fiscal 2014 $ billions
CONTRIBUTION TO PORTFOLIO VALUE-ADDED[1,2]		
1-year	**0.9**	-2.3
4-year	**0.1**	0.5
Since inception[3]	**1.1**	0.2

1 Before CPPIB operating expenses.
2 Foreign currency fluctuations have no impact on departmental value-added. See page 26 for more details.
3 Reference Portfolio inception date: April 1, 2006.

In both absolute and relative return terms, fiscal 2015 was an outstanding year overall for our private investments. Despite strong public market returns and the decline in oil prices, our private equity returns outpaced corresponding public benchmark indexes. This was due to a combination of strong income flows and substantial valuation gains from our direct investments, driven by exceptional operating results in our portfolio companies, rising public company comparable multiples and several full or partial realizations.

FISCAL 2015 ACTIVITIES

In fiscal 2015, investing activities within PI were shaped by two key factors: the private equity market saw high asset valuations driven by strong public equity markets and leverage levels or the availability of low-cost borrowing, and competition for quality assets remained intense. As a result, many of the transactions we pursued were unsuccessful due to an extremely competitive buyer's market where assets sold at prices near or exceeding full value.

However, these market conditions provided attractive exit opportunities for our Direct Private Equity team, resulting in successful realizations of our investments in AWAS, Gates Corporation and Air Distribution Technologies. PI remained disciplined in executing its investment program, selectively completing significant direct transactions including Associated British Ports, JW Childs secondary portfolio and the NorthConnex tunnelled motorway development.

Private equity fundraising activity continued its strong momentum in fiscal 2015, driven in part by the continuation of a robust distribution environment and strong demand from Limited Partners. The Funds team successfully accessed and positioned for sizeable allocations to a number of highly sought-after managers, including new relationships such as Centerbridge, Siris and Thoma Bravo. The secondary market remained competitive. The Funds, Secondaries & Co-Investments group continued its proactive sourcing efforts to gain access to attractive fund managers, secondary transactions and co-investments.

After a strong start in fiscal 2015, the credit markets weakened and experienced an increase in volatility driven by global growth concerns and significant decrease in oil prices. Our Principal Credit Investments team was able to deploy capital on attractive terms in this environment.

During the year, PI continued to expand its geographic footprint by seeking investments in key emerging markets. The Infrastructure group completed its first investment in India, with the US$332 million commitment in Larsen & Toubro Infrastructure Development Projects Limited, the largest concession toll road operator in India. In Latin America, the Funds team committed US$100 million to Patria Fund V, its first solely Brazil-focused private equity manager and the third private equity fund commitment in the region since the Latin America strategy was established.

We continue to examine new areas for private investment, and in particular to engage in innovative partnerships where we can efficiently acquire quality assets at appropriate prices.

Activities in fiscal 2015 for each PI group are described below.

FUNDS, SECONDARIES & CO-INVESTMENTS

FSC currently manages more than $53 billion and maintains relationships with more than 90 general partners globally, in pursuit of investments that will outperform public benchmarks.

Funds

The Funds team currently has relationships with 77 fund managers. The group's portfolio value increased to $22.5 billion in 164 funds at year-end 2015, up from $20.0 billion in 149 funds last year. In addition, we have made commitments of up to $16.1 billion for further investment with fund managers. Looking ahead to fiscal 2016, the pipeline of new fund commitments remains strong and the team expects to continue making additional commitments to both new and existing private equity managers.

Significant transactions this year included:

> US$650 million commitment to Hellman & Friedman Capital Partners VIII, a fund focused on large buyouts in North America and Western Europe;
> US$400 million commitment to TPG Partners VII, a fund focused on traditional buyouts and transformational investments in the U.S., Europe and Latin America;
> US$375 million commitment to CVC Capital Partners Growth Investors, an emerging manager focused on control growth equity and buyout investments in middle-market companies in the software and technology-enabled business services sectors in North America;
> US$300 million commitment to Quantum Energy Partners VI, a fund primarily focused on acquisition and development opportunities in the upstream oil and gas exploration and production sector in the U.S.; and
> US$1 billion committed across eight new managers, including Veritas Capital Fund Management, Centerbridge Capital Partners, Littlejohn, Patria, Riverwood Capital Partners, Roark Capital Group, Siris Capital Group and Thoma Bravo.

Secondaries & Co-Investments

S&C saw considerable activity in fiscal 2015. The portfolio grew from $4.4 billion to $5.9 billion in total value. During fiscal 2015, the secondaries market remained highly competitive; however, our proactive sourcing efforts allowed us to gain access to attractive opportunities. We led the JW Childs direct secondary transaction and continue to take the lead in origination and innovative whole-fund portfolio solutions.

On the LP secondary front, we completed seven secondary transactions for a total of $1.1 billion, by bidding on groups of smaller interests, sourcing bilateral transactions, and identifying attractive opportunities through our proactive pricing exercise. In addition, working alongside private equity fund managers, the team closed four new co-investments for a total of $236.0 million. These investments illustrate our ability to be nimble and selective in a highly competitive market, allowing us to deploy capital at attractive returns.

Private Equity Asia

Despite a slow fundraising and investment environment in fiscal 2015, we were able to grow the PE Asia portfolio from $5.4 billion to $7.7 billion in total exposure. The team made commitments to four funds, including a new relationship with Hopu Capital. This is consistent with FSC's strategic priorities to increase exposure to both emerging private equity markets and mid-market managers.

Significant transactions this year included:

> US$335 million commitment to Baring Asia Private Equity Fund VI, a fund focused on control growth and minority growth investments in mid-market companies across Asia;
> US$200 million commitment to Hillhouse Fund II, a fund focused on buyouts in China through the use of proprietary research;
> US$200 million commitment to Plenty Private Equity Fund I Limited, a fund focused on growth investments in mid-to-late state Indian companies; and
> US$150 million commitment to Hopu USD Master Fund II, a fund focused on large opportunities, particularly state-owned enterprises, in China.

We also participated in the initial public offering of Chinese e-commerce firm, Alibaba Group Holding Limited. CPPIB has been an early investor in Alibaba since 2011 through our private equity group, and has invested a total of US$314.5 million to date.

In addition, we made two new co-investments: Key Safety Systems, a global provider of automotive safety systems, and Chindex International, Inc., the leading operator of premium private hospitals and clinics in China.

In fiscal 2016, PE Asia will continue assessing both new and existing managers in the Asia region, proactively sourcing direct co-investment and co-sponsorship opportunities.

DIRECT PRIVATE EQUITY

As market conditions remained competitive this year, DPE assessed several new investment opportunities alongside GP partners in the U.S. and European markets. At year end, we held 30 direct investments valued at $15.8 billion compared with 33 valued at $12.1 billion one year earlier. New investments totalled approximately $3.6 billion.

A major transaction this year was the US$1.8 billion acquisition of 100% of the equity of Wilton Re Holdings Limited, together with the management of Wilton Re. Wilton Re is a provider of life insurance and reinsurance solutions to the U.S. life insurance market and a leading acquirer of closed blocks of life insurance policies.

Shortly after year end, we signed a definitive agreement alongside the Permira funds to acquire Informatica Corporation for approximately US$5.3 billion. Based in Redwood City, California, Informatica is the world's number one independent provider of enterprise data integration software and services. Permira is a long-time fund partner and has significant expertise in the technology sector.

This year, DPE successfully realized value from several of its major investments, achieving attractive returns:

> AWAS, an aircraft leasing company in which we hold a 25% interest, signed an agreement to sell a portfolio of 90 aircraft to Macquarie Group Limited for a total consideration of US$4.0 billion. AWAS will continue to own and maintain a portfolio of 200 modern aircraft.
> In June 2014, we closed the sale of Air Distribution Technologies, Inc. to Johnson Controls for US$1.6 billion, resulting in a multiple of capital invested of 2.0 times.
> In July 2014, together with Onex Corporation, we completed the sale of Gates Corporation, a division of Tomkins plc, to The Blackstone Group for US$5.4 billion. CPPIB received net proceeds of US$1.5 billion resulting in a multiple of capital invested of 2.2 times.

Over the past nine years, DPE has evolved its "smart partner" model from an initial focus on syndicated co-investments to the current focus on co-sponsoring and opportunistically leading transactions. This transition has enabled DPE to perform better due diligence, benefit from improved governance, and invest more money in fewer deals to leverage our investment professionals' time and improve scalability. We expect the trend to continue in fiscal 2016, with DPE continuing to use CPPIB's comparative advantages in scale, liquidity and long-term investment horizon to execute primarily on co-sponsorships and co-lead investments. DPE will also seek to review other strategic investment opportunities, similar to the Wilton Re transaction, that fall outside of the traditional co-sponsorship model.

In fiscal 2016, the Agriculture and Farmland team will focus on continued geographical expansion as well as diversification into a broader range of crops and farm types. We will also continue to grow and consolidate our existing investments in the U.S. and Canada, currently valued at $787 million, as well as strategically reviewing a set of larger vertically integrated opportunities.

NATURAL RESOURCES

At year end, the Natural Resources portfolio consisted of seven direct investments valued at $1.5 billion compared with $2.1 billion a year earlier. During the first half of fiscal 2015, these investments benefited from strong commodity prices in North America and favourable capital markets conditions. High commodity prices were reflected in high valuations across the sector and the Natural Resources team did not complete any new investments. In the second half of the year, the decline of commodity prices, and oil prices in particular, had a significant negative impact on the Natural Resources portfolio. Despite difficult market conditions, Seven Generations Energy Ltd, a portfolio company in which we hold an approximate 15% interest, successfully completed its $931.5 million initial public offering in November 2014. In the second half of the year, the Natural Resources team added several new team members, increasing its capacity to make new investments.

In fiscal 2016, Natural Resources will actively pursue new investments in upstream and midstream assets in Canada and the U.S. with a focus on non-marketed deals where it can act as a flexible capital provider.

PRINCIPAL CREDIT INVESTMENTS

During fiscal 2015, the credit markets experienced considerable volatility, most notably during the latter half of the fiscal year. The credit indexes produced negative returns in the third quarter as loans traded lower in the face of record retail outflows and decreasing investor sentiment due to global growth concerns and significantly lower commodity prices, which weighed on companies in the energy and materials industries.

Despite these volatile market conditions, PCI exercised discipline in conventional lending and leveraged existing relationships to find larger and more tailored situations where the group was better able to obtain appropriate structure and terms, resulting in attractive risk-adjusted opportunities. The team was also uniquely positioned to deploy additional capital in the secondary market in order to take advantage of the temporary trade-off that was ensuing. In totality we were able to close 29 new investments in nine countries, funding approximately $2.8 billion.

The credit portfolio has maintained its geographic balance, with 63.5% in North America, 30.4% in Europe, 4.3% in Asia Pacific and now 1.8% in Latin America. The Europe and North America teams have been increasingly active in the secondary market, with the Hong Kong office ramping up on primary transactions in the Asia Pacific region. After sales, maturities and revaluations of holdings, assets totalled $7.8 billion, up from $5.9 billion at the end of fiscal 2014.

Notable transactions this fiscal year include:

> €250 million investment in the Dublin-listed Senior Notes of Lindorff AB, a leading pan-European credit management services company;
> Additional SEK800 million investment in the HoldCo Notes of Bravida, a leading provider of electrical, heating and plumbing, HVAC and other installation and services solutions in Scandinavia; and
> US$100 million investment in the Senior Notes of Exeter Finance Corp, a Blackstone portfolio company and specialty auto finance company focused on subprime borrowers throughout the U.S.

PCI continues to invest in opportunities underpinned by Intellectual Property (IP) such as patents, trademarks and copyrights. This year, the IP team made a US$250 million debt investment in Theravance, which is secured against a royalty entitlement of two new respiratory products. To date, the team has deployed $1.0 billion in IP investments.

In fiscal 2016, we expect net growth in an increasingly diversified portfolio of private credit assets in addition to increased geographical presence through our Hong Kong and New York offices. Additional growth will be derived from the continual expansion and deployment of the intellectual property platform.

INFRASTRUCTURE

At year end, the Infrastructure portfolio grew to $15.2 billion compared to $13.3 billion in fiscal 2014.

This year, the Infrastructure group continued to deepen its expertise with the addition of Cressida Hogg as Managing Director & Global Head of Infrastructure in July 2014. Based in the London office, Ms. Hogg has an extensive background in the global infrastructure sector and was most recently head of 3i Group's infrastructure division.

In fiscal 2015, Infrastructure continued its focus on well-established brownfield infrastructure assets while evaluating opportunities more widely, including in greenfield and renewable energy. In line with CPPIB's strategy to increase exposure to higher-growth emerging markets, the group also continued to broaden its global investment capability. During the year, Infrastructure dedicated resources to building expertise and relationships in new markets, particularly in India and Latin America (Brazil, Peru and Colombia), as well as selective opportunities in Asia.

During fiscal 2015, the Infrastructure group announced several major transactions:

> Signed an agreement to invest approximately £1.6 billion to acquire a 33% stake in Associated British Ports (ABP) alongside Hermes Infrastructure. As the U.K.'s leading landlord ports group, ABP owns and operates 21 ports in England, Scotland, and Wales with a diverse cargo base, long-term contracts and an experienced management team.
> Announced a A$525 million commitment to build and operate a new tunnel motorway in Sydney, Australia as part of a consortium that includes Transurban Group and Queensland Investment Corporation. Called NorthConnex, the nine-kilometre motorway will be the longest road tunnel project in Australia.
> Completed our first direct investment in India, with a US$332 million commitment in Larsen & Toubro Infrastructure Development Projects Limited (L&T IDPL). L&T IDPL owns the largest toll road concession portfolio in India, including 19 toll roads spanning over 2,200 kilometres, connecting some of the most important cities, ports and economic corridors in India. The investment can also act as a platform for CPPIB to deploy further capital in India alongside an experienced local partner.
> Acquired a 39% stake in Interparking SA, one of Europe's largest car park operators, for €376 million. Based in Brussels, Interparking SA has a portfolio consisting of 670 car parks in nine European countries and the potential to grow the business significantly through acquisitions and new concessions across Europe.

New sources of capital have entered the infrastructure market since we launched our direct investing platform nine years ago. Competition has remained intense on high-quality brownfield assets across developed and emerging markets. Still, there remains a large global funding deficit for infrastructure, particularly for greenfield investment. Looking forward, the Infrastructure group will continue to expand its investment program by building capabilities in new markets, pursuing opportunities in developed markets where our competitive advantages are most potent, and assessing the attractiveness of new sectors through strategic reviews.

PORTFOLIO VALUE CREATION

This year, the team continued to oversee the semi-annual monitoring process for all large assets. This covers financial performance, operational efficiencies and compliance. The team also focused on the effective governance of our assets by helping our asset management teams make best use of representing directors. It also identified several opportunities to create additional value at some portfolio companies and supported management in executing projects to realize these. The team continues to play an active role in transitioning new assets into the CPPIB portfolio, particularly with regard to business continuity and governance matters. Lastly, the team continued its focus on the environmental, social and governance (ESG) diligence process established in fiscal 2014 and is rolling out the ESG monitoring process in support of CPPIB's Sustainable Investing goals.

REAL ESTATE INVESTMENTS

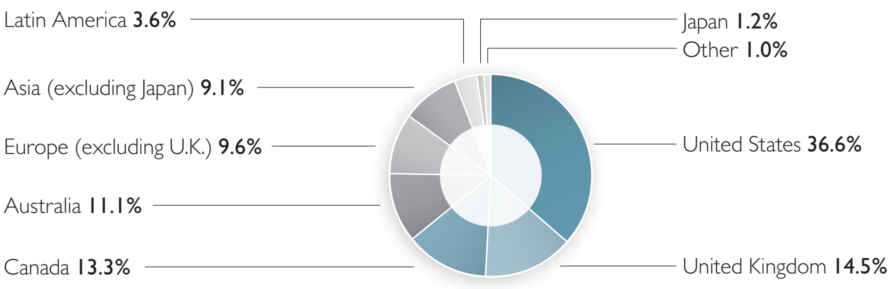
Fiscal 2015 marks the 10th anniversary of the Real Estate Investments (REI) department at CPPIB. Our real estate program began in earnest in mid-2005 and at inception consisted of a collection of passive real estate limited partnerships and fund investments managed by a small Toronto-based team. Today, our portfolio has grown by 35-fold to $34.1 billion in equity carrying value, managed by a team of 64 dedicated real estate investment professionals located in five offices globally. Our geographic footprint spans five continents and consists of 135 investments totalling 116 million square feet in gross leasable area (at share) and managed by 58 partners. Including third-party mortgage financing, the gross asset value of our portfolio totals $42.7 billion.

Fiscal 2015 was an active year for REI with its portfolio value (including both equity and debt investments) increasing by $6.0 billion from $28.2 billion at the end of fiscal 2014 to a current $34.1 billion, representing 12.9% of the Fund. The change in portfolio value was the net result of i) new investment activity ($7.0 billion), ii) asset dispositions ($3.6 billion) and iii) changes in valuation and foreign exchange movement during the year ($2.6 billion). We also have an additional $8.1 billion of outstanding commitments, comprised mainly of undrawn commitments to development programs that will be funded as these projects are built over the next several years.

The following charts provide a summary of our real estate holdings by geography and property sector.

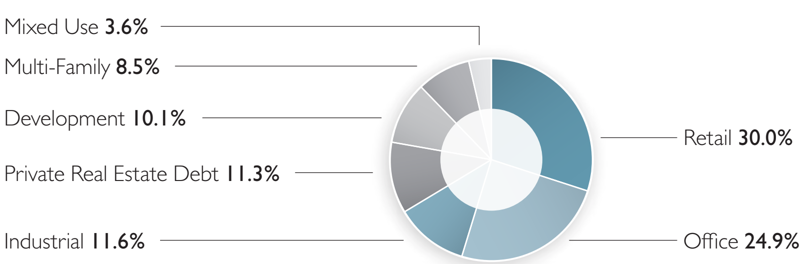
REAL ESTATE INVESTMENTS – GLOBAL DIVERSIFICATION

As at March 31, 2015



REAL ESTATE INVESTMENTS BY SECTOR DIVERSIFICATION

As at March 31, 2015



The two tables below show REI's performance in absolute terms and relative to its benchmarks. The first table summarizes the absolute returns on all assets (equity values after mortgage liabilities), with rates of return calculated on a time-weighted basis. Assets include properties under development, which are carried at cost until completed and stabilized. Returns are net of mortgage financing costs as well as transaction costs, land transfer taxes, external manager fees and other significant expenses related to the growth of the portfolio. The second table shows the dollars of value-add generated by the department compared to our performance benchmarks. We use distinct benchmarks for our real estate debt and equity programs: our debt investments are benchmarked to public corporate debt indexes, while our equity investments are benchmarked to the Investment Property Databank (IPD) indexes. IPD is a third-party private real estate index provider and our equity investments are benchmarked to its corresponding country and sector level indexes. If a local IPD index is not available, a global composite index is used. For comparability, the applicable benchmark returns are adjusted for leverage and unavoidable external expenses not included in the IPD indexes.

REAL ESTATE INVESTMENTS	**Fiscal 2015 %**	Fiscal 2014 %
RETURNS		
1-year excluding foreign currency impact	**10.4**	10.0
1-year	**14.6**	17.9
1-year benchmark	**15.1**	17.6

REAL ESTATE INVESTMENTS	**Fiscal 2015 $ billions**	Fiscal 2014 $ billions
CONTRIBUTION TO PORTFOLIO VALUE-ADDED[1,2]		
1-year	**0.0**	0.1
4-year	**0.2**	0.4
Since inception[3]	**0.5**	0.5

1 Before CPPIB operating expenses.
2 Foreign currency fluctuations have no impact on departmental value-added. See page 26 for more details.
3 Reference Portfolio inception date: April 1, 2006.

The REI portfolio posted a return of 14.6%, which slightly underperformed the benchmark in fiscal 2015. As noted above, our performance includes assets under development which are carried at cost until stabilization. This year, our development activities increased to $3.8 billion, and as a result, this component of our portfolio continues to weigh on our performance until the assets are completed and stabilized. Excluding our development portfolio, REI's income-producing portfolio slightly outperformed against our benchmarks.

FISCAL 2015 ACTIVITIES

Below is a summary of activities for the Equity Programs and Private Real Estate Debt groups.

EQUITY PROGRAMS

The global real estate landscape has changed dramatically over the past decade. During this time, we experienced one of the longest sustained periods of asset value growth, followed by a significant correction during the 2008 financial crisis and an uneven recovery in recent years. As a continuing theme from last year, newly formed and well-capitalized sovereign wealth funds continue to be active core real estate buyers globally, resulting in an increased demand for joint-venture partners and core assets alike. Abundant liquidity, coupled with a low interest rate environment, has driven pricing to high levels by historical standards. While capital market conditions remain robust, economic outlook and, in turn, the outlook for real estate fundamentals remain disparate across the globe.

These mixed economic signals coupled with robust asset values have resulted in a more challenging investment environment this fiscal year. Over the past decade, we have built a diversified real estate portfolio that is well-represented across our target market globally. This has allowed us to take a more cautious approach in making new investments this past year and focus on optimizing the portfolio through several initiatives. First, we continue to execute on our existing investment programs with a network of strategic relationships globally. Second, we actively divested our non-core holdings in order to take advantage of a robust pricing environment. Finally, we made a series of large but concentrated investments in new markets and sectors that are complementary to our existing portfolio.

Fiscal 2015 continued to demonstrate the importance of building long-term relationships with our local operating partners. These partnerships provide a strong pipeline of attractive investment opportunities that are often sourced on an off-market basis with limited competition. This past fiscal year, over 66% of our new investment activities were made with existing partners, including the Goodman Group and Global Logistic Properties.

We are also beginning to see our platform investment in Aliansce Shopping Centres generate high-quality deal flow for our JV business. For example, this fiscal year we acquired interests in two high-quality shopping centres in Brazil alongside our partner. We are undertaking a number of large-scale retail development projects in the U.S. with our existing partners Westfield Group and Kimco Realty.

We also added four new operating partners and/or companies to our portfolio with a focus on complementing our existing programs from a geographic and sector-focus perspective. This included forming our first JV with a U.S. West Coast office specialist, Hudson Pacific Properties, with the acquisition of our first office property in San Francisco, California. We also formed a new JV in China with a well-regarded and experienced local property developer, Longfor Properties, and invested in a major mixed-use development in Suzhou.

While JVs continue to be our main focus, we continue to seek alternative investment structures in order to access high-quality real estate and operators. This includes investments in real estate operating companies or platforms.

In fiscal 2015, we made strategic investments in two operating companies in Europe. The first investment consisted of a minority stake in Citycon Oyj, a Finland-based shopping centre operator who has been our JV partner in a shopping centre in Sweden since 2012. We also completed the £1.1 billion acquisition of Liberty Living, one of the largest providers of high-quality student accommodations across the U.K., marking our first investment in this sector. We see this as an ideal platform through which to build further scale in the student accommodation sector.

These transactions demonstrate the growing sophistication of our foreign offices in their ability to source and undertake large and complex transactions, aligning well with CPPIB's comparative advantages.

As part of our ongoing efforts to optimize our portfolio for sustainable performance, we regularly review our existing investments and programs to determine whether they continue to align with our long-term investment strategies due to evolving market conditions, relationship dynamics or asset performance. Further, as we have now grown in sufficient size and scale, a normal level of portfolio rebalancing or optimization is necessary in order to harvest returns and continue to refine the portfolio position.

We accelerated our disposition activities in fiscal 2015 due to a very favourable pricing environment. The sale of non-core assets resulted in proceeds totalling $3.6 billion at our ownership share, a record year for REI, which partially offset our portfolio growth through new investment activity this year. Assuming current pricing conditions continue to hold, we expect our disposition activities to continue into fiscal 2016.

Investment highlights this year included:

AMERICAS

> Acquired a Brazilian industrial portfolio of 32 assets totalling 10 million square feet alongside Global Logistic Properties and another institutional investor. CPPIB holds a 30% interest for an equity investment of approximately R$507 million (C$236 million). GLP is one of the largest owners, developers and operators of industrial properties globally.

> Committed US$500 million of additional equity to our U.S. logistics joint venture with Goodman Group for a total commitment to date of US$900 million. The JV was formed in 2012 and has invested in modern logistics facilities across major industrial markets in the U.S.

> Formed a 45%/55% joint venture with Hudson Pacific Properties to acquire 1455 Market Street for US$488 million. The property is a 22-storey, Class-A office building located in San Francisco. This is our first strategic office investment in the U.S. West Coast with an experienced partner who specializes in the region.

> Entered into an 85%/15% joint partnership with WAM to develop four million square feet of industrial space in Edmonton, Alberta. The initial commitment of $246 million will fund the acquisition of the land parcel and construction of the Phase I development. This is our first entry into the Canadian industrial market with one of the largest industrial developers in Alberta, Canada.

