ANNUAL REPORT **2013**

People Purpose Performance

CPP INVESTMENT BOARD

Toronto London Hong Kong

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 London and Hong Kong. We invest in public equities, private equities, bonds, private debt, real estate, infrastructure and other areas. Assets currently total $183.3 billion. Of this total, 36.7% or $67.4 billion is invested in Canada and the rest globally at 63.3% or $116.1 billion of the portfolio. Our investments have become increasingly international as we diversify risk and seek growth opportunities in growing 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 and managed 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 the 18 million Canadians who are current and future CPP beneficiaries. We adhere to high standards of transparency and accountability.

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 indicated that the CPP is sustainable over a 75-year projection period, and that contributions to the Fund will exceed benefits paid until 2021. The Chief Actuary also projected that the CPP Fund would reach $275 billion by 2020 and over $500 billion by 2032.

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

The certainty of cash inflows means we can be flexible, patient investors able to take advantage of opportunities in volatile markets when others face liquidity pressures. Our distinctive investment strategy, known as the Total Portfolio Approach, ensures that we maintain target risk exposures across the entire portfolio as individual investments enter or leave, and change in value, without regard to specified allocations to individual asset categories. Finally, our exceptionally long investment horizon is an increasingly important competitive strength. We invest for the next quarter century, not the next quarter. Accordingly, 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 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 other pension funds and institutional investors, and from sovereign wealth funds. These advantages have earned CPPIB an international reputation, and help us attract, motivate and retain a world-class investment team.

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

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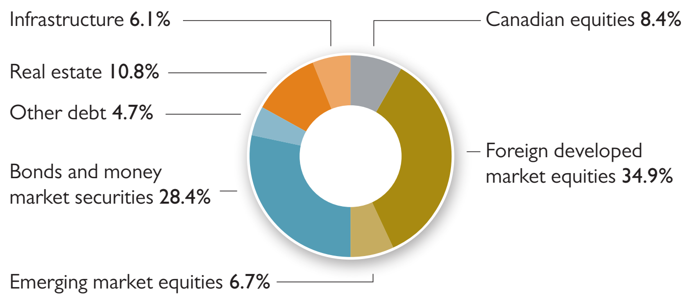
4.2%
FIVE-YEAR ANNUALIZED
RATE OF RETURN

7.4%
TEN-YEAR ANNUALIZED
RATE OF RETURN

OUR CRITICAL PURPOSE
is to help provide a foundation upon which Canadians build financial security in retirement.

ASSET MIX
AS AT MARCH 31, 2013



RATE OF RETURN
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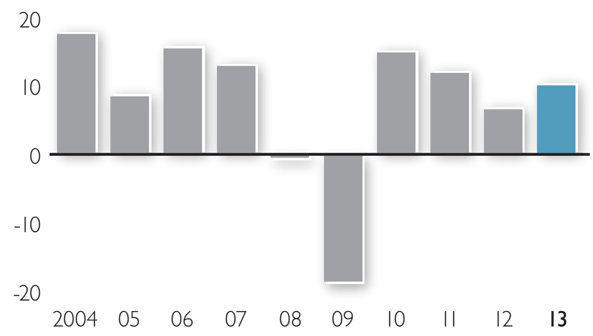


Chair's Report

The Board reaffirms its strong support for CPPIB's strategic direction as the CPP Fund grows and the world's capital markets become ever more integrated.

AT $183.3 BILLION, the CPP Fund is the largest single-purpose pool of capital in Canada, and a highly-regarded investor among pension funds worldwide. Fiscal 2013 marked a year of leadership transition as Mark Wiseman assumed the role of President & CEO of the CPP Investment Board (CPPIB) on July 1, 2012 from his predecessor David Denison. The Board of Directors of CPPIB is very pleased with the smooth transition and Mark's leadership in his first year as CEO.

As I noted last year, CPPIB has moved into the third stage of its evolution – from its early years of index-based management of the assets of the CPP Fund in public market securities, through the development since 2005 of diverse active investment programs including substantial investment in private assets, to its current transition into a truly global investment organization. The Board reaffirms its strong support for this strategic direction as the CPP Fund grows and the world's capital markets become ever more integrated.

SUSTAINABILITY OF THE CPP

The global investing strength of CPPIB will be critical in helping to sustain the CPP. The provision of adequate retirement income, to a growing population that is both aging and living longer, is vitally important to Canadians. Reform of Canada's pension structure is under consideration by federal and provincial governments, and CPPIB will adapt as necessary to any legislated changes that might be made while maintaining the integrity of its long-term investment decisions. Following a solid year of performance of the CPP Fund, its 10-year annualized rate of return is 7.4%, or 5.5% on a real return basis over price inflation. Achieved through some very difficult conditions, this result exceeded the 4% real rate of return that is required to sustain the CPP under the demographic and other assumptions made by the Chief Actuary of Canada.

THE MANAGEMENT OF RISKS

Within the global direction, this year the Board focused particular attention on the management of risks. The Board is conscious that its two most critical investment responsibilities are establishment of the CPP Reference Portfolio, and determination of the "active risk limit," which is the limit on the level of risk that management may take by its active decisions to seek value-added. The Board recognizes that its choice of CPP Reference Portfolio, both its equity/fixed income mix and its geographic constitution, has been and will be the dominant influence on the levels of future risks and returns of the CPP Fund. Higher fixed income content lowers risk, but increases the likelihood that future returns will be insufficient – especially under the prevailing very low level of government bond yields. Higher equity content increases the expected return, but also increases the range of uncertainty of the value of the CPP Fund, even over the long term. The Chief Actuary is now conducting the triennial actuarial review of the CPP as of December 31, 2012. Following the Actuarial Report expected later this year, management and the Board will review the CPP Reference Portfolio in light of the report's findings.

The active risk limit is reviewed annually by the Board, balancing the value-added opportunities anticipated in CPPIB's risk budgeting process against prudence in the degree of underperformance that may result by deviating from the CPP Reference Portfolio. A further oversight responsibility of the Board is the approval of major transactions and new external investment manager appointments – this year saw the Board approve 12 such transactions totalling $8.4 billion, and 5 new managers.

ENTERPRISE RISK ASSESSMENT

While investment risk management is critical, the Board has broader responsibilities to ensure that all key risks of the CPPIB enterprise are identified, that effective processes are in place to manage these risks, and that the processes are diligently executed by management. This year the Board undertook an intensive review of risk management across the enterprise, including four additional risk aspects – namely strategic, reputation, legislative/regulatory and operational.

The culture of CPPIB is by nature very risk aware, with staff constantly considering risks in their daily activities. Nevertheless, the Board carefully studied the enterprise review prepared by management covering 38 specific risk elements spanning the five categories. For each element, the risk was ranked by its potential impact, the current level and direction of change was assessed, and a statement of risk tolerance was outlined which will guide future actions. Further detail on CPPIB's comprehensive processes for managing the full range of risks of the enterprise is provided on page 31.

Of the 13 risks ranked as having the highest potential impact, the only one currently considered to be elevated is that global capital market returns may, for some years to come, be below their long-term average. If so, CPP Fund returns may be adversely and inescapably affected by external conditions. After carefully reviewing a variety of realistic scenarios, the Board concluded that the overall portfolio strategy represented by the combination of the CPP Reference Portfolio and risk-managed active programs in both public and private markets remains sound, and appropriate to carry the CPP Fund through this period.

The Board noted that some risks, while remaining at an acceptable level, are rising as the CPP Fund grows in size, complexity and global visibility. For example, our success in having strong talent in key positions and achieving good results may place CPPIB at risk of those individuals being targeted by other employers. We believe that CPPIB's ability to attract and retain talented staff at every level is founded on its singular investment mission, broad opportunities, and distinctive culture; these are enduring advantages as we compete for staff. Competitive compensation practices, at every level, will also remain necessary to attract the expertise required to manage our specialized programs with the success that is expected. However, the Board and management are determined that the integrity of our compensation framework will not be compromised for any individual or group, and that compensation outcomes will be properly aligned with value contributed to the CPP Fund.

The Board also observed that a number of risks are declining. In particular, CPPIB's dedication of resources is further mitigating operational risk by solidifying the infrastructure, trade processing and other operational capabilities essential to support CPPIB's extremely wide range of investment programs and decisions. In light of the enterprise risks review, the Board affirmed its support of management's global strategy, and strongly endorses the patient, diverse and disciplined approach that CPPIB conducts in contributing to the retirement security of CPP participants and beneficiaries.

GOVERNANCE

The Board was again active in updating the CPPIB governing policies and authorities, to maintain best practice standards. CPPIB management and employees must work within these in making their decisions, and the Board continued its regular scrutiny of activities through enhanced risk and performance reporting. Also, the Board engaged actively in a comprehensive review of performance benchmarks and incentive compensation structures for active programs, which flowed from principles that the Board had adopted in fiscal 2012.

From a broader perspective, the governing legislation for CPPIB and the resulting structure of an independent investment corporation reporting to the stewards of the CPP, continue to be recognized as a world-class standard for national pension plans and funds. Such recognition has been confirmed again this year in contacts by other large funds from many parts of the world. The Board takes very seriously its responsibility to execute this governance model transparently and with the highest standard of care, to preserve the model's exceptional advantages in managing the assets of the CPP Fund solely for the benefit of CPP participants and beneficiaries.

With that spirit in mind, the Board welcomes the Canadian Government's decision to consult with provinces on permitting qualified persons who are not resident in Canada to serve on the Board with a view to having access to the global talent pool. We encourage timely legislation amending the *CPPIB Act* in this regard.

We welcome the governance experience and financial expertise brought to the Board by our new appointments, Karen Sheriff and Jo Mark Zurel who joined the Board of Directors this year. Further, I take this occasion to sincerely thank Ron Smith and Elaine McKinnon, whose Board terms ended this year, for their most valuable contributions as Board members since 2002 and 2009 respectively.

OUTLOOK

As I mentioned earlier, the year was marked by a seamless transition of executive leadership to Mark Wiseman from David Denison. During his tenure as CEO since 2005, David completed an outstanding achievement in building world-class investment management capabilities at CPPIB. As a key partner in those developments, Mark demonstrates the qualities to carry CPPIB forward on the next stage of its evolution. The Board is confident of a close and constructive partnership with management in this journey, as we work to maintain the trust of all CPP contributors and beneficiaries, and the stewards of the CPP.

Sadly, the year was also marked by the passing of John MacNaughton, the first CEO of CPPIB. John led CPPIB from two employees and almost no assets to a fully-functioning investment organization handling billions of dollars upon his retirement in 2005. As we continue to build on the solid foundation that John put in place, we are reminded of our responsibilities and trust that he would be proud of his legacy.

In closing, my fellow Directors and I recognize the strong leadership provided by our executive and management teams in another eventful year. We applaud the professionalism and dedication of all employees in meeting the obligations and challenges of successfully investing the CPP Fund.

Robert M. Astley, Chair

President's Message

Today, CPP is the largest single-purpose pension fund in Canada and CPPIB is one of the fastest growing institutional investors in the world.

FISCAL 2013 was a successful year for CPP Investment Board as we expanded our international reach and secured attractive investment opportunities around the globe. The year also marked my first nine months as President & CEO. I want to thank our Board of Directors, my senior management colleagues and all CPPIB employees for their unwavering support, which helped ensure a smooth leadership transition following the retirement of my predecessor, David Denison.

INVESTMENT PERFORMANCE

During fiscal 2013, the CPP Fund grew significantly by $21.7 billion to end the year at $183.3 billion. Investment income of $16.7 billion was generated by CPPIB, contributing more than three-quarters of this increase. Today, CPP is the largest single-purpose pension fund in Canada and CPPIB is one of the fastest growing institutional investors in the world.

While uncertainty in world markets – fuelled by concerns about the Eurozone and the U.S. fiscal cliff – continued in fiscal 2013, many of these problems failed to materialize and investors reacted with increased confidence, primarily in the last quarter of our fiscal year, with the S&P 500 closing at an all time high on the last trading day of our fiscal year. Rebounding global public equity markets and income generated through our active investment strategies significantly contributed to the Fund's 10.1% return.

Despite the exceptional performance of equity markets, our diversified investment programs still managed to correspond closely to our benchmark, the CPP Reference Portfolio, which is heavily weighted to those markets and produced a slightly lower 9.9% return.

Our active investment portfolio is not subject to the same volatility as public markets; instead, it is designed to provide stable, long-term returns. Our private assets realized $3.7 billion in valuation gains over the year – a strong indicator of the potential of these assets such as real estate, infrastructure, private equity and debt – adding significant value over our long investment horizon.

Ultimately, our objective is to add value after all costs over the long run. Since inception of our active management strategy seven years ago, CPPIB has generated $3.1 billion of additional returns, or net "Dollar Value-Added" (DVA). Passive management strategies during the same period would not have realized these gains. Given the strong performance of public equities noted above, we did not produce DVA in fiscal 2013 after factoring in CPPIB operating costs.

We continue to have a steadfast long-term focus on Fund performance given our multi-generational mandate to Canadians. The 10-year nominal annualized return for the Fund is 7.4% or 5.5% on a real return basis. This return is comfortably above the Chief Actuary of Canada's estimate that a 4% real rate of return is required to sustain the CPP at its current contribution rate over the long term. It is also a particularly encouraging indicator of our long-term performance considering this decade includes historic equity declines, including the global financial crisis of 2008–2009.

To position CPPIB to maintain long-term DVA, we continue to build the capabilities necessary to succeed in highly competitive markets, while managing our operating costs with discipline. Given our comparative advantages, we are confident that our active investment management strategy – supported by deliberate investments in systems, people and processes – will allow us to manage the rapidly growing CPP Fund over the coming decades and to deliver attractive long-term returns, net of costs.

SUSTAINABILITY OF THE CPP FUND

The sustainability of the CPP Fund determines how well we are carrying out our mandate. What matters most is how the Fund performs over the next quarter century, not the next three months. Every three years, the Chief Actuary of Canada examines the sustainability of the CPP at the current contribution rate of 9.9% throughout a 75-year period. In November 2010, the Chief Actuary reaffirmed the CPP remained sustainable. This projection was based on the assumption that the Fund will attain a 4% real rate of return. The 10-year annualized nominal rate of return of the Fund is 7.4%, or 5.5% real return, which adjusts for inflation.

GLOBAL INVESTMENT STRATEGY

Our investment strategy today is global and will become more so in the future. Canada's markets account for less than 3% of world market capitalization. China, India and Brazil will collectively account for almost a quarter of global GDP within the next five years and almost 40% in the next 20 years. Our ability to access opportunities beyond Canada's borders will be crucial to our success.

This year, we completed an in-depth review of the investment landscape in India, strengthened our brand and relationship network in Brazil through a series of visits by our Latin American Working Group and secured an additional quota of US$500 million from the China Securities Regulatory Commission, allowing our Public Market Investments team in Hong Kong to invest in companies listed on the Shanghai and Shenzhen Stock Exchanges.

At the end of fiscal 2013, 63.3% of the Fund was invested internationally. We expect this portion to grow as we capitalize on long-term trends in the global economy. During fiscal 2013 we completed 36 transactions of over $200 million each, in 11 countries around the world.

In many developed and growth markets, an on-the-ground presence with local talent and operational capabilities enables us to cost-effectively source and secure complex, sizeable investment opportunities. Having close proximity to our assets and partners also acts as a powerful risk mitigant. Such capabilities are the foundation for our global investment activities, and we recently created the position of Senior Vice-President and Chief Talent Officer to implement world-class talent management practices.

During the year, we continued to build depth and breadth in our existing international offices in Hong Kong and London, which now account for 9% of our total workforce and include staff from all of our investment departments. Likewise, we continued to recruit global talent and knowledge to our head office in Toronto.

Our global capabilities are manifested in the types of deals we secure. In fiscal 2013, these included acquiring a 39% stake in Dorna Sports S.L., which holds the global rights to organize the FIM Road Racing World Championship Grand Prix; the joint acquisition of Suddenlink Communications, the seventh-largest cable system operator in the U.S., for US$6.6 billion; a 49.99% interest in Grupo Costanera, the largest urban toll road operator in Chile; and an A$1.0 billion investment to develop and hold two landmark office towers at the Barangaroo South Project in Sydney, Australia.

These transactions demonstrate our comparative advantages, our ability to work alongside leading investment partners and the capabilities of our internal team. Underlying these advantages is CPPIB's high performance culture – the foundation of our success.

CPPIB AS A LONG-TERM INVESTOR

CPPIB continues to be an attractive partner as governments and organizations around the world seek much needed long-term capital. As a provider of patient, engaged capital, we aim to foster long-term thinking and behaviors in the organizations in which we invest, including consideration of environmental, social and governance factors (ESG). We firmly believe that those companies that carefully manage ESG factors are more likely to endure and create more value over the long term than those that do not. While this approach is known as responsible investing, it is also smart, value-based investing for CPPIB given our long horizon. During the year we continued to steward enhanced governance in our private investments, engage with public companies in which we hold significant interests and integrate ESG analysis into the assessment of investment opportunities.

OUTLOOK

The CPPIB management team prepares an annual business plan for discussion with, and approval by, the Board of Directors. During fiscal 2014 we will continue to build upon the five strategic priorities we identified in prior years:

- Executing our investment programs;
- Transforming to a global investment organization;
- Enhancing scalability and managing complexity;
- Building capabilities to support the CPPIB brand promise; and
- Development and continuity of leadership and talent.

While each priority has its distinct focus areas for fiscal 2014, how we evolve as a global investor will continue to be the foundation of our strategy. Whether we are fostering a brand that makes us a sought after "partner of choice" for private market investment opportunities, establishing enduring relationships in emerging growth markets, or building technology solutions to support our international offices for decades, the strategic decisions we take today will position the CPP Fund for long-term success in the evolving global economy. We must prepare our organization for a future that stretches well beyond the next fiscal year. The senior management team is thus undertaking an in-depth examination of what CPPIB will look like in fiscal 2020 to understand how we can foster an organization that will be competitive for decades to come.

CONCLUSION

With all of our active management programs generating positive returns, fiscal 2013 once again demonstrated the capabilities of our global investment platform and our sophisticated investment professionals. Yet, such results would not be possible without the dedication of the CPPIB team to live and breathe our Guiding Principles of Integrity, Partnership and High Performance in all we do. When we come to work every day at CPPIB, we have a unique privilege to invest on behalf of 18 million people in Canada. Our responsibility to help build the foundation for their financial security in retirement guides every action we take as an organization. I want to thank all CPPIB employees and our Board of Directors for their efforts this year and their ongoing commitment as we work to fulfill our mandate to Canadians.

M. Wiseman

Mark Wiseman, President & CEO

People

BARANGAROO SOUTH PROJECT – INTERNATIONAL TOWERS SYDNEY

As we continue to deliver on our real estate strategy to acquire premium, long-term assets in key global markets, we entered into a joint venture with Lend Lease and the Australian Prime Property Fund Commercial to develop and hold two premium-grade, energy-efficient waterfront office towers at the Barangaroo South Project in Sydney's Central Business District to be known as International Towers Sydney. We committed 50% or A$1.0 billion of the equity for the project, marking our largest investment in a single real estate asset to date and first direct office investment in Australia.

FORMULA ONE GROUP

We completed a debt agreement with iconic global sports management organization Formula One Group to finance US$400 million of a US$1.0 billion private high-yield loan. This was the Private Debt group's largest investment to date and represented an opportunity to work alongside CVC Capital Partners, one of our top private equity general partners. The size and complexity of this transaction reflects the value of CPPIB's comparative advantages and internal expertise.

GRUPO COSTANERA

We acquired a 49.99% interest in Grupo Costanera for an equity investment of $1.14 billion. Grupo Costanera is the largest urban toll road operator in Chile with five major highways across a 188-kilometre network. The acquisition marks our second major infrastructure investment in Chile as we continue to increase our exposure to high-growth markets. Chile's strong economic growth prospects and stable legal and regulatory framework make it an attractive country for long-term investors like CPPIB.

TMX GROUP INC.