EUROPE

> Acquired 100% of the U.K. student accommodation portfolio operating under the Liberty Living brand, along with the Liberty Management platform, for approximately £1.1 billion. One of the largest providers of high-quality student accommodation providers in the U.K., Liberty Living's portfolio includes over 40 well-located residences in 17 cities across the U.K.

> Acquired a 15% interest in Citycon Oyj for an equity amount of €236 million. Citycon Oyj is a leading owner and developer of shopping centres in the Nordic and Baltic countries. The company manages a portfolio of 70 retail assets across Finland, Sweden, the Baltics and Denmark.

- > Extended our partnership with Hermes Asset Management through a £101 million commitment to forward purchase South Bank Tower, an office-anchored mixed-use development project in Central London and a £63 million commitment to develop Wellington Place, a 1.5 million square-foot mixed-use development located in Leeds, U.K.

ASIA

- > Formed a 49%/51% joint venture with Longfor Properties Company to develop a 6.8 million square-foot mixed-use complex in Suzhou, Jiangsu Province of eastern China. The project is comprised of residential, office, retail and hotel properties to be developed over five phases. Longfor is one of the top three largest non-state-owned developers in China.
- > Committed US$150 million of additional equity to our Japanese logistics venture with GLP, GLP Japan Industrial JV, for a total commitment to date of US$650 million. The venture was formed in 2011 and a total of $145 million was committed in three projects in fiscal 2015.
- > Committed $275 million in six projects through the logistics venture in China with the Goodman Group. Formed in 2009, the venture was one of the earliest established joint ventures with Goodman Group and there are currently 28 projects in stabilized or development phase.

The following are highlights of major dispositions in fiscal 2015:

- > Sold our 39% interest in the Callahan Denver Office JV for net proceeds of US$113 million. The divestment allows us to reposition the U.S. office portfolio with a focus on key strategic markets.
- > Divested our 50% interest in 151 Yonge Street for net proceeds of $76 million. The disposition rebalances the concentration of CPPIB's office portfolio in Toronto's downtown core.
- > Sold our 26.5% interest in Multi Retail Turkey Cooperative U.A. at a consideration of €220 million.
- > Divested four non-core assets totalling $370 million through a number of JVs or fund vehicles to streamline our European portfolio. This is consistent with our strategy to focus on core assets in primary markets held jointly with strong operating partners.

PRIVATE REAL ESTATE DEBT

The PRED program, which represents 11% of REI's global real estate portfolio, was also very active this fiscal year, capitalizing on its advantages of a strong reputation in the Americas, its new physical presence in Europe and attractive market conditions. The PRED team is based in our Toronto and London offices. To date, our investment activity has focused exclusively on Western Europe and North America, though this geographical focus is expected to widen over time to take better advantage of the Equity team's established presence globally.

In fiscal 2015, PRED delivered its highest level of originations to date, investing in eight new loans totalling $1.5 billion. The group focuses on situations that offer access to high-quality collateral and where its real estate knowledge and ability to absorb large transactions will be rewarded by the market. During the year, the team invested in first mortgages and mezzanine loans that were underpinned by: major office buildings and office portfolios in France and Spain; a dominant regional mall in the United States; a range of world class hotel and resort properties across the Americas; and a condominium conversion project in Manhattan.

In addition to our origination efforts, the team also oversaw the successful repayment of $431 million of loans previously made by the team. All of the repayments were received on or ahead of schedule and a number of them also delivered attractive prepayment premiums to PRED which enhanced our returns.

FISCAL 2016 OBJECTIVES

The principal corporate objectives for fiscal 2016 build on fiscal 2015 developments:

1. **Implementing our enhanced investment framework** – following the approval of the enhanced investment framework in fiscal 2015.
2. **Implementing the revised incentive compensation structure** – to align with the new investment framework.
3. **Delivering foundational elements of an integrated, straight-through trade life cycle process for publicly traded securities** – which will be scalable to support CPPIB's future asset levels and investing activities.
4. **Evolving our compliance practices** – in accordance with growing trade volumes, new products, increasing global activity and related external regulatory requirements.
5. **Scaling our investment programs** – by growing in chosen major markets around the globe.
6. **Developing talent** – with a focus on increasing diversity, early career hiring and building future leaders from within our organization.

ENTERPRISE RISK MANAGEMENT

CPPIB's activities expose us to a broad range of risks in addition to investment risks. All risks are managed within an Enterprise Risk Management (ERM) framework with the goal of ensuring that the risks we take are commensurate with and rewarded by long-term benefits.

Our ERM framework is based on a strong governance structure, including a risk-aware culture, risk policies, defined risk appetite and risk limits; processes for identifying, assessing, measuring, mitigating, monitoring and reporting all key existing and emerging risks; and control practices with independent assurance that these practices are working properly. We define a key risk as one that could have a significant impact on our ability to execute our mandate.

During fiscal 2015, we made a number of enhancements to our risk management practices:

> Conducted a comprehensive review of our risk appetite and approach for Board oversight of our strategic, investment, legislative and regulatory, and operational risks. Following this review, the Board approved risk appetite statements and our framework for oversight of these risks;
> Evolved our Risk/Return Accountability Framework;
> Further enhanced our market and credit risk measures and implemented a new system to measure and report on investment risks;
> Conducted a review of our compliance management processes to ensure they continue to be appropriate as our activities expand globally and the regulatory environment evolves; and
> Continued refinement of our processes for managing risks related to fraud, tax, information security, business interruption and other factors.

Risk governance at CPPIB is accomplished by the Board, management and committees. The Board of Directors is responsible for oversight of CPPIB's efforts to achieve a "maximum rate of return, without undue risk of loss" in accordance with CPPIB's mandate. To this end, the Board is responsible for ensuring that management has identified all key risks and established appropriate strategies to manage them. Board committees have risk-related responsibilities as follows:

> The Investment Committee establishes CPPIB's investment policies and approves and monitors investment activities and risk levels. It also reviews the approach to investment risk management;
> The Audit Committee oversees financial reporting, tax, information systems and technology and associated risks, external and internal audit and internal control policies and practices;
> The Human Resources and Compensation Committee is responsible for risks related to our employees and employment practices. The HRCC reviews and recommends the compensation framework, approves performance benchmarks and incentive compensation, and ensures a succession planning program is in place; and
> The Governance Committee recommends governance policies, guidelines and procedures, makes recommendations on the Board's effectiveness, monitors application of the Code of Conduct and conflict of interest guidelines, and assumes other duties at the request of the full Board.

The President & CEO, by way of delegation by the Board of Directors, is accountable for all risks beyond those matters specifically reserved for the Board or Board committees. The responsibility for risk management is further distributed throughout the organization starting with the Senior Management Team (SMT).

The SMT ensures that strategic and business planning, and risk management are integrated. Through the business planning process, the SMT ensures that plans align with our overall strategy and risk appetite and that adequate resources and processes are in place to identify and effectively manage all key risks. The leaders of each department are responsible for appropriately managing the risks assumed within their areas of responsibility.

The Chief Operations Officer (COO) oversees the ERM framework for CPPIB.

The Chief Financial Officer (CFO) is accountable for the Investment Risk group which measures, monitors and reports investment risks independently from the investment departments. The Internal Audit department plays an important role as it provides independent assurance that controls and mitigants are properly designed and operating effectively.

Management's risk-related responsibilities, including those of the Investment Planning Committee (IPC), are described further on page 37.

The following sections describe each of our five principal risk categories and risk management strategies:

Strategic Risk: This is the risk that CPPIB will make inappropriate strategic choices or be unable to successfully execute selected strategies or adapt to changes in the external business, political or socioeconomic environment over the long term. Managing strategic risk effectively is critical to achieving our mandate.

A number of important processes control and mitigate strategic risks:

> An annual review of our strategy by management that is reviewed with the Board;
> Strategies are prepared for each investment program to ensure alignment with CPPIB's overall strategy and comparative advantages;
> Detailed business planning that considers our longer-term objectives is carried out by each department and reviewed by the President & CEO, with an annual business plan approved by management and the Board;
> Quarterly reviews of the portfolio and associated investment risks are completed, in the context of capital market and emerging economic conditions; and
> Quarterly reporting and discussion of our progress is conducted against the approved business plan by both management and the Board.

Investment Risk: This is the risk of loss due to participation in investment markets. It includes market risk (including currency, interest rate, equity price, commodity price and credit spread risk), credit risk (including counterparty risk) and liquidity risk, in both internally and externally managed portfolios. It is managed and monitored in accordance with the RRAF and the Investment Risk Management Policy approved by the Board of Directors.

We have risk committees to oversee our investment risk exposures. The Investment Committee of the Board receives regular reporting on our assets, investment income, investment returns, risk measures and stress testing results. Management's IPC reviews the risks in the portfolio at least monthly through commentaries prepared by the Investment Risk group.

Additional information related to our investment risk exposures and risk measurement and management processes is included in note 5 to our Financial Statements on page 116.

Legislative and Regulatory Risk: This is the risk of loss due to actual or proposed changes to and/or non-compliance with applicable laws, regulations, rules and mandatory industry practices, including those defined in the *CPPIB Act*. Failure to comply could result in financial penalties or portfolio losses and damage to our reputation.

Our compliance program is designed to promote adherence to regulatory obligations worldwide, and to help ensure awareness of the laws and regulations that affect us and the risks associated with failing to comply. We monitor emerging legal and regulatory issues as well as proposed regulatory changes, and take a constructive role in these developments when appropriate. Input is regularly sought from external legal counsel to keep us informed on emerging issues.

Our Tax group plays a key role in informing decision-making, advising on tax risk management and evaluating overall tax practices. We review key tax risk issues both as part of transaction due diligence and at the total Fund level.

Operational Risk: This is the risk of loss due to actions of people, or inadequate or failed internal processes or systems as a result of either internal or external factors. Operational risk encompasses a broad range of risks, including those associated with:

1. Human resource management and employment practices;
2. Employee misconduct including breaches of the Code of Conduct, fraud, and unauthorized trading;
3. Ability to recover from business interruptions and disasters;
4. Transaction processing, operations and project execution;
5. Data, models, user-developed applications (UDAs) and information security; and
6. The integrity of financial reporting.

Exposures can take the form of direct financial losses, indirect financial losses appearing as operating inefficiencies, regulatory sanctions or penalties, or damage to our reputation. Operational risk can also directly impact our ability to manage other key risks.

Each member of the SMT bears primary accountability for managing operational risks within their department. We manage operational risk through internal controls that are subject to internal audit reviews. We also conduct a thorough analysis as part of the CEO/CFO certification of internal control over financial reporting. The Finance, Analytics and Risk department, and the Operations and Technology department maintain rigorous protocols for implementing new investment products and technologies, managing data, models and user-developed applications, ensuring information security, and establishing continuity plans for potential business interruptions. Also, we purchase property and casualty insurance, as well as director and officer liability coverage.

Reputation Risk: This is the risk of loss of credibility due to internal or external factors and is often related to, or results from, other categories of risk. This risk can arise from our internal business practices or those of our business partners or the companies in which we are investors. Business partners include third parties hired to perform some of our administrative functions as well as investment organizations with whom we have a contractual arrangement. A loss of reputation could impact our position as a partner, investor and employer of choice and impede our ability to execute our strategy.

The responsibility for managing reputation risk extends to every employee and Director. This is clearly detailed and communicated through our Code of Conduct and our Guiding Principles of Integrity, Partnership and High Performance which apply to all employees and all business activities. The Code of Conduct, as an example, requires all employees and Directors to disclose any personal trading or business interests that might lead to a real, potential or perceived conflict of interest.

We require that reputation risk assessments be part of the investment decision-making process, and business strategy development and execution. Our Issues Management Executive Committee has a mandate to address any significant issues as they arise. Additionally, we continue to proactively build our reputation and brand with key stakeholders globally to support our business objectives and mitigate risk.

Our approach to managing risks and opportunities related to environmental, social and governance (ESG) factors is described in the Sustainable Investing section on page 44.

ORGANIZATIONAL ACCOUNTABILITY

CEO/CFO CERTIFICATION

During the year, we completed an evaluation of internal control over financial reporting and disclosure controls and procedures using the framework and criteria set out in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations. CPPIB 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.

The CEO and CFO are responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance that it is reliable and conforms with International Financial Reporting Standards (IFRS). They are also responsible for the design of disclosure controls and procedures that provide reasonable assurance that all material information is gathered and reported to management on a timely basis.

No changes were made in our internal control over financial reporting, disclosure controls or procedures that have affected, or are reasonably likely to materially affect, our reporting.

Based on the results of management's evaluation, the CEO and CFO have concluded that internal control over financial reporting and the disclosure controls and procedures are properly designed and operated effectively throughout the year.

ACCOUNTING POLICIES AND CRITICAL ESTIMATES

Our significant accounting policies are summarized in note 2 of the annual Consolidated Financial Statements. Certain of these accounting policies require management to make certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses. We have established procedures to ensure accounting policies are applied consistently and processes for changing methodologies are well-controlled. In addition, we actively engage and consult with our peers in the pension fund industry in Canada and internationally to ensure that our accounting policies are appropriate in comparison with industry practice.

Management's most critical accounting estimates are with regard to 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 considers those factors that market participants would consider when pricing an investment or investment liability.

Quoted market prices are used to measure the fair value for investments traded in an active market, such as public equities and marketable bonds.

Where the market for an investment is not active, such as for private equity, infrastructure, private real estate, private debt and over-the-counter derivatives, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These techniques include recent arm's-length transactions, reference to the current fair value of another investment that is substantially the same, discounted cash-flow analysis, pricing models and other accepted industry valuation methods. Management engages independent appraisers to assist in the review or preparation of investment valuations. Regardless of the technique used, judgment is required to estimate fair value for investments which are not traded on an active market. Our valuation methodologies for investments and investment liabilities are summarized in note 3 to the annual Consolidated Financial Statements.

CURRENT ACCOUNTING POLICY CHANGE

We adopted International Financial Reporting Standards effective April 1, 2014. The adoption of IFRS did not have an impact on net assets or net income from operations. However, a Statement of Cash Flows is required, which was not a requirement under previous Generally Accepted Accounting Principles (Canadian GAAP).

Report of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee (HRCC) assists the Board of Directors with human resources matters, including talent management and compensation. The committee's mandate is detailed in the Terms of Reference posted on the CPPIB website.

The HRCC is composed entirely of Directors who are knowledgeable about issues related to human resources and executive compensation. All HRCC members also serve on the Investment Committee and have a strong appreciation of the link between compensation and risk management.

The committee members for fiscal 2015 were:

Pierre Choquette, Chair (until December 31, 2014)
Douglas W. Mahaffy
Heather Munroe-Blum
Karen Sheriff, Chair (from January 1, 2015)
D. Murray Wallace

Effective January 1, 2015, the following Directors joined the Committee:

Ian Bourne
Nancy Hopkins
Kathleen Taylor

In designing the compensation framework for the Canada Pension Plan Investment Board (CPPIB), the HRCC takes into account the relevant marketplace in which CPPIB operates, its mission and the strategy it has chosen to execute.

CPPIB operates broadly within the financial services sector and more specifically within the global investment management component. Most of CPPIB's employees are based in Toronto, so the HRCC primarily looks to comparable Canadian organizations and Canadian financial services companies for peer group comparators. In addition, since CPPIB also has offices in Hong Kong, London, Luxembourg, New York and São Paulo, the compensation framework has to afford the organization the ability to offer competitive compensation levels within those markets as well. As an investor with global reach, CPPIB also hires experienced professionals to relocate to our Toronto office; accordingly, the HRCC keeps abreast of compensation practices and trends in key international markets. The committee does not believe that CPPIB needs to be positioned as the maximum compensation opportunity for talented investment and other professionals. Rather, the goal is to target a competitive level of compensation that, in combination with CPPIB's other attributes, makes the organization an attractive employment option.

The HRCC has designed CPPIB's compensation framework to have strong linkages to the organization's mission and strategy. With respect to its mission, the committee is mindful that there is an element of public trust involved in managing the retirement assets of 18 million Canadians. CPPIB is also a relatively young organization, but one that is meant to endure for a very long time. A large element of management's focus in the near term is on attracting talent; growing the organization globally; establishing scalable investment programs and processes; putting in place enabling technology, operations and risk management capabilities; and establishing a strong culture with uncompromising standards of integrity. Accordingly, the HRCC wants the compensation framework to take into account these important dimensions of management's responsibility and performance. Given the public trust dimension, the committee also needs to assess not just what gets accomplished, but also how it is accomplished. The committee believes that the best way to achieve this is to have a meaningful component of management's compensation tied to annual objectives that emanate from the annual business plan approved by the Board. For this component of the compensation system, the committee retains full discretion to reward performance for the Senior Management Team within a range of zero to two times target levels. This full discretion allows the committee to not just assess and reward results but also the manner in which they were achieved.

CPPIB's strategy, which is based upon its comparative advantages, is described extensively elsewhere in this Annual Report. In essence, the strategy incorporates an active management approach whereby the organization executes a wide range of investment programs designed to earn returns above those available from passively investing in public markets. The investment performance component of the compensation system is designed to measure the extent to which each investment program has succeeded in generating value-added returns and to structure compensation amounts accordingly.

The HRCC makes four key decisions with respect to the performance component of CPPIB's compensation framework:

1. CHOICE OF INVESTMENT PERFORMANCE BENCHMARKS
The HRCC approves the framework for all benchmarks used for compensation, as well as the CPP Fund and the specific benchmarks for all investment programs above a materiality threshold. There is an extensive description of compensation benchmarks in the "Benchmarking Under the Risk/Return Accountability Framework" section of the Management's Discussion and Analysis component of this Annual Report. In approving the compensation framework and benchmarks, the HRCC is particularly focused on ensuring that each benchmark is relevant to the activities within the corresponding investment program, and that the benchmarks

also take into account the level of risk taken. In the case of Infrastructure, for example, the higher the leverage management used in acquiring an asset, the greater its risk profile and, correspondingly, our benchmark return expectations. The committee wants to ensure that the compensation system does not reward management for simply taking more risk.

2. CALIBRATION OF RESULTS

The HRCC has to use judgment in deciding what level of prospective returns represents good, exceptional or disappointing performance. These determinations take into account factors such as the nature and size of the investment program, relevant metrics such as information ratios or return on risk calculations, and where available, external indicators such as the Investment Property Databank (IPD) that we use for Real Estate.

The committee has adopted the policy that each investment program should first recover its costs before any value-added performance is attributed. This aligns the interests of employees and the CPP Fund beneficiaries by ensuring that there is only incentive to incur costs if they will be more than offset by incremental returns. The committee assigns a compensation multiplier of one to a target level of value-added returns after costs that, in our judgment, represent a good level of performance. Beyond that target level, the committee approves a distribution of returns, both positive and negative around the target of one, ranging from a floor of negative three to a cap of five.

3. TIME FRAME

The HRCC wants the period over which value-added investment returns are measured to correspond to the long-horizon focus of CPPIB's strategy and the multi-generational nature of the Canada Pension Plan itself. Consequently, investment performance is measured annually and then averaged over rolling four-year periods; this four-year result is then incorporated within the compensation system. Four-year periods are also used by a number of organizations similar to CPPIB. While this is shorter than the actual duration of many of CPPIB's investment programs, the committee thinks this is a reasonable length of time for accountability and compensation purposes.

4. ADJUSTMENTS

The investment performance component of CPPIB's compensation framework is based upon actual and benchmark returns. The committee expects that, across investment programs, there will be positive and negative value-added results in any given year, and this is precisely what has occurred over the last four years. To date, the investment performance components of our investment program compensation system have largely operated within the parameters anticipated by the committee. That said, the HRCC reviews these key elements of benchmarks, calibration and time frame on a regular basis and will make any changes or adjustments to payouts it considers appropriate.

KEY ACTIVITIES FOR FISCAL 2015

The HRCC held 14 meetings during fiscal 2015. Although not a committee member, the Chair of the Board of Directors attended all meetings. The CEO, the COO and the Senior Managing Director & Chief Talent Officer also attended portions of the meetings at the committee's request. A list of the HRCC's activities is included on page 74.

In addition to those activities, the committee adopted specific objectives designed to highlight areas of focus in fiscal 2015 and continuing into fiscal 2016. The objectives and progress relative to the objectives follow:

> In conjunction with the Chair and CEO, ensured and was satisfied that comprehensive succession plans are in place for the CEO, including a contingency plan in the event of an unanticipated departure of the CEO, and key senior roles, and that a sound process is in place for timely decisions and execution of these plans.

> Working with management and the committee's external compensation advisor, monitored the introduction of new and amended incentive compensation benchmarks. The committee also reviewed and recommended, for Board of Directors' approval, the benchmark and incentive compensation curve for the CPP Fund. More detailed information regarding benchmarks and value-added performance targets is contained on pages 29 to 30.

> Continued the committee's efforts to ensure that the Board is comfortable with CPPIB's approach to executive compensation. The committee worked with management and the committee's external compensation advisor to review and better align compensation with CPPIB's long-term horizon. Changes to compensation will be introduced in fiscal 2016. The committee kept the Board apprised of executive compensation matters during fiscal 2015, including the committee's assessment of each officer's performance against objectives established for the year, as well as other qualitative factors and the awards specific to the level of performance achieved.

The HRCC has engaged Hugessen Consulting Inc. (Hugessen) to provide independent advice, information and guidance. Hugessen cannot provide any services to management without the committee's prior approval. Fees paid to Hugessen for its services to the committee were $322,000 and $161,000 in fiscal 2015 and fiscal 2014, respectively, and no additional services were provided to management.

In conclusion, the HRCC is satisfied that the compensation outcomes for fiscal 2015 are appropriate and that our decisions with respect to the individual performance components of compensation reflect our assessment of the Senior Management Team's performance relative to pre-established objectives for fiscal 2015.

Karen Sheriff
Chair, Human Resources and Compensation Committee

ACTIVITIES OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

Agenda items	May 2014	November 2014	February 2015
Review of executive compensation trends as provided by the HRCC's external compensation advisor		•	
Review officers' compensation, including requesting and reviewing a report from the HRCC's external compensation advisor on the compensation of officers relative to other large Canadian pension funds and investment management companies		•	
Review, approve and recommend for Board approval salary ranges, salary increases and incentive compensation payouts for officers and employees	•		
Oversee the disclosure of Directors' and officers' compensation and the compensation framework in the Annual Report	•		
Review and recommend the benchmark and incentive compensation curve for the CPP Fund for Board approval			•
Review and approve benchmarks and incentive compensation curves for specific investment programs below the CPP Fund level			•
Review and recommend for Board approval changes to incentive compensation plans		•	
Review and recommend for Board approval the compensation arrangements for officers		•	
Review and recommend the CEO's performance objectives and performance evaluation process for Board approval	•		•
Review significant outside commitments of the CEO	•		
Review and recommend for Board approval HRCC Terms of Reference and review performance against Terms of Reference		•	
Review succession planning and talent management programs			•
Receive the Annual Report of the Pension Committee and review and approve pension plan documents			•
Review non-material changes to employee benefit plans and Human Resources policies			•
Review the performance of the external compensation advisor		•	

Eleven additional meetings were scheduled during the fiscal year to discuss compensation structure and Officer appointments.

Compensation Discussion and Analysis

The Compensation Discussion and Analysis starts by summarizing the foundational principles of our compensation framework. We then discuss the elements of our compensation program. Following this, we report on our fiscal 2015 performance results and remuneration of the named executive officers (NEOs) and Directors.

PRINCIPLES OF OUR COMPENSATION FRAMEWORK

Our compensation framework rests on three key principles:

> It should enable CPPIB to attract experienced investment and management expertise;
> It should embody a pay-for-performance approach; and
> It should measure performance against objective benchmarks, where possible, and over longer periods of time.

Our compensation program is a key factor in attracting the talent and investment experience we need to manage a global active portfolio of $264.6 billion. In our search for employees, we compete with the largest investment managers, securities dealers and banks, not only in Canada but around the world. As one of the largest funds of its type globally, we require people with significant experience in investment management, investment research, portfolio design, risk management, investment operations and other skills. A competitive compensation package is essential to attract and retain this talent.

We are committed to a pay-for-performance approach that directly links compensation to investment and individual performance. To ensure that compensation reflects our responsibility to the public, we have a clear set of incentives that are consistent with our long-term investment strategy and investment risk limits, measurable against clear benchmarks, understood by management and transparent to stakeholders and employees.

Incentive compensation is based on long-term pay-for-performance principles. Our system primarily rewards success in generating value-added investment performance based on the following criteria:

> Value-added performance is averaged over rolling four-year periods to determine incentive compensation payments. This four-year measurement period for investment performance is consistent with our longer-term investment strategy and represents a reasonable payout period;
> Investment returns are compared against external benchmarks that are considered most relevant to each investment program in order to determine value-added performance. For the overall CPP Fund, this benchmark is the Reference Portfolio, as noted on page 32 (see page 29 for a description of the benchmarks used);
> The long-term component of incentive compensation is also modified by the CPP Fund's cumulative four-year return to reinforce that incentive compensation is aligned with the absolute return performance of the CPP Fund in addition to its returns relative to benchmarks;
> Investment returns take into account all of our operating costs and external manager fees;
> Annual value-added performance calculations are subject to maximum caps, positive and negative; to ensure that no single-year result has undue impact and that maximum achievement levels are appropriate;
> The only element of compensation shorter than four years, by design, is a discretionary component tied to the achievement of annual individual objectives; and
> The majority of total pay for the Senior Management Team is incentive-based.