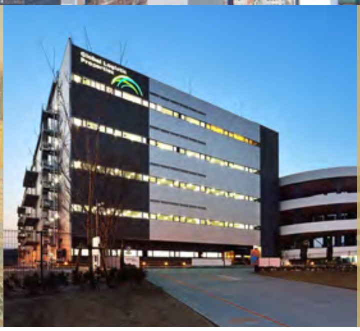
In fiscal 2013, CPPIB completed a $250 million investment in TMX Group Inc. participating alongside other major Canadian financial institutions to create Canada's largest vertically integrated, multi-asset class exchange group. The complex transaction involved a lengthy regulatory approval process given the fundamental change to Canada's securities infrastructure and demonstrated CPPIB's deep internal capabilities as the investment involved employees from across our Relationship Investments, Global Corporate Securities, Private Debt, Legal and Public Affairs and Communications teams.

(1) Team members (l–r)
Rebecca Lam, Jimmy Phua, Gilles Chow, Justin Louis

(2) Team members (l–r)
Bill Ammons, Mathieu Fradette, David Allen

(3) Team members (l–r)
Yiyi Yang, Jason MacNeill, Bruce Hogg, Etienne Middleton

(4) Team members (l–r)
Anastasia Akulshyna, Scott Lawrence, Kevin Godwin



BRAZIL LOGISTICS PORTFOLIOS

This year saw significant expansion of CPPIB's real estate portfolio in Brazil through two joint ventures alongside Global Logistic Properties (GLP) and two other large global institutional investors. CPPIB allocated the majority of its US$362 million commitment to the development component of this transaction. The commitment extends our relationship with GLP, a market leader in modern logistics facilities in China and Japan, and is consistent with our strategy to expand our investment portfolio in high-growth markets.

BEHRMAN CAPITAL AND KAINOS CAPITAL FUNDS

Fiscal 2013 was another milestone year with the closing of two innovative transactions, helping to establish a new market; essentially providing whole fund liquidity solutions to private equity funds. In July 2012, we closed a US$654 million investment in Behrman Capital PEP L.P., acquiring five high-quality assets. Leveraging the success of this transaction, CPPIB completed the Kainos transaction in February 2013, investing US$541 million to acquire a portfolio of four primarily food assets while anchoring Kainos's new fund.

AIR DISTRIBUTION

We acquired from Tomkins its Air Distribution division, a leading manufacturer of air distribution system components, for US$1.1 billion. Through our joint ownership of industrial holding company Tomkins in 2010, we developed a deep understanding of the Air Distribution business and built a strong relationship with management. This transaction is an example of CPPIB's readiness to take a 100% ownership position in select assets that we know well.

(5) Team members (l–r) Christopher Moad, Peter Ballon, Corey Albert

(6) Team members (l–r) Ken Polak, Yann Robard, Giorgio Riva, Henry Zhang

(7) Team members (l–r) Gil Nayot, Sam Blaichman, Shane Feeney, Michael Finkelstein, David Lubek

Purpose

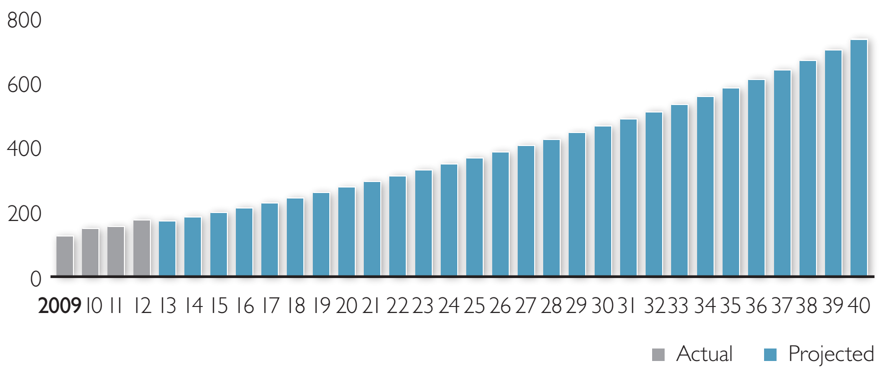
The CPP Fund has a critical purpose – to help provide a foundation on which Canadians build retirement financial security. The sole mandate of Canada Pension Plan Investment Board is to invest the Fund assets on behalf of the CPP's 18 million participants and beneficiaries to maximize returns over the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

75+YEARS
DURATION OF CPP SUSTAINABILITY

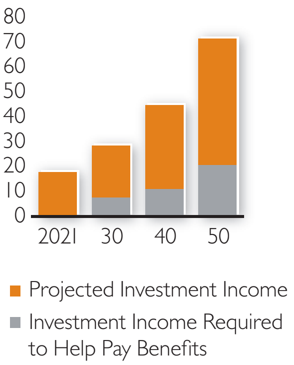
8 YEARS
BEFORE INVESTMENT INCOME NEEDED TO PAY PENSIONS

18 MILLION
NUMBER OF CANADIANS WHO PARTICIPATE IN THE CPP

HISTORY AND PROJECTIONS OF THE CPP FUND
AS AT DECEMBER 31 ($ billions)



INVESTMENT INCOME REQUIRED STARTING AT 2021
AS AT DECEMBER 31 ($ billions)



The Chief Actuary of Canada has projected that CPP contributions will exceed annual benefits paid until 2021, providing eight more years in which excess CPP contributions will be available for investment. CPPIB's sole focus is investing the assets of the CPP and we have built an organization to handle the tremendous growth of the Fund as it increases in the next decade. Starting in 2021, 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.

Performance

Our active management strategy and innovative approach to portfolio management underlie our commitment to deliver performance levels needed to help keep the CPP sustainable over many generations. A culture of Integrity, Partnership and High Performance guides our activities. Aligned with our mission, governance and investment philosophy, this culture enables us to attract and maintain a highly talented team of professionals with the experience and expertise required to handle significant asset growth and complex investments.

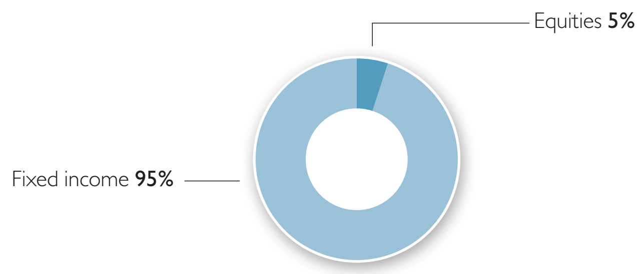
$183.3 BILLION
CPP FUND AT MARCH 31, 2013

$16.7 BILLION
INVESTMENT INCOME IN FISCAL 2013

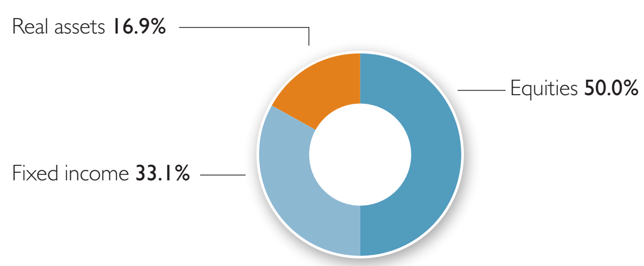
10.1%
FISCAL 2013 RATE OF RETURN

HISTORICAL ASSET MIX COMPARISON
AS AT MARCH 31

2000: $44.5 billion



2013: $183.5 billion



$70.1 BILLION
INVESTMENTS IN PRIVATE ASSETS

$1.1 TRILLION
TRADING VOLUME IN PUBLIC MARKETS

VALUE-ADDED

$204 MILLION
F2013

($286) MILLION
F2013
NET OF OPERATING EXPENSES

$5.0 BILLION
SINCE INCEPTION

$3.1 BILLION
SINCE INCEPTION
NET OF OPERATING EXPENSES

Long Horizon

An exceptionally long investment horizon shapes our perspective on opportunities, risk and resolve. By investing for the next quarter century, not the next quarter, we can undertake and stay the course on investments in a way that others cannot. And we can encourage a long-term mindset in our partners and the companies in which we invest. We believe decision-making that is focused on the long term will ultimately generate greater value for all stakeholders.

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 added value over time.

Certainty of Assets

The CPP will collect excess contributions until 2021, 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.

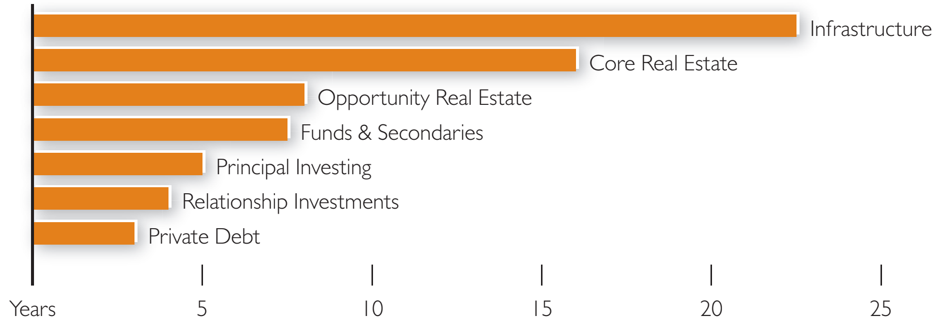
7.4%

10-YEAR ANNUALIZED RATE OF RETURN

$77.2 BILLION

CUMULATIVE INVESTMENT INCOME FOR 10-YEAR PERIOD ENDING MARCH 31, 2013

CPPIB EXPECTED AVERAGE HOLD PERIODS BY ASSET TYPE



Global Perspective

Enabled by our scale, we seek the best possible investment opportunities through our global perspective and international presence. We continue to build 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. We are proud of our offices in Europe and Asia, with a plan to broaden our global activities, as a central feature of our strategy and success going forward.

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170
GLOBAL INVESTMENT PARTNERS

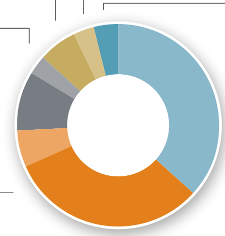
39
TOTAL NUMBER OF COUNTRIES IN WHICH WE HAVE PRIVATE HOLDINGS

87
TOTAL NUMBER OF GLOBAL TRANSACTIONS IN FISCAL 2013

$67.4 BILLION
CANADIAN ASSETS

$116.1 BILLION
FOREIGN ASSETS

GLOBAL DIVERSIFICATION BY REGION
AS AT MARCH 31, 2013



Global Investments

TEINE ENERGY
Calgary, AB, Canada
C$155 million
Additional investment in Canadian oil and gas company Teine Energy Ltd

AIR DISTRIBUTION
Dallas, TX, U.S.
US$1.1 billion
Acquisition of a leading manufacturer of air distribution system components

TMX GROUP
Toronto, ON, Canada
C$250 million
CPPIB was part of the Maple Group Acquisition Corporation which acquired a majority interest in TMX Group Inc., owner of Canada's major stock exchanges

BEHRMAN CAPITAL
New York City, NY, U.S.
US$654 million
Lead investor in Behrman Capital PEP L.P.

MULTIFAMILY PORTFOLIO
San Francisco & Los Angeles CA, U.S.; Chicago, IL, U.S.; & Dallas, TX, U.S.
US$355 million
Expansion of CPPIB's multifamily portfolio

HALCÓN RESOURCES CORPORATION
Houston, TX, U.S.
US$300 million
Investment in energy company Halcón Resources Corporation, through a private placement

GOODMAN NORTH AMERICA PARTNERSHIP
U.S.
US$400 million
Partnership with Goodman Group for logistics and industrial properties in the U.S.

GRUPO COSTANERA
Santiago, Chile
C$1.14 billion
49.99% interest in Grupo Costanera which owns five toll roads spanning a 188-kilometre network

KAINOS CAPITAL PARTNERS
Dallas, TX, U.S.
US$541 million
Purchased a portfolio of primarily food companies and an interest in a new Kainos fund

BRAZIL LOGISTICS JOINT VENTURE
Brazil
US$362 million
Joint venture partnership with Global Logistic Properties and two other large global institutions to invest in two industrial portfolios in Brazil

Key transactions in fiscal 2013

KISTA GALLERIA SHOPPING CENTRE
Stockholm, Sweden
C$178 million
Formed a 50%/50% joint venture with Citycon Oyj to acquire a major Swedish shopping centre

FORMULA ONE GROUP
London, U.K.
US$400 million
Debt agreement with Formula One Group to finance US$400 million of a private high-yield loan

GOODMAN CHINA LOGISTICS HOLDINGS
China
US$400 million
Increased our equity commitment to own and develop logistics assets in Mainland China with Goodman Group

JAPAN DEVELOPMENT VENTURE
Tokyo, Japan
US$365 million
Increased our equity commitment to modern logistics joint venture with Global Logistic Properties

SUDDENLINK COMMUNICATIONS
St. Louis, MO, U.S.
Total enterprise value: US$6.6 billion
Acquisition of the seventh largest U.S. cable company alongside BC Partners and Suddenlink management

DORNA SPORTS S.L.
Madrid, Spain
Acquired a 39% stake in an international sports management, marketing and media company

AUSTRALIAN SHOPPING CENTRES
Sydney, NSW & Gold Coast, QLD, Australia
A$436 million
Interest in two prime Australian shopping centres through an investment in AMP Capital Retail Trust

BARANGAROO SOUTH PROJECT
Sydney, NSW, Australia
A$1.0 billion
50% interest alongside Lend Lease Corporation to develop and hold two office towers in Sydney's Central Business District

suddenlink

Senior Management Team

(l–r)

MARK G.A. MACHIN
President, CPPIB Asia Inc.

NICHOLAS ZELENCZUK
Senior Vice-President and Chief Financial Officer

JOHN H. BUTLER
Senior Vice-President, General Counsel and Corporate Secretary

PIERRE LAVALLÉE
Senior Vice-President and Chief Talent Officer

ANDRÉ BOURBONNAIS
Senior Vice-President and Head of Private Investments

BENITA M. WARMBOLD
Senior Vice-President and Chief Operations Officer

MARK D. WISEMAN
President & Chief Executive Officer

ERIC M. WETLAUFER
Senior Vice-President and Head of Public Market Investments

DONALD M. RAYMOND
Senior Vice-President and Chief Investment Strategist

MICHEL R. LEDUC
Senior Vice-President, Public Affairs & Communications

GRAEME M. EADIE
Senior Vice-President and Head of Real Estate Investments

Key Operational Highlights

1. EXECUTING OUR INVESTMENT PROGRAMS

Continue to focus across all investment departments to refine and expand our investment programs and capabilities

- Expanded Public Market Investments activities including awarding 16 new investment mandates to external managers, the majority focused on Asian mandates, and establishing two additional longer-term relationships with public companies.
- Committed $12.8 billion in Private Investments including our first direct farmland investment as part of our new agriculture investment program.
- Committed $4.6 billion in Real Estate Investments including a A$1.0 billion investment in the Barangaroo South Project in Sydney, Australia, our largest investment in a single real estate asset to date.
- Enhanced management of our direct private equity and infrastructure assets with improved monitoring processes that cover financial, operational, environmental, social and governance (ESG) aspects.
- Evolved our top-down portfolio management processes and systems.

2. OPERATING AS A GLOBAL INVESTMENT ORGANIZATION

Strengthen our investment footprint in growth markets with a focus on Asia and Latin America

- Increased our London staff to 51 from 38 and increased our Hong Kong staff to 32 from 23. London and Hong Kong now account for 9% of our total workforce and include staff from all our investment departments.
- Completed 36 sizeable and complex transactions of over $200 million each in 11 different countries.
- Secured an additional quota of US$500 million from the China Securities Regulatory Commission allowing us to invest in companies listed on the Shanghai and Shenzhen Stock Exchanges.
- Our Latin American Working Group continued to build relationships with potential partners and service providers and identify investment opportunities in the region.
- Emerging market assets grew from $12.5 billion to $17.5 billion during the year.

3. ENHANCING SCALABILITY AND MANAGING COMPLEXITY

Ensure that our operational processes, systems and controls are scalable to support the growth and globalization of our investment programs

- Strengthened our processes, systems and controls for portfolio management and reporting, and analysis of profit and loss.
- Enhanced our risk management practices including further development of our enterprise risk management framework and improvements in investment risk measurement and reporting, as well as our risk technology platform.
- Improved information security practices and business resumption capabilities.

4. BUILDING CAPABILITIES TO SUPPORT THE CPPIB BRAND PROMISE

Build our brand to position ourselves as an employer, partner and investor of choice

- Launched a series of projects aimed at enhancing brand awareness and perception across all our stakeholder groups. Projects range from talent recruitment and retention, to relationship management and deal sourcing.
- Successfully hosted regional roundtables in Toronto, London and Hong Kong to proactively engage local stakeholders and influencers on topics relevant to CPPIB's strategy and future success.

5. DEVELOPMENT AND CONTINUITY OF LEADERSHIP AND TALENT

Continue to strengthen our leadership team and focus on attracting, developing and retaining talented professionals across our international offices

- Appointed a senior investment executive to the newly-created position of Senior Vice-President and Chief Talent Officer to lead an international effort to ensure world-class talent management practices at CPPIB.
- Added 179 people during the year including 20 Vice-Presidents and Directors across investment departments, TROT and Finance.
- Continued customized development programs for managers, emerging leaders and high-potential talent and developing an employee value proposition that differentiates CPPIB as an employer of choice.

FINANCIAL REVIEW

This Annual Report contains forward-looking statements reflecting management's objectives, outlook and expectations as at May 9, 2013. These statements involve risks and uncertainties. Therefore, our investment activities may vary from those outlined in these forward-looking statements.

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, 2013. The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Canada's population in 1997 was 29.9 million, and by July 2012 it had grown to 34.9 million. Equally important, the population is also maturing. In 1997, only 12% of the population was over the age of 65. Today, this proportion is 15% but is projected by Statistics Canada to rise to 18% in 2021 and stabilize at close to 25% after 2040 on their "medium growth" scenario. Statistics Canada has also estimated that this year, for the first time, more Canadians will likely head into retirement than begin their working careers. Having sufficient income in retirement is a major concern for many. As one of four primary sources of income in retirement, the CPP helps provide millions of Canadians with a foundation for their retirement security. The other three sources are Old Age Security with its Guaranteed Income Supplement, employment pension plans, and personal savings.

Benefits paid by the CPP can be sustained by only two sources: future earnings-based contributions by Canadians and investment returns of the CPP Fund. CPPIB is responsible for investing the CPP Fund's assets. We invest on behalf of CPP contributors and beneficiaries, as the assets belong to them rather than to governments. The following discussion and analysis explains our mission, describes our investment strategy and results, and looks ahead to the future.

OUR MISSION

CPPIB was created in 1997 to be a professional, independent organization with a singular objective: to generate investment returns that will help support CPP's sustainability over many generations. In 1997, the CPP Fund held only non-marketable federal, provincial and territorial bonds, then valued at $36.5 billion. The provincial and federal finance ministers who act as the CPP's stewards established CPPIB to harness the power of capital markets to earn higher long-term returns through a diversified portfolio.

Our governing legislation is the *Canada Pension Plan Investment Board Act*. This Act sets no geographic, economic development, social or specific investment requirements. 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..." In carrying out this mission, we aim to develop, execute and continually enhance an investment strategy that, balancing prospective risk and reward, we believe will contribute most to the long-term sustainability of the CPP.

We define sustainability to mean the ability of the CPP to:

> Provide the lifetime, inflation-indexed benefits as currently defined; while

> Maintaining the current contribution rates paid by employees and employers.

Every three years, the Chief Actuary of Canada reviews the contribution rate required for CPP sustainability over the next 75 years.

The most recent actuarial review, conducted as at December 31, 2009, concluded that the CPP can maintain its currently legislated contribution rate – 9.9% of covered earnings, shared equally between employees and employers – despite the then-existing difficult economic and investment environment. The review took into account that, even though the number of contributors and their earnings are expected to grow steadily, the ratio of pensioners to employed workers will rise as baby boomers retire. These and many other assumptions underlie the review's conclusion. For CPPIB, the key assumption is that the CPP Fund's annual investment return, will average four percentage points above the rate of price inflation. This 4% is the ultimate real rate of return assumption over the long term. It is expected that returns will fluctuate widely from year to year, even in a well-diversified portfolio. The averaging of "up" and "down" years narrows the range of annualized performance, but longer-term returns and asset values still carry substantial uncertainty. However, the financing of CPP benefits depends much more on future contributions than investment earnings. Accordingly, economic and demographic factors such as real earnings growth, fertility, immigration and longevity will be the primary influences on the CPP's sustainability. The Chief Actuary is currently undertaking a triennial review of the CPP as at December 31, 2012, and is expected to release his report in late calendar 2013.

History and expert opinion indicate that the investment returns required for CPP sustainability can be achieved only by taking a measured degree of risk. By far the most important single investment risk is the extent to which equity investments replace fixed income. Extending equity and debt investments across the world reduces the CPP Fund's dependence on returns in any one country or region and hence reduces risk. And diversified exposures to additional risk factors are expected to earn additional returns for the Fund. Further, we believe active management in a wide variety of investment programs can produce meaningful added value. Our challenge, as a disciplined investment organization, is to rigorously construct and manage the total portfolio of risk/reward exposures and active programs that are expected to maximize growth within prudent overall risk constraints.

INDEPENDENT DECISION-MAKING

Canadians expect the CPP to remain free from external interference and political control. During the 1996–97 CPP reforms, the federal and provincial finance ministers responded with carefully written legislation under which CPPIB operates at arm's length from governments. CPP Fund assets cannot be used for any purpose other than paying CPP benefits and costs of administering the plan and Fund. CPPIB deploys capital based solely on investment considerations for the long-term benefit of the CPP.

The CPP Fund is not a sovereign wealth fund – that is, a government-owned pool that may be deployed for economic development or other policy objectives. Unlike such funds, CPP assets belong only to the plan members and are strictly segregated from government accounts. To maintain the public's trust, CPPIB's independence in decision-making is balanced with public accountability and a high degree of transparency. This includes continuous disclosure of our investment activities, timely reporting of our performance results and other legislative requirements such as public meetings.

CPP members can take comfort in the durability of the 1996-97 reforms because the governing legislation arguably is more difficult to change than the Canadian Constitution. Amendments require agreement by the federal government plus two-thirds of the provinces representing two-thirds of the population. Constitutional change also requires consent from two-thirds of the provinces, but representing only half the population.

OUR COMPARATIVE ADVANTAGES

CPPIB seeks to grow investment value by maximizing the benefits of three major structural advantages that are inherent to the CPP Fund, and three developed advantages that result from strategic choices we have made. While no single advantage is unique, taken together they reinforce each other, creating a synergistic platform. This provides us with greater scope and clarity, and a distinctive perspective on investment management.

STRUCTURAL ADVANTAGES

> Long horizon – by its multi-generational nature, the CPP has an exceptionally long investment horizon. CPPIB can and indeed must evaluate potential opportunities, returns and risks over decades, not years or months. Many other market participants must take short-term actions forced on them by business imperatives or legislated funding requirements. CPPIB can benefit from short-term market dynamics, but need not be driven by them. While market volatility can adversely affect the Fund's short-term performance, we focus on exercising the patience and discipline required to reap the greater rewards of true long-term investing.
> Certainty of assets – there is a high degree of certainty and stability to the Fund's asset base. We are not subject to redemption requests. Nor is there any need to liquidate investments for benefit payments as CPP contributions are projected to exceed benefit payments until 2021. Nevertheless, we maintain a high degree of liquidity so we can make major new investments whenever we identify good opportunities and also adjust the total portfolio mix at any time if needed.
> Scale – the CPP Fund has the advantage of scale. We can invest in size in private markets and access proprietary public market strategies around the world that offer superior risk-adjusted returns over time. Likewise, we can undertake large transactions for which few others can compete. Scale also makes it economical to build highly-skilled in-house investment teams and develop superior investment technology and operational capabilities. Internalizing these capabilities provides a cost-effective global platform.

DEVELOPED ADVANTAGES

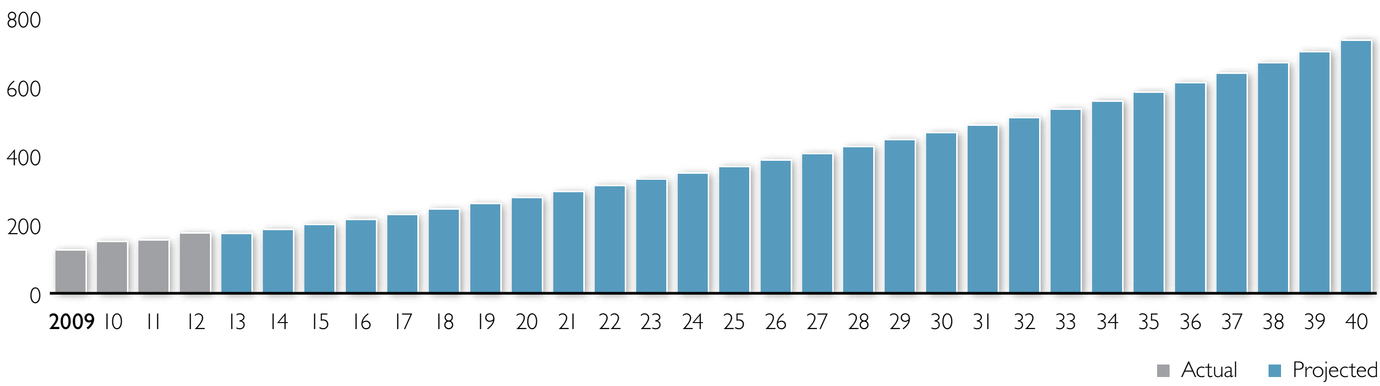
> Internal expertise – as a global investment organization, we have built a world-class investment team with expertise that is both broad and deep. High-calibre professionals from many countries are attracted not only by our size and growth but also by our singular focus on investment management and our distinctive culture. This culture is deeply rooted in our Guiding Principles – Integrity, Partnership and High Performance – and our obligations to Canadians.
> Expert partners – we also benefit from the varied and specialized expertise of our top-tier external partners through relationships that go well beyond the typical client/supplier dynamic. These partners offer access to many opportunities as well as in-depth analysis, experience and ongoing management services that complement CPPIB's internal capabilities. They value CPPIB as both a highly-knowledgeable investor and a trusted financial partner for the long term.
> Total Portfolio Approach – this approach to investing, described on page 26, enables us to manage our targeted risk exposures with more flexibility and precision than traditional asset class-based approaches. Like others, we undertake diversified risks that are reasonably expected to produce appropriate long-term value-added. But to minimize unintended risk that does not carry commensurate expected return, we continuously balance the contributions of each investment and strategy to the targeted aggregate exposures of the total portfolio.

DEVELOPMENT OF THE CPP FUND

As noted, the Chief Actuary of Canada has projected that CPP contributions will exceed annual benefit payments until 2021. The CPP is then expected to begin using a portion of the Fund's investment earnings to supplement the contributions that form the primary means of financing CPP benefits. Fund assets, as projected under the Chief Actuary's demographic, economic and capital markets assumptions, are shown below.

HISTORY AND PROJECTIONS OF THE CPP FUND

As at December 31 ($ billions)



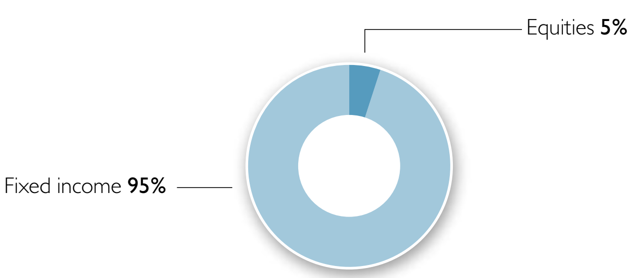
CPPIB's sole focus is investing the assets of the CPP. The Chief Actuary has projected that the CPP Fund will reach about $275 billion by the end of 2020. We have built, and will maintain, a professional investment organization capable of handling this substantial growth.

OUR INVESTMENT STRATEGY

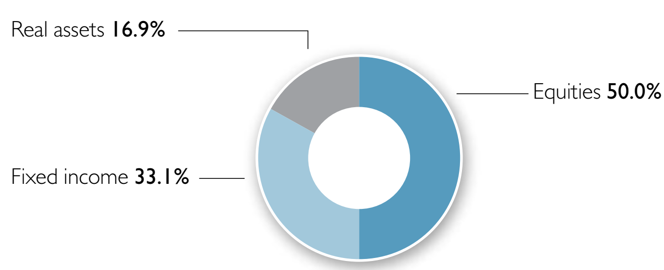
When CPPIB began receiving cash flows from the CPP in 1999, the existing portfolio comprised only non-marketable government bonds. In line with the 1997 legislation and the CPP stewards' intent, we moved to diversify the portfolio by investing in Canadian and global public equities that reflected broad equity market indices. In 2003, we internalized responsibility for managing the index-based equity portfolios. From 2007, major holdings of marketable government bonds were also built up, again in line with market indices. Further, we progressively broadened the sources of returns to the Fund by launching private equity investing in 2001, real estate in 2003, infrastructure in 2004, private debt in 2009 and agricultural land in 2013.

HISTORICAL ASSET MIX COMPARISON

2000: $44.5 billion



2013: $183.5 billion



On April 1, 2006, CPPIB adopted a new and broader strategy for investing the Fund. This strategy was designed to seek returns above those available from passive public market investing by capitalizing on our comparative advantages. If we generate significant value-added over a long period, and if best-estimate actuarial assumptions turn out as projected, the CPP stewards will be able to retain an additional margin of safety, reduce contribution rates or increase benefits. For example, consider the impact if in future we achieve a long-term annualized return that is 50 basis points (0.50%) above the Chief Actuary of Canada's 4.0% real return assumption. Thus, using current actuarial assumptions, if the current 9.9% contribution rate could be reduced to 9.65%, it would save employees and employers a total of about $1 billion a year at current earnings levels.

Three principal elements constitute CPPIB's overall investment strategy as a global investment management organization:

1. **CPP Reference Portfolio:** a low-cost, low-complexity portfolio of public market investments that can reasonably be expected to generate the long-term returns needed to help sustain the CPP at the current contribution rate;
2. **Value-Adding Active Management:** the range of public and private market investment strategies employed with the goal of adding value, after all costs, over the CPP Reference Portfolio returns; and
3. **Total Portfolio Approach:** our method of keeping the total portfolio's aggregate risk exposures at known and intended levels as individual investments are added to or sold from the portfolio, or change in value, or alter their characteristics.

These strategic elements are implemented in accordance with the *Statement of Investment Objectives, Policies, Return Expectations and Risk Management* investment policy, which is available on our website. Also, we assign responsibilities and assess results for the total portfolio, each investment department and each active program in accordance with our Risk/Return Accountability Framework discussed on page 28.

1. CPP REFERENCE PORTFOLIO

The CPP Reference Portfolio is the foundation of our investment strategy. With reasonable long-term expectations, it is believed to be able to provide the returns anticipated by the Chief Actuary of Canada for CPP sustainability. As a simple, low-cost, diversified and readily investable alternative, it forms the basic yardstick for measuring all investment decisions we make in seeking added value for the Fund. Three primary considerations drive the composition of the CPP Reference Portfolio:

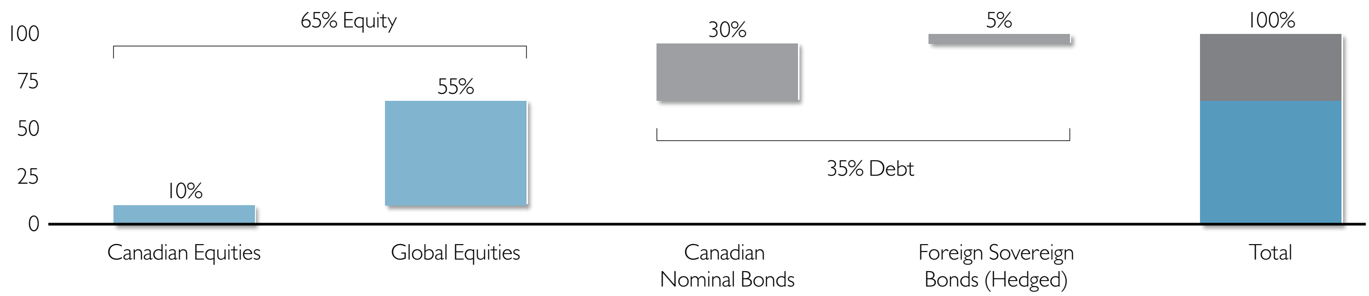
i. The perceived risk tolerance of the CPP stewards, recognized by incorporating no more risk than needed to generate the returns required to help sustain the plan;
ii. The factors affecting the CPP's net liabilities – future benefits less contributions; and
iii. The balance of risks and potential return that is robust toward sustaining the CPP across a range of scenarios.

To meet the criteria of simplicity and low cost, the CPP Reference Portfolio comprises only public market asset classes represented by broad market indices whose returns can be readily generated at minimal expense. The allocations cover much of the global public stock and bond markets.

The CPP Reference Portfolio is the dominant influence on the investment risk of the total portfolio. It provides a clear benchmark for total portfolio performance against which management is held accountable. The constituents of the CPP Reference Portfolio and their market weights also form the actual holdings in the Fund – to the extent that these holdings have not been sold to finance the purchase of other investments in our value-added programs. This fulfills another critical accountability function – the returns foregone when constituents are used to finance other investments form the yardstick for measuring the value-added by those active investments.

The CPP Reference Portfolio's asset classes and allocations are reviewed after the Chief Actuary completes each triennial CPP Actuarial Report. For this purpose, we have developed sophisticated techniques to model the range and likelihood of future outcomes for asset class returns and CPP cash flows. Our model is consistent with the Chief Actuary's demographic assumptions and provides a year-by-year projection of the CPP's financial condition over 75 years with triennial actuarial assessments. It has been formally reviewed and independently endorsed by leading external experts. The model allows us to identify the optimal evolving asset allocation strategy over the long term under a given scenario of economic and capital markets expectations. The future can, however, be very different from even the best forecasts. Accordingly, we select a number of feasible candidate asset allocations and compare their implications for CPP sustainability across many alternative scenarios. Management then recommends to our Board of Directors the CPP Reference Portfolio that we believe will contribute most consistently to the sustainability objective under a wide variety of economic and market circumstances.

CPP REFERENCE PORTFOLIO
As at March 31, 2013



We reviewed the CPP Reference Portfolio during fiscal 2012 and, with Board of Directors' approval, transitioned to the allocations shown above with effect from April 1, 2012.

1. The 10% allocation to Canadian equities is much lower than for most Canadian pension funds, but recognizes the size and trading volume limitations of the Canadian equity market relative to the CPP Fund's current and expected growth. We strongly believe the future demands a truly global approach to capital markets investment, and our strategy and organization are designed accordingly. Nevertheless, the Canadian equity allocation still represents 15% of total equities, approximately four times Canada's weight in global public equity market capitalization.
2. The 55% global (ex-Canada) equities allocation includes emerging markets equities. This recognizes the rapid growth of emerging economies and their increasing integration into the global economy. Rather than being a fixed amount, the allocation to emerging markets will thus evolve in line with the growing proportion of these markets in world equity market capitalization.

The 65% weighting for total equity exposure reflects CPPIB's ability to accept shorter-term economic and capital markets risks in order to seek commensurately higher returns over the long term. The 35% weighting for debt provides more stable asset values and high-quality cash flows. This includes a substantial component, currently 13% of the Fund, of Canadian federal, provincial and territorial bonds that were inherited or rolled over from the 1997 transition. The size of the Canadian bond market is a limiting factor, so G7 sovereign government bonds were added to the CPP Reference Portfolio in 2008.

The CPP Reference Portfolio will be reviewed again in fiscal 2015, taking into account the triennial review of the CPP by the Chief Actuary as at December 31, 2012 whose publication is expected in late calendar 2013.

Currency Hedging

Most countries have adopted an open regime that allows exchange rates for their currencies to fluctuate significantly, though central banks may intervene to stabilize excessive movements. Accordingly, many pension funds have partial or full hedging programs to stabilize the values of their foreign assets in Canadian dollar terms. But hedging has a financial cost. And, it requires that cash be tied up or generated quickly to meet hedging contract obligations when the Canadian dollar depreciates against other global currencies.

Only one component of the CPP Fund is hedged to Canadian dollars: foreign bonds or equivalent debt exposures arising from other investments. This allows foreign bonds to serve as a reasonable substitute for Canadian bonds and significantly reduces the volatility of the portfolio's fixed income exposure component.

For foreign equities, however, the currency impact of exchange rate fluctuations on the volatility of total returns is minimal. By far the largest component of that volatility arises from the local equity market returns themselves. We see little reason to expect a sustained long-term trend to net returns from exchange rate movements for the widely diversified set of currencies associated with the Fund's equity holdings. If a country persistently has substantially higher inflation than others, investors will demand a risk premium against the likely decline of its currency.

Also, the cost of hedging many growth markets' currencies is prohibitively high. And, if these countries prove to have a significant long-term advantage in productivity and economic growth, their currencies will tend to strengthen vis-à-vis those of developed countries. Hedging would negate this potential gain to the Fund.

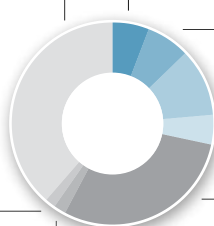
Finally, the Canadian dollar is highly linked to the price of oil and, to a lesser extent, other commodities. In principle, it is prudent to diversify currency exposure away from such a dominant but uncertain influence. Hedging would unduly tie Fund returns to the price of oil and other commodities as they drive the foreign exchange value of the Canadian dollar. Also, looking out over the long term, the primary asset that offsets CPP liabilities is the future contributions of CPP participants. If the Canadian dollar strengthens versus other currencies, it will most likely be accompanied by strength in the Canadian economy, and rising earnings – and hence plan contributions – of the CPP participants. This represents a natural hedge in the structure of the CPP, greatly reducing the need for explicit currency hedging of the foreign investments of the CPP Fund.

For all of these reasons, we see no compelling reason to hedge equity-related currency exposures resulting from the CPP Reference Portfolio. We accept that in years of large currency moves, total Fund performance may be materially affected – in either direction – relative to other funds that have hedged currency exposure.

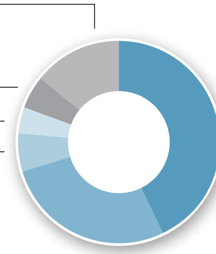
The constituent market value weightings of the four CPP Reference Portfolio asset classes, along with our currency hedging policy, would result in the targeted geographic and currency exposures shown below, as at March 31, 2013.

GEOGRAPHIC MARKET AND CURRENCY EXPOSURES OF REFERENCE PORTFOLIO

Geographic Market Exposures



Currency Exposures



2. VALUE-ADDING ACTIVE MANAGEMENT

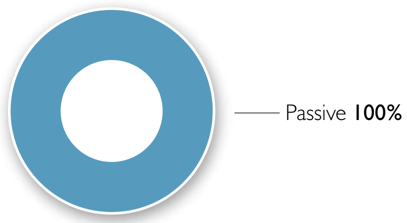
The second principal element of our investment strategy is to add value over the CPP Reference Portfolio by seeking increased return, within risk limits, through a wide range of active investment programs. All active programs must meet the test of efficient scalability as the Fund continues to grow. We generally choose not to participate in programs that might be attractive but have limited capacity, or that are unduly complex or opaque relative to their potential benefit.

Active management is the element on which we focus most in our day-to-day work. The decision to deviate from the CPP Reference Portfolio is not taken lightly. Many investors seek above-market risk-adjusted returns, but relatively few consistently achieve them. Management must continually assure itself and the Board of Directors that it can add value by exploiting our comparative advantages with discipline and diligence. We must show that it is reasonable to expect sufficient additional returns over long periods of time to justify the added cost and complexity of active management. Successful active investing requires great internal expertise and strong operational capability. Accordingly, we must attract and retain the highly-skilled and motivated teams required to succeed in competitive investment markets.