Incentive compensation plans also include several risk-mitigating features, such as:

> A significant portion of senior management and investment team compensation is deferred;
> Multi-year performance periods are used to determine incentive compensation payouts;
> There is a cap on the short-term and long-term incentive multipliers and payouts;
> Benchmarks used to calculate value-added returns reflect appropriate risk/return characteristics for each investment program;
> The Board approves overall risk limits (see page 36 for more information);
> Annual risk budgets are approved by the Board for the CPP Fund overall and for the Public Markets investment programs; and
> The Board can claw back or adjust all forms of incentive compensation.

We believe that CPPIB's compensation framework meets and, in some cases, exceeds the Principles for Sound Compensation Practices established by the Financial Stability Board and endorsed by the G20 nations.

GUIDELINE	CPPIB FRAMEWORK
Based on long-term performance	Based on investment performance over four-year periods
Discourage short-term risk-taking	Four-year results discourage short-term decisions Total amount of risk is governed by the Board of Directors Where appropriate, benchmarks adjust for the degree of risk taken
Increased oversight powers of board compensation committees	The HRCC and the Board of Directors make all decisions about the compensation framework

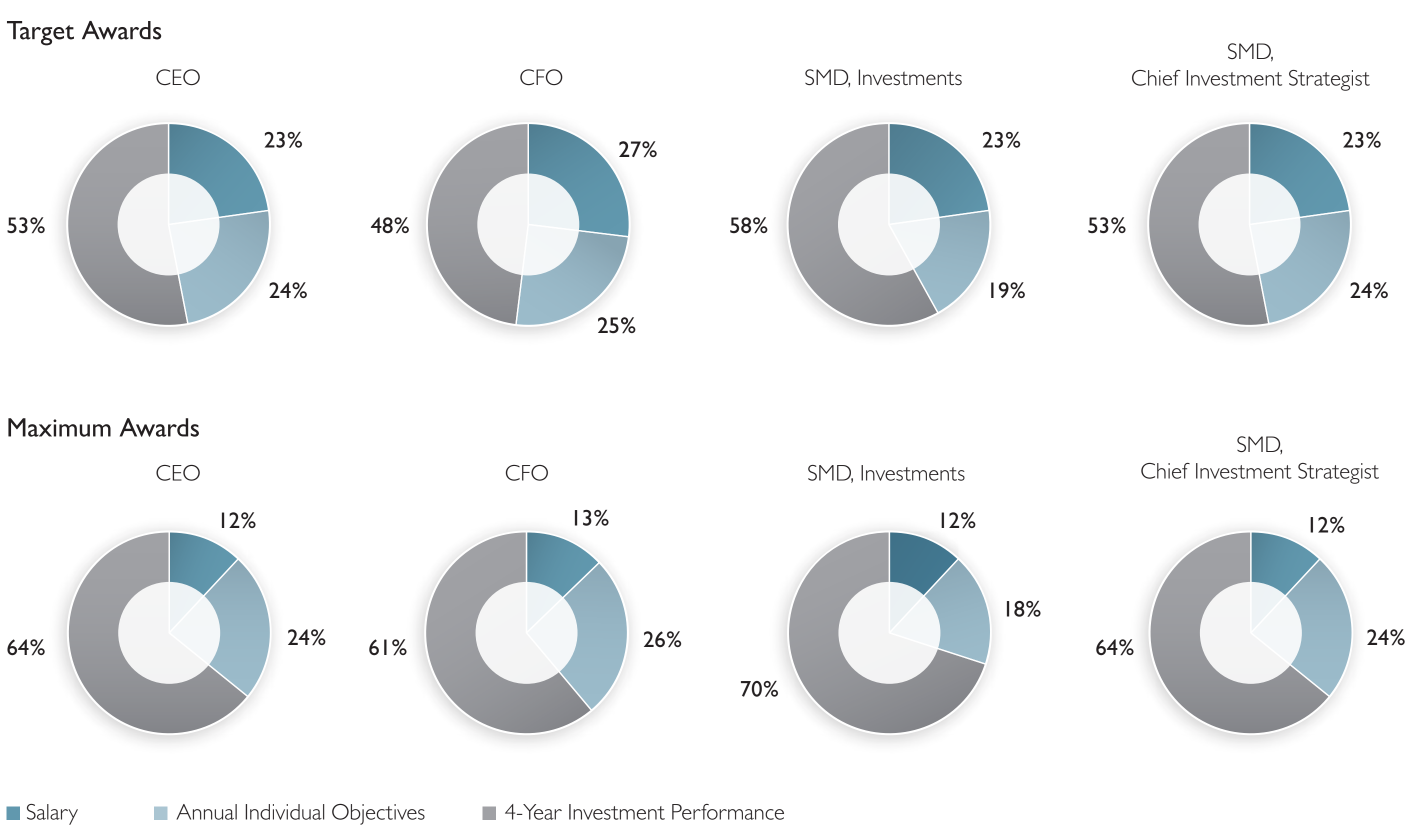
KEY ELEMENTS OF OUR COMPENSATION FRAMEWORK

Our compensation program is driven by four-year investment performance and annual individual objectives.

The mix of compensation elements is specific to each role. Senior Management Team members have a higher percentage of their compensation that is incentive-based and tied to four-year investment performance.

The following charts show the compensation mix for the named executive officers.

MIX OF TOTAL DIRECT COMPENSATION FOR FISCAL 2015



MARKET POSITIONING

The competitiveness of our compensation framework is assessed relative to a peer group consisting of organizations with investment management professionals and other talent similar to that employed by CPPIB, taking into consideration criteria such as assets under management, functional scope and complexity. These organizations include other major Canadian pension funds, public investment management firms and other financial services firms.

As part of the fiscal 2015 officers' compensation review undertaken by Hugessen, the HRCC reviewed publicly disclosed information gathered from the following public pension funds: Ontario Teachers' Pension Plan, OMERS, Caisse de dépôt et placement du Québec, British Columbia Investment Management Corporation, Alberta Investment Management Corporation and Public Sector Pension Investment Board, as well as investment management companies and data (e.g. compensation surveys) from compensation advisory firms.

COMPENSATION ELEMENTS

BASE SALARY

Base salaries are paid to employees for fulfilling their core job responsibilities. Salaries reflect skill level, ability and performance. We use annual compensation surveys from compensation consulting firms to ensure we remain competitive with peer organizations. Salaries are reviewed annually at the end of each fiscal year; any change in Senior Management Team's salaries requires Board approval.

SHORT-TERM INCENTIVE PLAN (STIP)

All employees participate in the STIP, which has two components. One part is tied to achievement against annual individual objectives. The other is based on value-added investment performance over a four-year period. Target awards under both are set as percentage of salary, to which a multiplier is applied.

Annual Individual Performance Target ($)	×	Individual Performance Multiplier (0 to 2)	+	Four-year Investment Component Target ($)	×	Four-year Investment Performance Multiplier (0 to 2)	=	STIP Payout ($)

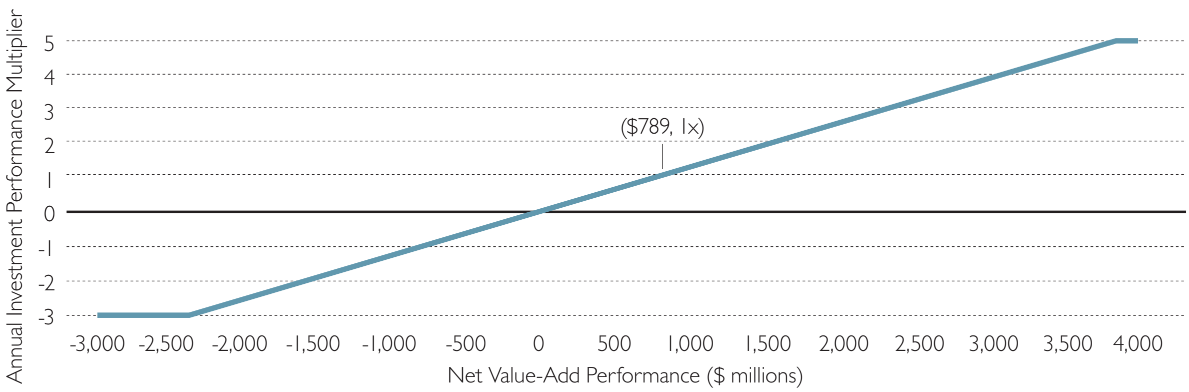
- **Annual individual performance:** This is measured by the employee's overall individual performance, including achievement of personal objectives set at the start of the fiscal year. The individual performance multiplier ranges from zero to two allowing for significant differentiation in incentives based on individual contribution.
- **Four-year investment performance:** This factor reflects the value-added performance of the CPP Fund over the four-year period ending in the fiscal year. For investment professionals, it also reflects department and asset class performance relative to specified benchmarks. Table 1, on page 78, shows the weighting of the CPP Fund and department performance under STIP for named executive officers. Inclusion of CPP Fund performance for all employees is designed to encourage and reinforce the partnering necessary for the success of our Total Portfolio Approach.

CPP Fund, investment department and asset class performance are measured net of operating expenses and external manager fees. The net CPP Fund return is compared to that of the Reference Portfolio. The return we generate relative to this benchmark is our value-added performance. Similarly, investment department and asset class net returns are compared to appropriate market-based benchmarks approved by the HRCC. The compensation benchmarks are described on pages 29 to 30 of Management's Discussion and Analysis.

The annual investment performance multiplier is determined by plotting actual value-added performance on the relevant compensation curve. For example, as shown in the following graph, if the net CPP Fund return exceeds the Reference Portfolio return by the target dollar value-added in any given year, the CPP Fund investment performance multiplier is one.

The maximum positive and negative annual multipliers are symmetrical around a target of one, with a maximum positive multiplier in any year being five (one plus four) and the maximum negative multiplier being minus three (one minus four). These annual multipliers are then averaged over a four-year period. For payouts, the maximum four-year STIP investment performance multiplier is capped at two and the minimum value at zero.

2015 CPP FUND COMPENSATION CURVE



DEFERRED SHORT-TERM INCENTIVE PLAN (DSTIP)
We offer all employees the option to defer some, or all, of their STIP payout to be notionally invested, either entirely in the CPP Fund, or in the CPP Fund and up to a maximum of 50% in the CPP Fund's Private Investments portfolio, as determined by the employee. The deferred amounts thus increase or decrease in value over the deferral period, which provides another way to align employee interests with Fund performance. The deferral is for a three-year period.

LONG-TERM INCENTIVE PLAN (LTIP)
The Long-Term Incentive Plan supports our overall goal of contributing to the long-term strength of the Canada Pension Plan. The intent is to encourage and reward value-added investment performance over the next four years at the CPP Fund level and, in the case of investment professionals, at department and asset class levels too. These awards also have a retention element, as they vest and pay out at the end of the four-year performance period.

Our Senior Management Team (SMT) receives LTIP awards. The Board may approve an LTIP award with three-year vesting to attract new SMT hires and facilitate their transition into the regular LTIP program.

Target LTIP awards are set as a percentage of salary to which a multiplier is applied at the end of the four-year vesting period. The award value is also increased or decreased in accordance with the CPP Fund's cumulative rate of return for the period.

Target LTIP Award ($) × Four-year Investment Performance Multiplier (0 to 3) × 1 + CPP Fund Four-year Cumulative Rate of Return = LTIP Payout ($)

> **Four-year investment performance:** This multiplier is determined in the same way as the STIP four-year investment performance multiplier described previously, with the exception that the maximum possible multiplier is three. Table 1 shows the weighting of the CPP Fund and department performance under the LTIP for NEOs.

> **CPP Fund four-year cumulative rate of return:** This amount increases or decreases the LTIP award by the CPP Fund's four-year cumulative rate of return.

TABLE 1: INVESTMENT PERFORMANCE WEIGHTING UNDER STIP AND LTIP FOR NEOS

	CPP Fund	Department
CEO, CFO, SMD & Head of International; President, CPPIB Asia Inc.	100%	N/A
SMD & Chief Investment Strategist	100%	N/A
SMD, Investments	50%	50%

SUPPLEMENTAL RESTRICTED FUND UNITS (SRFU)
SRFUs are a notional investment whose value fluctuates in accordance with CPP Fund performance.

SRFUs with multi-year vesting schedules can be awarded to attract new SMT members, in order to address transitioning issues for new external SMT hires.

CLAWBACK AND FORFEITURE PROVISION
The Board of Directors has the authority to interpret, amend and terminate the compensation plans at its discretion. In addition, the Board has adopted a clawback and forfeiture policy that specifically addresses the following situations:

> If financial results are restated, the Board of Directors has discretion to require repayment of incentive compensation deemed to be in excess or forfeiture of unvested incentive compensation awards. This provision applies to all employees at the Managing Director level and above;
> Incentive compensation awards may also be reduced and/or forfeited if the payouts determined in accordance with the plan formulas lead to unintended awards; and
> In the event of employee misconduct, incentive compensation awards may be required to be repaid or reduced, and/or unvested incentive compensation awards may be forfeited.

COMPENSATION REVIEW AND CHANGES FOR FISCAL 2016
Guided by our evolving investment framework and multi-year business plan, we completed a comprehensive review of our compensation practices during fiscal 2015. The objectives were 1) to enhance alignment of our compensation structures to the investment objectives and interests of our beneficiaries and contributors, and 2) to make our compensation design simpler and easier to understand, ensuring we can attract the talent required to carry out our operations. The Board has approved a new structure, which will be effective in fiscal 2016.

PENSION
All Canada-based employees are eligible to participate in our registered and supplementary defined contribution pension plans. Eligible earnings under both pension plans consist of base salary, plus the STIP payout to a maximum of 50% of base salary.

For the registered pension plan, employees contribute 3% of annual eligible earnings, and CPPIB contributes 6% to the maximum allowed under the *Income Tax Act (Canada)*. For the supplementary pension plan, employees earn contribution credits equal to 9% of eligible earnings over the maximum for the registered pension plan. The supplementary plan is an unfunded plan notionally invested in the same investment choices available under the registered plan.

Employees based outside Canada are eligible to participate in local pension plans that vary based on local regulations and market practices.

CPPIB provides its employees and executives with participation in defined contribution retirement plans only, with relatively lower and more predictable costs than the more generous defined benefit plans offered by other organizations in the large pension fund and investment management industry.

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

RESULTS: PERFORMANCE OUTCOMES AND COMPENSATION DECISIONS
As described earlier, incentive compensation is based on performance against predetermined individual annual objectives and investment performance relative to market-based benchmarks. This section describes the fiscal 2015 performance measures and results upon which compensation is based.

ANNUAL NON-FINANCIAL OBJECTIVES
Management establishes non-financial organizational goals in each fiscal year's business plan, which is approved by the Board of Directors. Fiscal 2015 non-financial organizational goals are outlined in Table 2. Annual individual objectives for officers and employees are then aligned with these organizational objectives. Progress against organizational objectives is reviewed with the Board on a quarterly basis throughout the year and at year end. Based on the Board's assessment, management achieved the organizational objectives for fiscal 2015.

TABLE 2: FISCAL 2015 NON-FINANCIAL GOALS

Shifting to a greater focus on total return
Scaling our investment activities: bottom-up
Scaling our investment activities: top-down
Expanding our global presence
Building core services capacity and capabilities
Build talent and reinforce culture

FOUR-YEAR INVESTMENT PERFORMANCE

The CPP Fund's value-added performance must meet a pre-defined target before a 1.0 multiplier is assigned for compensation purposes. This target is comprised of a threshold representing the Fund's operating costs, plus an additional value-added amount above operating costs. For fiscal 2015, the value-added amount to achieve a 1x multiplier was $789 million. See the CPP Fund Compensation Curve diagram on page 78 for more details.

Incentive compensation payouts for fiscal 2015 reflect CPP Fund performance over the four-fiscal-year period beginning April 1, 2012, and ending March 31, 2015.

Value-added performance, net of operating expenses, over the Reference Portfolio benchmark was positive in two of these years (fiscal 2012 and fiscal 2015), and negative in fiscal 2013 and fiscal 2014, resulting in a cumulative net value-added performance of $5.2 billion over the four-year period ending March 31, 2015.

TABLE 3: CPP FUND PERFORMANCE, FISCAL 2012 TO 2015 AND CUMULATIVE RESULTS

	Reference Portfolio Return ($ billions)	CPP Fund Return ($ billions)	Gross Actual Value-added[1] ($ billions)	Net Actual Value-added ($ billions)	Annual Investment Performance Multiplier
Fiscal 2015	37.8	41.4	3.6	2.8	3.60
Fiscal 2014	30.2	30.7	0.5	-0.1	-0.08
Fiscal 2013	16.5	16.7	0.2	-0.3	-0.43
Fiscal 2012	6.8	9.9	3.1	2.7	4.42
Cumulative – 4 year	91.3	98.8	7.5	5.2	
Cumulative – since inception	110.5	119.6	9.2	5.8	

[1] The actual value-added return before taking into account operating expenses.

Investment performance at the department and asset class level relative to their specific benchmarks is discussed in detail on pages 54 to 66 of the Management's Discussion and Analysis and summarized below.

TABLE 4: INVESTMENT DEPARTMENT PERFORMANCE, FISCAL 2012 TO 2015

	Department		
FISCAL YEAR	Public Market Investments	Private Investments	Real Estate Investments
2015	Exceeded target	Exceeded target	Exceeded target
2014	Exceeded target	Exceeded target	Exceeded target
2013	Exceeded target	Exceeded target	Did not meet target
2012	Did not meet target	Exceeded target	Exceeded target

Investment performance over the past four years resulted in STIP investment performance multipliers of 1.88 for the CEO and 1.03 to 2.0 for the other NEOs. For the fiscal 2012 LTIP grant, which vests and pays out at the end of fiscal 2015, the LTIP investment performance multiplier for the CEO was 1.88, and 1.03 to 3 for the other NEOs. Fiscal 2015 investment performance multipliers have decreased over fiscal 2014 multipliers because the total Fund performance multiplier of 4.56 in fiscal 2011 was replaced by the 3.60 multiplier for fiscal 2015 in the four-year average investment performance multiplier calculation. The CPP Fund's four-year rate of return was 62.3%, which is an average annualized return of 12.9% since the beginning of fiscal 2012.

COMPENSATION DISCLOSURE

In our effort to be transparent and to conform to reporting standards, regulatory requirements for public issuers and the requirements of the CPPIB regulations, we are disclosing information on compensation for key management personnel required by International Financial Reporting Standards, the CEO, the CFO, and the next four highest paid Senior Management Team members.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel is composed of the Senior Management Team and the Board of Directors. The total compensation expense for key management personnel for fiscal 2015 is $39 million, up 44% from $27 million for fiscal 2014. See note 9 of the Financial Statements for more information.

COMPENSATION OF THE CEO

The CEO's total compensation is based on a combination of individual and CPP Fund performance measures, as described previously. At the start of each fiscal year, the Board and the CEO agree on key performance objectives aligned with CPPIB's non-financial goals. At year end, the HRCC evaluates the CEO's performance against those goals and presents its evaluation to the Board for review and approval. As well, each Director completes an annual evaluation of the CEO's performance with respect to his key areas of responsibility, and these evaluations are summarized and also presented to the Board of Directors. These two sources of evaluation are then used to determine the individual performance component of the CEO's STIP payout for the fiscal year and his base salary for the upcoming fiscal year. The balances of his STIP payout, as well as the LTIP payout, are determined by the four-year investment performance of the CPP Fund.

Mr. Wiseman's personal objectives for fiscal 2015 included:

> Executing the investment programs, ensuring investment decisions are strategically aligned and capabilities are in place to execute on new transactions and the growing asset base;
> Starting to implement CPPIB 2020, including shifting to a greater focus on Total Return, scaling our investment programs, and expanding globally;
> Reviewing our strategy in Asia;
> Ensuring the development and continuity of leadership and talent; and
> Continued development of CPPIB's unique culture.

All of these key goals were substantially achieved.

The Board of Directors awarded an STIP annual individual performance payout of $677,900 for Mr. Wiseman for fiscal 2015 and an STIP investment performance payout of $1,197,500, for a total STIP payout of $1,875,400. The STIP investment component payout reflects the performance of the CPP Fund relative to the Reference Portfolio for the four-year period ending March 31, 2015.

COMPENSATION OF THE SENIOR MANAGEMENT TEAM

As for the CEO, STIP and LTIP payouts for the Senior Management Team reflect performance relative to their annual individual objectives, the four-year investment performance of the CPP Fund relative to the Reference Portfolio and, for the investment officers, investment performance for their departments relative to their specific benchmarks.

NAMED EXECUTIVE OFFICER COMPENSATION

For fiscal 2015, the named executive officers are the CEO, CFO and the additional four highest paid senior management team members.

As detailed in the Summary Compensation table that follows, total remuneration for the named executive officers is $19.5 million, up 6% from $18.4 million in fiscal 2014.

SUMMARY COMPENSATION

Table 5 shows remuneration over the past three fiscal years for the named executive officers.[1]

TABLE 5: SUMMARY COMPENSATION

NAME AND POSITION	Year	Salary ($)	Incentive Plan Compensation ($): STIP Annual Individual Objectives[2]	Incentive Plan Compensation ($): Four-year Investment: STIP Investment Component[2]	Incentive Plan Compensation ($): Four-year Investment: LTIP[3]	SRFU[4]	Pension Value ($)[5]	All Other Compensation ($)[6]	Total Compensation ($)
Mark D. Wiseman[7]	**2015**	**515,000**	**677,900**	**1,197,500**	**1,219,900**	**–**	**61,125**	**13,945**	**3,685,370**
President & CEO	2014	505,000	562,400	1,249,900	1,248,100	–	59,955	14,148	3,639,503
	2013	490,000	620,100	843,000	734,700	–	57,431	12,019	2,757,250
Benita Warmbold[7]	**2015**	**347,500**	**401,400**	**514,200**	**960,600**	**–**	**38,535**	**9,009**	**2,271,244**
SMD & CFO	2014	340,000	360,000	535,500	999,500	–	37,723	10,515	2,283,238
	2013	330,000	381,200	361,300	629,700	–	36,480	8,353	1,747,033
Eric Wetlaufer[8]	**2015**	**375,000**	**354,400**	**1,096,900**	**1,677,900**	**–**	**42,247**	**19,911**	**3,566,359**
SMD & Global Head	2014	367,500	405,200	1,074,900	1,087,100	–	41,436	16,274	2,992,410
Public Market Investments	2013	357,500	512,800	925,000	–	821,900	40,258	11,692	2,669,150
Graeme Eadie[7]	**2015**	**367,500**	**347,300**	**1,074,900**	**1,631,200**	**–**	**41,235**	**10,312**	**3,472,447**
SMD & Global Head	2014	360,000	369,900	1,053,000	1,491,400	–	40,423	10,515	3,352,239
Real Estate Investments	2013	350,000	344,500	1,023,800	1,078,300	–	39,180	8,485	2,844,265
Mark Machin[9]	**2015**	**628,936**	**693,400**	**947,900**	**871,400**	**–**	**56,618**	**214,148**	**3,412,402**
SMD & Head of	2014	498,015	666,700	425,200	–	1,241,000	44,821	168,549	3,044,286
International; President,	2013	444,981	750,900	0	–	980,200	34,944	145,003	2,356,028
CPPIB Asia Inc.									
Ed Cass[7,10]	**2015**	**350,000**	**496,100**	**866,300**	**1,243,400**	**–**	**38,822**	**6,538**	**3,001,160**
SMD & Chief	2014	336,900	284,600	744,500	1,253,000	–	37,310	6,742	2,663,052
Investment Strategist	2013	327,500	292,300	723,800	1,223,000	–	36,208	4,435	2,607,243

1 All amounts (in Canadian dollars) reflect compensation paid to the NEO in, or in respect of, the current fiscal year only. Therefore, amounts shown under the Long-Term Incentive Plan (LTIP) and Supplemental Restricted Fund Units (SRFU) do not depict grant date values. Incentive compensation is paid in cash in the fiscal year following the fiscal year in which it is earned; amounts shown above were paid or credited to the NEOs in early fiscal 2016 in respect of fiscal 2015. Where applicable, payments have been rounded to the nearest $100 in accordance with administrative practices.

2 STIP Annual Individual Objectives and STIP Investment Component target awards are set as a percentage of salary, to which a multiplier is applied. The multiplier is based on individual performance and actual investment performance (CPP Fund and if applicable, department) respectively for the period actively worked, and cannot result in a payout more than two times the target award.