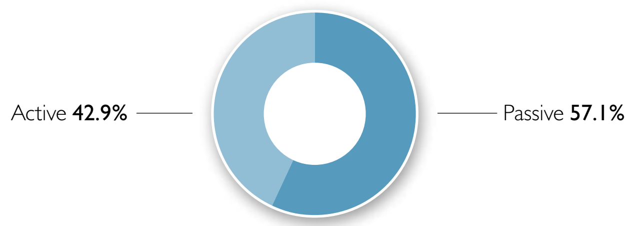
Active programs are funded by the sale of CPP Reference Portfolio holdings. Some programs, such as market-neutral or long/short positions, may be largely self-funding. The evolution of the resulting mix of passive and active management holdings is shown below.

ACTIVE VERSUS PASSIVE ASSETS

2000



2013

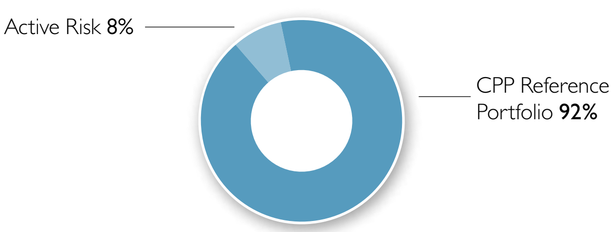


Risks and associated investment returns are usefully separated into systematic risks and non-systematic risks. Systematic risks stem from factors that affect all investments in a particular portfolio and the market returns from these risks are often called beta. Investment-specific returns beyond beta, earned through active management, are often called alpha. Systematic risks may be diversified at the total portfolio level, but cannot be entirely eliminated. Non-systematic, or idiosyncratic, risks are specific to each individual investment; these risks can, in theory, be substantially diversified away in a sufficiently broad portfolio, but their alpha returns would then be correspondingly lost.

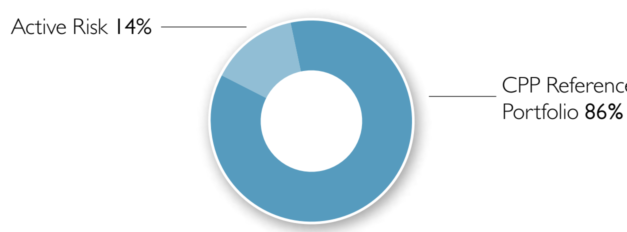
We use the term "active risk" to identify and measure the risk of deviating from the CPP Reference Portfolio in pursuit of additional beta and/or alpha returns.

PERCENTAGE OF TOTAL FUND RISK

2009



2013



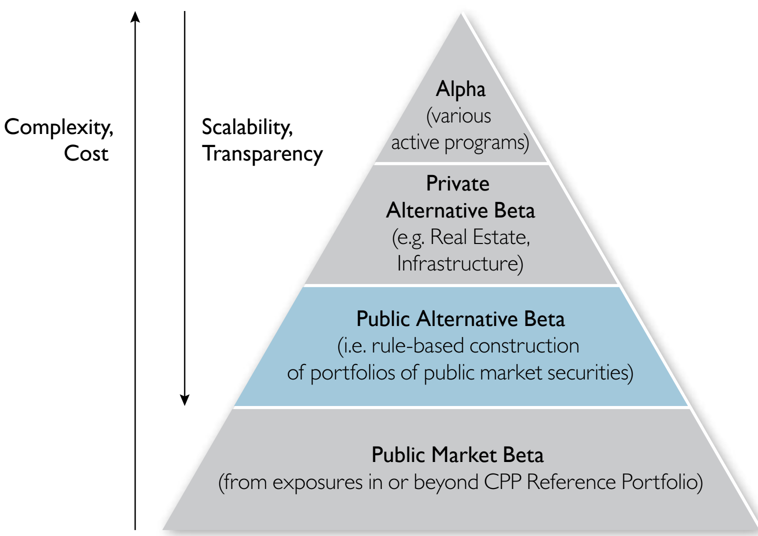
In undertaking active risk, we seek to add value in several ways:

> **Beta:** We invest significantly in asset classes and systematic risk exposures that are not directly represented in the CPP Reference Portfolio. We believe these offer meaningful and sustainable net additional returns as well as diversification of active risk and the total portfolio. We classify beta return sources into three categories:

1. Public Market Beta. This is largely represented in the asset classes/indices of the CPP Reference Portfolio, but may be extended by investing passively in public equity and debt securities not included in those indices, for example, insurance-linked securities;
2. Public Alternative Beta. This represents additional returns to systematic risk factors, beyond passive investing in capitalization-weighted market indices. It can be captured through portfolios constructed by fixed rules rather than active security selection, for example, using formula-weighted portfolios rather than standard capitalization-weighted indices; and
3. Private Alternative Beta. This is derived from liquidity and other inherent risk/reward factors harvested by private investments in areas such as real estate, infrastructure and agriculture.

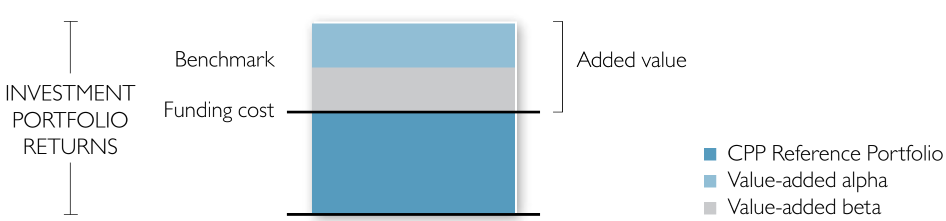
> **Alpha:** Ideally, alpha can be earned by investment management skill whether markets are rising or falling. Such "pure" alpha is extremely valuable as it does not add to systematic risks in the portfolio and its contribution to total risk can be calibrated and controlled. We deploy several strategies to earn alpha, including:
1. Capture special opportunities available only to large, sophisticated investors. Our private equity, private debt, infrastructure and real estate investments are especially important here;
2. Purchase individual public market securities that outperform the assets used to finance them. The long/short activities of our Global Corporate Securities group and a number of external specialist managers we have engaged typify this approach. The choice of individual private equity and debt investments, as well as individual real estate properties and mortgages, also requires this selection skill;
3. Employ structured trades and arbitrage techniques to capture specific risk premiums without adding materially to market risks. This occurs most notably for supplying liquidity, an activity where we have a major competitive advantage. We maintain structuring and trading skills in our Global Capital Markets group; and
4. Actively shift systematic risk exposures to successfully anticipate relative price movements among currencies, markets and commodities. Our Global Tactical Asset Allocation group and certain external managers provide particular skills for this strategy.

ALPHA/BETA SOURCES OF RETURN



Each active program has an assigned benchmark whose return is the dividing line between beta and alpha. This benchmark is the index or blend of indices most representative of the systematic risks (beta) in the program, as shown below:

DIAGRAM OF BETA AND ALPHA VALUE-ADDED RETURNS



Capitalizing on our scale, skills and access to world-class partners, we seek both beta and alpha return contributions through major investments in private markets. The growth of our private investing programs is shown below.

GROWTH OF PRIVATE AND REAL ESTATE INVESTMENTS PROGRAMS

ASSET TYPE ($ BILLIONS)	March 31, 2005	March 31, 2010	March 31, 2012	**March 31, 2013**
Private equity[1]	2.9	16.1	26.3	**32.6**
Real estate equity	0.4	7.0	17.1	**19.9**
Infrastructure	0.2	5.8	9.5	**11.2**
Private debt	–	0.9	4.7	**4.1**
Private real estate debt	–	0.3	1.6	**2.3**
TOTAL	3.5	30.1	59.2	**70.1**
% OF FUND	4.3%	23.6%	36.6%	**38.2%**

[1] Includes Funds & Secondaries, Principal Investing and Agriculture.

We also pursue active management in public markets as we build our internal teams, enhance our skills and work with an increasingly diverse group of external manager partners whose expertise complements our in-house capabilities.

We place the contributions of all programs on an equal footing by expressing them in terms of active risk. That is the risk of our investments relative to that of associated CPP Reference Portfolio constituents. Value at Risk (VaR) is our primary measure of risk. It is described under Risk/Return Accountability Framework on page 28. Using this measure, the growth and distribution of beta and alpha strategies are shown below.

GROWTH OF TOTAL ACTIVE RISK

	Beta Strategies		Alpha Strategies	
ASSET TYPE ($ BILLIONS)	Active Risk (VaR bps)	% Contributed to Total Active Risk	Active Risk (VaR bps)	% Contributed to Total Active Risk
March 31, 2011	64	33%	128	67%
March 31, 2012	126	53%	111	47%
March 31, 2013	110	51%	104	49%

Internal Management

A major benefit of our scale is the ability to manage substantial portions of the portfolio internally. This benefit has two primary aspects. First, is the obvious benefit of lowering the per dollar cost of managing investments. Every dollar saved by managing our assets with a lower-cost structure is additional net income for the Fund, and is much more certain than one dollar of possible return. This raises the bar that our active programs must clear. Frequently our scale and internal capabilities in both public and private markets allow us to successfully staff and execute activities similar to those of external investment management firms but at a fraction of the cost. Still, we do engage external managers for high prospective payoffs in areas where our own expertise can be cost-effectively supplemented, especially in newer but sound public market strategies. We also highly value the external partners with whom we participate in major private investments. Our close attention to all costs is described in the Managing Total Costs section on page 60.

The second benefit of internal management strength comes from the exceptionally broad and deep expertise that we bring to the assessment and acquisition of investments. In public markets, our Global Capital Markets group has trading and structuring capabilities that could not be replicated elsewhere. Our External Portfolio Management group can critically evaluate the continual flow of emerging strategies to invest only in those with a solid long-term case for scalable and significant net value-added. Our Relationship Investments group is founded on deep, in-house fundamental analysis of candidate public companies, and the structuring of a successful relationship requires specialist skills available only through internal management. Our success in private markets depends on the expertise of in-house teams in our Real Estate Investments and Private Investments departments. Most investors in these areas are seriously handicapped by a major asymmetry of knowledge between their limited or less qualified in-house staff and the external managers they engage. But when CPPIB works with carefully selected world-class partners, we can do so as respected equals.

3. TOTAL PORTFOLIO APPROACH

We have developed a management approach that we believe differs significantly from that of most other investors. The CPP Reference Portfolio represents a set of market exposures and systematic risks that we are comfortable with as a starting point. As we extend beyond those, we deliberately weigh the prospects and risk of each active management decision while using the Total Portfolio Approach to avoid, as far as possible, any exposures that are unintended and any risks that are insufficiently compensated. This approach generally has enabled us to prevent unrecognized equity-like risk from creeping into the portfolio through virtually all private asset classes – not just private equity.

Critical to this is identifying the relative public equity and government debt "economic exposures" inherent in each investment. Many investments have characteristics of both equity and debt – for example, real estate and infrastructure. Looking through asset class labels and attributing primary risk factors, we seek to ensure that the total portfolio's equity and debt exposures, and other factors, match those of the CPP Reference Portfolio. We do this by disciplined low-cost rebalancing of the Fund's liquid passive components so that the total portfolio's debt/equity, currency and geographic market exposures remain well-aligned with the CPP Reference Portfolio.

CPP REFERENCE PORTFOLIO	ECONOMIC EXPOSURES	
Canadian Equities Global Equities	All passive public equity exposure plus private equity plus underlying equity exposures inherent in real estate, infrastructure, private debt, private real estate debt and externally-managed funds.	65% Equity
Canadian Nominal Bonds Foreign Sovereign Bonds	All passive fixed income exposure plus underlying debt exposures inherent in private equity, real estate, infrastructure, private debt, private real estate debt and externally-managed funds.	35% Debt

Many investors target specific asset class weights in their total portfolio. We believe this traditional approach tends to create pressure, possibly at inopportune times, to buy or dispose of illiquid investments in order to stay close to allocation targets. Our approach considers the systematic factors underlying each investment opportunity, whether buy or sell, and adjusts passive investments with matching characteristics to maintain our overall targeted risk exposures. By themselves, asset class labels do not clearly convey the highly diverse nature of investments within each asset class. Nor do they explicitly recognize the extent of risk attributes the investments have in common. Accordingly, we strive to deconstruct each investment into its systematic risk exposures. That is, its sensitivity to:

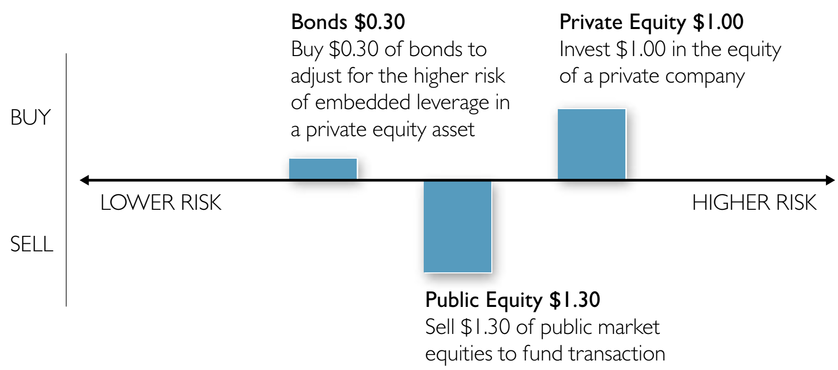
- Equity markets;
- Government bond yields;
- Currency exchange rates;
- Country and regional influences;
- Commercial sector influences;
- Credit market conditions; and
- Liquidity.

Our diverse portfolio holdings can be analyzed and aggregated along each of these dimensions into overall effective exposures and risks relative to the CPP Reference Portfolio. We can then minimize unintended risks in the total portfolio as investments change value or characteristics, and enter or exit, the Fund.

Examples of the Total Portfolio Approach at Work

Here are two illustrations of how we use the Total Portfolio Approach to maintain intended exposures. Both also show how we adjust for leverage (debt level) in the underlying investment, a critical contributor to risk.

FUNDING A PRIVATE EQUITY TRANSACTION USING THE TOTAL PORTFOLIO APPROACH



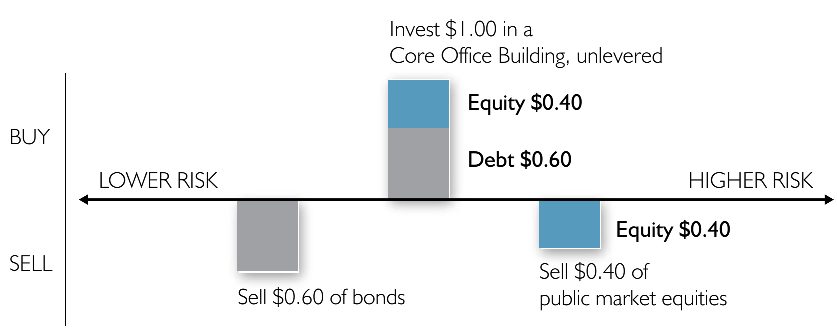
Our general premise is that private equity has many aspects in common with comparable public equity but that, on average, there is significantly higher leverage after a public company goes private through a buyout. To maintain the total portfolio's country, sector and leverage exposures, we fund a private equity transaction through two steps:

1. Match, to the extent possible, the commercial sector and geographic regions of the public equities to be sold with the private company that is to be bought. For example, to invest in a U.S. technology company, we sell the necessary proportion of all publicly-traded U.S. technology stocks held in the CPP Reference Portfolio; and
2. For each $1.00 of private equity investment, we typically sell $1.30 of public equities and buy $0.30 of bonds – ideally U.S. sovereign bonds in this example. The resulting higher bond content in the total portfolio approximately offsets the risk of higher leverage inherent in private companies.

Real estate and infrastructure have both equity- and debt-like return and risk characteristics. As such, we:

1. Conduct quantitative and qualitative analyses of each investment and assign it to a risk category: low, core/medium or high; and
2. Fund new purchases by selling a mix of public fixed income and equity holdings designed to match the risk category and geographic exposures. When real estate investments carry mortgages, returns on our net investment are thus levered and correspondingly riskier. We maintain the total portfolio risk by raising more of the funding from selling equities and less from selling fixed income investments. For infrastructure, the degree of leverage anticipated in the investment is allowed for in the choice of risk category.

FUNDING A REAL ESTATE TRANSACTION USING THE TOTAL PORTFOLIO APPROACH



In summary, the Total Portfolio Approach demands that we characterize each investment or strategy in terms of its risk attributes, which then determine the corresponding funding portfolio sold from CPP Reference Portfolio assets. The foregone returns on this portfolio imply a hurdle that a new investment must exceed if it is to add value to the portfolio. Further, we decide to proceed on a major transaction only after first quantifying its expected impact on the active risk of the managing group, the investment department and the total portfolio. Finally, we monitor our key evolving risk exposures each day with particular attention to equity/debt, currency and country weights. The total portfolio is balanced at least quarterly within tolerance ranges of the intended targets.

In our view, the Total Portfolio Approach is a relatively simple concept that leads to distinctly better portfolio structuring and risk control. However, making it work requires an understanding of how it differs from conventional decision-making. This is especially the case for private investments, which others typically assess against absolute return targets, not the foregone returns on securities sold to fund their acquisition. Our approach also requires complementary technology, detailed risk measurement and coordinated decision-making across the entire organization.

RISK/RETURN ACCOUNTABILITY FRAMEWORK

CPPIB's investment strategy is managed within our Risk/Return Accountability Framework. This is based on two cornerstones established by our Board of Directors: the CPP Reference Portfolio described on page 20 and the Total Fund Active Risk Limit. Each year the Board approves the active risk limit for the total portfolio. This controls how far management can deviate from the CPP Reference Portfolio to seek additional returns. Active risk is measured as one-year VaR at the 90th percentile. This indicates, with a 90% probability, the maximum amount by which the Fund might underperform the CPP Reference Portfolio in any 12-month period. Correspondingly, there is a 10% chance (one year in ten) that underperformance might be larger than this amount.

Through the annual one- and five-year risk budgeting process, management's Investment Planning Committee (IPC) evaluates each investment department's annual business plan and expected net new investments for the coming fiscal years. The IPC then approves the range of active risk expectations for each investment department, keeping the aggregate target within the limit set by the Board of Directors. Through comprehensive quarterly reports, the Board monitors total fund risk and management's deployment of active risk against the business plans and the achievement of value-added.

Successful investing requires a well-defined scope, clear delineation of decision-making responsibilities and fully aligned measures and incentives for accountability. The diagram below shows our structure:

ACCOUNTABILITY		RISK/RETURN
Board of Directors	→	CPP Reference Portfolio
Investment Committee	→	Active Risk Limit
Human Resources & Compensation Committee	→	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 Better Beta Returns → Total DVA ← Alpha Returns
Investment Departments	→	Execute investment strategies and active programs to generate alpha

As noted under the Total Portfolio Approach, we develop a mix of CPP Reference Portfolio investments that is optimal for funding each active program and its investments. The foregone return on the assets sold to finance the active investments, or the return on any cash required for pure alpha strategies, is then known and measured as the funding cost. In addition, the Human Resources and Compensation Committee of the Board of Directors (HRCC) establishes an explicit performance benchmark index or blend of indices for each active program and its incentive compensation structure.

We assign accountabilities according to this framework for both risk undertaken and returns achieved as follows:

Investment Planning Committee

> The Investment Planning Committee is accountable for decisions to extend portfolio investments in both beta and alpha areas, and for the assignment and approval of investment mandates for each active program;

> Its measures of success are the long-term value-added – beta plus alpha – from each active program relative to its funding costs, and the total value-added for the Fund relative to the CPP Reference Portfolio;

> Its primary measures of risk are the total active risk that the actual portfolio exhibits relative to the CPP Reference Portfolio, and the difference in overall risk level between the Fund and the CPP Reference Portfolio; and

> It is also accountable for maintaining the intended systematic risk exposures of the Fund relative to the CPP Reference Portfolio.

Investment Departments/Groups

> Each is accountable for the execution of active portfolio management programs within its mandate;

> The primary measure of success is alpha contribution: the value-added, after all costs, of the department's programs relative to the benchmarks approved by the HRCC;

> The primary measure of risk is the active risk of active program holdings relative to their benchmarks; and

> Each is accountable for the decisions of its Investment Department Decision Committee to approve or reject new strategies and individual investment transactions.

Credit Investment Committee

> Strategies and transactions that involve corporate credit are also approved by the Credit Investment Committee which controls exposures, as appropriate, from a total portfolio perspective across all active programs.

Our measurements of risk are continually refined as our insights and technical capabilities broaden and deepen. In particular, risk quantification goes beyond market risk to recognize the important factor of credit risk. Using a VaR measure, credit risk estimates the potential losses if entities default as borrowers on loans from the CPP Fund or if counterparties fail to fully meet their financial obligations under derivatives or other contracts.

We backtest risk measurement methodologies each quarter by comparing the actual range and frequency of outcomes against those predicted by our risk models. We also conduct stress tests to estimate the potential impacts of major adverse events or environments. Tests include recurrences similar to the 1987 equity crash, the growth markets currencies and debt crisis of 1997–98 and the global financial crisis of 2008–09. We continue to develop additional risk models that use multi-scenario forward-looking simulations to enhance risk control and active decision-making.

BENCHMARKING UNDER THE RISK/RETURN ACCOUNTABILITY FRAMEWORK

Benchmarking is critical to CPPIB's management and our Board of Directors in that it serves to:

> Assess the effectiveness of the active programs based on the value-added relative to the active risks taken;

> Help decide which strategies should be emphasized, modified or curtailed; and

> Provide a basis for determining the element of employee incentive compensation that is related to investment value-added.

TOTAL FUND BENCHMARK

Our primary objective is to add value, after all costs, over the returns that could have been achieved by investing passively according to the CPP Reference Portfolio and its public market benchmark indices. This basic performance measure directly and significantly affects incentive compensation for all CPPIB employees. Further detail is provided in the Compensation Discussion and Analysis on page 68.

DEPARTMENT/GROUP BENCHMARKS AND VALUE-ADDED TARGETS

Public accountability demands that we compare our investment results to relevant benchmarks that are more granular than the CPP Reference Portfolio and the very long-term expectations of returns needed to help sustain the CPP. Returns on public market indices are available for many areas. When they are not available or sufficiently representative, the results of comparable investors can provide a standard. However, the length of the measurement period, the circumstances during that period and the extent to which the future may differ from the past are all limiting factors in drawing conclusions about investment performance results.

The HRCC of the Board of Directors approves the framework for all benchmarks used for compensation as well as the specific benchmarks for all significant investment programs and the CPP Fund performance. The specific benchmarks are consistently used in management reporting too. The HRCC also approves the value-added targets required to achieve defined levels of incentive compensation. Benchmarks and targets for value-added are established according to the following principles and processes:

> Operating independently of the investment departments, the Total Portfolio Management department identifies benchmarks that are most representative of the expected constitution and systematic risks of each active program;

> Targets for value-added performance are set that balance:
  - The intended scope and focus of active decision-making and investment selection;
  - The degree of risk inherent in the program. There should be no incentive to seek additional compensation simply by taking on more risk than targeted;
  - The return that might reasonably be expected for the projected active risk; and
  - The range of skill-based results exhibited by external managers in the same or related field;

> All external investment costs and internal operating costs are deducted from actual returns before attributing any value-added. Internal operating costs include direct costs for the investment group and allocated amounts from oversight, management, operations and technology areas;

> A range of positive/negative incentive compensation multipliers for levels of value-added is developed for each active program. The multiplier for zero net value-added is typically set at zero unless the program's primary purpose is to effectively harvest beta returns largely inherent in the benchmark itself. The maximum multiplier generally corresponds to top decile four-year performance of a representative group of external managers under comparable mandates;

> Incentive payments in a year are based on a four-year average of the annually achieved multipliers. This period is the norm for organizations similar to CPPIB and consistent with industry-leading practices. It encourages a focus on longer-term rather than single-year results; and

> Methods and results for actual and benchmark returns are examined by CPPIB's external auditors who subsequently report 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.*

Specific benchmarks and targets for individual investing groups are described below:

Public Market Investments: Most active programs in the department are intended to generate pure alpha independent of market movements. Targets in dollar terms are set at the start of each year for the degree of active risk expected to be employed. For pure alpha strategies, an absolute dollar amount of value-added is required over the risk-free returns on any cash required to finance or maintain the investment. Certain programs that employ external managers may involve significant systematic risks. In that case, the IPC assigns appropriate benchmark indices. In both cases, the value-added target ranges are determined from competitive ratios of value-added per unit of active risk.

Private Equity: The starting point is the public market equivalent return. This is the return that would have been achieved had the same cash flows been invested in public market equities of the relevant region or sector. Private markets typically have greater leverage and therefore greater risks. To compensate for this, the public market benchmark is adjusted to a comparable leveraged level.

Infrastructure: The benchmark return is the funding cost. However, for incentive compensation purposes, the value-added target for the equity portion of the funding mix is risk-scaled in the same manner as for private equity.

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

Private Real Estate Equity: The Investment Property Databank (IPD) maintains performance surveys for a variety of countries and regions. These are well-recognized standards for comparable private real estate investments by institutions. Returns in the relevant survey are used as benchmarks for the regional and sector components of our real estate program. These benchmark returns are then reduced for certain expenses not included in the IPD calculations, notably land transfer and other taxes, acquisition costs and the basic portfolio management fees or costs required to harvest the beta return.

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

Our approach employs many more investment-specific benchmarks than other investment organizations typically use. We believe this additional complexity provides a better match of benchmarks with the risk characteristics of our active programs, providing clearer accountability and alignment for value-added contributions.

ENTERPRISE RISK MANAGEMENT

CPPIB's investment 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 adverse impact on our ability to execute our mandate.

Risk governance at CPPIB is accomplished by individual officers and committees. The Board of Directors is responsible for oversight of CPPIB's efforts to achieve the mandated "maximum rate of return, without undue risk of loss." 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 Audit Committee oversees financial reporting, information systems and associated risks, external and internal audit and internal control policies and practices;
> The Investment Committee establishes investment standards, procedures and policies. It reviews, approves and monitors CPPIB's investment activities and active risk levels. It also reviews the approach to investment risk management;
> The HRCC 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 is, by way of delegation by the Board of Directors, accountable for all risks beyond those explicitly controlled by the Board. The responsibility for risk management is distributed throughout the organization starting with the Senior Management Team (SMT), which consists of the President & CEO and his direct reports.

The SMT considers the full spectrum of inherent and emerging risks and ensures close alignment of our risk management efforts with our business strategy and plans. The leaders of each department are responsible for appropriately managing the risks assumed within their areas of responsibility.

The Chief Operations Officer is accountable for the Investment Risk department which measures, monitors and reports investment risks independently from the investment departments. This separates risk monitoring from investment management.

The Chief Financial Officer (CFO), on behalf of the SMT, oversees the ERM framework. The Internal Audit department also plays an important role as it provides independent assurance that controls and mitigants are properly designed and operating effectively.

The IPC, advised by the Total Portfolio Management department, manages the risk of the Fund relative to the CPP Reference Portfolio and guides risk allocations across our active investment programs in order to achieve optimal overall risk efficiency.

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

Investment Risk: This is the risk of loss due to participation in investment markets. It includes market risk (changes in currency rates, interest rates, equity prices, commodity prices and credit spreads), credit risk, and liquidity risk, in both internally and externally managed portfolios. It is managed and monitored in accordance with the Risk/Return Accountability Framework described on page 28.

We have risk committees to oversee each aspect of our investment risk exposures. The Investment Committee of the Board receives a quarterly report that reviews our assets, investment income, investment returns, risk measures and stress testing results. Management's IPC reviews the risks in the portfolio weekly and monthly through commentaries prepared by the Investment Risk group. The Credit Investment Committee oversees all credit investments and exposures and monitors our risk levels in accordance with approved risk limits.

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 delivering on 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 is executed 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, factoring in capital market and emerging economic conditions; and
> Quarterly reporting and discussion of our progress is conducted against the approved plan by both management and the Board.

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. 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 associated key tax risk issues as part of our investment transaction due diligence and at the total Fund level.

Operational Risk: This is the risk of loss in response to internal or external factors due to actions of people, or inadequate or failed internal processes or systems. Operational risk encompasses a broad range of risks, including those associated with:
a) Human resource management and employment practices;
b) Employee misconduct including breaches of the Code of Conduct, fraud, and unauthorized trading;
c) Ability to recover from business interruptions and disasters;
d) Transaction processing, operations and project execution;
e) Data, models, user-developed applications and information security; and
f) The integrity of financial reporting.

Exposures can take the form of direct financial losses, indirect financial losses masked 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. Our Treasury, Risk, Operations and Technology (TROT) department maintains rigorous protocols for implementing new investment products and technologies, ensuring data and information security and establishing continuity plans for potential business interruptions. Also, we purchase insurance for property and casualty, as well as Director and Officer liability, protection.

Reputation Risk: Reputation risk 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 substantial 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 the ability to execute our strategy.

The responsibility to manage reputation risk extends from management and the Board of Directors to every employee. This is clearly detailed and communicated through our Code of Conduct which, 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.

CPPIB has established a culture based on our guiding principles of Integrity, Partnership and High Performance. They apply to all business activities. We require that reputation risk assessments be considered as part of the investment decision-making process, business strategy development and execution. Further, our Issues Management Executive Committee regularly monitors and addresses issues that could have a reputational impact with our key stakeholders. Additionally, we have increased our efforts to proactively build our reputation and brand externally to support our business objectives and mitigate risk.

RESPONSIBLE INVESTING

CPPIB believes that environmental, social and governance (ESG) factors will significantly influence the long-term financial performance of the public and private companies in which we invest. ESG factors present both risks and opportunities, and assessing their effect on risks and returns is an integral element of our investment approach. We believe that high standards of responsible corporate behaviour can positively affect financial performance. Conversely, ESG risks that are not addressed often negatively affect long-term value. An essential element in our investment strategies is to assess ESG factors through the lens of their effect on risks and potential returns for the Fund. These are the cornerstones of CPPIB's Policy on Responsible Investing.

Our responsible investing activities fall into three areas. First, in specific focus areas we engage with selected companies in our portfolio by communicating directly with management and boards of directors. We seek to enhance corporate disclosures and management practices as they relate to ESG factors relevant to those companies. Second, we exercise fully our voting and other rights and obligations as an engaged owner of securities, providing public advance disclosure of all voting intentions. Third, all investment departments integrate ESG factors into their due diligence, decision-making, monitoring and asset management.

We believe that engaging with corporate management and boards of directors is an appropriate and effective strategy for large institutional investors with a long investment horizon. Engagement is more powerful when conducted in collaboration with other funds having similar objectives and concerns. For example, our collaboration with the United Nations-supported Principles for Responsible Investment (PRI) initiative and the Canadian Coalition for Good Governance (CCGG). Eric Wetlaufer, Senior Vice-President of Public Market Investments, was elected this year to the PRI Advisory Council. CPPIB helped formulate the United Nations-supported Principles for Responsible Investment and was one of the original signatories in 2006. This year our President & CEO, Mark Wiseman, replaced David Denison, his predecessor, as a board member of the CCGG.

Engagement activities are detailed in the Annual Report on Responsible Investing that is available on our website. Our current focus areas are climate change, extractive industries (oil and gas and mining), water and executive compensation.

Our approach to responsible investing is consistent with the United Nations-supported PRI. Today, PRI signatories represent US$32 trillion in institutional investor assets.

FINANCIAL PERFORMANCE

We increased investment in private asset classes across the globe during fiscal 2013, continuing to build our long-term investment programs and diversify our portfolio.

ASSET MIX

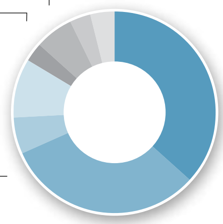
The chart below provides a more detailed view of the Fund's asset weightings, both by asset category and economic exposures, as discussed in the Total Portfolio Approach section on page 26.

AS AT MARCH 31, 2013	Asset Mix		Exposure Mix	
ASSET CLASS	($ billions)	(%)	($ billions)	(%)
CANADIAN EQUITIES	**15.3**	**8.4%**	**17.6**	**9.6%**
Public	13.1	7.2%		
Private	2.2	1.2%		
FOREIGN DEVELOPED MARKET EQUITIES	**64.0**	**34.9%**	**89.4**	**48.7%**
Public	35.4	19.3%		
Private	28.6	15.6%		
EMERGING MARKET EQUITIES	**12.4**	**6.7%**	**12.1**	**6.6%**
Public	10.6	5.7%		
Private	1.8	1.0%		
FIXED INCOME	**60.7**	**33.1%**	**53.2**	**29.0%**
Non-marketable bonds	24.4	13.3%		
Marketable bonds	28.1	15.3%		
Inflation-linked bonds	0.4	0.2%		
Other debt	8.6	4.7%		
Money markets and debt financing	(0.8)	-0.4%		
FOREIGN SOVEREIGN BONDS	**–**	**0.0%**	**11.2**	**6.1%**
REAL ASSETS	**31.1**	**16.9%**		
Real estate	19.9	10.8%		
Infrastructure	11.2	6.1%		
TOTAL[1]	**183.5**	**100.0%**	**183.5**	**100.0%**

[1] Excludes non-investment assets such as premises and equipment and non-investment liabilities.

The chart below illustrates the global diversification of our portfolio. At the end of fiscal 2013, Canadian assets represented 36.7% of the portfolio and totalled $67.4 billion. Foreign assets represented 63.3% and totalled $116.1 billion.

GLOBAL DIVERSIFICATION
As at March 31, 2013



PORTFOLIO RETURNS[1]

ASSET CLASS[2]	**Fiscal 2013**	Fiscal 2012
Canadian public equities	**4.2%**	-10.7%
Canadian private equities	**3.4%**	8.1%
Public foreign developed market equities	**13.2%**	3.6%
Private foreign developed market equities	**16.8%**	12.1%
Public emerging market equities	**2.4%**	-7.9%
Private emerging market equities	**7.4%**	6.6%
Bonds and money market securities	**4.1%**	9.5%
Non-marketable bonds	**8.2%**	14.4%
Inflation-linked bonds	**3.0%**	16.3%
Other debt	**15.1%**	8.5%
Real estate	**9.2%**	13.0%
Infrastructure	**8.8%**	12.8%
Investment Portfolio[3]	**10.1%**	6.6%

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 total Fund return in fiscal 2013 includes a loss of $348 million from currency hedging activities and a $1,414 million gain from absolute return strategies, which are not attributed to an asset class.

	Fiscal 2013		Fiscal 2012	
	%	**$ billions**	%	$ billions
TOTAL FUND RETURNS[1,2]				
1-year return	**10.1**	**16.7**	6.6	9.9
5-year return	**4.2**	**34.7**	2.2	17.7
10-year return	**7.4**	**77.2**	6.2	59.4

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, 2013 with net assets of $183.3 billion, an increase of $21.7 billion from the prior year end. This increase consisted of $16.7 billion in investment income and $5.5 billion in CPP net contributions, less $0.5 billion in CPPIB operating costs.

The portfolio returned 10.1% for fiscal 2013 compared with 6.6% for fiscal 2012. The fiscal 2013 results reflect strong global equity market performance. The fear of a double-dip recession in the U.S. abated and major U.S. equity indexes hit all-time highs, posting returns of over 13%. Foreign developed equity markets more broadly increased by close to 15%. Canadian equity markets rose by 4.7%. Fixed income markets also fared well as continued fiscal stimulation kept yields low and prices high.

The Fund benefited from the strength and capabilities of CPPIB's global investment platform as virtually all active management programs and private market holdings generated positive returns in every quarter. Canadian and foreign public equity markets continued to be volatile, posting significant losses in Q1 only to recover and generate gains by the end of the year. Fiscal Q4 performance was particularly strong.

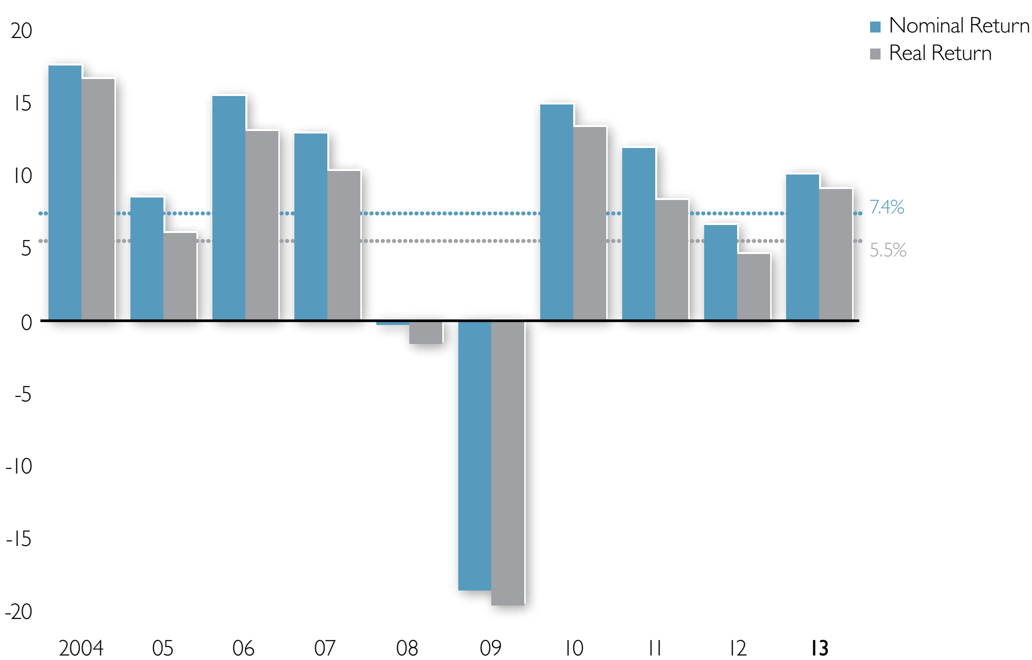
The strengthening of the Canadian dollar negatively impacted this year's total Fund return. The Canadian dollar gained relative to all major currencies except the U.S. Dollar. This decreased Fund returns by $0.5 billion when returns on our foreign exposure were converted to Canadian dollars.

We also report on longer-term results in accordance with our long investment horizon. For the five-year period ending March 31, 2013, the CPP Fund generated an annualized nominal rate of return of 4.2% or $34.7 billion of investment income. For the 10-year period, the Fund had an annualized nominal rate of return of 7.4% or $77.2 billion of investment income, before taking into account operating expenses.

On a real return basis that adjusts for inflation, the 10-year annualized return was 5.5% calculated on a time-weighted basis. Inflation is defined by changes in the Consumer Price Index. In his 25th Actuarial Report, the Chief Actuary of Canada estimated that a 4% real rate of return is required to sustain the CPP at its current contribution rate. The Fund's 10-year return exceeded that target. The five-year real return, 2.4%, was still weighed down by the major decline in equity markets in 2008–2009. We remain confident in the Fund's current portfolio construction and our ability to deliver the annualized 4% net real return anticipated by the Chief Actuary over the long term.

RATE OF RETURN

For the year ended March 31 (%)



CPP REFERENCE PORTFOLIO RETURNS

The CPP Reference Portfolio is the foundation of our investment strategy and provides a clear benchmark for total portfolio returns against which management is held accountable. This also reflects our long-term approach. The CPP Reference Portfolio is comprised of public market asset classes represented by broad indices. See page 20 for more information.

CPP REFERENCE PORTFOLIO RETURNS

ASSET CLASS	BENCHMARK	2013 Return (%)	2012 Return (%)
Canadian equities	S&P Canada Broad Market Index	**4.7%**	-10.6%
Global equities	S&P Global ex-Canada LargeMidCap Index[1]	**13.2%**	3.2%
Canadian nominal bonds	Custom blended benchmark: DEX All Government Bond Index, actual CPP bonds and actual Canadian real return bonds	**5.9%**	13.2%
Foreign sovereign bonds (hedged)[2]	Citigroup World Government G7 Bond Index[2]	**5.3%**	7.8%
Total CPP Reference Portfolio		**9.9%**	4.6%

[1] Net of tax unhedged.
[2] Hedged to Canadian dollars.