3 Long-Term Incentive Plan compensation reflects amounts payable for the current year. Target LTIP awards are set as a percentage of salary at the outset of each year and are typically paid out at the end of a four-year cycle. As with STIP, a multiplier is applied to the target LTIP award based on the investment performance of the CPP Fund and if applicable, department, as compared with specified benchmarks. At the end of the performance period, this multiplier cannot exceed three times the value of the target award. The final LTIP payout is increased (or decreased) based on the CPP Fund's rate of return over the four-year performance period.

4 Supplemental Restricted Fund Units are a notional investment in the Fund that fluctuate in value according to Fund performance; awards are set as a percentage of salary and vest and are paid out in cash in two installments at the beginning of the following two fiscal years.

5 CPPIB makes contributions to the defined contribution pension plan and notional contributions to the supplementary pension plan. Under the registered pension plan, employees contribute 3% of annual eligible earnings and CPPIB contributes 6%, up to the maximum allowed under the *Income Tax Act (Canada)*. Eligible earnings include salary plus annual STIP to a maximum of 50% of salary. Under the supplementary pension plan, which is unfunded, employees earn credits equal to 9% of their eligible earnings in excess of the maximum eligible earnings under the registered pension plan. The contributions under both plans are outlined in Table 8: Pension Plan Contributions. The total unfunded liability for the Canadian-based NEOs as at March 31, 2015, is $982,482 (2014 – $907,694). Mr. Machin participates in the Mandatory Provident Fund (MPF) for Hong Kong, which has an employee and employer contribution of 5% towards relevant income capped at HKD25,000 monthly. CPPIB provides an employer pension contribution of 5% towards relevant income above the HKD25,000 monthly earnings ceiling.

6 All other compensation includes life insurance, disability benefits, health and dental benefits, and fitness reimbursement as well as comprehensive health assessment conducted at a private medical clinic. Perquisites are limited to paid parking for officers. Mr. Machin receives a housing allowance in accordance with local market practice.

7 NEO elected to defer all or part of the fiscal 2015 STIP payment under the Deferred Short-Term Incentive Plan.

8 Mr. Wetlaufer joined CPPIB on June 27, 2011. As per his employment agreement, Mr. Wetlaufer's fiscal 2012 SRFU grant of $1,400,000 vested over two years, 50% paid out at the end of fiscal 2012 and 50% at the end of fiscal 2013. Mr. Wetlaufer also received an SLTIP (Supplemental Long-Term Incentive Plan) grant of $350,000 in fiscal year 2012, which vested at the end of fiscal year 2014.

9 Mr. Machin joined CPPIB on March 19, 2012. As per his employment agreement, Mr. Machin received a fiscal 2013 SRFU grant of HKD13,600,000 (CAD1,935,144), which vested over two years; 50% vested at the end of fiscal 2013 and 50% at the end of fiscal 2014. Mr. Machin also received a fiscal 2013 SLTIP (Supplemental Long-Term Incentive Plan) grant of HKD3,400,000 (CAD555,424), which vests at the end of fiscal year 2015. Payouts reported for fiscal 2015 were converted using the exchange rate (HKD: CAD 1:0.1634) in effect as of March 31, 2015. Amounts reported for fiscal 2014 and 2013 were converted using the exchange rate in effect as of March 31, 2014 (HKD:CAD 1:0.1423) and March 31, 2013 (HKD:CAD 1:0.13088).

10 Mr. Cass was promoted to SMD & Chief Investment Strategist on April 1, 2014.

LONG-TERM INCENTIVE AWARDS AND ESTIMATED FUTURE PAYOUTS

LTIP awards were granted at the start of a fiscal year and paid out at the end of the four-year vesting period. Table 6 shows the outstanding LTIP awards and future payouts for each named executive officer. The future value of the unvested awards is based on:

> Actual performance multipliers for fiscal 2013, 2014 and 2015, and multiplier of two for future years; and,
> Actual gross CPP Fund rates of return for fiscal 2013, 2014 and 2015, and no assumed growth in future years.

TABLE 6: LONG-TERM INCENTIVE AWARDS AND ESTIMATED FUTURE PAYOUTS[1]

NAME	Year of Grant	Award Target Value ($)[2]	Maximum Value at Time of Grant ($)[3]	Estimated Future Payouts at the End of Fiscal Years ($) 2016	2017	2018	2019	Total
Mark D. Wiseman	**2015**	**515,000**	**1,545,000**			**1,467,300**		**1,467,300**
President & CEO	2014	505,000	1,515,000		1,312,000			1,312,000
	2013	490,000	1,470,000	949,500				949,500
Benita Warmbold	**2015**	**347,500**	**1,042,500**			**990,100**		**990,100**
SMD & CFO	2014	340,000	1,020,000		883,300			883,300
	2013	330,000	990,000	639,500				639,500
Eric Wetlaufer	**2015**	**375,000**	**1,125,000**			**1,224,100**		**1,224,100**
SMD & Global Head	2014	367,500	1,102,500		1,444,500			1,444,500
Public Market Investments	2013	357,500	1,072,500	1,625,800				1,625,800
Graeme Eadie	**2015**	**367,500**	**1,102,500**			**1,167,400**		**1,167,400**
SMD & Global Head	2014	360,000	1,080,000		1,492,800			1,492,800
Real Estate Investments	2013	350,000	1,050,000	1,352,200				1,352,200
Mark Machin[4]	**2015**	**943,376**	**2,830,127**			**2,687,860**		**2,687,860**
SMD & Head of	2014	571,743	1,715,229		1,485,400			1,485,400
International; President,	2013	555,407	1,666,222	1,076,300				1,076,300
CPPIB Asia Inc.								
Ed Cass[5]	**2015**	**350,000**	**1,050,000**			**997,200**		**997,200**
SMD & Chief Investment Strategist	2014	423,200	1,269,600		1,638,600			1,638,600
	2013	294,800	884,400	1,315,800				1,315,800

1 All amounts are in Canadian dollars. Future estimated payouts are valued at a multiplier of 2x and net return of 0% on the CPP Fund for fiscal 2016 to 2018.
2 Represents the target value at the time of the grant; no award is payable if performance is below a certain level.
3 Represents the maximum value payable at the end of the four-year vesting period, excluding the CPP Fund's cumulative rate of return over the four-year vesting period. See LTIP section for details.
4 Mr. Machin received an ECA grant of $314,545 (HKD1,925,000) in fiscal 2015, which vests fiscal 2018. The value of his unvested grants was converted using the exchange rate (HKD:CAD 1:0.1634) in effect as of March 31, 2015.
5 Mr. Cass received an ECA grant of $120,000 in fiscal 2014, which vests in fiscal 2017.

CD&A

DEFERRED SHORT-TERM INCENTIVE PLAN (DSTIP)

DSTIP elections are made by January 31 of the fiscal year of the STIP award and paid out at the end of a three-year deferral period. In fiscal 2013, the DSTIP transitioned from a two-year to a three-year deferral period. Participants were given a choice of deferral for that year. Table 7 shows the DSTIP election amounts and estimated future payouts for each named executive officer who elected to participate in the plan. The future value of the payouts is estimated as at March 31, 2015, based on actual CPP Fund and Private Investment portfolio rates of return for fiscal 2013, 2014 and 2015 and no assumed growth in future years.

TABLE 7: DSTIP ELECTION AND ESTIMATED PAYOUT

			Estimated Future Payouts at the End of Fiscal Years ($)			
NAME	Year of Election	Amount Deferred[1]	2016[2]	2017	2018	Total
Mark D. Wiseman President & CEO	2015	1,875,400			1,875,400	1,875,400
	2014	1,812,300		2,151,200		2,151,200
	2013	1,463,100	2,022,400			2,022,400
Benita Warmbold SMD & CFO	2015	915,600			915,600	915,600
	2014	895,500		1,063,000		1,063,000
	2013	742,400	1,026,200			1,026,200
Graeme Eadie SMD & Global Head Real Estate Investments	2015	711,100			711,100	711,100
Ed Cass SMD & Chief Investment Strategist	2015	1,362,400			1,362,400	1,362,400
	2014	1,029,100		1,258,800		1,258,800
	2013	1,016,100	1,466,800			1,466,800

1 Represents the original amount deferred.

2 In fiscal 2013, the DSTIP transitioned from a two-year to a three-year deferral period. All participants elected to participate in a three-year plan and consequently will not receive a DSTIP payout in fiscal 2015.

PENSION PLANS

The table below shows the contributions and investment earnings for the named executive officers under the regular and supplementary defined contribution pension plans.

The total unfunded liability for the Canadian-based named executive officers, as at March 31, 2015, is $982,482 (2014 – $907,694).

TABLE 8: PENSION PLAN CONTRIBUTIONS

			Compensatory ($)			
NAME	Plan Type	Accumulated Value at Start of Year ($)	Employer Contributions ($)	Investment Earnings ($)	Non-compensatory ($)[1]	At End of Year ($)
Mark D. Wiseman President & CEO	Registered	$ 263,155	$ 16,758		$ 48,315	$ 328,228
	Supplementary	$ 303,019	$ 44,367	$ 47,827		395,213
Benita Warmbold SMD & CFO	Registered	$ 186,694	$ 16,724		$ 38,554	$ 241,972
	Supplementary	$ 120,938	$ 21,811	$ 14,006		$ 156,755
Eric Wetlaufer SMD & Global Head Public Market Investments	Registered	$ 89,012	$ 16,724		$ 20,574	$ 126,309
	Supplementary	$ 49,729	$ 25,524	$ 525		$ 75,779
Graeme Eadie SMD & Global Head Real Estate Investments	Registered	$ 202,032	$ 16,318		$ 47,478	$ 265,828
	Supplementary	$ 151,471	$ 24,105	$ 1,477		$ 177,053
Mark Machin[2] SMD & Head of International; President, CPPIB Asia Inc.	Mandatory[3]	$ 10,479	$ 2,860	See note 5	$ 2,860	$ 16,199
	Voluntary[4]	$ 94,833	$ 53,759	See note 5	$ 0	$ 148,592
Ed Cass SMD & Chief Investment Strategist	Registered	$ 198,772	$ 16,801		$ 35,506	$ 251,080
	Supplementary	$ 134,070	$ 22,021	$ 21,592		$ 177,683

1 Represents employee contributions and investment earnings in the registered pension plan.
2 Contributions have been reported in Canadian dollars using the exchange rate (HKD:CAD 1:0.1634) in effect as of March 31, 2015.
3 Mr. Machin participates in the Mandatory Provident Fund (MPF) for Hong Kong, which has an employee and employer contribution of 5% towards relevant income capped at HKD30,000 of monthly earnings.
4 CPPIB provides an employer pension contribution of 5% towards relevant income above the HKD30,000 monthly earnings ceiling.
5 Investment earnings are not disclosed by the pension administrator.

TERMINATION AND RETIREMENT ARRANGEMENTS

In the event of termination without cause, severance pay for the named executive officers is set at 12 months of base salary and the target STIP award, plus an additional month of salary and one-twelfth of the target STIP award for each year of service. Severance pay is capped at 24 months for the CEO and generally 18 months for the other named executive officers. Unvested LTIP awards are forfeited. Insured benefits, such as health, dental and life coverage, are continued during the severance period.

All incentives and benefits are forfeited for termination with cause. There is no change of control provisions in the employment arrangements.

In the event of resignation and in consideration of adherence to a one-year non-compete and non-hire agreement, named executive officers receive a prorated payment of the LTIP grant which would have vested at the end of the fiscal year of resignation, payable one year after resignation. All other incentives and benefits are forfeited.

Upon retirement, employees are due a prorated STIP payment based on the time worked during the fiscal year. This is paid on the regular annual payment date. Retirees also receive LTIP payouts prorated for the time worked during the performance period; these are paid shortly after the regular vesting dates. All benefits are discontinued as of the effective retirement date.

Table 9 shows the payments that would be made, as of March 31, 2015, to the named executive officers on termination without cause, resignation or retirement.

TABLE 9: POTENTIAL TERMINATION AND RETIREMENT PAYMENTS[1]

NAME	Completed Years of Service	Severance ($)[2]	Resignation ($)	Retirement Treatment of Unvested LTIP Grants ($)[3,4,5]
Mark D. Wiseman President & CEO	9	2,929,063	712,200	1,735,000
Benita Warmbold SMD & CFO	6	1,433,438	479,600	1,168,800
Eric Wetlaufer SMD & Global Head Public Market Investments	3	1,523,438	1,219,400	2,247,600
Graeme Eadie SMD & Global Head Real Estate Investments	9	2,388,750	1,014,100	2,052,400
Mark Machin[6] SMD & Head of International; President, CPPIB Asia Inc.	3	2,555,053	807,200	2,221,900
Ed Cass SMD & Chief Investment Strategist	7	1,706,250	986,800	2,055,400

1 Excludes incentive compensation payouts for the current fiscal year, which are included in Table 5: Summary Compensation.
2 Excludes the value of insured benefits, such as health, dental and life insurance, continued during the severance period.
3 Upon retirement, payout of the unvested grants will be subject to the following conditions:
- Performance is measured at the end of the performance period;
- Payout is prorated based on length of service within performance period; and
- Payment is made at the end of the performance period.
4 The unvested grants are valued at an annual multiplier of 2x and a net return of 0% on the CPP Fund for fiscal 2016 to fiscal 2018.
5 Also includes any unvested ELTIP grants.
6 Amounts reported were converted using the exchange rate (HKD:CAD 1:0.1634) in effect as of March 31, 2015.

DIRECTORS' COMPENSATION

The Governance Committee of the Board is responsible for making recommendations with respect to Directors' compensation. Directors' compensation consists of an annual retainer, meeting fees and travel time allowances.

Directors' compensation is reviewed at least every two years and changes, if any, are recommended to the Board. Based on a comparative review conducted in 2014, new fees for fiscal 2015 were approved, as outlined in the table below.

TABLE 10: DIRECTOR COMPENSATION

	2015 Fee ($)
Annual Retainers	
Chair[1]	160,000
Director	35,000
Committee chair, additional retainer	12,500
Board Meeting	1,500
Committee Meeting	
Investment Committee	1,500
Other committees	1,500
Meeting by Teleconference	750
Travel Time Allowance (based on distance travelled)	250 – 1,000
Biennial Public Meeting	
Director, chair of public meeting	2,000
Director, attendance	1,000
Non-meeting day travel	1,000

[1] Chair receives an annual retainer but does not receive Director or committee chair retainer fees, nor per meeting fees, unless the fees relate to the biennial public meetings.

BOARD ATTENDANCE

There were six regularly scheduled Board and Investment Committee meetings in fiscal 2015. The Investment Committee is composed of the full Board. The table below shows the number of meetings each Director attended in fiscal 2015 relative to the number of meetings he or she could have attended.

TABLE 11: BOARD ATTENDANCE

DIRECTOR	Board Meeting[1]	Investment Committee[2]	Audit Committee[3]	Governance Committee[4]	Human Resources and Compensation Committee (HRCC)[5]
Heather Munroe-Blum, Chair[6,14,15]	11/11	14/15	1/1	4/4	6/7
Robert Astley[7]	5/5	9/9	–	4/4	–
Ian Bourne, Chair of Governance Committee[8]	10/11	11/15	4/4	7/7	4/5
Robert Brooks	11/11	14/15	5/5	2/2	–
Pierre Choquette[9]	10/11	15/15	–	7/7	13/14
Michael Goldberg	10/11	15/15	5/5	7/7	–
Tahira Hassan[10]	2/3	2/3	–	1/1	–
Nancy Hopkins[11]	11/11	12/15	1/1	5/5	4/5
Douglas Mahaffy	10/11	13/15	–	–	12/14
Karen Sheriff, Chair of HRCC[12]	9/11	11/15	–	–	14/14
Kathleen Taylor	11/11	15/15	5/5	4/4	5/5
Murray Wallace	11/11	14/15	1/1	–	14/14
Jo Mark Zurel, Chair of Audit Committee[13]	11/11	15/15	5/5	–	–

1 Six in-person and five teleconference meetings.
2 Six in-person and nine teleconference meetings.
3 Four in-person meetings and one teleconference meeting.
4 Five in-person and two teleconference meetings.
5 Eight in-person and six teleconference meetings.
6 Appointed Chair of the Board on October 27, 2014.
7 Left the Board on October 26, 2014.
8 Appointed Chair of the Governance Committee on January 1, 2015, vacating post of Chair of Audit Committee.
9 Vacated post of Chair of HRCC on December 31, 2014.
10 Joined the Board on February 6, 2015.
11 Vacated post of Chair of Governance Committee on December 31, 2014.
12 Appointed Chair of HRCC on January 1, 2015.
13 Appointed Chair of Audit Committee on January 1, 2015.
14 Attended Audit Committee by invitation.
15 Attended Governance Committee by invitation.

During fiscal 2015, two ad hoc Director candidate review committees were formed; one for Ontario and one for International. Membership of the Ontario committee consisted of Mr. Astley, Ms. Hopkins, Mr. Choquette, Ms. Munroe-Blum and Mr. Wallace. Membership of the International committee consisted of Mr. Bourne, Ms. Munroe-Blum, Mr. Mahaffy and Ms. Taylor. The purpose of each committee is to interview potential candidates for a Director for Ontario and International, respectively, and recommend at least two candidates to the joint federal-provincial nominating committee.

DIRECTOR COMPENSATION

Based on the attendance and fee schedules, individual compensation for each of the Directors for fiscal 2015 was as follows:

TABLE 12: DIRECTOR COMPENSATION

DIRECTOR	Annual Retainer ($)	Board and Committee Meeting Fees ($)	Public Meeting Fees ($)	Travel Fees ($)	Total Remuneration ($)
Heather Munroe-Blum, Chair[3,4]	88,763	32,250	–	1,500	122,513
Robert Astley[1,2]	91,183	–	2,000	–	93,183
Ian Bourne, Chair of Governance Committee[4]	47,500	43,500	–	5,000	96,000
Robert Brooks	35,000	36,750	–	–	71,750
Pierre Choquette[2]	44,375	55,500	–	–	99,875
Michael Goldberg[1]	35,000	43,500	1,000	5,000	84,500
Tahira Hassan	5,312	5,250	–	–	10,562
Nancy Hopkins[3]	44,375	39,750	–	6,000	90,125
Douglas Mahaffy[4]	35,000	42,750	–	–	77,750
Karen Sheriff, Chair of HRCC	38,125	40,500	–	3,000	81,625
Kathleen Taylor[4]	35,000	45,750	–	–	80,750
Murray Wallace[3]	35,000	47,250	–	–	82,250
Jo Mark Zurel, Chair of Audit Committee[1]	38,125	35,250	1,000	5,000	79,375
Total	572,759	468,000	4,000	25,500	1,070,259

1 Meeting fees include attendance at public meetings.
2 Meeting fees include attendance at two ad-hoc Ontario Director candidate interview committee meetings.
3 Meeting fees include attendance at one ad-hoc Ontario Director candidate interview committee meeting.
4 Meeting fees include attendance at one ad-hoc International Director candidate interview committee meeting.

CD&A

Management's Responsibility for Financial Reporting

The Financial Statements of the Canada Pension Plan Investment Board (the CPP Investment Board) have been prepared by management and approved by the Board of Directors. Management is responsible for the integrity and reliability of the Financial Statements and the financial information contained within the Annual Report.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards. The 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 2 to the Financial Statements. The financial information presented throughout the Annual Report is consistent with the Financial Statements.

The CPP Investment Board develops and maintains systems of internal control and supporting procedures. The systems of internal control are designed to provide reasonable assurance that assets are safeguarded; that transactions are properly recorded, authorized and are in accordance with the *Canada Pension Plan Investment Board Act*, the accompanying regulations, the by-laws and investment policies of the CPP Investment Board; and that there are no material misstatements in the Financial Statements or the financial information contained within the Annual Report. The internal control over financial reporting and disclosure controls and procedures are tested for both design and operational effectiveness as part of our CEO/CFO certification process as described on page 69 of Management's Discussion and Analysis in the 2015 Annual Report.

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, code of conduct and conflict of interest procedures, and other policies, management authorities and procedures that guide decision-making. The controls also include the establishment of an organization 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 the CPP Investment Board's 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.

The Audit Committee assists the Board of Directors in discharging its responsibility to approve the annual Financial Statements. The Audit Committee, consisting of five 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 and approves the annual Financial Statements and recommends them to the Board of Directors for approval.

The CPP Investment Board's external auditor, Deloitte LLP, has conducted an independent examination of the 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. 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 the CPP Investment Board's financial reporting and the adequacy of internal control systems.

Mark D. Wiseman
President & Chief Executive Officer

Benita M. Warmbold
Senior Managing Director & Chief Financial Officer

Toronto, Ontario
May 13, 2015

Investment Certificate

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

Jo Mark Zurel
Chair of the Audit Committee on behalf of the Board of Directors

Toronto, Ontario
May 13, 2015

The investments of the CPP Investment Board, held during the year ended March 31, 2015, were in accordance with the Act and the CPP Investment Board's investment policies, standards and procedures.

Independent Auditor's Report

To the Board of Directors
Canada Pension Plan Investment Board

We have audited the accompanying Consolidated Financial Statements of the Canada Pension Plan Investment Board (the CPP Investment Board), which comprise the Consolidated Balance Sheets as at March 31, 2015, March 31, 2014 and April 1, 2013, and the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Net Assets and Consolidated Statements of Cash Flows for the years ended March 31, 2015 and March 31, 2014, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the CPP Investment Board as at March 31, 2015, March 31, 2014 and April 1, 2013, and its financial performance, changes in its net assets and its cash flows for the years ended March 31, 2015 and March 31, 2014 in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Further, in our opinion, the record of investments kept by the CPP Investment Board's management pursuant to paragraph 39(1)(c) of the Act fairly presents, in all material respects, the information required by the Act.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

May 13, 2015

Consolidated Balance Sheets

(CAD millions)	As at March 31, 2015	As at March 31, 2014	As at April 1, 2013
ASSETS			
Investments (note 3)	**$ 318,481**	$ 249,671	$ 207,053
Amounts receivable from pending trades	**2,908**	2,251	2,580
Premises and equipment	**340**	320	68
Other assets	**89**	34	28
TOTAL ASSETS	**321,818**	252,276	209,729
LIABILITIES			
Investment liabilities (note 3)	**50,547**	30,820	22,383
Amounts payable from pending trades	**6,087**	1,979	3,779
Accounts payable and accrued liabilities	**561**	385	303
TOTAL LIABILITIES	**57,195**	33,184	26,465
NET ASSETS	**$ 264,623**	$ 219,092	$ 183,264
NET ASSETS, REPRESENTED BY			
Share capital (note 6)	**$ –**	$ –	$ –
Accumulated net income from operations	**136,305**	95,667	65,533
Accumulated net transfers from the Canada Pension Plan (note 7)	**128,318**	123,425	117,731
NET ASSETS	**$ 264,623**	$ 219,092	$ 183,264

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

On behalf of the Board of Directors

Heather Munroe-Blum
Chair

Jo Mark Zurel
Chair of the Audit Committee

Consolidated Statements of Comprehensive Income

(CAD millions)	For the years ended March 31, 2015	March 31, 2014
NET INVESTMENT INCOME (note 8)		
Investment income	**$ 42,968**	$ 31,873
Investment management fees	**(1,254)**	(947)
Transaction costs	**(273)**	(216)
	$ 41,441	$ 30,710
OPERATING EXPENSES (note 9)		
Personnel costs	**558**	400
General operating expenses	**184**	133
Professional services	**61**	43
	803	576
NET INCOME FROM OPERATIONS	**$ 40,638**	$ 30,134

Consolidated Statements of Changes in Net Assets

(CAD millions)	Number of Shares Outstanding	Share Capital	Accumulated Net Transfers From the Canada Pension Plan	Accumulated Net Income From Operations	**Total Net Assets**
AS AT APRIL 1, 2013	10	$ –	$ 117,731	$ 65,533	$ 183,264
Total net income for the year		–	–	30,134	30,134
Canada Pension Plan transfers (note 7):					
Transfers from the Canada Pension Plan		–	34,332	–	34,332
Transfers to the Canada Pension Plan		–	(28,638)	–	(28,638)
BALANCE AT MARCH 31, 2014	10	$ –	$ 123,425	$ 95,667	$ 219,092
AS AT APRIL 1, 2014	**10**	**$ –**	**$ 123,425**	**$ 95,667**	**$ 219,092**
Total net income for the year		**–**	**–**	**40,638**	**40,638**
Canada Pension Plan transfers (note 7):					
Transfers from the Canada Pension Plan		**–**	**36,023**	**–**	**36,023**
Transfers to the Canada Pension Plan		**–**	**(31,130)**	**–**	**(31,130)**
BALANCE AT MARCH 31, 2015	**10**	**$ –**	**$ 128,318**	**$ 136,305**	**$ 264,623**

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

Consolidated Statements of Cash Flows

(CAD millions)	For the years ended March 31, 2015	March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from operations	$ 40,638	$ 30,134
Adjustments for non-cash items:		
Amortization of premises and equipment	25	24
Effect of exchange rate changes on cash and cash equivalents	2	8
Unrealized (gains) losses on debt financing liabilities	235	–
Adjustments for net changes in operating assets and liabilities:		
(Increase) decrease in investments	(72,408)	(43,801)
(Increase) decrease in pending trades receivable	(657)	329
(Increase) decrease in other assets	(23)	(6)
Increase (decrease) in investment-related liabilities	19,426	8,326
Increase (decrease) in debt financing liabilities	64	111
Increase (decrease) in pending trades payable	4,108	(1,800)
Increase (decrease) in accounts payable and accrued liabilities	176	82
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	(8,414)	(6,593)
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers from the Canada Pension Plan	36,023	34,332
Transfers to the Canada Pension Plan	(31,130)	(28,638)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,893	5,694
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of premises and equipment	(45)	(276)
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	(45)	(276)
Net increase (decrease) in cash and cash equivalents	(3,566)	(1,175)
Effect of exchange rate changes on cash and cash equivalents	(2)	(8)
Cash and cash equivalents at the beginning of the year	11,763	12,946
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,195	11,763
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR ARE COMPRISED OF:		
Cash held for operating purposes[1]	59	27
Cash and cash equivalents held for investment purposes[2]	8,136	11,736
TOTAL	$ 8,195	$ 11,763

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 and Money market securities on the Consolidated Schedule of Investment Portfolio.

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

Consolidated Schedules of Investment Portfolio

The CPP Investment Board's investments are grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios. These investments, before allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

(CAD millions)	As at March 31, 2015	As at March 31, 2014	As at April 1, 2013
EQUITIES (note 3a)			
CANADA			
Public equities	**$ 5,803**	$ 5,562	$ 4,789
Private equities	**2,995**	2,902	2,250
	8,798	8,464	7,039
FOREIGN DEVELOPED MARKETS			
Public equities	**72,501**	49,722	35,957
Private equities	**41,773**	35,516	28,529
	114,274	85,238	64,486
EMERGING MARKETS			
Public equities	**9,736**	8,212	8,525
Private equities	**4,481**	2,856	1,788
	14,217	11,068	10,313
TOTAL EQUITIES	**137,289**	104,770	81,838
FIXED INCOME (note 3b)			
Bonds	**65,642**	55,258	52,755
Other debt	**22,428**	13,883	10,215
Money market securities	**17,740**	19,663	19,991
TOTAL FIXED INCOME	**105,810**	88,804	82,961
ABSOLUTE RETURN STRATEGIES[1] (note 3c)	**16,185**	12,243	9,028
REAL ASSETS (note 3d)			
Real estate	**30,375**	25,461	19,922
Infrastructure	**15,013**	13,123	11,069
TOTAL REAL ASSETS	**45,388**	38,584	30,991
INVESTMENT RECEIVABLES			
Securities purchased under reverse repurchase agreements (note 3e)	**10,817**	3,221	630
Accrued interest	**928**	907	725
Derivative receivables (note 3f)	**1,882**	1,010	742
Dividends receivable	**182**	132	138
TOTAL INVESTMENT RECEIVABLES	**13,809**	5,270	2,235
TOTAL INVESTMENTS	**$ 318,481**	$ 249,671	$ 207,053
INVESTMENT LIABILITIES			
Securities sold under repurchase agreements (note 3e)	**(15,779)**	(5,230)	(2,180)
Securities sold short	**(22,385)**	(14,874)	(9,715)
Debt financing liabilities (note 3g)	**(9,955)**	(9,654)	(9,543)
Derivative liabilities (note 3f)	**(2,428)**	(1,062)	(945)
TOTAL INVESTMENT LIABILITIES	**(50,547)**	(30,820)	(22,383)
Amounts receivable from pending trades	**2,908**	2,251	2,580
Amounts payable from pending trades	**(6,087)**	(1,979)	(3,779)
NET INVESTMENTS	**$ 264,755**	$ 219,123	$ 183,471

[1] Includes only investments in funds.

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

Consolidated Schedules of Investment Asset Mix

This Consolidated Schedule of Investment Asset Mix is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios. These investments, after allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

(CAD millions)	As at March 31, 2015	(%)	As at March 31, 2014	(%)	As at April 1, 2013	(%)
EQUITIES						
Canada	**$ 19,446**	**7.3**	$ 18,625	8.5%	$ 15,316	8.4%
Foreign developed markets	**98,060**	**37.0**	75,610	34.5	63,985	34.9
Emerging markets	**15,501**	**5.9**	12,574	5.7	12,356	6.7
	133,007	**50.2**	106,809	48.7	91,657	50.0
FIXED INCOME						
Bonds	**60,229**	**22.8**	54,409	24.8	52,912	28.8
Other debt	**17,160**	**6.5**	11,385	5.2	8,640	4.7
Money market securities[1]	**18,799**	**7.1**	17,415	8.0	8,725	4.8
Debt financing liabilities	**(9,955)**	**(3.8)**	(9,654)	(4.4)	(9,543)	(5.2)
	86,233	**32.6**	73,555	33.6	60,734	33.1
REAL ASSETS						
Real estate	**30,323**	**11.5**	25,461	11.6	19,922	10.8
Infrastructure	**15,192**	**5.7**	13,298	6.1	11,158	6.1
	45,515	**17.2**	38,759	17.7	31,080	16.9
NET INVESTMENTS	**$ 264,755**	**100%**	$ 219,123	100%	$ 183,471	100%

[1] Includes absolute return strategies' investments in funds and internally managed portfolios, as described in note 3c.

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

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Notes to the Consolidated Financial Statements

CORPORATE INFORMATION

The Canada Pension Plan Investment Board (the CPP Investment Board) was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (the Act). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the Canada Pension Plan (the CPP) in meeting its obligations to contributors and beneficiaries under the CPP. It is responsible for managing amounts that are transferred to it under Section 108.1 of the CPP in the best interests of CPP beneficiaries and contributors. The CPP Investment Board received its first funds for investing purposes from the CPP in March 1999. The CPP Investment Board's assets are to be invested in accordance with the Act, the regulations and the 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.

The CPP Investment Board is exempt from Part I tax under paragraphs 149(1) (d) and 149(1) (d.2) of the *Income Tax Act (Canada)* on the basis that all of the shares of the CPP Investment Board are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

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

The CPP Investment Board's registered office is 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 13, 2015.

1. FIRST TIME ADOPTION OF IFRS

The CPP Investment Board adopted International Financial Reporting Standards (IFRS) effective April 1, 2014. The date of transition to IFRS was April 1, 2013.

The CPP Investment Board's IFRS accounting policies presented in note 2 have been applied in preparing the Consolidated Financial Statements for the year ended March 31, 2015, the comparative information and the opening Consolidated Balance Sheet at the date of transition.

The CPP Investment Board has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* (IFRS 1), in preparing these first IFRS Consolidated Financial Statements. IFRS 1 sets out the procedures that the CPP Investment Board must follow when it adopts IFRS for the first time as the basis for preparing its Consolidated Financial Statements.

There is no impact on net assets and net income from operations as a result of adopting IFRS. However, a Statement of Cash Flows is required under IFRS, which was not a requirement under previous Generally Accepted Accounting Principles (Canadian GAAP). In addition, certain investment liabilities were netted to investments, to be in accordance with IFRS 10, *Consolidated Financial Statements* (IFRS 10).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

These Consolidated Financial Statements present the financial position and results of operations of the CPP Investment Board in accordance with IFRS.

The CPP Investment Board qualifies as an investment entity as it meets the following definition of an investment entity outlined in 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 the CPP Investment Board, we have one investor (CPP), but we invest the funds for a wide group of investors being the 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 the CPP Investment Board meets the definition of an investment entity as defined in IFRS 10.

Statement of compliance

The Consolidated Financial Statements of the CPP Investment Board have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and the requirements of the Act and the regulations of the CPP Investment Board.

B) SUBSIDIARIES

The CPP Investment Board is required to report the results of operations in accordance with IFRS 10. As a consequence, the Consolidated Financial Statements represent the results of operations of the CPP Investment Board 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 the CPP Investment Board. Subsidiaries that were created to structure and hold investments are investment holding companies and are not consolidated in these Consolidated Financial Statements but instead are measured and reported at fair value.

C) FINANCIAL INSTRUMENTS

(i) Classification

The CPP Investment Board classifies its financial assets and financial liabilities into the categories below in accordance with IFRS 9, *Financial Instruments*.

Financial assets classified at fair value through profit or loss

Financial assets are either classified at fair value through profit or loss 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. All financial assets through profit or loss are classified at fair value on the basis that they are part of a portfolio of financial assets which are managed and whose performance is evaluated on a fair value basis in accordance with investment strategies and risk management of the CPP Investment Board. Financial assets classified at fair value through profit or loss include investments other than accrued interest and dividends receivable.

Financial liabilities classified at fair value through profit or loss

Financial liabilities are either classified at fair value through profit or loss or at amortized cost. The classification depends on (a) whether the financial liability meets the definition of held for trading or (b) upon initial recognition the financial liability is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

> It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
> On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
> It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities are classified at fair value through profit or loss on the basis that they meet the definition of held for trading. Financial liabilities classified at fair value through profit or loss include securities sold under repurchase agreements, securities sold short, debt financing liabilities and derivative liabilities.

(ii) Recognition

The CPP Investment Board recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Investments, investment receivables and investment liabilities are recorded on a trade date basis.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset expire or where the CPP Investment Board has transferred its rights to receive cash flows from the asset and where:

> The CPP Investment Board has transferred substantially all the risks and rewards of the asset; or
> The CPP Investment Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The CPP Investment Board derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(iv) Initial measurement

Financial assets and financial liabilities are measured on initial recognition at fair value.

(v) Subsequent measurement

After initial measurement, financial assets and financial liabilities classified at fair value through profit or loss are measured at fair value. Subsequent changes in the fair value of those financial assets and financial liabilities are recorded as a net gain (loss) on investments and included in investment income (loss) (see note 8). Interest income and dividend income elements of such financial instruments are included in investment income (loss) (see note 8).

D) VALUATION OF INVESTMENTS, INVESTMENT RECEIVABLES AND INVESTMENT LIABILITIES

Investments, investment receivables and investment liabilities are stated at fair value. 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.

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. See note 3 for more details about the determination of fair value.

E) INCOME RECOGNITION
Income from investments includes realized gains and losses from investments, changes in unrealized gains and losses on investments, dividend income, interest income and net operating income from private real estate investments. Dividend income is recognized on the ex-dividend date, which is when the CPP Investment Board's right to receive the dividend has been established. Interest income is recognized using the effective interest rate method.

F) OFFSETTING FINANCIAL INSTRUMENTS
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.

G) TRANSACTION COSTS
Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. Transaction costs are expensed as incurred and included in net investment income (loss) (see note 8).

H) INVESTMENT MANAGEMENT FEES
Investment management fees are paid to investment managers for externally managed investments. Investment management fees are expensed as incurred and included in net investment income (loss) (see note 8).

I) CASH EQUIVALENTS
Cash equivalents consist of short-term deposits with a maturity of 90 days or less.

J) SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND SOLD UNDER REPURCHASE AGREEMENTS
Securities purchased under reverse repurchase agreements represent the purchase of securities effected 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. These securities are not recognized as an investment of the CPP Investment Board. The fair value of securities to be resold under these reverse repurchase agreements is monitored and additional collateral is obtained, when appropriate, to protect against credit exposure (see note 10). In the event of counterparty default, the CPP Investment Board has the right to liquidate the collateral held.

Securities 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 sold continue to be recognized as an investment of the CPP Investment Board with any changes in fair value recorded as net gain (loss) on investments and included in investment income (loss) (see note 8). Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is included in investment income (loss) (see note 8).

K) SECURITIES SOLD SHORT
Securities sold short represent securities that are sold, but not owned, by the CPP Investment Board. The CPP Investment Board 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, when appropriate (see note 10). Interest and dividend expense on securities sold short are included in investment income (loss) (see note 8).

L) FUNCTIONAL AND PRESENTATION CURRENCY
The CPP Investment Board's functional and presentation currency is the Canadian dollar, which is the currency of the primary economic environment in which it operates. The CPP Investment Board's performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

M) FOREIGN CURRENCY TRANSLATION
Transactions, including purchases and sales of investments, 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 that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in net investment income in the Consolidated Statement of Comprehensive Income.

N) CANADA PENSION PLAN TRANSFERS
Net amounts from the CPP are recorded as received.

O) 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 could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

3. INVESTMENTS AND INVESTMENT LIABILITIES

The CPP Investment Board manages the following types of investments and investment liabilities and determines fair value as follows:

A) EQUITIES

(i) Public equity investments are made directly or through funds. As at March 31, 2015, public equities include fund investments with a fair value of $8,541 million (March 31, 2014 – $6,000 million, April 1, 2013 – $3,657 million).

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 as reported by the external administrators or managers of the funds.

(ii) Private equity investments are generally made directly or through ownership in limited partnership funds. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. As at March 31, 2015, private equities include direct investments with a fair value of $18,473 million (March 31, 2014 – $15,037 million, April 1, 2013 – $9,803 million).

The fair value for investments held directly is primarily determined using earnings multiples of comparable publicly traded companies. Significant inputs include company specific earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings multiples of comparable publicly traded companies. Recent market transactions, where available, are also used. In the case of investments held through a limited partnership fund, fair value is generally determined based on relevant information reported by the general partner using similar accepted industry valuation methods.

B) FIXED INCOME

(i) Bonds consist of non-marketable and marketable bonds.

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act. These provisions permit each issuer, at its option, to roll over the bonds on maturity for a further 20-year term at a rate based on capital markets borrowing rates for that province existing at the time of rollover. The non-marketable bonds are also redeemable before maturity at the option of the issuers.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPP Investment Board and the provinces permit each province to repay the bond and concurrently cause the CPP Investment Board to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not more than 30 years. Such replacement bonds contain rollover provisions that permit the issuer, at its option, to roll over the bond for successive terms of not less than five years and subject in all cases to the maximum 30 years outside the maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

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, and adjusted for rollover provisions of the bonds. In the case of marketable bonds, including bond short positions, fair value is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on relevant benchmark yield curves and credit spreads pertaining to the issuer.

(ii) Other debt consists of investments in direct private debt, asset-backed securities, intellectual property, royalties, distressed mortgage funds and private debt funds.

Fair value for direct investments in private debt and asset-backed securities is based on quoted market prices or 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.

In the case of intellectual property investments and royalty investments, 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.

Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

(iii) Money market securities consist of cash, term deposits, treasury bills and commercial paper. Fair value is determined using cost, which, together with accrued interest income, approximates fair value due to the short-term nature of these securities.

C) ABSOLUTE RETURN STRATEGIES

Absolute return strategies consist of investments in funds and internally managed portfolios whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indices. The underlying securities of the funds and the internally managed portfolios could include, but are not limited to, equities, fixed income securities and derivatives. Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

D) REAL ASSETS

(i) The CPP Investment Board obtains exposure to real estate through direct investments in privately held real estate, real estate funds and publicly-traded securities. Private real estate investments are managed by investment managers primarily through co-ownership arrangements.

Fair value for private real estate investments is primarily determined using discounted cash flows based on various factors such as net operating income, discount rate and terminal capitalization rate.

Fair value for real estate funds and publicly-traded securities are generally based on the net asset value as reported by the external managers of the funds and quoted market prices respectively.

(ii) Infrastructure investments are generally made directly, but can also occur through limited partnership funds.

Fair value for infrastructure investments is primarily determined using discounted cash flows based on significant inputs including projected cash flows and discount rates.

E) SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND SOLD UNDER REPURCHASE AGREEMENTS

Reverse repurchase and repurchase agreements are carried at the amounts at which the securities were initially acquired or sold, which, together with accrued interest income or expense, approximates fair value due to the short-term nature of these securities.

F) DERIVATIVE CONTRACTS

A derivative contract is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges or negotiated in over-the-counter markets.

Notional amounts of derivative contracts 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 a derivative contract.

The fair value of these contracts is reported as derivative receivables and derivative liabilities on the Consolidated Schedule of Investment Portfolio. In the Consolidated Schedule of Investment Asset Mix, the derivative contracts are allocated to the asset class to which each contract relates.

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 swaps, options, forward contracts and warrants, is determined based on valuation techniques 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.

The CPP Investment Board uses derivatives to generate value-added investment returns and to manage or adjust exposures to interest rate, currency, credit and other market risks without directly purchasing or selling the underlying instrument.

(i) Derivative instruments

The CPP Investment Board uses the following types of derivative instruments, which are subject to the following types of risks:

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 either purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future.

Interest rate futures, 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 and variance 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. Variance swaps are contracts where cash flows are exchanged based on the realized variance of an equity index, a basket of stocks, or a single stock compared to the fixed strike level specified in the contract.

Interest rate-related swaps include bond swaps, interest rate swaps and cross-currency interest rate 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 interest rate 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.

The CPP Investment Board purchases (buys) and writes (sells) credit default swaps. Credit default swaps require the writer to compensate counterparties for the decline in value of an underlying financial instrument (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 security, currency, interest rate sensitive financial instrument, 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.

The CPP Investment Board purchases (buys) and writes (sells) options. Call or put options may require the writer to sell or purchase the underlying asset at any time at a fixed date or within a fixed future period. Due to the nature of these contracts, the CPP Investment Board cannot make a reasonable estimate of the potential maximum amount of future payments.

Warrants are transacted both over-the-counter and through exchanges where 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.

(ii) Derivative-related risk

The following are primary risks associated with derivatives:

Market risk

Derivatives generate positive or negative value, as the value of underlying assets, indices, 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 potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk.

The derivative-related market risk is a component of the total portfolio market risk, which is managed through the Risk/Return Accountability Framework described in note 5.

Credit risk

Credit risk is the risk of a financial loss that occurs as a result of the failure of a counterparty to meet its obligations to the CPP Investment Board. The maximum exposure to credit risk is represented by the positive fair value of the derivative instrument 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 contracts is limited because these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligation of the writer of a contract and guarantees their performance.

The CPP Investment Board 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 as discussed in note 5c.

(iii) The fair value of derivative contracts is as follows:

Fair Value of Derivative Contracts

(CAD millions)	As at March 31, 2015 Positive Fair Value	As at March 31, 2015 Negative Fair Value	As at March 31, 2014 Positive Fair Value	As at March 31, 2014 Negative Fair Value	As at April 1, 2013 Positive Fair Value	As at April 1, 2013 Negative Fair Value
EQUITY CONTRACTS						
Futures	$ –	$ –	$ 13	$ (3)	$ 4	$ (4)
Swaps	885	(738)	608	(320)	297	(250)
Options:						
Exchange-traded – purchased	–	–	1	–	–	–
Exchange-traded – written	–	(2)	–	–	–	–
Over-the-counter – purchased	7	–	–	–	–	–
Warrants	–	–	13	–	18	–
TOTAL EQUITY CONTRACTS	892	(740)	635	(323)	319	(254)
FOREIGN EXCHANGE CONTRACTS						
Forwards	382	(828)	188	(330)	229	(359)
Options:						
Over-the-counter – purchased	2	–	–	–	–	–
Over-the-counter – written	–	(2)	–	–	–	–
TOTAL FOREIGN EXCHANGE CONTRACTS	384	(830)	188	(330)	229	(359)
INTEREST RATE CONTRACTS						
Futures	–	–	3	(1)	2	(3)
Swaps	219	(318)	95	(134)	147	(193)
Options:						
Exchange-traded – purchased	–	–	–	–	–	–
Exchange-traded – written	–	–	–	–	–	–
TOTAL INTEREST RATE CONTRACTS	219	(318)	98	(135)	149	(196)
CREDIT CONTRACTS						
Purchased credit default swaps	18	(513)	10	(252)	26	(108)
Written credit default swaps	394	(21)	188	(14)	92	(21)
Options:						
Over-the-counter – purchased	–	–	–	–	–	–
Over-the-counter – written	–	–	–	–	–	–
TOTAL CREDIT CONTRACTS	412	(534)	198	(266)	118	(129)
COMMODITY CONTRACTS						
Futures	5	(2)	4	(8)	9	(7)
Options:						
Exchange-traded – purchased	–	–	–	–	–	–
Exchange-traded – written	–	(4)	–	–	–	–
TOTAL COMMODITY CONTRACTS	5	(6)	4	(8)	9	(7)
SUBTOTAL	1,912	(2,428)	1,123	(1,062)	824	(945)
Less: Cash collateral received under derivative contracts	(30)	–	(113)	–	(82)	–
TOTAL	$ 1,882	$ (2,428)	$ 1,010	$ (1,062)	$ 742	$ (945)

(iv) The terms to maturity of the notional amounts for derivative contracts is as follows:

Notional Amount of Derivatives by Terms to Maturity

	Terms to Maturity						
	As at March 31, 2015					As at March 31, 2014	As at April 1, 2013
(CAD millions)	Within 1 Year	1 to 5 Years	6 to10 Years	Over 10 Years	Total	Total	Total
EQUITY CONTRACTS							
Futures	$ 1,905	$ –	$ –	$ –	$ 1,905	$ 1,513	$ 5,339
Swaps	54,442	25,823	–	–	80,265	47,360	34,460
Options:							
Exchange-traded – purchased	3	–	–	–	3	107	–
Exchange-traded – written	260	–	–	–	260	180	–
Over-the-counter – purchased	124	–	–	–	124	–	–
Warrants	1	67	6	–	74	161	400
TOTAL EQUITY CONTRACTS	56,735	25,890	6	–	82,631	49,321	40,199
FOREIGN EXCHANGE CONTRACTS							
Forwards	68,138	–	–	–	68,138	37,832	34,892
Options:							
Over-the-counter – purchased	178	–	–	–	178	44	–
Over-the-counter – written	197	12	–	–	209	–	–
TOTAL FOREIGN EXCHANGE CONTRACTS	68,513	12	–	–	68,525	37,876	34,892
INTEREST RATE CONTRACTS							
Futures	5,700	–	–	–	5,700	11,553	9,396
Swaps	1,893	7,842	4,281	1,077	15,093	15,870	37,639
Options:							
Exchange-traded – purchased	–	–	–	–	–	2,625	–
Exchange-traded – written	–	–	–	–	–	3,849	–
TOTAL INTEREST RATE CONTRACTS	7,593	7,842	4,281	1,077	20,793	33,897	47,035
CREDIT CONTRACTS							
Purchased credit default swaps	527	16,983	467	–	17,977	8,598	4,855
Written credit default swaps	533	15,115	134	–	15,782	7,914	4,556
Options:							
Over-the-counter – purchased	317	–	–	–	317	1,656	305
Over-the-counter – written	–	–	–	–	–	–	51
TOTAL CREDIT CONTRACTS	1,377	32,098	601	–	34,076	18,168	9,767
COMMODITY CONTRACTS							
Futures	1,817	–	–	–	1,817	1,013	776
Options:							
Exchange-traded – purchased	–	–	–	–	–	–	–
Exchange-traded – written	262	–	–	–	262	–	–
TOTAL COMMODITY CONTRACTS	2,079	–	–	–	2,079	1,013	776
TOTAL	$ 136,297	$ 65,842	$ 4,888	$ 1,077	$ 208,104	$140,275	$132,669

G) DEBT FINANCING LIABILITIES

Debt financing liabilities are recorded at the amount originally issued, which, together with accrued interest expense, approximates fair value due to the short-term nature of these liabilities.

H) UNCONSOLIDATED SUBSIDIARIES

The CPP Investment Board consolidates those subsidiaries that provide investment-related services to support its investment operations. All other subsidiaries are not consolidated but rather measured at fair value (see note 2b). Fair value for unconsolidated investment holding companies is based on the fair value of the underlying investments and investment liabilities held by the investment holding company together with its accumulated net income from operations. The determination of the fair value of the underlying investments and investment liabilities are based on the valuation techniques and related inputs outlined in note 3.

Investments in unconsolidated subsidiaries include 201 wholly-owned subsidiaries (March 31, 2014 – 153) incorporated to hold investments primarily in private equities, debt, real estate and infrastructure. Of the 201 wholly-owned subsidiaries, 108 are incorporated in Canada (March 31, 2014 – 104), 30 are incorporated in the British Virgin Islands (March 31, 2014 – 1), 17 are incorporated in the United States (March 31, 2014 – 15), 17 are incorporated in Australia (March 31, 2014 – 16) and 29 are incorporated in other jurisdictions (March 31, 2014 – 17). Unconsolidated subsidiaries, that are not wholly-owned but controlled, typically include those that were acquired by the CPP Investment Board or indirectly acquired through its investment holding companies.

The CPP Investment Board has commitments to provide financial or other support to wholly-owned subsidiaries to fund day-to-day operations and investment activity under loan agreements or shareholder's resolutions as needed.

4. FAIR VALUE MEASUREMENT

A) FAIR VALUE HIERARCHY

The following shows investments and investment liabilities recognized at fair value, analyzed between those whose fair value is based on:

> Quoted prices in active markets for identical assets or liabilities (Level 1);

> Those involving 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) (Level 2); and

> Those with inputs for the asset or liability that are not based on observable market data (non-observable inputs) (Level 3).