PERFORMANCE AGAINST BENCHMARKS

While the investment portfolio posted solid returns in fiscal 2013, its performance corresponded closely to the CPP Reference Portfolio. Strong public market equity returns, both Canadian and foreign, were the main contributors to the CPP Reference Portfolio performance. The investment portfolio return was $204 million above the CPP Reference Portfolio return, but was negative $286 million when reported net of operating expenses. As the proportion of private market assets – real estate, infrastructure, private equity and private debt – increases, we can expect flat or underperformance relative to the CPP Reference Portfolio over shorter periods of time, especially when public markets show significant rapid gains as experienced this fiscal year. Private asset returns tend to be less volatile than public market returns and will rarely match sharp gains (or losses) by public market assets. In addition, the fair value of private assets reflects conservative assumptions, since there is not an observable market price, as there is for public market assets. Our active strategies have generated $3.1 billion in added value (after taking into account all costs) since inception of the CPP Reference Portfolio and we remain confident that this value-added performance will continue over longer periods of time.

We measure the difference between the investment portfolio's performance and that of the CPP Reference Portfolio in dollar terms, or dollar value-added (DVA). We believe this is a more complete measure than basis points since it encompasses both the rate of return success and the asset base to which the success applied. Performance measures should be:

1. Free from bias – not influenced by irrelevant or inappropriate factors;
2. Standardized – rules-based and fully documented method of calculation;
3. Sound – appropriate for their purpose with sound rationale;
4. Consistently applied – across investment groups, departments and strategies; and
5. Comparable – allowing for fair comparability across investment units.

DVA meets all these criteria and is an easily understood measure of success. It provides the additional benefit of being directly additive over multiple periods.

For accountability purposes, we track value-added performance over rolling four-year periods. While this does not necessarily represent a full market cycle, the four-year period is consistent with periods used by organizations similar to CPPIB as a reasonable basis for assessing longer-term performance and is used in our incentive compensation framework.

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

	Fiscal 2013		Fiscal 2012	
	%	**$ billions**	%	$ billions
CPP REFERENCE PORTFOLIO RETURNS[1]				
1-year	**9.9**	**16.5**	4.6	6.8
4-year	**11.1**	**58.7**	3.1	18.6
Since inception[2]	**4.2**	**42.5**	3.3	26.0

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

	Fiscal 2013	Fiscal 2012
	$ billions	$ billions
VALUE-ADDED RELATIVE TO CPP REFERENCE PORTFOLIO[1]		
1-year	**0.2**	3.1
4-year	**-0.3**	-0.5
Since inception[2]	**5.0**	4.8
Since inception value-added net of all Fund costs[2]	**3.1**	3.3

[1] Before CPPIB operating expenses. Figures are cumulative.
[2] CPP 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 CPP Reference Portfolio. Cumulative value-added over the past seven years totals $5.0 billion. Over this period cumulative costs to operate CPPIB were $1.9 billion, resulting in net dollar value-added of $3.1 billion. 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 Funds & Secondaries and direct investments, reflect 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 DEX Capital Markets 91-day Treasury Bill Index. The portfolio earned 1.1% or $16.4 million for fiscal 2013 versus 1.0% for the index. Over the course of the year, this short-term portfolio had average balances of approximately $1.4 billion.

INVESTMENT DEPARTMENTS REVIEW

This section describes the responsibilities of our three investment departments – Public Market Investments, Private Investments and Real Estate Investments – as well as the Total Portfolio Management department that coordinates their activities under our Total Portfolio Approach. We also review departmental performance and highlight investment activities during fiscal 2013.

The year's focus was on developing further as a global investment organization. We have extended the scope of our active programs, with particular emphasis on growth markets, while continuing to build our investment teams and refine our processes. The diversity of our investment strategies, and the strengths of our internal capabilities to manage them are both critical to achieving our long-term purpose.

To ensure that we have the expertise and experience needed to support our broadening global activities, we added 43 investment professionals. CPPIB's combination of a singular focus on investing and a distinctive culture of Integrity, Partnership and High Performance enables us to continue to attract world-class investment professionals from Canada and around the world. Likewise, the advantages of scale, knowledge and our commitment to the long term allow us to continue engaging new and valued external partners.

To be viewed as a preferred partner for the best global investment opportunities, we must have a significant presence in the regions in which we invest. Our European and Asian offices, in London and Hong Kong, opened in 2008. Both represent increasingly active channels for CPPIB in their respective regions. This year London's staff grew to 51 from 38 and Hong Kong's increased to 32 from 23. To maximize the benefits from our global investing approach, both offices now include staff from all of our investment departments.

We are equally committed to continuous improvement of our investment process. At the total portfolio level and within each investment group, we rigorously research and evaluate strategies and processes to enhance our decision-making and portfolios. Each active program must continue to meet the tests of materiality, scalability, and sustainability of value-added. As well, we continue to increase the sophistication of the operational systems critical to implementing our growing investing programs with maximum efficiency, and to providing the risk and return analytics for their monitoring and direction.

As a globally recognized long-term investor, we are presented with numerous investment opportunities in both private and public markets. But, combining sophisticated analysis with sound judgment, we decline well over 90% of opportunities because they do not meet our risk/return criteria. The decision not to invest, or to sell an existing holding, is as important as the decision to make a new investment or increase our commitment.

This year's investment activity included 36 transactions of over $200 million each, 7 in the External Portfolio Management group, 7 in real estate, and 22 in private equity, private debt and infrastructure investments. These sizeable and complex transactions were made in 11 countries, attesting to both CPPIB's internal capabilities and our external reach. Highlights were:

> A joint venture with Lend Lease Corporation and the Australian Prime Property Fund Commercial to develop and hold two institutional-quality, premium-grade, energy-efficient waterfront office towers at the Barangaroo South Project in Sydney's Central Business District in Australia. CPPIB committed 50% or A$1.0 billion of the equity for the project. This is our largest investment in a single real estate asset;

> The US$1.1 billion acquisition from Tomkins of its Air Distribution division, a leading manufacturer of non-residential and residential air distribution system components;

> Significant expansion of CPPIB's real estate holdings in Brazil through a joint venture with Global Logistic Properties Limited and two other large global institutional investors. We committed US$362 million for the joint acquisition of two logistics portfolios.

> The acquisition of Suddenlink Communications, the seventh largest cable company in the United States, by CPPIB, BC Partners and Suddenlink management for US$6.6 billion; and

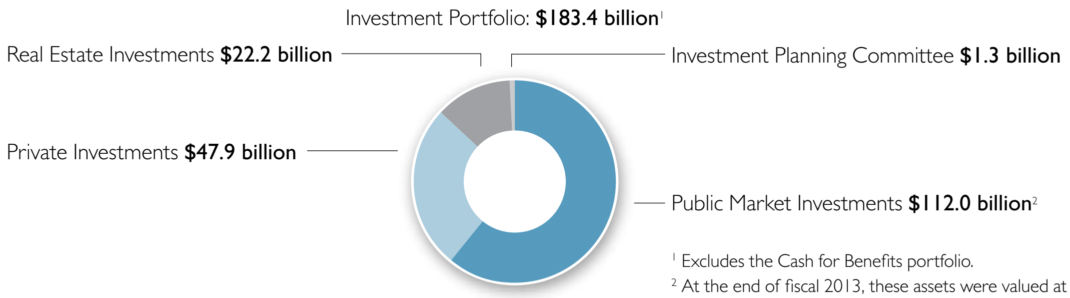
> Completion of two significant and innovative transactions in the secondary private equity funds market: i) a US$654 million commitment to Behrman Capital PEP L.P. Fund and ii) a US$541 million investment to acquire a portfolio of primarily food assets from HM Capital Sector Performance Fund and related co-investors and also anchoring the newly-formed Kainos Capital Partners Fund.

Managing the total portfolio to meet its long-term purposes requires us to keep primary risk exposures within their intended ranges at all times despite short-term market volatility. Disciplined rebalancing across and within asset classes through the Total Portfolio Approach described on page 26 ensures that the Fund's economic, geographic, currency and sectoral exposures remain as intended relative to the CPP Reference Portfolio. To achieve this, we retain a significant margin of liquidity in the form of unencumbered publicly-traded assets so that we can readily adjust the portfolio whenever necessary, and avoid any forced sale of long-term assets to meet short-term exigencies. Further, we plan sufficient liquidity to allow us to finance large investments as they occur; well-managed allocations to less liquid investments typically carrying premium returns can generate value-added for the Fund with acceptable risks. Finally, prudent liquidity management ensures fund safety and soundness in all circumstances to meet cash commitments on derivatives positions at any time, and ensures that the cash needed for CPP benefit payments is always available.

INVESTMENT ACTIVITIES BY DEPARTMENT

All investment activity is conducted in accordance with the Investment Policy approved by our Board of Directors and within the Policy on Responsible Investing discussed on page 33. The year-end composition of assets among the Investment Departments is shown below.

As at March 31, 2013



[1] Excludes the Cash for Benefits portfolio.
[2] At the end of fiscal 2013, these assets were valued at $112.0 billion, of which $7.3 billion represented the active public market programs.

INVESTMENT PLANNING COMMITTEE

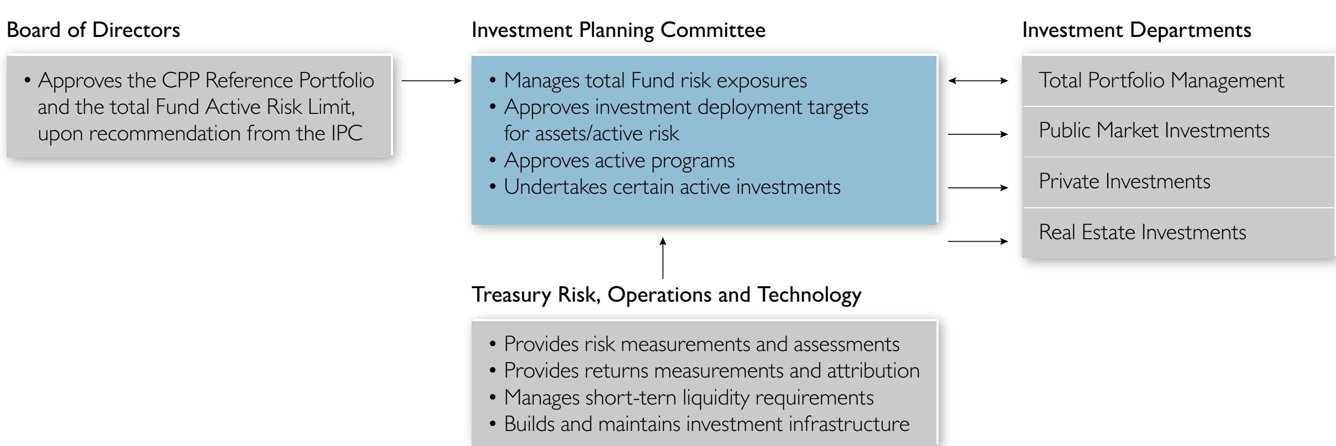
Management's Investment Planning Committee (IPC) oversees investment management of the total portfolio, and ensures compliance with the Investment Policy and the Active Risk Limit. The IPC is chaired by the Chief Investment Strategist, who also heads the Total Portfolio Management department. Other IPC members are the President & Chief Executive Officer; the department heads of Public Market Investments, Private Investments and Real Estate Investments; the President, CPPIB Asia Inc.; the Chief Operations Officer; the Chief Financial Officer; and the Chief Talent Officer.

The investments of each investment department are funded, and their returns are benchmarked, within a framework established by the IPC. Specifically, the IPC:

> Monitors and manages the Fund's primary risk exposures such as market risk, credit risk, foreign currency and liquidity;
> Sets target ranges for asset deployment by the Private Investments and Real Estate Investments departments, and for active risk deployment by the Public Market Investments department, ensuring that the resulting expected total active risk remains within the limit set by the Board;
> Approves new active management programs designed to capture systematic (beta) and/or skill-based (alpha) returns, and closures of programs;
> Establishes funding, currency hedging, benchmarks and active risk expectations for all active programs. The IPC may also modify funding and/or benchmarks as active programs evolve. To the extent that a program's benchmark, against which the investment department is measured, differs from its funding, the resulting return and risk differences are attributed to the IPC's "portfolio." The IPC is, however, primarily concerned with the total value-added and active risk;
> Undertakes certain active investments for which the IPC itself is accountable rather than any one investment department; and
> Oversees the management of the passive components of the portfolio to closely track public market indices.

ROLE OF IPC

The diagram below illustrates the activities of the IPC and its interaction with various departments:



The IPC has overall responsibility for total performance of the Fund relative to the CPP Reference Portfolio. This combines (i) value-added by beta decisions to extend active investments into areas not included in the CPP Reference Portfolio, relative to the returns foregone on securities correspondingly sold from the CPP Reference Portfolio, and (ii) value-added relative to benchmark indices by alpha decisions on purchase and disposition of investments, which are the specific responsibility of the investment departments. Four broad active strategies contribute to total value-added. The contributions of each are shown in the table below.

VALUE-ADDED CONTRIBUTIONS OF ACTIVE PROGRAMS[1]

$ billions	**1-Year**	4-Year	Since Inception[2]
Public Market Investments	**1.1**	2.1	1.6
Private Investments	**-1.0**	-5.0	2.7
Real Estate Investments	**-0.4**	-1.0	0.2
Investment Planning Committee	**0.6**	3.7	0.5
Total Fund	**0.2**	-0.3	5.0

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

The IPC itself manages several active programs, and other exposures that are best suited for the account of the total portfolio rather than any single investment department. Among this diverse set of largely uncorrelated return generators are:

> Two portfolios (leveraged buyout loans and distressed mortgages) that were initiated during the 2008–2009 financial crisis at prices well below expected long-term value. They are managed by three leading external managers with specialist expertise. These programs are now maturing and declining in size;

> An internal strategy of selling long-horizon equity index volatility; and

> Provision of liquidity to the natural catastrophe bond market when liquidity in that market is limited and its return premium is high. This is done through investing in risk-limited insurance-linked securities managed by an experienced external specialist firm.

Consistent with our evolution as a global organization, the IPC undertook two further positions this year:

> Investments of over $100 million in China "A" shares. These are yuan-denominated shares of domestic companies trading on Chinese mainland stock exchanges other than Hong Kong. This was made possible by CPPIB's successful application under China's Qualified Foreign Institutional Investor (QFII) program; and

> An investment of $250 million in a fund of public and private equity investments in Brazil. This fund is managed by one of Brazil's largest asset managers, São Paulo-based Tarpon Investments.

In fiscal 2010, CPPIB established a Canadian commercial paper program to further ensure flexibility in managing short-term liquidity. Extended to the U.S. in fiscal 2013, these issues continue to carry the top credit ratings from Standard & Poor's, Moody's and DBRS. Overseen by the IPC, the total debt outstanding was $9.5 billion at year end.

One of the IPC's responsibilities is to manage the Fund's overall foreign currency exposures, excluding programs that involve active management of currencies, to the strategic weights embodied in the CPP Reference Portfolio as discussed on page 20. This is simpler and more effective than managing currency within each investment department. The following sections show actual returns for each department before and after the impact of changes in exchange rates. Since each department does not itself manage currency exposure, we have adjusted benchmarks to ensure comparability of currency of asset and benchmark returns. The rationale for our currency hedging policy is discussed on page 21.

TOTAL PORTFOLIO MANAGEMENT

The 55-member Total Portfolio Management (TPM) department is the operational arm of the IPC and responsible for ensuring comprehensive implementation of the Total Portfolio Approach. Investments and trading in the public markets, and ongoing acquisitions and divestments in private markets, alter portfolio composition over time. TPM monitors and guides this to maintain and enhance portfolio quality. Quality is not an overly quantitative or prescriptive single measure, but a range of desired characteristics. These include asset mix, active risk exposures, expected return to risk, liquidity, resource requirements and expense ratios, scalability and flexibility. We believe that high-quality portfolios carry the best odds of maximizing the dollars of value-added over the long term.

Management guides investment portfolio growth and composition with both bottom-up and top-down levers to manage ever-present opportunities while avoiding the tendency to migrate to ever-higher risk investments. The use of dollars as a measure of value-added, rather than incremental rates of return, is directly additive and comparable across investment groups and over multi-year periods, with corresponding accountability and alignment. As important, it forces explicit consideration of targets for value-add that do not scale directly with the assets of the Fund, nor vary with short-term market price fluctuation.

Bottom-up levers include benchmarks and other standards designed to ensure that the expected value-added by each incremental investment, net of expected funding costs, justifies the accompanying risk. Total portfolio implications thereby translate into tangible and discrete investing contexts for decision-makers. Over the past two fiscal years, TPM has completed a principles-based review of benchmarks and value-added targets for all active programs and the total Fund.

Five-year risk budgeting is the primary top-down tool for guiding long-term growth for active programs. The motivation for top-down active portfolio management is 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. Given the long lead times on staffing, market presence and business capabilities, portfolio composition changes only gradually. Within these constraints, we start from "the range of the possible" in each program and then identify the best longer-term direction. The annual risk budgeting exercise seeks to align investment opportunities, liquidity, people and other resources for growth in that direction. Over the past two years, we have evolved this process significantly with the increasing complexity and global reach of the portfolio.

In addition to guiding total portfolio performance with the levers described above, TPM is responsible for the asset-liability modelling and portfolio analyses that underlie our formal triennial review of the CPP Reference Portfolio. This review will commence following the release of the Chief Actuary's next Actuarial Report on the CPP, due in late calendar 2013.

PUBLIC MARKET INVESTMENTS

The Public Market Investments (PMI) department invests in publicly-traded equity and debt 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. Investments in public markets are the largest component of the CPP Fund. At the end of fiscal 2013, these assets were valued at $112.0 billion. Of this, $7.3 billion are directly managed in active public market programs. 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. The public markets portfolio is managed by six investment groups: Global Capital Markets, Short Horizon Alpha, Global Corporate Securities, Global Tactical Asset Allocation, Relationship Investments and External Portfolio Management. The department's mandate has two aspects:

- Management of (i) index-related exposures in all CPP Reference Portfolio asset classes on behalf of the IPC and CPPIB debt issues and (ii) public market transactions as needed for all active programs. These functions are provided by the Global Capital Markets group; and
- Management by the other five PMI groups of a diverse array of active strategies primarily designed to capture alpha – the additional returns from successful active management beyond the market returns for systematic risks.

The chart below shows the value-added generated by PMI's active investment programs in fiscal 2013. 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 underlying asset base for measuring returns in percentage terms.

PUBLIC MARKET INVESTMENTS – ACTIVE	Fiscal 2013 $ billions	Fiscal 2012 $ billions
RETURNS[1]		
1-year	**1.6**	0.3
1-year benchmark	**0.5**	0.2

PUBLIC MARKET INVESTMENTS – ACTIVE	Fiscal 2013 $ billions	Fiscal 2012 $ billions
CONTRIBUTION TO PORTFOLIO VALUE-ADDED[1]		
1-year	**1.1**	0.0
4-year	**2.0**	0.6
Since inception[2]	**1.5**	0.5

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

This year's positive results were generated in a variety of market conditions. The start of the year was dominated by fluctuating "risk-on, risk-off" sentiment and range-bound markets. These are difficult for longer-term intrinsic value strategies, so the department limited somewhat the extent of its risk-taking. Some of the uncertainties that created those conditions were reduced as the year progressed. Improvements included more stable prospects for the euro and lower sovereign bond yields in peripheral European countries, an apparent soft landing following a decline in China's GDP growth, a resolution of future political leadership in both China and the U.S., and a partial resolution of the U.S. fiscal cliff issues. We remain confident in the diversity of the sound approaches that are employed in our programs, and believe this diversity will produce significant value-added over the longer term.

FISCAL 2013 ACTIVITIES

PMI's primary focus this year was continuing to enhance its processes and technologies to create greater trading efficiencies and further improve decision-making in scalable active programs. We expanded investment activities through the awarding of 16 new investment mandates to specialized external managers, the majority focused on Asian mandates, and by our establishment of two additional longer-term relationships with public companies. Supporting these directions, PMI extended its global reach by adding three staff in the Hong Kong office.

The responsibilities and activities of PMI's six groups are described below.