Fair Value Hierarchy

	As at March 31, 2015			
(CAD millions)	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 5,803	$ –	$ –	$ 5,803
Private equities	394	–	2,601	2,995
	6,197	–	2,601	8,798
Foreign developed markets				
Public equities[1]	64,977	6,894	630	72,501
Private equities	3,781	385	37,607	41,773
	68,758	7,279	38,237	114,274
Emerging markets				
Public equities[1]	8,001	1,735	–	9,736
Private equities	1,218	–	3,263	4,481
	9,219	1,735	3,263	14,217
TOTAL EQUITIES	84,174	9,014	44,101	137,289
FIXED INCOME				
Bonds	36,040	29,602	–	65,642
Other debt	–	7,712	14,716	22,428
Money market securities	–	17,740	–	17,740
TOTAL FIXED INCOME	36,040	55,054	14,716	105,810
ABSOLUTE RETURN STRATEGIES	–	14,987	1,198	16,185
REAL ASSETS				
Real estate	719	–	29,656	30,375
Infrastructure	–	–	15,013	15,013
TOTAL REAL ASSETS	719	–	44,669	45,388
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	–	10,817	–	10,817
Accrued interest	–	928	–	928
Derivative receivables	5	1,877	–	1,882
Dividends receivable	–	182	–	182
TOTAL INVESTMENT RECEIVABLES	5	13,804	–	13,809
TOTAL INVESTMENTS	$ 120,938	$ 92,859	$ 104,684	$ 318,481
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements	–	(15,779)	–	(15,779)
Securities sold short	(22,385)	–	–	(22,385)
Debt financing liabilities	–	(9,955)	–	(9,955)
Derivative liabilities	(8)	(2,420)	–	(2,428)
TOTAL INVESTMENT LIABILITIES	(22,393)	(28,154)	–	(50,547)
Amounts receivable from pending trades	–	2,908	–	2,908
Amounts payable from pending trades	–	(6,087)	–	(6,087)
NET INVESTMENTS	$ 98,545	$ 61,526	$ 104,684	$ 264,755

	As at March 31, 2014			
(CAD millions)	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 5,562	$ –	$ –	$ 5,562
Private equities	–	455	2,447	2,902
	5,562	455	2,447	8,464
Foreign developed markets				
Public equities[1]	45,117	4,569	36	49,722
Private equities	2,034	2,938	30,544	35,516
	47,151	7,507	30,580	85,238
Emerging markets				
Public equities[1]	6,781	1,431	–	8,212
Private equities	101	–	2,755	2,856
	6,882	1,431	2,755	11,068
TOTAL EQUITIES	59,595	9,393	35,782	104,770
FIXED INCOME				
Bonds	29,593	25,665	–	55,258
Other debt	–	4,531	9,352	13,883
Money market securities	–	19,663	–	19,663
TOTAL FIXED INCOME	29,593	49,859	9,352	88,804
ABSOLUTE RETURN STRATEGIES	–	10,775	1,468	12,243
REAL ASSETS				
Real estate	383	1,535	23,543	25,461
Infrastructure	271	–	12,852	13,123
TOTAL REAL ASSETS	654	1,535	36,395	38,584
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	–	3,221	–	3,221
Accrued interest	–	907	–	907
Derivative receivables	21	976	13	1,010
Dividends receivable	–	132	–	132
TOTAL INVESTMENT RECEIVABLES	21	5,236	13	5,270
TOTAL INVESTMENTS	$ 89,863	$ 76,798	$ 83,010	$ 249,671
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements	–	(5,230)	–	(5,230)
Securities sold short	(14,874)	–	–	(14,874)
Debt financing liabilities	–	(9,654)	–	(9,654)
Derivative liabilities	(12)	(1,050)	–	(1,062)
TOTAL INVESTMENT LIABILITIES	(14,886)	(15,934)	–	(30,820)
Amounts receivable from pending trades	–	2,251	–	2,251
Amounts payable from pending trades	–	(1,979)	–	(1,979)
NET INVESTMENTS	$ 74,977	$ 61,136	$ 83,010	$ 219,123

	As at April 1, 2013			
(CAD millions)	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 4,789	$ –	$ –	$ 4,789
Private equities	–	–	2,250	2,250
	4,789	–	2,250	7,039
Foreign developed markets				
Public equities[1]	33,282	2,675	–	35,957
Private equities	602	92	27,835	28,529
	33,884	2,767	27,835	64,486
Emerging markets				
Public equities[1]	7,529	996	–	8,525
Private equities	–	–	1,788	1,788
	7,529	996	1,788	10,313
TOTAL EQUITIES	46,202	3,763	31,873	81,838
FIXED INCOME				
Bonds	28,639	24,116	–	52,755
Other debt	–	4,060	6,155	10,215
Money market securities	–	19,991	–	19,991
TOTAL FIXED INCOME	28,639	48,167	6,155	82,961
ABSOLUTE RETURN STRATEGIES	–	7,813	1,215	9,028
REAL ASSETS				
Real estate	–	–	19,922	19,922
Infrastructure	199	–	10,870	11,069
TOTAL REAL ASSETS	199	–	30,792	30,991
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	–	630	–	630
Accrued interest	–	725	–	725
Derivative receivables	24	715	3	742
Dividends receivable	–	138	–	138
TOTAL INVESTMENT RECEIVABLES	24	2,208	3	2,235
TOTAL INVESTMENTS	$ 75,064	$ 61,951	$ 70,038	$ 207,053
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements	–	(2,180)	–	(2,180)
Securities sold short	(9,715)	–	–	(9,715)
Debt financing liabilities	–	(9,543)	–	(9,543)
Derivative liabilities	(9)	(936)	–	(945)
TOTAL INVESTMENT LIABILITIES	(9,724)	(12,659)	–	(22,383)
Amounts receivable from pending trades	–	2,580	–	2,580
Amounts payable from pending trades	–	(3,779)	–	(3,779)
NET INVESTMENTS	$ 65,340	$ 48,093	$ 70,038	$ 183,471

[1] Includes investments in funds.

B) TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

During the year ended March 31, 2015, there were $88 million of transfers from Level 1 to Level 2 (March 31, 2014 – $nil) and $393 million of transfers from Level 2 to Level 1 (March 31, 2014 – $219 million). Transfers between Level 1 and Level 2 depend on the availability of quoted market prices in active markets and are deemed to occur at the end of year values.

C) LEVEL 3 RECONCILIATION

The following presents the reconciliations for investments included in Level 3 of the fair value hierarchy for the year ended March 31, 2015:

Reconciliation of Changes in Fair Value for Level 3 Investments

For the year ended March 31, 2015

(CAD millions)	Fair Value as at April 1, 2014	Gain (Loss) Included in Net Investment Income (loss)[1]	Purchases	Sales[2]	Transfers Into Level 3[3]	Transfers Out of Level 3[3]	Fair Value as at March 31, 2015	Change in Unrealized Gains (Losses) on Investments Still Held at March 31, 2015[1,4]
INVESTMENTS								
EQUITIES								
Canada								
Private equities	$ 2,447	$ 149	$ 208	$ (203)	$ –	$ –	$ 2,601	$ 44
	2,447	149	208	(203)	–	–	2,601	44
Foreign developed markets								
Public equities	36	92	502	–	–	–	630	91
Private equities	30,544	8,717	6,719	(7,167)	38	(1,244)	37,607	3,559
	30,580	8,809	7,221	(7,167)	38	(1,244)	38,237	3,650
Emerging markets								
Private equities	2,755	1,266	795	(599)	–	(954)	3,263	554
	2,755	1,266	795	(599)	–	(954)	3,263	554
TOTAL EQUITIES	35,782	10,224	8,224	(7,969)	38	(2,198)	44,101	4,248
FIXED INCOME								
Other debt	9,352	1,017	7,177	(2,285)	–	(545)	14,716	751
TOTAL FIXED INCOME	9,352	1,017	7,177	(2,285)	–	(545)	14,716	751
ABSOLUTE RETURN STRATEGIES	1,468	272	16	(2)	–	(556)	1,198	273
REAL ASSETS								
Real estate	23,543	2,725	4,449	(2,474)	1,472	(59)	29,656	2,436
Infrastructure	12,852	1,513	991	(343)	–	–	15,013	1,492
TOTAL REAL ASSETS	36,395	4,238	5,440	(2,817)	1,472	(59)	44,669	3,928
INVESTMENT RECEIVABLES								
Derivative receivables	13	(9)	–	(4)	–	–	–	(3)
TOTAL INVESTMENT RECEIVABLES	13	(9)	–	(4)	–	–	–	(3)
TOTAL	$ 83,010	$ 15,742	$ 20,857	$ (13,077)	$ 1,510	$ (3,358)	$ 104,684	$ 9,197

	For the year ended March 31, 2014							
(CAD millions)	Fair Value as at April 1, 2013	Gain (Loss) Included in Net Investment Income (loss)[1]	Purchases	Sales[2]	Transfers Into Level 3[3]	Transfers Out of Level 3[3]	Fair Value as at March 31, 2014	Change in Unrealized Gains (Losses) on Investments Still Held at March 31, 2014[1,4]
INVESTMENTS								
EQUITIES								
Canada								
Private equities	$ 2,250	$ 674	$ 281	$ (303)	$ –	$ (455)	$ 2,447	$ 245
	2,250	674	281	(303)	–	(455)	2,447	245
Foreign developed markets								
Public equities	–	(5)	41	–	–	–	36	(5)
Private equities	27,835	8,869	4,223	(6,020)	–	(4,363)	30,544	4,819
	27,835	8,864	4,264	(6,020)	–	(4,363)	30,580	4,814
Emerging markets								
Private equities	1,788	766	467	(266)	–	–	2,755	607
	1,788	766	467	(266)	–	–	2,755	607
TOTAL EQUITIES	31,873	10,304	5,012	(6,589)	–	(4,818)	35,782	5,666
FIXED INCOME								
Other debt	6,155	773	4,816	(2,392)	–	–	9,352	372
TOTAL FIXED INCOME	6,155	773	4,816	(2,392)	–	–	9,352	372
ABSOLUTE RETURN STRATEGIES	1,215	219	35	(1)	–	–	1,468	219
REAL ASSETS								
Real estate	19,922	3,160	3,005	(2,544)	–	–	23,543	2,857
Infrastructure	10,870	1,190	1,151	(359)	–	–	12,852	1,081
TOTAL REAL ASSETS	30,792	4,350	4,156	(2,903)	–	–	36,395	3,938
INVESTMENT RECEIVABLES								
Derivative receivables	3	5	5	–	–	–	13	8
TOTAL INVESTMENT RECEIVABLES	3	5	5	–	–	–	13	8
TOTAL	$ 70,038	$ 15,651	$ 14,024	$(11,885)	$ –	$ (4,818)	$ 83,010	$ 10,203

1 Presented as a component of investment income (loss) (see note 8).
2 Includes return of capital.
3 Transfers into and out of Level 3 are deemed to occur at the end of year values.
4 Includes the entire change in fair value for the year for those investments that were transferred into Level 3 during the year, and excludes the entire change in fair value for the year for those investments that were transferred out of Level 3 during the year.

During the years ended March 31, 2015 and March 31, 2014, transfers into and out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value.

D) LEVEL 3 – SIGNIFICANT UNOBSERVABLE INPUTS
The following presents fair values of the investments categorized within Level 3 of the fair value hierarchy, valuation techniques used to determine their fair values, ranges and weighted averages of unobservable inputs:

Valuation Techniques and Inputs Used in the Fair Value Measurement of Level 3 Investments

As at March 31, 2015					
(CAD millions)	Fair Value	Primary Valuation Techniques Used	Significant Unobservable Inputs	Range of Input Values[3]	Weighted Average[3]
PUBLIC EQUITIES					
Direct[1,2]	$ 630	Discounted cash flows	Discount rate	23.2% – 23.7%	23.4%
PRIVATE EQUITIES					
Direct[1]	12,694	Earnings multiples of comparable companies	EBITDA multiple	8.6X – 13.5X	10.6X
Fund investments[2]	30,777	Net asset value provided by Investment Manager	–	–	–
OTHER DEBT					
Direct private debt[1,4]	7,636	Discounted cash flow	Discount rate	6.4% – 30.4%	12.6%
Asset-backed securities[2]	5,342	Broker quotes	–	–	–
Fund investments[2]	1,738	Net asset value provided by Investment Manager	–	–	–
ABSOLUTE RETURN STRATEGIES					
Fund investments[2]	1,198	Net asset value provided by Investment Manager	–	–	–
REAL ESTATE					
Direct[1,2]	19,776	Discounted cash flow	Discount rate	3.8% – 13.5%	6.6%
			Terminal capitalization rate	3.9% – 9.5%	5.4%
	5,274	Net asset value provided by Investment Manager	–	–	–
Fund investments[2]	4,606	Net asset value provided by Investment Manager	–	–	–
INFRASTRUCTURE					
Direct[1]	14,956	Discounted cash flow	Discount rate	7.7% – 12.1%	10.3%
Fund investments[2]	57	Net asset value provided by Investment Manager	–	–	–
DERIVATIVE RECEIVABLES					
Warrants	–	Option model	Market volatility	–	–
TOTAL	$ 104,684				

	As at March 31, 2014				
(CAD millions)	Fair Value	Primary Valuation Techniques Used	Significant Unobservable Inputs	Range of Input Values[3]	Weighted Average[3]
PUBLIC EQUITIES					
Direct[2]	$ 36	Broker quotes	–	–	–
PRIVATE EQUITIES					
Direct[1]	9,478	Earnings multiples of comparable companies	EBITDA multiple	7.6X – 12.0X	10.0X
Fund investments[2]	26,268	Net asset value provided by Investment Manager	–	–	–
OTHER DEBT					
Direct private debt[1]	5,167	Discounted cash flow	Discount rate	7.3% – 30.0%	11.5%
Asset-backed securities[2]	2,569	Broker quotes	–	–	–
Fund investments[2]	1,616	Net asset value provided by Investment Manager	–	–	–
ABSOLUTE RETURN STRATEGIES					
Fund investments[2]	1,468	Net asset value provided by Investment Manager	–	–	–
REAL ESTATE					
Direct[1,2]	14,990	Discounted cash flow	Discount rate	4.3% – 12.3%	6.5%
			Terminal capitalization rate	4.3% – 10.0%	5.7%
	2,964	Net asset value provided by Investment Manager	–	–	–
Fund investments[2]	5,589	Net asset value provided by Investment Manager	–	–	–
INFRASTRUCTURE					
Direct[1]	12,524	Discounted cash flow	Discount rate	8.3% – 13.0%	11.2%
Fund investments[2]	328	Net asset value provided by Investment Manager	–	–	–
DERIVATIVE RECEIVABLES					
Warrants	13	Option model	Market volatility	10.0% – 30.0%	16.7%
TOTAL	$ 83,010				

1 May include certain recently acquired investments held at cost, which approximates fair value.
2 In certain cases, external valuations are prepared by a third-party and hence, valuation information is not available.
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 Includes preferred shares.

Significant increases (decreases) 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 are 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 value of these direct investments classified within Level 3 of the fair value hierarchy above 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. By using valuation methods based on reasonable alternative assumptions, different fair values could result. Management has determined that the potential impact on fair values using these reasonable alternative assumptions would not be significant.

5. INVESTMENT RISK MANAGEMENT

The CPP Investment Board and its unconsolidated investment holding companies are exposed to a variety of financial risks as a result of its investment activities. These risks include market risk, credit risk and liquidity risk. The CPP Investment Board utilizes a total portfolio approach to risk management which considers all of the investment activities taken together, including those made through its unconsolidated investment holding companies. In the discussion that follows, any references to the investment activities and exposures to risk of the CPP Investment Board also include those of its unconsolidated investment holding companies.

The CPP Investment Board manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the investment policies and approved by the Board of Directors at least once every fiscal year. This framework contains risk limits and risk management provisions that govern investment decisions. It has been designed to achieve the mandate of the CPP Investment Board, which is 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 CPP and the ability of the CPP to meet its financial obligations on any given business day.

An active risk limit is included within the Risk/Return Accountability Framework, which represents a limit on the amount of investment risk that the CPP Investment Board can take relative to the CPP Reference Portfolio. The CPP Reference Portfolio is approved by the Board of Directors and serves as a performance benchmark against which the CPP Investment Board's value-added activities are measured. The objective of the CPP Investment Board is to create value-added investment returns greater than the returns that would be generated by the CPP Reference Portfolio. The CPP Investment Board monitors the active risk in the CPP Investment Portfolio daily and reports active risk exposures to the Board of Directors on at least a quarterly basis. Financial risk management is discussed in greater detail on page 28 in the Risk/Return Accountability Framework section of the 2015 Annual Report.

A) MARKET RISK

Market risk (including currency risk, interest rate risk and other price risk) is the risk that the fair value or future cash flows of an investment or investment liability will fluctuate because of changes in market prices and rates. As discussed previously, the CPP Investment Board manages market risk through the Risk/Return Accountability Framework. This includes investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total fund level, based on risk limits established in the investment policies. In addition, derivatives are used, where appropriate, to manage certain market risk exposures.

Market risk is comprised of the following:

Currency risk

The CPP Investment Board is exposed to currency risk through holdings of investments or investment liabilities in various 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.

In Canadian dollars, the net underlying currency exposures, after allocating foreign currency derivatives are as follows:

Currency Risk Exposures

	As at March 31, 2015		As at March 31, 2014		As at April 1, 2013	
(CAD millions)	Net Exposure	% of Total	Net Exposure	% of Total	Net Exposure	% of Total
CURRENCY						
United States Dollar	$ 116,292	59%	$ 83,612	58%	$ 62,098	57%
Euro	30,955	16	22,241	15	14,985	14
British Pound Sterling	12,595	6	9,380	7	8,184	8
Japanese Yen	11,879	6	6,966	5	5,330	5
Australian Dollar	6,499	3	7,222	5	5,671	5
Chinese Yuan	2,614	1	917	1	268	–
Hong Kong Dollar	2,425	1	2,285	2	2,581	2
Swiss Franc	2,045	1	843	1	1,251	1
Chilean Peso	1,855	1	1,459	1	1,206	1
South Korean Won	1,792	1	1,468	1	1,189	1
Brazilian Real	1,404	1	1,017	1	854	1
Other	7,001	4	5,472	3	5,276	5
TOTAL	$ 197,356	100%	$ 142,882	100%	$ 108,893	100%

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of an investment or investment-related liability will fluctuate because of changes in market interest rates. The CPP Investment Board is exposed to interest rate risk primarily through holdings of fixed income securities, certain investment liabilities and interest rate derivative instruments.

The terms to maturity of fixed income securities, as at March 31, 2015, are as follows:

Investments Terms to Maturity

	Terms to Maturity									
	As at March 31, 2015						As at March 31, 2014		As at April 1, 2013	
(CAD millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield	Total	Average Effective Yield
NON-MARKETABLE BONDS										
Canadian provincial government	$ 185	$ 2,710	$ 8,871	$ 13,772	$ 25,538	2.5%	$ 23,051	3.5%	$ 24,116	3.2%
MARKETABLE BONDS										
Government of Canada	28	1,499	1,150	2,272	4,949	1.7	10,700	2.4	13,945	1.7
Canadian provincial government	–	2,092	5,937	6,980	15,009	2.4	12,093	3.4	8,702	3.1
Canadian government corporations	–	2,157	1,258	1,471	4,886	2.1	5,360	2.9	3,489	2.3
Foreign government	–	8,374	2,232	557	11,163	1.6	1,439	2.6	683	0.3
Corporate bonds	1,362	1,933	568	201	4,064	1.7	2,615	3.1	1,396	2.8
Inflation-linked bonds	–	–	33	–	33	(1.1)	–	–	424	(0.1)
OTHER DEBT										
Private debt	130	3,330	2,453	318	6,231	10.1	4,477	11.0	3,483	9.1
Real estate private debt	600	1,322	825	481	3,228	5.7	1,890	5.7	1,448	6.1
Asset-backed securities	37	363	2,282	2,698	5,380	1.0	2,607	0.9	1,659	0.8
SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS	10,817	–	–	–	10,817	0.3	3,221	0.9	630	0.4
TOTAL	$13,159	$ 23,780	$25,609	$28,750	$ 91,298	2.4%	$ 67,453	3.4%	$ 59,975	3.0%

The terms to maturity of investment liabilities and the notional amount of derivative receivables are disclosed in note 5d and note 3f, respectively.

Other price risk

Other price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices arising primarily from equity price risk, commodity price risk and credit spread risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

In addition to the above, the CPP Investment Board is indirectly exposed to market risk on the underlying securities of fund investments.

B) VALUE AT RISK

The CPP Investment Board uses a Value at Risk (VaR) methodology to monitor market risk exposure and credit risk exposure (see note 5c) in the CPP Investment Portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level.

VaR is valid under normal market conditions and does not specifically consider losses arising from severe market events. It also assumes that historical market data is a sound basis for estimating potential future losses. If future market conditions and interrelationships of interest rates, foreign exchange rates and other market prices differ significantly from those of the past, then the actual losses could materially differ from those estimated. The VaR measure provides an estimate of a single value in a distribution of potential losses that the CPP Investment Portfolio could experience. It is not an estimate of the worst-case scenario.

Market VaR calculated by the CPP Investment Board is estimated using a historical simulation method, evaluated at a 90% confidence level and scaled to a one-year holding period. The significant assumptions used in this method are the incorporation of the most recent 10 years of weekly market returns and the use of public market proxies to represent investment returns on those investments, valued with inputs that are based on non-observable market data (e.g., those for private real estate and private equities), both of which are reasonable for estimating their contribution to the VaR.

Credit VaR is estimated using a Monte Carlo simulation with a sufficient number of scenarios to simulate low probability credit events over a one-year investment horizon. Significant assumptions under this method include using a statistical process to determine asset correlations and using empirical based default and loss rates.

In order to estimate Total Active Risk, both Market and Credit VaR are estimated using a similar confidence level and combined using an appropriate correlation factor approved by the Investment Planning Committee (IPC).

The CPP Investment Board monitors the active risk of the CPP Investment Portfolio relative to the CPP Reference Portfolio. Active Risk is expressed using VaR, at a 90% confidence level, which indicates that one year in 10 the portfolio can be expected to lose at least the following amounts:

Value at Risk

	As at March 31, 2015			As at March 31, 2014			As at April 1, 2013	
(CAD millions)		VaR	% of CPP Investment Portfolio[1]		VaR	% of CPP Investment Portfolio[1]		VaR	% of CPP Investment Portfolio[1]
CPP Reference Portfolio	$	23,435	8.9%	$	19,840	9.1%	$	16,082	8.8%
CPP Investment Portfolio[2]	$	26,296	10.0%	$	22,993	10.5%	$	18,467	10.1%
CPP Investment Portfolio Total Active Risk[3,4]	$	5,392	2.0%	$	5,053	2.3%	$	4,048	2.2%
CPP Investment Portfolio Active Market Risk[4]	$	5,110	1.9%	$	4,908	2.2%	$	3,920	2.1%
CPP Investment Portfolio Active Credit Risk[4]	$	980	0.4%	$	573	0.3%	$	494	0.3%

1 Excludes certain assets where the market risk exposure is not monitored using VaR, such as the assets of the Cash for Benefits Portfolio, which is a separately managed short-term cash management program designed to facilitate monthly benefit payments by the CPP.

2 CPP Investment Portfolio VaR is less than the sum of the CPP Reference Portfolio VaR and CPP Investment Portfolio Active Market Risk due to the beneficial impact of risk diversification.

3 Market and Credit Risk are combined using an assumed positive correlation under normal market conditions.

4 Active Risk is the estimated risk for the Investment Portfolio relative to the Reference Portfolio.

C) CREDIT RISK

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations, or a reduction in the value of the assets due to a decline in the credit quality of the borrower, counterparty, guarantor or the assets (collateral) supporting the credit exposure. The CPP Investment Board's most significant exposure to credit risk is through its investment in debt securities and over-the-counter derivatives (as discussed in note 3f). The carrying amounts of these investments as presented in the Consolidated Schedule of Investment Portfolio represent the maximum credit risk exposure at the Balance Sheet date.

The IPC, chaired by the Chief Investment Strategist, is accountable for monitoring and managing the total portfolio strategic risk exposures and providing strategic direction to the investment departments. Credit risk measurement and reporting are performed by experienced risk managers within the Investment Risk group (IR). IR monitors board-approved exposure limits, provides detailed analysis of single-name and sector exposures, and oversees the credit risk inherent in certain fund investments. Credit VaR is the common measure of credit risk across all investment strategies. IR works closely with the investment departments to provide an evaluation of the credit risk created by significant transactions. Detailed reports of credit risk and counterparty exposures are provided weekly to management and monthly to members of the IPC.

The CPP Investment Board manages credit risk by setting overall credit exposure limits within categories that include credit rating, region and institution type. The Board of Directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined through an internal credit rating process or by recognized credit rating agencies, where applicable. Credit exposure to any single counterparty is limited to a maximum amount as specified in the investment policies. The IPC has also established single-name sub-limits within the credit exposure limits to mitigate risks arising from concentrated exposures to financial institution counterparties. IR measures and monitors credit exposure daily for compliance to approved credit limits and reports to the IPC at least monthly, or more frequently as necessary.

The fair value of debt securities and over-the-counter derivatives exposed to credit risk, by credit rating category and without taking account of any collateral held or other credit enhancements are as follows:

Credit Risk Exposures

	As at March 31, 2015						
(CAD millions)	Bonds[1]	Money Market Securities[1]	Reverse Repurchase Agreements[1]	Over-the-Counter Derivatives	Other[1,2]	Total	% of Total
CREDIT RATING							
AAA	$ 21,442	$ 99	$ –	$ –	$ 2,625	$ 24,166	22%
AA	31,280	2,107	1,467	74	1,779	36,707	33
A	10,809	13,591	8,331	1,422	1,468	35,621	33
BBB	1,905	56	1,019	433	647	4,060	4
BB	709	–	–	–	2,947	3,656	3
B	98	–	–	–	4,173	4,271	4
CCC/D	–	–	–	–	1,335	1,335	1
TOTAL	$ 66,243	$ 15,853	$ 10,817	$ 1,929	$ 14,974	$ 109,816	100%

	As at March 31, 2014						
(CAD millions)	Bonds[1]	Money Market Securities[1]	Reverse Repurchase Agreements[1]	Over-the-Counter Derivatives	Other[1,2]	Total	% of Total
CREDIT RATING							
AAA	$ 25,896	$ 31	$ –	$ –	$ 1,605	$ 27,532	32%
AA	18,386	3,358	24	59	696	22,523	26
A	9,747	15,363	3,197	889	676	29,872	34
BBB	1,271	6	–	141	467	1,885	2
BB	522	–	–	–	1,428	1,950	2
B	18	–	–	–	2,934	2,952	3
CCC/D	–	–	–	–	765	765	1
TOTAL	$ 55,840	$ 18,758	$ 3,221	$ 1,089	$ 8,571	$ 87,479	100%

	As at April 1, 2013						
(CAD millions)	Bonds[1]	Money Market Securities[1]	Reverse Repurchase Agreements[1]	Over-the-Counter Derivatives	Other[1,2]	Total	% of Total
CREDIT RATING							
AAA	$ 26,064	$ 31	$ –	$ –	$ 675	$ 26,770	33%
AA	18,749	3,427	427	50	815	23,468	29
A	7,271	15,828	203	739	598	24,639	31
BBB	722	–	–	2	681	1,405	2
BB	411	–	–	–	1,545	1,956	2
B	38	–	–	–	1,890	1,928	2
CCC/D	–	–	–	–	395	395	1
TOTAL	$ 53,255	$ 19,286	$ 630	$ 791	$ 6,599	$ 80,561	100%

1 Includes accrued interest.
2 Includes direct investments in private debt and asset-backed securities.

In addition to the above, the CPP Investment Board is indirectly exposed to credit risk on the underlying securities of fund investments.

Financial instruments – rights of offset

Certain financial assets and financial liabilities have conditional offset rights in the event of default, insolvency or bankruptcy, which will mitigate credit risk exposures. Given that the rights of offset are conditional, they do not qualify for netting on the Consolidated Balance Sheet.

For securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and over-the-counter derivatives, collateral is collected from or pledged to counterparties to manage credit exposure. In addition, in the event of default, amounts with a specific counterparty are settled on a net basis under master netting or similar arrangements, such as the Global Master Repurchase Agreement and the International Swaps and Derivatives Association Netting Agreements.

The following presents the effect of conditional master netting and similar arrangements:

Rights of Offset

As at March 31, 2015

(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	Less: Amounts Subject to Master Netting or Similar Arrangements but Not Presented Net: Subject to Agreements	Less: Amounts Subject to Master Netting or Similar Arrangements but Not Presented Net: Securities and Cash Collateral[1]	Net Exposure
Securities purchased under reverse purchase agreements	$ 10,817	$ –	$ 10,817	$ (8,996)	$ (1,821)	$ –
Derivative receivables	1,912	(30)	1,882	(1,703)	(3)	176
TOTAL INVESTMENT RECEIVABLES	$ 12,729	$ (30)	$ 12,699	$ (10,699)	$ (1,824)	$ 176
Securities sold under repurchase agreements	$ (15,779)	$ –	$ (15,779)	$ 8,996	$ 6,783	$ –
Derivative liabilities	(2,428)	–	(2,428)	1,703	266	(459)
TOTAL INVESTMENT PAYABLES	$ (18,207)	$ –	$ (18,207)	$ 10,699	$ 7,049	$ (459)

As at March 31, 2014

(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	Less: Amounts Subject to Master Netting or Similar Arrangements but Not Presented Net: Subject to Agreements	Less: Amounts Subject to Master Netting or Similar Arrangements but Not Presented Net: Securities and Cash Collateral[1]	Net Exposure
Securities purchased under reverse purchase agreements	$ 3,221	$ –	$ 3,221	$ (1,810)	$ (1,411)	$ –
Derivative receivables	1,123	(113)	1,010	(809)	(21)	180
TOTAL INVESTMENT RECEIVABLES	$ 4,344	$ (113)	$ 4,231	$ (2,619)	$ (1,432)	$ 180
Securities sold under repurchase agreements	$ (5,230)	$ –	$ (5,230)	$ 1,810	$ 3,420	$ –
Derivative liabilities	(1,062)	–	(1,062)	809	–	(253)
TOTAL INVESTMENT PAYABLES	$ (6,292)	$ –	$ (6,292)	$ 2,619	$ 3,420	$ (253)

[1] Securities and cash collateral exclude over-collateralization and collateral in transit. Refer to Note 10 for the total amount of collateral.

D) LIQUIDITY RISK

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet investment commitments and investment liabilities as they come due. The CPP Investment Board manages liquidity risk through its ability to raise funds through the issuance of commercial paper and transacting in securities sold under repurchase agreements.

The CPP Investment Board also maintains $1.5 billion (March 31, 2014 – $1.5 billion, April 1, 2013 – $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2015, the total amount drawn on the credit facilities is $nil (March 31, 2014 – $nil, April 1, 2013 – $nil).

Notes

The CPP Investment Board also has the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly traded equities, money market securities and marketable bonds.

The CPP Investment Board is also exposed to liquidity risk through its responsibility for providing cash management services to the CPP (see note 7). In order to manage liquidity risk associated with this short-term cash management program, certain assets are segregated and managed separately. Liquidity risk is also managed by investing these assets in liquid money market instruments with the primary objective of ensuring that the CPP has the necessary liquidity to meet benefit payment obligations on any business day.

The terms to maturity of investment liabilities, as at March 31, 2015, are as follows:

Investment Liabilities Terms to Maturity

	Terms to Maturity						
	As at March 31, 2015						
(CAD millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Fair Value	Weighted Average Interest Rate
Securities sold under repurchase agreements	$ 15,780	$ –	$ –	$ –	$ 15,780	$ 15,779	0.5%
Securities sold short[1,2]	22,385	–	–	–	22,385	22,385	n/a
Debt financing liabilities	9,959	–	–	–	9,959	9,955	0.3
TOTAL	$ 48,124	$ –	$ –	$ –	$ 48,124	$ 48,119	n/a

	As at March 31, 2014			As at March 31, 2013		
(CAD millions)	Total	Fair Value	Weighted Average Interest Rate	Total	Fair Value	Weighted Average Interest Rate
Securities sold under repurchase agreements	$ 5,231	$ 5,230	1.0%	$ 2,180	$ 2,180	1.0%
Securities sold short[1,2]	14,874	14,874	n/a	9,715	9,715	n/a
Debt financing liabilities	9,663	9,654	0.3	9,551	9,543	0.3
TOTAL	$ 29,768	$ 29,758	n/a	$ 21,446	$ 21,438	n/a

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.

The terms to maturity of the notional amount of derivative liabilities are disclosed in note 3f.

6. SHARE CAPITAL

The issued and authorized share capital of the CPP Investment Board is $100 divided into 10 shares with a par value of $10 each. The shares are owned by Her Majesty the Queen in right of Canada.

7. CANADA PENSION PLAN TRANSFERS

Pursuant to Section 108.1 of the Canada Pension Plan, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPP Investment Board. The funds originate from employer and employee contributions to the CPP.

The CPP Investment Board is also responsible for providing cash management services to the CPP, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

The accumulated transfers from the CPP since inception are as follows:

Canada Pension Plan Transfers

(CAD millions)	As at March 31, 2015	As at March 31, 2014	As at April 1, 2013
Accumulated transfers from the Canada Pension Plan	$ 377,685	$ 341,662	$ 307,330
Accumulated transfers to the Canada Pension Plan	(249,367)	(218,237)	(189,599)
ACCUMULATED NET TRANSFERS FROM THE CANADA PENSION PLAN	$ 128,318	$ 123,425	$ 117,731

8. NET INVESTMENT INCOME

Net investment income is reported net of transaction costs and investment management fees, and is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios.

Net investment income, after giving effect to derivative contracts and investment receivables and liabilities is as follows:

Net Investment Income

	For the year ended March 31, 2015			
(CAD millions)	Investment Income (Loss)[1]	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
EQUITIES				
Canada				
Public equities	$ 1,453	$ –	$ (12)	$ 1,441
Private equities	317	(12)	–	305
	1,770	(12)	(12)	1,746
Foreign developed markets				
Public equities	10,675	(131)	(27)	10,517
Private equities	10,284	(317)	(14)	9,953
	20,959	(448)	(41)	20,470
Emerging markets				
Public equities	2,128	(54)	(7)	2,067
Private equities	1,477	(67)	–	1,410
	3,605	(121)	(7)	3,477
	26,334	(581)	(60)	25,693
FIXED INCOME				
Bonds	6,320	–	–	6,320
Other debt	2,710	(114)	(9)	2,587
Money market securities[2]	2,841	(467)	(62)	2,312
Debt financing liabilities	(1,226)	–	–	(1,226)
	10,645	(581)	(71)	9,993
REAL ASSETS				
Real estate	3,782	(90)	(97)	3,595
Infrastructure	2,207	(2)	(45)	2,160
	5,989	(92)	(142)	5,755
TOTAL	$ 42,968	$ (1,254)	$ (273)	$ 41,441

(CAD millions)	For the year ended March 31, 2014 Investment Income (Loss)[1]	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
EQUITIES				
Canada				
Public equities	$ 2,223	$ –	$ (14)	$ 2,209
Private equities	677	(9)	–	668
	2,900	(9)	(14)	2,877
Foreign developed markets				
Public equities	8,452	(80)	(19)	8,353
Private equities	9,707	(240)	(29)	9,438
	18,159	(320)	(48)	17,791
Emerging markets				
Public equities	588	(66)	(7)	515
Private equities	807	(42)	–	765
	1,395	(108)	(7)	1,280
	22,454	(437)	(69)	21,948
FIXED INCOME				
Bonds	88	–	–	88
Other debt	1,870	(83)	(6)	1,781
Money market securities[2]	2,348	(311)	(40)	1,997
Debt financing liabilities	(737)	–	–	(737)
	3,569	(394)	(46)	3,129
REAL ASSETS				
Real estate	3,970	(113)	(74)	3,783
Infrastructure	1,880	(3)	(27)	1,850
	5,850	(116)	(101)	5,633
TOTAL	$ 31,873	$ (947)	$ (216)	$ 30,710

1 Includes realized gains and losses from investments, changes in unrealized gains and losses on investments, interest income, dividends, private real estate operating income (net of interest expense), interest expense on the debt financing liabilities and other investment-related income and expenses.
2 Includes absolute return strategies, consisting of investments in funds and internally managed portfolios.

9. OPERATING EXPENSES

A) 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 the CPP Investment Board, consisting of the Senior Management Team and the Board of Directors.

Compensation of key management personnel of the CPP Investment Board for the year ended March 31 is as follows:

(CAD millions)	For the years ended March 31, 2015	March 31, 2014
Short-term employee compensation and benefits[1]	**$ 16**	$ 17
Other long-term compensation and benefits[1]	**23**	10
TOTAL	**$ 39**	$ 27

[1] Compensation is discussed in greater detail on page 75 of the 2015 Annual Report.

(B) GENERAL OPERATING EXPENSES

General operating expenses for the year ended March 31 consist of the following:

(CAD millions)	For the years ended March 31, 2015	March 31, 2014
Operational business services	**$ 89**	$ 59
Premises	**28**	20
Amortization of premises and equipment	**25**	24
Custodial fees	**20**	16
Travel and accommodation	**12**	9
Communications	**4**	4
Directors' remuneration	**1**	1
Other	**5**	–
TOTAL	**$ 184**	$ 133

(C) PROFESSIONAL SERVICES

Professional services for the year ended March 31 consist of the following:

(CAD millions)	For the years ended March 31, 2015	March 31, 2014
Consulting	**$ 50**	$ 35
Legal and tax services	**9**	6
External audit and audit-related services[1]	**2**	2
TOTAL	**$ 61**	$ 43

[1] Includes fees paid to the external auditor of the CPP Investment Board for audit services of $1.7 million (2014 – $1.3 million), and non-audit-related services of $0.3 million (2014 – $0.3 million).

10. COLLATERAL

Collateral transactions are conducted to support investment activities under terms and conditions that are common and customary to collateral arrangements. The net fair value of collateral held and pledged are as follows:

Collateral Held and Pledged

(CAD millions)	As at March 31, 2015	As at March 31, 2014
Assets held as collateral on:		
Reverse repurchase agreements[1]	**$ 10,812**	$ 3,221
Over-the-counter derivative transactions[1]	**33**	134
Other debt[1]	**1,195**	1,129
Assets pledged as collateral on:		
Repurchase agreements	**(15,792)**	(5,227)
Securities sold short	**(14,938)**	(14,690)
Over-the-counter derivative transactions	**(266)**	–
Debt on private real estate properties	**(3,266)**	(2,605)
TOTAL	**$ (22,222)**	$ (18,038)

[1] The fair value of the collateral held that may be sold or repledged as at March 31, 2015 is $12,009 million (March 31, 2014 – $4,371 million). The fair value of collateral sold or repledged as at March 31, 2015 is $10,368 million (March 31, 2014 – $3,216 million).

11. COMMITMENTS

The CPP Investment Board has 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, 2015, the commitments totalled $30.7 billion (March 31, 2014 – $27.9 billion).

As at March 31, 2015, the CPP Investment Board made lease and other commitments, which require future annual payments as follows:

(CAD millions)	As at March 31, 2015	As at March 31, 2014
Within one year	**$ 36**	$ 27
After one year but not more than five years	**114**	107
More than five years	**40**	32
TOTAL	**$ 190**	$ 166

12. RELATED PARTY TRANSACTIONS

Related parties of the CPP Investment Board consist of investments in unconsolidated subsidiaries (see note 2b), joint ventures and associates, all of which are measured at fair value. Investments in joint ventures are those arrangements where the CPP Investment Board has joint control. An associate is an entity which the CPP Investment Board has the ability to exercise significant influence over decision making.

Related party transactions consist of investments primarily in private equities, debt, real estate and infrastructure and are presented in detail in the Consolidated Schedule of Investment Portfolio. Related party transactions are measured at fair value and will therefore have the same impact on net assets and net investment income (loss) as those investment transactions with unrelated parties.

Related party transactions with consolidated subsidiaries are eliminated upon consolidation.

13. GUARANTEES AND INDEMNIFICATIONS

A) GUARANTEES

As part of certain investment transactions, the CPP Investment Board agreed to guarantee, as at March 31, 2015, up to $1.9 billion (March 31, 2014 – $1.5 billion) to other counterparties in the event certain investee entities default under the terms of loan and other related agreements.

B) INDEMNIFICATIONS

The CPP Investment Board provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. The CPP Investment Board 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 the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments pursuant to such indemnifications.

Governance Practices of the Board of Directors

This section sets out certain key governance practices of the Board of Directors. More extensive governance information is posted on our website.

ENSURING BEST PRACTICES

An important attribute is to preserve and enhance a governance model in which CPPIB operates at arm's length from governments with an investment-only mandate.

DUTIES, OBJECTIVES AND MANDATE OF THE BOARD OF DIRECTORS

The Board is responsible for the stewardship of CPPIB including oversight of the Chief Executive Officer and Enterprise Risk Management.

Directors are required to act honestly and in good faith with a view to the best interests of CPPIB, and to exercise the care, diligence and skill that a reasonably prudent person would apply in comparable circumstances. They must employ any expertise or skill they possess in carrying out their duties.

Among other duties, the Directors appoint the CEO and annually review his or her performance; set compensation policies and approve Senior Management compensation; determine with management the organization's strategic direction; review and approve investment policies, standards and procedures; approve investment risk targets and limits; review and approve the annual business plan and budget; appoint the external auditor; establish procedures to identify and resolve conflicts of interest; establish and monitor compliance with a Code of Conduct for Directors and employees; assess the performance of the Board itself, including an annual Chair and peer review; establish other policies relating to such matters as authorities, procurement, travel and expenses; and review and approve material disclosures such as quarterly and annual Financial Statements and the Annual Report. In addition, the Directors approve the retention of external investment managers and large investment transactions that exceed management's delegated authority, and regularly review the Investment Portfolio and the results of investment decisions. A detailed description of the activities of the Board committees is set out below.

An important part of the carefully designed governance structure that balances independence with accountability is that investment professionals are accountable to an independent Board of Directors operating at arm's length from governments with an investment-only mandate. This mandate is to be undertaken without regard to political, regional, social or economic development considerations or any other non-investment objectives.

CPPIB's Code of Conduct provides that Board members shall not participate in any political activity that could be incompatible with their duties, affect their ability to carry out their duties in a politically impartial fashion or cast doubt on the integrity, objectivity or impartiality of the organization. Directors, like officers and employees, have a duty under the Code of Conduct to report immediately any attempted political interference with respect to investments, procurement, hiring or any other decisions. No such reports have ever been made.

In fiscal 2015, the Board approved a new investment risk governance framework that strengthens the existing framework in terms of both risk control and transparency. The framework includes four key elements that require Board approval: the Reference Portfolio composition that establishes the total risk level targeted for the actual portfolio; the upper and lower absolute risk limits within which management will operate at all times; the annual business plan which confirms or adjusts the long-term Strategic Portfolio and the current year Target Portfolio ranges; and the Risk Policy which sets out the basic and supplementary measures by which the Board and management monitor risks and other specific limits, such as on credit and counterparty exposures. These key elements ensure an appropriate level of oversight in alignment with the evolution of the investment framework, specifically the Risk/Return Accountability Framework as described on page 31.

COMPOSITION, MANDATES AND ACTIVITIES OF BOARD COMMITTEES

The Board has four committees: Investment, Audit, Human Resources and Compensation, and Governance. Membership is shown in the Board Attendance chart on page 88.

The Investment Committee oversees CPPIB's core business, which is making investment decisions within the context of a Board-approved framework. The Committee reviews and recommends to the Board investment policies and it reviews, approves and monitors the long-term investment strategy. The Committee also reviews portfolio risk tolerances, approves the engagement of external investment managers in accordance with the governing statute, and approves large investment transactions. All members of the Board serve on the Investment Committee.

The Audit Committee oversees management controls and financial reporting. This includes recommending for Board approval of the Financial Statements and Management's Discussion and Analysis, and overseeing the external and internal audit functions. Oversight also involves the appointment of the internal auditor and recommending the external auditor for appointment by the full Board. The Audit Committee reviews information systems and internal control policies and practices. It oversees the Internal Audit function and financial aspects of the employee pension plans, and advises the Board in connection with statutorily mandated Special Examinations. The Audit Committee regularly meets separately with each of the external and internal auditors without management present and the CEO and CFO.

The Human Resources and Compensation Committee (HRCC) administers the performance evaluation process for the CEO, reviews and recommends the compensation framework, reviews organizational structure and ensures proper succession planning. It also oversees employee benefits and human resources policies as well as the employee pension plans. The role of the HRCC is further outlined in the Compensation Discussion and Analysis beginning on page 75.

The Governance Committee ensures that CPPIB follows appropriate governance best practices and is involved in preparing and recommending this governance practices section of the Annual Report. The committee monitors the application of the Code of Conduct and recommends amendments. It makes recommendations to the Board to improve the Board's effectiveness, oversees Board succession planning, the design of Director orientation and ongoing Director education programs, reviews criteria and qualifications for new Directors, recommends Director compensation, and establishes, recommends and is involved in performance evaluation processes for the Chair, individual Directors, Board committees and the full Board.

At every meeting, the Board of Directors and all committees have *in camera* sessions without members of management present. As noted above, the Audit Committee also meets privately with each of the internal and external auditors. In addition, at every meeting the Board meets alone with the President & CEO.

We believe that diversity is crucial to ensuring an effective Board of Directors with various perspectives and qualifications. Gender diversity is one important element. There are currently five women who serve as Directors, including Heather Munroe-Blum who assumed the Chair's role in October 2014 and Tahira Hassan who was appointed as a Director in February 2015. This total represents approximately 40% of total Board members.

DECISIONS REQUIRING PRIOR BOARD APPROVAL

Management's discretion in making operational and investment decisions is described in Board- or committee-approved policies, including a detailed policy dealing exclusively with authorities. In particular, Board approval is required for the strategic direction of the organization and for the annual business plan and budget. Annual and incentive-based compensation, as well as officer appointments, also require Board approval.

DIRECTOR APPOINTMENT PROCESS

Directors are appointed by the federal Governor in Council on the recommendation of the federal finance minister, following the minister's consultation with the finance ministers of the participating provinces and assisted by an external nominating committee with private sector involvement.

In October 2014, Heather Munroe-Blum succeeded Bob Astley as Chair after he completed his last term as a Director and stepped down, having served eight years on the Board, six of those as Chair. Ms. Munroe-Blum was appointed as Chair following a diligent succession process, which included establishing desired attributes, a thorough peer review, creation of a special *ad hoc* committee to assess the potential candidates and in-depth discussions with individual Directors. The Board subsequently made recommendations to the federal minister of finance who consulted with the appropriate provincial ministers of the participating provinces before formalizing the appointment.

In late fiscal 2015, Tahira Hassan was appointed as a Director to replace Mr. Astley. Ms. Hassan's biography is provided on page 133.

In December 2013, the Parliament of Canada passed legislation amending the *Canada Pension Plan Investment Board Act* to permit the addition of up to three Board members who are not residents of Canada. As part of the CPPIB Act's amending formula, provincial orders-in-council and final approval by federal cabinet were completed in 2014 and the amendment is now in force. This now broadens the pool of potential candidates for CPPIB Directors with international expertise.

The Director appointment process is designed to ensure that the Board has Directors with proven financial ability or relevant work experience such that CPPIB will be able to effectively achieve its objectives. The Governance Committee regularly reviews and updates both desirable and actual competencies of the Board to ensure that appointment and reappointment decisions are made with a view to having a Board fully capable of providing the effective oversight necessary for CPPIB to achieve its statutory objects. The Board has determined that the governance, functional and industry experience of the Board currently provides for such effective oversight of CPPIB's activities. Details of the competencies analysis of the current Board are set out immediately below.

	Functional Experience								Industry Experience						
NAME	Governance Experience	C-Level Experience	Investment Expertise	Risk Assessment	P&L Ownership (Non-CEO)	Business Building	Public Policy	International Operations	Asset Management	Banking/ I-Banking	Insurance	Professional Services	Industrial/ Other	Academia	Government
Heather Munroe-Blum (Chair)	×	×		×			×	×						×	
Ian Bourne	×	×					×	×					×		
Robert Brooks	×		×	×	×			×	×	×					
Pierre Choquette	×	×			×			×					×		
Michael Goldberg	×		×	×			×	×						×	
Tahira Hassan	×			×	×	×		×					×		
Nancy Hopkins	×						×					×			
Douglas Mahaffy	×		×		×			×	×						
Karen Sheriff	×	×			×	×							×		
Kathleen Taylor	×	×	×			×		×					×		
Murray Wallace	×	×			×		×				×				×
Jo Mark Zurel	×	×		×		×		×					×		

As part of the Director appointment process, CPPIB retains and manages an executive search firm to source qualified candidates for consideration. In that connection, the competencies analysis described above is used to set search qualifications to guide the search. In addition to the competencies analysis, an important consideration in ensuring a qualified Board of Directors is diversity, including gender. Once finalized, the names of qualified candidates are forwarded to the external nominating committee, which considers them and submits names of recommended candidates to the federal finance minister.

The CPPIB Act requires that each Director is appointed for a term of three years. Good practice is to avoid multiple Directors, particularly the most tenured ones, leaving the Board in the same year. To ensure continuity, the terms are staggered so that no more than half of the terms expire in the same year.

Biographies of the CPPIB Board of Directors are on pages 133 and 134. They provide details of each Director's background, business and financial experience.