Global Capital Markets

The Global Capital Markets group (GCM) delivers three services critical to the efficient management of public markets assets, the largest component of the Fund:

1. On behalf of the IPC, management of the portfolio's passive component against the constituent weights within benchmark indices, balancing the minimization of transaction costs against tight tracking with the benchmark returns. This also encompasses the disciplined ongoing rebalancing of the total portfolio against its targeted market and currency exposures;
2. Maintenance of necessary liquidity and execution of market-sensitive transactions required to fund major private investments; and
3. Provision of the most price-effective and timely execution services for active programs within PMI. This activity is critical to the realization of value-added.

The annual return difference between the passive portfolio and its benchmarks (which carry no costs) was one basis point in fiscal 2013. This resulted in $17.3 million of value-added to the total Fund, attributed to the IPC.

A particular focus this year was to better balance the sources of liquidity for the investment portfolio. This is required to support the funding of external managers and other active programs while ensuring a sufficient liquidity margin at all times at the lowest cost and risk. Taking advantage of our AAA credit rating, we launched a U.S. commercial paper program which raised US$8.2 billion in this fiscal year. We also initiated repurchase and reverse repurchase (repo) programs. These initiatives have allowed us to achieve a better balance among our cash funding sources for major new investments.

Short Horizon Alpha

The Short Horizon Alpha (SHA) group was formed in late fiscal 2011 with a mandate to seek value-added through active trading strategies that have a typical investment horizon of six months or less. The group added two strategies this year to provide increased breadth and now manages six distinct strategies. These involve trading in credit, foreign exchange, equity and debt, commodities, options and volatility. Each strategy seeks to profit from arbitrage opportunities and relative value divergences among similar securities in major markets. SHA continues to strengthen its quantitative capabilities, further develop its risk-based portfolio construction techniques and refine allocations among strategies as prevailing market regimes change.

Market conditions were difficult for systematic strategies in the early part of the year given central bank interventions, fiscal cliff issues and ongoing concerns in Europe. However, overall performance was positive particularly in credit markets. Also, we were able to take advantage of price dislocations as investors in certain areas reduced their participation due to regulatory changes.

Global Corporate Securities

Global Corporate Securities (GCS) seeks to add value through bottom-up equity selection 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. The other is based solely on fundamental insights and company 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 programs in Canada, U.S., Japan, and the developed markets in Europe and Asia ex-Japan; and
- Our fundamental research evaluates characteristics and distinguishing aspects of companies that we consider indicative of longer-term relative success. Weighing these factors against current market prices, the portfolio includes long/short securities positions within major industry sectors in developed markets across the globe.

As noted earlier, common macro factors dominated stock price behaviour earlier in the year. Price movements then became less subject to the "herd effect," improving the environment for stock selection strategies. We believe that portfolio factors related to value and quality continue to be predictive of future returns.

Global Tactical Asset Allocation

Global Tactical Asset Allocation (GTAA) pursues returns over a multi-year horizon by identifying relative strengths that arise both across and within major markets for equities, fixed income, currencies and commodities. In each strategy, we buy markets or asset classes with high risk-adjusted expected returns and correspondingly sell those with the opposite assessment. Decision-making employs internally designed models based on three sets of indicators: valuation, economic environment and market sentiment. In weighing these indicators, the team blends rigorous research with a strong element of experienced judgment. GTAA's primary research focus is on factors with longer-horizon payoffs while shorter-horizon insights allow the group to better manage the macro risks and changes in economic conditions.

On a daily basis, the group currently assesses the expected risk and returns of over 80 markets and commodities through models analyzing over 7,000 data series. Six investment programs focus on integrating these signals with a qualitative assessment of long-term macroeconomic fundamentals. These programs are: developed market currency selection, emerging market currency selection, country equity selection across developed and emerging markets, developed bond market selection, tactical asset allocation among equities, bonds, commodities and cash, and commodities selection. An additional program focused on cross-market volatility is under development.

Similar to other PMI groups, GTAA activities can differ from those of other investment managers as CPPIB's strategic advantages allow us to persevere with sound strategies through difficult conditions that might force commercial firms to close positions at the worst possible time. Fiscal 2013 continued to be an interesting but non-directional macro environment for much of the year, and we were therefore cautious in our risk-taking. Our long-term mandate allowed us to weather various storms while continuing to build out our programs and tune our strategies. We are confident that going forward we will be rewarded by this singular investment focus.

Relationship Investments

Relationship Investments (RI) considers significant direct minority investments in companies, acquiring stakes in, or providing strategic capital to, public or soon-to-be-public companies to help generate meaningful longer-term outperformance relative to their peers. Investments range from more than $100 million to several billion dollars for a 5–25% ownership position. Each arrangement includes an active ongoing relationship with management teams and boards of directors. The group focuses particularly on transformative growth opportunities and situations involving the strengthening of balance sheets or transition of ownership blocks. In most cases, RI obtains governance rights commensurate with the importance of our stake while the company benefits from having a patient and supportive major investor.

RI had a productive year in fiscal 2013, adding three investments to its portfolio:

> CPPIB completed a $250 million investment in TMX Group Inc. after a lengthy approval process that was appropriate for such a fundamental change to Canada's securities infrastructure. We participated alongside other major Canadian financial institutions in the acquisition and subsequent merger of the Canadian Depository for Securities and Alpha Group, creating an integrated exchange and clearing house company;

> A further investment of $100 million in GENIVAR Inc., a leading international engineering consultancy and services firm. This will help GENIVAR acquire a U.K.-based peer (WSP Group) and more than double the size of the company; and

> An investment of US$300 million in Halcón Resources Corp, a Houston-based oil exploration and development company. This will help it acquire strategic assets in North Dakota's Bakken formation.

The group generated a substantial gain for the CPP Fund by exiting its 16% stake in Progress Energy Resources Corp. (Progress Energy) for $780 million as the company was acquired by PETRONAS Carigali Canada. RI had invested a total of $384 million in Progress Energy in 2010 and 2011. We were looking forward to pursuing further company-building activities alongside Progress Energy, but the opportunity to realize significant near-term value was compelling and we worked with management and the board of directors to help make the sale a reality.

RI continues to explore opportunities in Asia, where we believe the relationship-based approach is particularly appealing to local business cultures and companies. Two dedicated RI professionals are now based in our Hong Kong office. In the coming year the group will look to expand its mandate to include European opportunities.

External Portfolio Management

External Portfolio Management (EPM) maintains a portfolio of externally-managed funds and separate accounts that round out coverage of public market active management strategies beyond those we undertake internally. These strategies are expected to offer attractive, sustainable results with value-added that has low correlation to that of internal investment programs. They must also be sufficiently scalable to be meaningful for the CPP Fund's current size and expected growth. In fiscal 2013, we broadened this concept to add managers who pursue value-added in markets where CPPIB has a presence but who use very different styles of management and/or distinctive emphasis. We also sought specialized skills in developing markets.

EPM differs from many traditional fund-of-funds programs by not making aggressive shifts in emphasis and assets between strategies and managers. External managers are valued partners with whom we seek to maintain and grow strong long-term relationships. The diversity of mandates we now employ allows us to allocate investments to structure a portfolio with less downside risk. Accordingly, we balance tactical, relative and engagement strategies. Tactical strategies tend to succeed in strong markets and hopefully also during crises. Directional and relative strategies tend to perform well when there is a rising market or little trend, but underperform in crises. Engagement strategies tend to add value when there is little trend, but underperform in strong markets.

Notional assets directed by EPM grew substantially in fiscal 2013 to $14 billion from $10.4 billion last year, while return seeking active risk exposures increased by 13%. We redeemed five mandates, increased funding to four mandates and added 16 new mandates. Extensions were made primarily in Asian, Equity and Credit strategies. Six of the new managers are focused on Asia and we added three managers with active Latin American public equity mandates. The portfolio now includes 45 managers, up from 33 at the end of fiscal 2012. They direct 55 diverse mandates with increasingly balanced global market coverage.

PRIVATE INVESTMENTS

The Private Investments (PI) department invests in a wide range of private equity, debt, and infrastructure assets. These markets are in some cases comparable in size to their public equivalents and well suited for patient, expert 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 our expert partners, we can generate significant skill-based additional returns in a wide variety of ways:

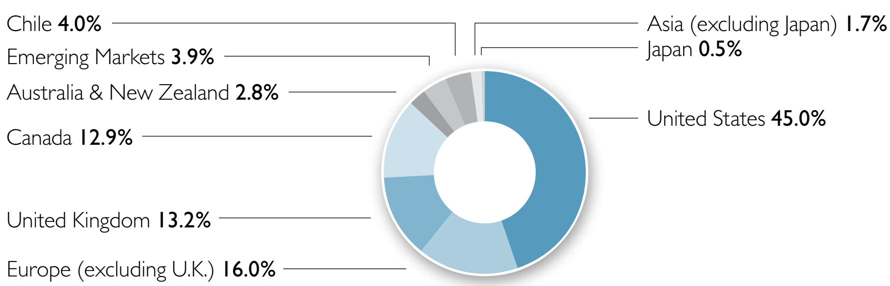
> At the decision to invest, through access to the best opportunities, superior information, unique insights, and expert structuring and financing of transactions;

> During the holding period, through careful stewardship, enhanced governance, and improvement in assets, operations and profitability; and

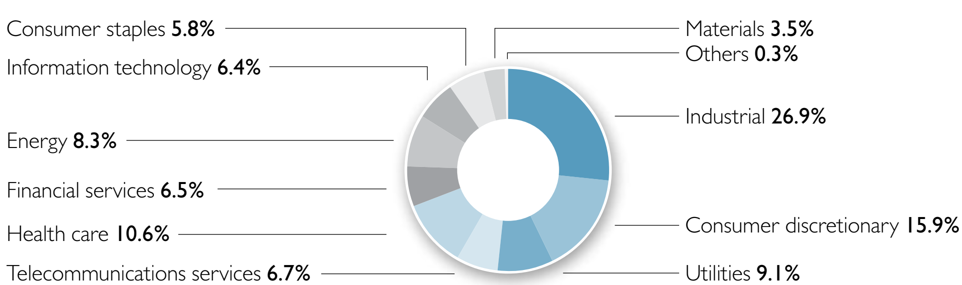
> Upon exit, through selection of the optimal means and timing, and on favourable terms.

Our private investment assets grew from $40.4 billion at the end of fiscal 2012 to $47.9 billion at the end of fiscal 2013. All net income is consolidated into the Fund as it is received, so this net growth comprises new investments funded at $11.5 billion (including draws on prior commitments) plus revaluations of existing investments, less income received and paid-in capital realizations. Over the past seven years, Private Investments' assets have grown to major importance in our active management programs. They now represent approximately 26% of the total portfolio. These investments have also become widely diversified by type and geographic location as shown below.

PRIVATE INVESTMENTS – GEOGRAPHIC DIVERSIFICATION
As at March 31, 2013



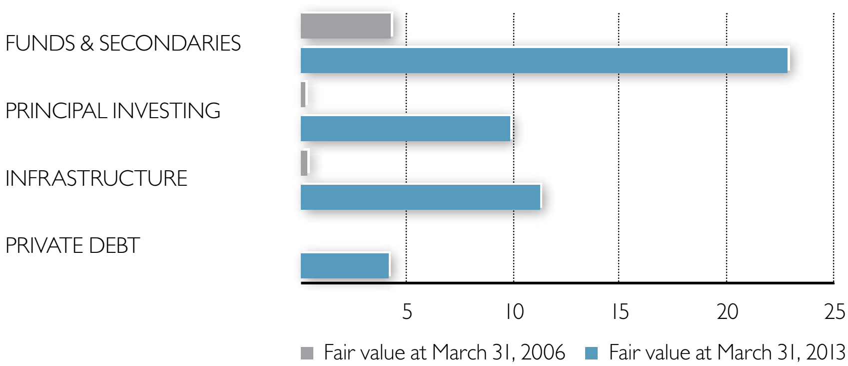
PRIVATE INVESTMENTS BY SECTOR
As at March 31, 2013



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 critical to our success.

Private Investments has five specialized groups: Funds & Secondaries, Principal Investing, Infrastructure, Private Debt and Asset Management. The Asset Management group monitors and manages existing direct equity and infrastructure investments through a team of experienced professionals focused on value creation of our investee companies. This allows professionals in our Principal Investing and Infrastructure teams to focus primarily on asset research, acquisition and disposition. The growth and current size of assets managed by each group are shown below.

SIZE OF PRIVATE INVESTMENTS BY GROUP
($ BILLIONS)



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

PRIVATE INVESTMENTS	**Fiscal 2013 %**	Fiscal 2012 %
RETURNS[1]		
1-year excluding foreign currency impact	**13.1**	10.8
1-year	**13.6**	11.9
1-year benchmark	**13.7**	6.2

PRIVATE INVESTMENTS	**Fiscal 2013 $ billions**	Fiscal 2012 $ billions
CONTRIBUTION TO PORTFOLIO VALUE-ADDED[1,2]		
1-year	**-0.2**	1.7
4-year	**-2.3**	-1.0
Since inception[3]	**2.5**	2.7

1 Before CPPIB operating expenses.
2 Foreign currency fluctuations have no impact on departmental value-added. See page 21 for more details.
3 CPP Reference Portfolio inception date: April 1, 2006.

The results reflect a solid year overall for our private investments as the results in most programs outpaced risk-equivalent benchmarks. It is relevant to note that asset values for most private investments are based on appraisal processes, and characteristically their returns thus tend to lag contemporaneous public market returns, in both rising and falling public equity markets.

FISCAL 2013 ACTIVITIES

Fiscal 2013 was characterized by abundant credit availability for private investments on attractive terms, and signs of resurgence in the U.S., China and certain other economies. This benign climate had several effects. Activity increased as private equity firms deployed their build-up of cash. And, equity values rose due to the ability to refinance maturing or callable debt at lower rates. However, falling debt yields and spreads at record low levels also created an unattractive environment for new private debt investments meeting our standards. The impact on private equity pricing has yet to emerge fully, but opportunities existed in several areas to exit investments on favourable terms. Also, the secondary markets were active and CPPIB's ability to provide liquidity to sellers proved advantageous in major transactions. In infrastructure, increasing interest from major global pension and sovereign wealth funds is creating an increasingly competitive environment even though global needs for financing far outstrip supply. CPPIB's reputation, expertise and strong partnerships continue to provide access to a steady flow and wide variety of attractive opportunities. This is essential to both maintaining and growing our overall portfolio as it matures and we receive more capital repayments.

This year marked the launch of our Agriculture investment program and subsequent first direct farmland investment, as discussed in more detail on page 49. Agriculture is well suited to CPPIB's comparative advantages. These assets have historically delivered stable risk-adjusted returns but, more importantly, the outlook in the global agricultural market in the coming decades is positive due to increasing demand for a wide variety of agricultural products as populations and incomes rise in emerging economies. We will initially focus on four countries – U.S., Canada, Australia and New Zealand – which represent more than half of the current global farmland market. We will be a long-term responsible investor, seeking to improve farmland and production output while improving the livelihoods of those working in the sector. CPPIB's Policy on Responsible Investing (see page 33) outlines our belief in the benefits of environmental, social and governance best practices, and we will expect our operating partners to share these values.

We continue to examine new areas for private investment, and in particular to engage in innovative partnerships where we can acquire quality assets at appropriate prices without major additions to internal staff.

FUNDS & SECONDARIES (F&S)

F&S is the original segment of our private investing activities and remains the largest. The group identifies and commits capital to top-tier managers of private equity funds around the world. Leveraging our inherent information and relationship advantages, F&S is also active in the secondary market, buying limited partnership interests from other institutions on a privately negotiated basis and sponsoring direct secondary transactions. Benefiting from its strong partner relationships, F&S also provides a steady flow of direct investing opportunities to other PI groups.

Fundraising by private equity firms continued in full force during fiscal 2013, but we remained highly selective while broadening geographical diversification. F&S currently has relationships with 76 fund managers. Given our scale, fund investments are primarily in large and mid-market buyouts rather than early-stage or venture capital. The group's portfolio increased to $22.8 billion in 179 funds at year-end 2013, up from $19.6 billion in 163 funds last year. In addition, we have made commitments of up to $12.9 billion for further investment if called for by fund managers.

The Secondaries team saw considerable activity in fiscal 2013. This portfolio grew from $2.7 billion to $4.1 billion in total exposure. CPPIB continues to acquire seasoned portfolios at attractive prices by fully leveraging our scale, information advantage and team capabilities. We participate in the secondary market by acquiring interests in existing funds ("LP Secondaries") or providing liquidity solutions to existing funds ("Direct Secondaries"). The LP secondary market continues to be driven by financial institutions reducing private equity exposure for regulatory reasons, as well as more active management and de-risking of portfolios by pension funds. The two direct secondaries transactions completed this year, Behrman Capital and Kainos Capital, were milestones for this market. CPPIB was the lead investor in both and provided a new and innovative whole-fund portfolio solution to underlying investors. As one of the largest and most active participants in the secondary private equity market, we expect to deploy significant amounts of additional capital in this market in the next five years.

Significant transactions this year included:
- US$640 million commitment to Advent GPE VII, a global private equity fund whose manager has a long history of strong performance;
- US$450 million commitment to KKR Asia II, a pan-Asia private equity fund;
- US$400 million and US$320 million to Riverstone Global Energy and Power V and EnCap Energy Capital IX, respectively. These are two energy sector focused growth funds;
- US$1.2 billion total in Behrman Capital PEP and Kainos Capital Partners funds, two direct secondary transactions; and
- US$1.0 billion in LP Secondary transactions acquiring interests in 8 funds.

PRINCIPAL INVESTING

This group makes direct investments in private companies through co-sponsorships, co-investments and as the lead investor. Outside Canada, these investments have typically been undertaken alongside general partners who are experts in their respective markets and with whom we have developed a strong relationship through our F&S group or prior principal investing transactions. Our approach is broadening as we address opportunities in fast-growing Asian markets where new partnerships are increasingly developed with strong local organizations with our values. Each investment is of significant size, typically at least $200 million. CPPIB's comparative advantages are especially befitting for this type of investing. These are allied with a disciplined but flexible process undertaken by dedicated, sophisticated professionals who are able to meet our partners' timing and financing requirements.

Conditions were competitive but mostly favourable during the year. We continued to acquire assets through proprietary channels rather than auctions.

At year end, we held 43 direct investments valued at $9.8 billion compared with 38 valued at $6.7 billion one year earlier. In total we invested in six new companies. New investments totalled approximately $2.2 billion with major acquisitions in several sectors. Some notable transactions were:

> Acquired Suddenlink Communications, the seventh-largest cable system operator in the U.S. in partnership with BC Partners and Suddenlink management for US$6.6 billion;

> Invested $200 million in Seven Generations Energy Ltd., a Calgary-based oil and gas company with assets in the Kakwa area of Western Alberta;

> Acquired a 39% stake in Dorna Sports S.L. alongside current shareholders, Bridgepoint and Dorna management. Dorna holds the global rights until 2036 to organize the FIM Road Racing World Championship Grand Prix, known as MotoGP; and

> Completed the acquisition of an ownership stake in Coway from the Woongjin Group alongside a consortium including MBK Partners and Ontario Teachers' Pension Plan. Our equity investment totalled US$93 million. Coway is South Korea's largest consumer health appliance rental and services company.

Among existing investments, we acquired from Tomkins its Air Distribution division, a leading manufacturer of air distribution system components, for US$1.1 billion. This is an example of CPPIB's readiness to take a 100% ownership position in select assets that we know well. We also purchased a further minority interest in New Asurion, the world's largest technology protection company, for $750 million. Sales of holdings included partial realization of our successful investment in Alliance Boots plc, a leading international, pharmacy-led health and beauty group. We received approximately $2.0 billion in cash proceeds through this partial realization, the sale of a small stake in National Bedding, and sales of stakes in publicly-traded companies and dividends.

As mentioned on page 48, the group launched its Agriculture investment program this year. Agriculture assets are well suited to CPPIB's comparative advantages and attractive for the long term. Having been able to attract a small yet world-class internal team in support of this strategy, CPPIB completed our first direct farmland investment through North American Agriculture Investments, LLC to acquire a portfolio of high-quality and geographically-diversified farmland in the U.S.