BOARD MEMBER ORIENTATION AND DEVELOPMENT

The Board has an established process for new Director orientation. This includes a comprehensive, full-day session with discussion of the background, history and mandate of CPPIB as well as its strategy, business planning process and current corporate and departmental business plans. It involves advance provision to each new Director of background material and intensive interaction with management during the session. Several Directors have attended a supplemental orientation session to further deepen their knowledge of the organization.

Professional development for all Directors is a key focus for the Board because of the evolving nature of a Director's responsibilities and the unique nature of CPPIB. Management business presentations are provided on an ongoing basis. Special development seminars outside the regular meeting context feature both external and internal experts. In fiscal 2015, seminars with external experts covered such topics as business ethics and corporate accountability, cyber security for organizations, and global economic conditions and outlook.

Directors are encouraged to participate in relevant external programs. A key education component for the Board this year was travelling to Asia for an in-depth review of the region. Given CPPIB's scale and the growth in the region, understanding Asia is a central part of the Board's governance responsibility. The trip provided valuable insights related to risk awareness for the region and enhanced the Board's knowledge of the various challenges and implications of deploying capital in Asia. Specifically, the Board gained exposure to local CPPIB teams and leaders on the ground, visited existing portfolio assets in the region, engaged in information sharing with local peers, fostered existing partnerships and helped build new ones.

A COMMITMENT TO ACCOUNTABILITY

PROCEDURES FOR THE ASSESSMENT OF BOARD PERFORMANCE

Soon after its inception in October 1998, the Board established an annual process for evaluating its own performance and that of its committees, the Chair and each Director. Since then it has focused on improving this process. All assessments are currently conducted through confidential questionnaires. Summaries of the results of the Board and committee evaluations are reviewed by the full Board and provide a basis for improvement plans. The confidential annual Chair review is led by the Chair of the Governance Committee who, subject to the direction of the Board, provides feedback to the Chair. The feedback is also relevant to the issue of reappointment of the Chair when his or her term expires. The confidential annual peer review is led by the Chair and designed to assist each Director in identifying self-development initiatives and assist in providing the external nominating committee with guidance on individual reappointments. After receipt of relevant questionnaire feedback, the Chair meets formally with each Director.

To ensure independence among Directors, the Board of Directors also follows leading practices by monitoring interlocking relationships. This includes Board and committee interlocks. We currently have one Board interlock whereby Heather Munroe-Blum and Kathleen Taylor both serve on the Board of Royal Bank of Canada. We have determined that this relationship does not impair the exercise of independent judgment of the Directors.

BOARD EXPECTATIONS OF MANAGEMENT

Management is expected to comply with the *Canada Pension Plan Investment Board Act* and regulations and all policies approved by the Board and to otherwise act in accordance with applicable law. Management develops, with involvement from the Board, the strategic direction of the organization in response to its growing asset management responsibilities and the outlook for capital markets. 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 the highest integrity which appropriately manages any conflicts of interest, and to adhere to a stringent Code of Conduct.

Management is charged with developing benchmarks that objectively measure the performance of the markets, asset classes and programs in which CPP assets are invested. Once approved by the Board, benchmarks assist the Board in evaluating management's investment performance and structuring performance-based compensation incentives.

Management is expected to disclose all material activities to the Board and public on a full and timely basis. This includes new investments, the engagement of operational and investment partners, quarterly and annual financial results, and developments that may affect CPPIB's reputation.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Details of Director and management compensation are described at length in the Compensation Discussion and Analysis beginning on page 75.

A CULTURE OF INTEGRITY AND ETHICAL CONDUCT

CONFLICT OF INTEREST PROCEDURES

Conflicts of interest were anticipated in CPPIB's legislation as a result of the need to recruit Directors with financial and investment experience and to engage employees with financial expertise. Our Code of Conduct was established to manage and, where possible, eliminate such conflicts. Stringent procedures under the Code are designed to ensure that Directors and employees act in the best interests of the organization. They are required to 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 CPPIB's objectives and mandate.

Our policy is that non-audit services provided by the external auditor must be approved by the Audit Committee. Firms that perform any internal or external audit services must also affirm that the provision of non-audit services does not impair their independence.

CODE OF CONDUCT

The Code of Conduct can be found on our website. It is designed to help create a corporate culture of trust, honesty and integrity. It deals with such matters as relations with suppliers, personal investments and confidentiality of proprietary information. For example, the Code of Conduct establishes strict pre-clearance procedures for personal trading in securities. It also sets out strict limits on the acceptance by Directors and employees of entertainment, gifts or special treatment that could create or appear to create a favoured position for actual or potential contractors or suppliers.

As part of the hiring process, new recruits are required to read and agree to comply with the Code of Conduct and related personal trading guidelines. Together, these set a high standard for conflict of interest and ethical conduct. Directors and employees must reconfirm their compliance semi-annually and employees must complete an online module to confirm their understanding of the Code and ability to apply it in day-to-day decisions and actions.

For the second year, CPPIB held sessions for all employees on the same day across all offices to renew their commitment to the Guiding Principles of Integrity, Partnership and High Performance. These sessions will continue to be held annually 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 reviews of other officers.

To augment the Code of Conduct, the Board of Directors decided in 2003 to appoint an external conduct review advisor. This individual, currently the Honourable Frank Iacobucci, is available to discuss Code of Conduct issues with Directors, employees and relevant third parties on a confidential basis.

Board of Directors

HEATHER MUNROE-BLUM, O.C., O.Q., PhD., F.R.S.C., CHAIR[1*, 2]

Corporate Director and Public Policy Scholar Montreal, Quebec | Director since March 2010. Appointed Chair effective October 2014.

Served for a decade as McGill's Principal (President) and Vice-Chancellor (2003-2013), and prior to that as Vice-President (Research and International Relations) at the University of Toronto (1994-2002). Has served on the boards and advisory committees of numerous Canadian and international organizations and corporations including Four Seasons Hotels and Resorts, Hydro One Inc., Conference Board of Canada, Yellow Media, Board of Trade of Metropolitan Montréal, the Science Technology and Innovation Council of Canada, Alcan Inc., the Council of Canadian Academies, the American Association of Universities. Currently, professor, Faculty of Medicine, McGill University and serves as a Director of the Gairdner Foundation and the Royal Bank of Canada (Chair of RBC's Corporate Governance Committee), as member of the Center for Advanced Study in the Behavioral Sciences at Stanford University, the Canada Foundation for Innovation, the President's Council of the New York Academy of Sciences, and the Trilateral Commission. Qualifications include over 25 years of executive management experience concentrated in higher education, public policy, and research and development. Has served as Director on executive, human resources and compensation, governance, investment, risk and finance committees.

ROBERT M. ASTLEY, FORMER CHAIR[1*, 2]

Fellow, Canadian Institute of Actuaries Waterloo, Ontario | Director since September 2006 and Chair since October 2008. Left the Board effective October 2014, after his term expired.

Former President of Sun Life Financial Canada, former President and CEO of Clarica Life Insurance Company. Director of Bank of Montreal from 2004 to 2015, and Chair of its human resources committee from 2008 to 2014. Former Chair of Canadian Life and Health Insurance Association and of Wilfrid Laurier University. Received the designation as Fellow, Institute of Corporate Directors in September 2014. Honorary Lifetime Director of the Kitchener-Waterloo Symphony. Qualifications include extensive senior management experience in pension and life and health insurance financial services, including oversight of the successful integration of Clarica with Sun Life Financial.

IAN A. BOURNE[1, 2*, 4]

Corporate Director | Calgary, Alberta | Director since April 2007.

Chair of Ballard Power Systems Inc. Director of Canadian Oil Sands Limited, Wajax Corporation, and the Canadian Public Accountability Board. Former Chair of SNC-Lavalin Group Inc. Retired Executive Vice-President and CFO of TransAlta Corporation, a power generation company, and President of TransAlta Power L.P. Over 35 years of experience in senior finance roles at TransAlta, General Electric and Canada Post Corporation. Former Director of TransAlta Power L.P. Qualifications include expertise in finance in major corporations, corporate governance and international experience in Paris and London.

ROBERT L. BROOKS[1, 2, 3]

Corporate Director | Toronto, Ontario Director since January 2009.

Former Vice-Chair and group treasurer of the Bank of Nova Scotia, the culmination of a 40-year career with the bank serving in a succession of senior investment banking, finance and treasury roles. Director of Integrated Asset Management Corp. Director of Hamilton Capital Partners Inc. Former Director of numerous Scotiabank subsidiaries including Scotia Discount Brokerage, Inc., Scotia Life Insurance Company, ScotiaMcLeod, Inc. and Scotia Cassels Investment Counsel Ltd. Qualifications include more than 40 years of financial industry experience as a bank executive dealing with finance, risk management, pension fund asset mix, investment strategies, treasury functions and international operations.

PIERRE CHOQUETTE[1, 2, 4]

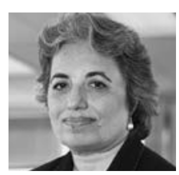
Corporate Director | Vancouver, British Columbia[5] Director since February 2008.

CEO and Director of Methanex Corporation from 1994 to 2004, and Chair from 2002 until 2012. As CEO of Methanex, credited with globalizing the company's asset base. Former President and COO of Novacorp International and former President of Polysar Inc. Former Chair of Gennum Corporation. Former Director of Credit Lyonnais (Canada), Echo Bay Mines (U.S.), Stelco, Inc., TELUS Corporation, and Terasen, Inc. Qualifications include 25 years of senior management experience concentrated in the natural gas and chemical industries, international experience in Belgium and Switzerland, and extensive board experience, including chairing human resources and governance committees and serving on the full range of board committees, notably two acquisition committees for large transactions.

MICHAEL GOLDBERG[1, 2, 3]

Economist, Ph.D. | Vancouver, British Columbia Director since February 2008.

Scholar in Residence at the Asia Pacific Foundation of Canada, Senior Fellow, Institute of Asian Research, UBC, and Professor and Dean Emeritus of the University of British Columbia's Sauder School of Business, with 37 years on the UBC faculty. Former Chief Academic Officer, Universitas 21 Global, an online graduate school initiated by Universitas 21, an international network of 20 research-intensive universities. Former member of the Deposit Insurance Advisory Committee to the Federal Minister of Finance. Member of the B.C. Workers' Compensation Board Investment Committee. Chair of the Board, Surrey City Development Corporation. Former Director of Geovic Mining Corporation and Chair of the Human Resources and Compensation Committee. Director, Resource Works, a non-profit BC Society to promote understanding of natural resources in the BC economy. Director, Vankic China Investment. Advisor to the CBD Global Equity Fund. Former Director of China Enterprises Limited, Redekop Properties Ltd., Vancouver Land Corporation, Catamaran Ferries International Inc., Imperial Parking Limited and Lend Lease Global Properties Fund, a Luxembourg-based fund investing in properties in Europe and Asia. Ph.D. (Economics) from the University of California at Berkeley. Qualifications include expertise in global real estate investments and urban infrastructure and experience on boards as a Director serving on audit and compensation committees.



TAHIRA HASSAN[1, 2]

Corporate Director | Toronto, Ontario Director since February 2015.

Non-executive Director of Brambles Limited and Recall Holdings Limited. Director, Ontario Shores Centre for Mental Health Sciences. Former Senior Vice-President at Nestlé SA with extensive experience in transformative change including mergers & acquisitions. Held executive positions such as Global Business Head for Nescafé Ready-to-Drink, Head of Global Supply Chain and President of Ice Cream in Canada. Served on several international management and joint venture boards. Past member of the Dean's advisory council of the Laurier School of Business & Economics at Wilfrid Laurier University. Certified Management Accountant of Canada. Fellow of the Chartered Institute of Management Accountants in the United Kingdom. Qualifications include more than 36 years of international business and board expertise, in countries such as the United Kingdom, Switzerland and Pakistan, in addition to Canada.

NANCY HOPKINS [1, 3, 4]
Lawyer | Saskatoon, Saskatchewan | Director since September 2008.

Partner with the law firm McDougall Gauley LLP, specializing in business law and corporate governance. Director of Cameco Corporation, chairing the nominating, governance and risk committee. Director of GrowthWorks Commercialization Fund, chairing the audit committee. Former Chair of the Saskatoon Airport Authority, former Chair of the board of governors of the University of Saskatchewan, former Chair of SGI Canada, a Saskatchewan Crown Corporation, and of the Saskatchewan Police Commission. Appointed Queen's Counsel in 1992. Qualifications include more than 30 years of legal experience with expertise in taxation, governance and information technology, experience in government interface and as a director in multiple stakeholder organizations.

DOUGLAS W. MAHAFFY [1, 4]
Corporate Director | Toronto, Ontario Director since October 2009.

Recently retired Chairman and Chief Executive Officer of McLean Budden Ltd., an institutional money management firm. Former Managing Director and Head of Investment Banking (Ontario) of Merrill Lynch Canada Inc., and former Senior Vice-President, Finance and Chief Financial Officer of Hudson's Bay Company. Current Director at Methanex Corporation and former Director at Stelco Inc. and Woodward's Ltd. Current Chairman at Drumlane Capital, a personally owned investment firm. Qualifications include more than 25 years of investment industry, general management, and mergers and acquisitions experience.

KAREN SHERIFF [1, 4*]
Corporate Executive | Halifax, Nova Scotia Director since October 2012.

President and CEO of Q9 Networks since January 2015. Previously President and CEO of Bell Aliant; Chief Operating Officer, Bell Aliant; President of Small and Medium Business, Bell Canada; Chief Marketing Officer, Bell Canada; Senior Vice President of Product Management and Development, Bell Canada. Prior to joining Bell, held a variety of assignments with Ameritech and United Airlines. Director of Q9. Past Director of Bell Aliant Inc., Bell Aliant Regional Communications Inc., Bell Aliant Preferred Equity Inc., Aliant Inc. and Teknion Corporation. Current Chair of the Board of Trustees of the Gardiner Museum of Ceramic Art and past member of the New Brunswick Business Council. Named one of Canada's top 25 Women of Influence for 2013 by Women of Influence Inc. In 2012, named Woman of the Year by Canadian Women in Communications (CWC). Named one of Atlantic Canada's Top 50 CEOs (*Atlantic Business Magazine*). Recognized as one of Canada's Top 100 Most Powerful Women three times and named to the Women's Executive Network Top 100 Women Hall of Fame. Qualifications include extensive senior management experience and expertise in strategic-priority setting of major corporations, including oversight of Bell Aliant's conversion back to a corporation from one of the largest income trusts in Canada and leading Bell Aliant's corporate transformation and industry-leading fibre-to-the-home (FTTH) network build, the first of its kind in Canada.

KATHLEEN TAYLOR, BA (Hons), JD, MBA [1, 3, 4]
Global Executive, Corporate Director | Toronto, Ontario | Director since October 2013.

Chair of the Board of the Royal Bank of Canada and Board member since 2001. Director of ADECCO SA, since April 2015. Former President and CEO of Four Seasons Hotels and Resorts with over 24 years of international business experience. Prior to joining Four Seasons practiced corporate securities and competition law at Goodmans, LLP and spent a year on secondment at the Ontario Securities Commission. Also, Chair of the Board of the Hospital for Sick Children Foundation and a member of the Hospital's Board of Trustees.

Recipient of an Honourary Doctorate of Laws from York University (2014) and the Cornell University Hospitality Innovator Award (2012). Named the first woman Corporate Hotelier of the World by *Hotels Magazine* (2011) and was inducted to the Canadian Marketing Hall of Legends (2010). Recipient of the Inaugural Medal for Career Achievement from Hennick Centre for Business and Law (2010), and the Schulich School of Business Award for Outstanding Executive Leadership (2001).

D. MURRAY WALLACE [1, 3, 4]
Fellow, Institute of Chartered Accountants of Ontario | London, Ontario | Director since April 2007.

Executive Chairman of Financial Horizons Group, an MGA in the life insurance industry, since August 1, 2014. Former CEO of Granite Global Solutions Inc., an insurance services company and former President of Axia NetMedia Corporation. Currently a Director of Axia NetMedia Corporation. Former Director of Terravest Income Fund, Critical Outcome Technologies Inc., Western Surety Ltd., Ontario Hydro, London Insurance Group, IPSCO Inc., Crown Life Insurance Co. and Queen's University School of Business (Advisory Committee), among others. Former Deputy Minister of Finance and Deputy Minister to the Premier for the Government of Saskatchewan. Qualifications include expertise as a chartered accountant, senior-level financial experience from five years as President of Avco Financial Services Canada Ltd. and eight years in executive roles with companies in the Trilon Financial Group, experience in public pension plan management and interface with government.

JO MARK ZUREL [1, 3*]
Chartered Professional Accountant, Corporate Director | St. John's, Newfoundland and Labrador Director since October 2012.

President/Owner of Stonebridge Capital Inc., a private investment company that invests in a variety of businesses, including Atlantic Canadian start-up and high-growth companies. From 1998 to 2006 served as Senior Vice-President and Chief Financial Officer of CHC Helicopter Corporation. Director of Highland Copper Company Inc., Chair of Newfoundland Power, Director of Major Drilling Group International Inc., Chair of the Atlantic Provinces Economic Council, Director of Dr. H. Bliss-Murphy Cancer Care Foundation and Director of Propel ICT. Honoured as one of Canada's Top 40 under 40 in 2000. Qualifications include extensive investment industry and corporate director experience including as an active angel investor with the Newfoundland and Labrador Angel Network (NLAN) and as Director of the Institute of Corporate Directors (ICD) and member of the founding executive of the ICD's Newfoundland and Labrador affiliate.

[1] Investment Committee | [2] Governance Committee | [3] Audit Committee | [4] Human Resources and Compensation Committee | [5] At the time of appointment | * Indicates Chair position

Ten-Year Review

For the year ended March 31 (CAD billions)	**2015**	2014	2013	2012	2011	2010	2009	2008	2007	2006
CHANGE IN NET ASSETS										
Income[1]										
Investment income	**41.4**	30.7	16.7	9.9	15.5	16.2	(23.6)	(0.3)	13.1	13.1
Operating expenses	**(0.8)**	(0.6)	(0.5)	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	–
Net contributions	**4.9**	5.7	5.5	3.9	5.4	6.1	6.6	6.5	5.6	3.6
Increase in net assets	**45.5**	35.8	21.7	13.4	20.6	22.1	(17.2)	6.1	18.6	16.7

As at March 31 (CAD billions)	**2015**	2014	2013	2012	2011	2010	2009	2008	2007	2006
EQUITIES										
Canada	**19.5**	18.6	15.3	14.2	21.0	18.5	15.6	28.9	29.2	29.0
Foreign developed markets	**98.0**	75.6	64.0	56.7	50.8	46.2	40.4	47.5	46.1	32.7
Emerging markets	**15.5**	12.6	12.4	10.6	7.6	6.5	4.6	0.7	–	–
FIXED INCOME										
Non-marketable bonds	**25.8**	23.4	24.4	23.6	21.8	22.7	23.2	23.8	24.9	27.2
Marketable bonds	**34.4**	31.0	28.5	21.2	19.7	17.1	9.3	11.1	8.1	4.0
Other debt	**17.2**	11.4	8.6	8.8	6.1	3.5	1.8	1.1	–	–
Money market securities[2]	**18.8**	17.4	8.7	2.5	2.3	1.7	(0.8)	–	0.4	0.6
Debt financing liabilities	**(9.9)**	(9.7)	(9.5)	(2.4)	(1.4)	(1.3)	–	–	–	–
REAL ASSETS										
Real estate[3]	**30.3**	25.5	19.9	17.1	10.9	7.0	6.9	6.9	5.7	4.2
Infrastructure	**15.2**	13.3	11.2	9.5	9.5	5.8	4.6	2.8	2.2	0.3
INVESTMENT PORTFOLIO[4]	**264.8**	219.1	183.5	161.8	148.3	127.7	105.6	122.8	116.6	98.0
PERFORMANCE (%)										
Rate of return (annual)[5]	**18.7**	16.5	10.1	6.6	11.9	14.9	(18.6)	(0.3)	12.9	15.5

1 Included in the CPP Fund are certain specified CPP assets which were previously administered by the federal government and transferred to the CPP Investment Board over a period that began on May 1, 2004 and ended on April 1, 2007. Since April 1, 1999, the CPP Fund has earned $151.5 billion in investment income net of operating expenses, which is comprised of $136.3 billion from the CPP Investment Board and $15.2 billion from assets historically administered by the federal government.

2 Includes amounts receivable/payable from pending trades, dividends receivable, accrued interest and absolute return strategies.

3 Net of debt on real estate properties.

4 Excludes non-investment assets such as premises and equipment and non-investment liabilities, totalling $(0.2) billion for fiscal 2015. As a result, total assets will differ from the net assets figure of $264.6 billion.

5 Commencing in fiscal 2007, the rate of return reflects the performance of the investment portfolio which excludes the Cash for Benefits portfolio.

Management Team

As at April 1, 2015

Mark Wiseman
President & Chief Executive Officer

Edwin Cass
Senior Managing Director & Chief Investment Strategist

Graeme Eadie
Senior Managing Director & Global Head of Real Estate Investments

Mark Jenkins
Senior Managing Director & Global Head of Private Investments

Pierre Lavallée
Senior Managing Director & Global Head of Investment Partnerships
Chief Talent Officer

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

Mark Machin
Senior Managing Director & Head of International
President, CPPIB Asia Inc.

Benita Warmbold
Senior Managing Director & Chief Financial Officer

Eric Wetlaufer
Senior Managing Director & Global Head of Public Market Investments

Nick Zelenczuk
Senior Managing Director & Chief Operations Officer

Mona Akiki
Managing Director, Human Resources

David Allen
Managing Director, Principal Credit Investments

Lisa Baiton
Managing Director, Head of Public Affairs

Peter Ballon
Managing Director, Head of Real Estate Investments Americas

Susan Bellingham
Managing Director, Head of Business Planning & Enterprise Risk Management

Alain Carrier
Managing Director, Head of Europe

Kevin Cunningham
Managing Director, Head of Global Capital Markets

Andrew Darling
Managing Director, Head of Investment Advisory, Structuring & Business Management

Avik Dey
Managing Director, Head of Natural Resources

Jeff Donahue
Managing Director, Natural Resources

Kristina Fanjoy
Managing Director, Head of Tax

Jim Fasano
Managing Director, Head of Funds, Secondaries & Co-Investments

Shane Feeney
Managing Director, Head of Direct Private Equity

Chris Hawman
Managing Director, Investment Framework

Martin Healey
Managing Director, Head of Private Real Estate Debt

Bruce Hogg
Managing Director, Head of Infrastructure Americas

Cressida Hogg
Managing Director, Head of Infrastructure

Bill Holland
Managing Director, Head of Investment Systems

James Hughes
Managing Director, Head of Investment Risk

Kathy Jenkins
Managing Director, Head of Corporate Finance

Jennifer Kerr
Managing Director, Head of Funds

Malcolm Khan
Managing Director, Head of Investment Operations

Suyi Kim
Managing Director, Head of Private Equity Asia

Scott Lawrence
Managing Director, Head of Relationship Investments

Stephanie Leaist
Managing Director, Head of Sustainable Investing

Rosemary Li-Houpt
Managing Director, Head of Talent Acquisition

James Logush
Managing Director, Global Capital Markets

Alistair McGiven
Managing Director, Head of Global Tactical Asset Allocation

Derek Miners
Managing Director, Head of Treasury Services

Paul Mullins
Managing Director, Head of Portfolio Value Creation

Basant Nanda
Managing Director, Head of Information Technology

Fabio Nogueira
Managing Director, Real Estate Investments, Latin America

Deb Orida
Managing Director, Relationship Investments

Andrea Orlandi
Managing Director, Head of Real Estate Investments Europe

Jimmy Phua
Managing Director, Head of Real Estate Investments Asia

Chris Pinkney
Managing Director, Short Horizon Alpha

Yann Robard
Managing Director, Head of Secondaries & Co-Investments

Kathy Rohacek
Managing Director, Head of Organizational Development

Chris Roper
Managing Director, Head of Short Horizon Alpha

Mark Roth
Managing Director, Business Management

Karen Rowe
Managing Director, Head of Investment Finance and Governance

Barry Rowland
Managing Director, Head of Internal Audit

Geoffrey Rubin
Managing Director, Head of Portfolio Management

Sandip Sahota
Managing Director, Head of Data Management

Ryan Selwood
Managing Director, Direct Private Equity

Geoffrey Souter
Managing Director, Private Real Estate Debt

Rodolfo Spielmann
Managing Director, Head of Latin America

Cheryl Swan
Managing Director, Head of Treasury, Performance & Reporting

Scott Taylor
Managing Director, External Portfolio Management

Adam Vigna
Managing Director, Head of Principal Credit Investments

Jay Vyas
Managing Director, Head of Quantitative Investing

Poul Winslow
Managing Director, Head of Thematic Investing & External Portfolio Management

David Yuen
Managing Director, Head of Fundamental Investing

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Ce rapport annuel est aussi disponible en français.

CPP INVESTMENT BOARD