In fiscal 2014, we will continue to seek major transactions in which we are closely involved in due diligence, negotiation of terms and ongoing management of the asset. While we expect to increase investment in developing markets, the particular risks of each opportunity will be carefully weighed against the region's long-term attractiveness.

INFRASTRUCTURE

The Infrastructure group continues to maintain its focus on well-established "brown-field" infrastructure assets with steady predictable cash flows. However, in line with CPPIB's strategy to increase exposure to high-growth new markets, the group also continues to widen its global investment footprint. During the year, the team dedicated considerable time building capabilities in new markets, particularly India and Brazil. At the same time, we are exploring innovative ways to structure investments so that we can provide long-term capital solutions to development companies that need to recycle capital from one new "green-field" project to another while mitigating the risks involved in construction and the uncertainty of ultimate usage and revenues.

As an example, this year we completed an in-depth review of the investment landscape and potential opportunities in India, and are now exploring strategic partnership opportunities. Infrastructure is a key growth area there with the government anticipating $1 trillion to be spent during 2012–2017. While a large part of the opportunity is expected to be in green-field build-out, India also has an emerging brown-field asset pool that is of a size and scale of increasing relevance. CPPIB's model of long-term equity capital does not commonly exist in India, but we believe this would be a competitive advantage in a country where public equity markets do not have the depth to support the quantum of capital needed and where private equity funding remains scarce for operating assets.

We have observed a steady increase in appetite for direct investment since launching our platform seven years ago. This trend continued in fiscal 2013. Global Infrastructure Partners raised US$8.25 billion for its second fund and a number of sovereign wealth funds have plans to either launch or broaden their direct infrastructure investment platforms. Competition is particularly intense for brown-field assets in markets such as the U.K., Australia and the U.S. where regulation is well established and understood. Nonetheless, from a global perspective, there is still a large funding deficit for infrastructure, particularly for green-field investment. In aggregate, Organization for Economic Co-operation and Development government balance sheets are over-extended, so we see considerable potential for the private sector to play an ever larger role. The winners in the global competition for capital will be those jurisdictions that find creative ways of reducing the green-field risk profile and enticing pension funds to fill the capital gap.

In April 2012, we announced an agreement to acquire, from Atlantia Group, a 49.99% interest in Grupo Costanera for an equity investment of $1.14 billion. This transaction closed in August, 2012. Grupo Costanera is the largest urban toll road operator in Chile with five major urban highways in a 188-kilometre network. Four of the toll roads are in the Santiago metropolitan region. This includes two major commuter motorways, Costanera Norte and Vespucio Sur. The fifth is on the central coast. This acquisition is our second major infrastructure investment in Chile.

PRIVATE DEBT

This group is engaged in debt financing across the capital structure including term loans, private high-yield bonds, mezzanine lending and other solutions for corporations. North America, Europe and Asia are all areas of investment. We employ an active acquisition/realization approach and move among sectors as opportunities arise or close while preserving balance in the overall portfolio.

Fiscal 2013 challenged our efforts to maintain the pace of net growth in the portfolio by making new investments with sufficient prospects for added value at acceptable levels of risk. Credit quality has deteriorated with covenant-light new issuance at a record high. Record inflows into funds from investors seeking yield have outpaced net new loan demand, resulting in record-low yields on the average U.S. single-B loan issue and the high-yield bond index. European yields tightened significantly, reducing opportunities. Even spreads over low government bond yields have fallen to levels last seen prior to the financial crisis.

Accordingly, we exercised discipline in conventional lending and focused on larger and more tailored situations where the group is better able to obtain appropriate structure and terms. We were able to close 20 new investments in 9 countries, funding approximately $1.8 billion.

Geographic exposures are further balanced, with 51.0% of the portfolio now in North America, 42.4% in Europe and 6.6% in Asia. We participated actively in the secondary market, both as our portfolio matures and in several situations where the opportunity arose to exit positions advantageously as yields fell and prices increased. After sales and revaluations of holdings, assets totalled $4.1 billion from $4.7 billion at the end of fiscal 2012.

Of particular note was completion of a debt agreement with Formula One Group to finance US$400 million of a US$1.0 billion private high-yield loan. Formula One is an iconic global sports management organization that holds the rights to the FIA Formula One World Championship. This was Private Debt's largest investment to date and represented an excellent opportunity to work alongside CVC Capital Partners, one of our top private equity general partners.

We believe the middle-market lending space, which we define as companies that generate US$100 million of earnings before interest, taxes, depreciation and amortization (EBITDA) or less, offers attractive relative value with scalability. To extend our capabilities with minimal additional internal resources, we partnered with Stone Point Capital and KKR & Co. L.P. to invest US$50 million in MerchCap Solutions LLC (MCS), which provides principal and agency-based capital markets services to sponsor-backed and corporate mid-market companies. This offers us the ability to directly invest or provide anchor orders for compelling opportunities. Further, we have also earmarked up to $2 billion for direct investment, at our discretion, in middle-market debt transactions and other non-traditional corporate lending opportunities arranged for clients of MCS.

Private Debt continues to invest in opportunities underpinned by intellectual property such as patents, trademarks and copyrights. To date, the team has deployed $700 million in six healthcare-related investments. This includes the $150 million acquisition of a royalty interest in Kalydeco, a breakthrough drug for the treatment of cystic fibrosis. CPPIB's team has developed a robust pipeline of intellectual property opportunities including several in healthcare, music and technology.

In fiscal 2014, we again expect net growth in an increasingly diversified portfolio of private debt assets, taking advantage of CPPIB's comparative advantages and our global reputation as a reliable and sophisticated source of debt financing.

PORTFOLIO VALUE CREATION

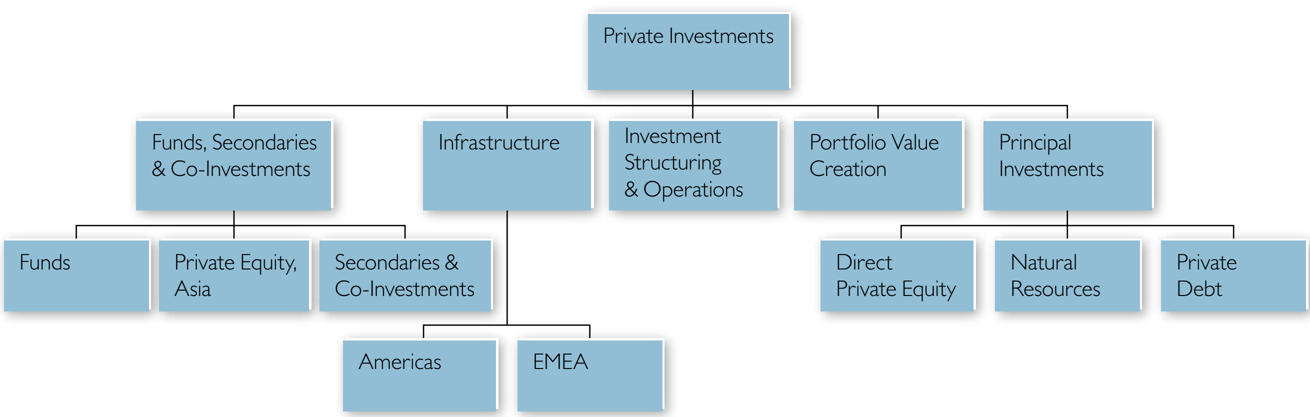
This group has primary responsibility for day-to-day management of CPPIB's existing direct equity and infrastructure investments. Effective portfolio value creation can differentiate CPPIB from other investors and is also a risk management activity. The group does not seek to replace management's role within portfolio companies, but rather to monitor developments and commitments and to identify and help resolve emerging governance and operational issues. The group also assists deal teams in defining and executing commercial due diligence, selecting advisors and reviewing conclusions.

This year the team introduced a regular six-month monitoring process for all large assets. This process covers financial, operational and compliance performance on a regular basis. The group can support the portfolio managers in scoping and delivery of initiatives within portfolio companies as it manages our day-to-day interactions with company management and third-party advisors. Another key element is developing a long-term plan for scalable, effective governance including board effectiveness reviews, director succession planning, candidate development, and shareholder information and documentation. Finally, the group has implemented a robust ESG diligence and monitoring process for directly-invested assets in support of CPPIB's responsible investing goals.

PRIVATE INVESTMENTS ORGANIZATIONAL STRUCTURE IN FISCAL 2014

At the beginning of fiscal 2014, several organizational changes were implemented within Private Investments. As CPPIB continues to implement its global active management strategy for long-term growth, these changes enhance alignment of our internal capabilities with Private Investments' expanding investment programs, leveraging our deep bench strength. The changes include:

> The Funds & Secondaries group is now organized into three business units: Funds, Secondaries & Co-Investments, and a third unit combining direct investments and funds in Asia; and
> The Principal Investing group has been expanded into three business units: Direct Private Equity, Natural Resources and Private Debt.
> The Infrastructure group is now organized into two business units by geography: the Americas and Europe, the Middle East and Africa (EMEA).



REAL ESTATE INVESTMENTS

The mandate of the Real Estate Investments (REI) department is to build and manage a diversified global portfolio of high-quality properties. These properties are expected to deliver stable and growing long-term cash flows and retain their relative value across multiple business cycles. We work with strong partners with deep, local expertise in the sourcing and operational management of investment properties, acting not as a real estate operating company but as an investor and portfolio manager.

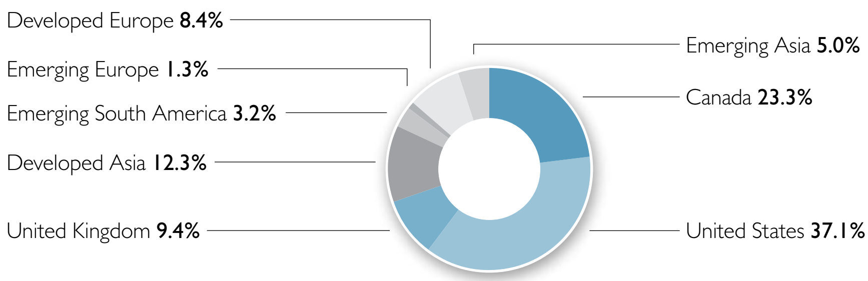
Our original investments were made in the Canadian market, but with an international staff the department has since made major investments in the U.S., Europe, Australia and selected developing countries including Brazil, Mexico, Turkey and China. While the portfolio emphasis is on standing properties across major sectors, we also invest significantly in development properties with a view to creating a long-term hold asset. The development aspect is particularly important to our growing presence in developing markets.

Net of mortgages on private real estate properties, the total real estate portfolio value has grown from $18.7 billion at the end of fiscal 2012 to a current $22.2 billion. This represents 12% of the total portfolio. In addition, we have outstanding commitments towards further investments of $5.4 billion which we expect will be funded over the next few years.

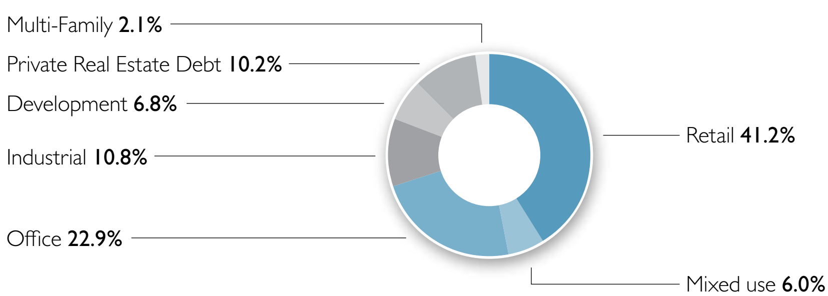
REI's Private Real Estate Debt group invests in both investment and non-investment grade debt backed by prime commercial property assets, primarily in the U.S. and U.K. The program established at the end of fiscal 2010 was broadened this year, growing from 11 investments valued at $1.6 billion at the end of fiscal 2012 to 15 currently valued at $2.3 billion. These amounts are included in the total real estate asset figures cited above.

Our real estate equity portfolio includes both funds and direct investments through joint ventures. The direct investments now represent 83% of the portfolio. Our major global presence as a respected and patient real estate investor continues to provide access to some of the largest and highest-quality direct investment opportunities across the world. While direct investments tend to be large, we can exert greater control and selectivity than through funds. Given our scale, we can achieve the property diversity needed to keep total real estate portfolio risk prudent without the burden of fund structure fees and expenses. Our equity real estate strategy continues to focus primarily on key global developed markets, but substantial progress was made this year in building relationships and scale in selected developing countries. The assets managed by REI are broadly diversified, both geographically and by sector, as shown below:

REAL ESTATE INVESTMENTS – GLOBAL DIVERSIFICATION
As at March 31, 2013



REAL ESTATE INVESTMENTS BY SECTOR DIVERSIFICATION
As at March 31, 2013



The first table summarizes returns in absolute terms on all assets (on net values after mortgage liabilities), with rates of return calculated on an unhedged time-weighted basis. Assets include development assets, which are carried at cost until development is complete and included in "stabilized" asset values. These returns are net of mortgage financing costs as well as net of transaction costs, land transfer taxes, external manager fees and other significant expenses related to the growth of the portfolio. The second table shows dollars of value-added relative to the corresponding investments had they earned the returns on relevant benchmark indices of private real estate equity and public corporate debt. The applicable benchmark returns are adjusted for leverage and unavoidable external expenses not included in the published benchmark indices for comparability to the asset returns.

REAL ESTATE INVESTMENTS	**Fiscal 2013 %**	Fiscal 2012 %
RETURNS[1]		
1-year excluding foreign currency impact	**8.8**	12.1
1-year	**9.4**	13.1
1-year benchmark	**9.7**	13.5

[1] Returns after financing and other costs on assets net of mortgages on private real estate properties.

REAL ESTATE INVESTMENTS	**Fiscal 2013 $ billions**	Fiscal 2012 $ billions
CONTRIBUTION TO PORTFOLIO VALUE-ADDED[1]		
1-year	**0.0**	0.1
4-year	**0.6**	0.0
Since inception[2,3]	**0.4**	0.4

[1] Before CPPIB operating expenses.
[2] Foreign currency fluctuations have no impact on departmental value-added. See page 21 for more details.
[3] CPP Reference Portfolio inception date: April 1, 2006.

The program continues to meet the fundamental objective of generating a steady flow of net cash income to the CPP Fund – $0.8 billion in fiscal 2013, down from $0.9 billion in the previous year. This year's results primarily comprise cash income and reflect somewhat lower capital appreciation in most real estate equity markets following double-digit returns from last year's recovery in valuations.

FISCAL 2013 ACTIVITIES

The market environment for real estate equity was challenging as strong demand for prime core assets increased prices and depressed prospective returns to a level where we do not perceive sufficient long-term, risk-adjusted value can be added over the expected cost of funding. Competition is increasing in many areas as pension funds and others shift from bonds with very low yields to higher return alternatives such as real estate and infrastructure.

Nevertheless, fiscal 2013 saw $3.2 billion invested in real estate assets, of which $1.8 billion was in new property acquisitions and private real estate debt investments, with the balance invested in existing investment programs. Much of this growth (more than 12.4 % of new commitments) is attributable to our long-term relationships with excellent partners. We remain primarily focused on the world's most transparent markets: North America, U.K., Western Europe and Australia. However, select growth markets are an increasing component of the portfolio due to their long-term growth prospects and need for modern real estate development in most sectors. Investing in these markets requires not only local partner expertise, but also particular discipline and selectivity to avoid being overwhelmed by fast growth and irrational exuberance. Investments in growth markets accounted for 16.4 % of our new commitments, up from 3.9% last year. Opportunity-driven growth in these areas will not be steady from year to year, but CPPIB's comparative advantages enable us to focus on sustained growth over the longer term.

This year again featured significant participation in high-quality development or redevelopment activities. We invested $0.8 billion in development projects with commitments for a further $3.3 billion, up from $0.3 billion and $1.6 billion respectively in fiscal 2012. Such participation is particularly necessary in growth markets where there is a scarcity of fully developed and mature assets for sale. Attractive development opportunities can also arise in developed markets due to scarcity of both capital and investor expertise able to execute major longer-term projects. This aligns well with several of CPPIB's comparative advantages.

AMERICAS

This year saw continued expansion of our real estate investments in North and South America. Major investments included:

> Furthering our relationship with Australia's Goodman Group with the launch of a joint venture to target investments in logistics and industrial properties in key U.S. markets. Goodman and CPPIB have targeted an equity amount of US$890 million on a 55%/45% basis, representing a US$400 million investment by CPPIB;

> Significant expansion of CPPIB's real estate portfolio in Brazil through two joint ventures alongside Global Logistic Properties Limited (GLP) and two other large global institutional investors. CPPIB allocated the majority of its total commitment of US$362 million to the development component of this transaction. This commitment extends our relationship with GLP, a market leader in modern logistics facilities in China and Japan, with whom we formed a joint venture in that region in fiscal 2012 and committed an additional US$365 million this year;

> Commitments totalling US$180 million for a 45% interest in a joint venture with AMLI Residential for the acquisition and development of five properties in Chicago and Dallas; and

> Commitment of US$176 million to the Essex Development portfolio of four multi-family projects in California.

EUROPE

The volatile situation in Europe did not lead to major opportunities this year. However, we did succeed in acquiring a 50% stake in Kista Galleria Shopping Centre in Stockholm, Sweden alongside Citycon Oyj, a major owner and operator of shopping centres in the Nordic and Baltic countries. CPPIB's equity investment is approximately SEK 1.2 billion (C$178 million).

We also actively engaged in ongoing commitments entered into last year with Land Securities Group PLC, the largest U.K. real estate investment trust. The 50%/50% joint venture is developing Victoria Circle in London with investment volume of more than £1 billion.

We also sold our 70% interest in a London office property at 10 Gresham Street for total consideration of £200 million. CPPIB acquired the property in 2010 at a net price of £175 million through a joint venture with Hammerson plc. CPPIB's share of the proceeds was £139 million.

ASIA PACIFIC

Fiscal 2013 was an extremely active year for CPPIB across this region. Of 14 investments totalling $4 billion, the most notable were:

> A joint venture with Lend Lease Corporation and the Australian Prime Property Fund Commercial to develop and hold two premium-grade, energy-efficient waterfront office towers at the Barangaroo South Project in Sydney's Central Business District in Australia. CPPIB committed to 50% or A$1 billion of the equity for the project, our largest investment in a single real estate asset to date;

> We acquired interests in two prime shopping centres through an equity investment of A$436 million in AMP Capital Retail Trust (ACRT) which owns 50% of Macquarie Centre in Sydney and 80% of Pacific Fair Shopping Centre on the Gold Coast in Australia. CPPIB's owns 37% of ACRT;

> In Japan, we committed an additional US$365 million of equity to the Japan Development Venture, alongside 50%/50% joint venture partner Global Logistic Properties Limited. The Japan Development Venture was formed in August 2011 with an initial combined equity commitment of US$500 million to develop modern logistics properties in Japan. The increase will bring total combined equity to US$1.2 billion;

> In China, we committed a further US$400 million to our logistics partnership, Goodman China Logistics Holdings, and added seven investments to this portfolio. It now holds 15 properties; and

> We also closed on a US$250 million commitment into CapitaMall China Development Fund III to develop and hold retail malls in first- and second-tier Chinese cities.

PRIVATE REAL ESTATE DEBT

Our private real estate mortgage and mezzanine loan investment business seeks to identify and benefit from pockets of capital scarcity. We target high-quality assets that are managed by strong operators investing primarily in countries and sectors where REI is active.

The group invested over $500 million of new capital in fiscal 2013, taking the market value of the real estate debt portfolio through $2 billion for the first time. The total portfolio at current valuation now stands at $2.3 billion.

In the third quarter, the group started the process of establishing a dedicated European debt team in the London office. We believe the ongoing retrenchment of European banks should generate attractive opportunities for us. However, the pace at which these opportunities will emerge remains uncertain.

REAL ESTATE HOLDINGS AS AT MARCH 31, 2013

PROPERTY	City	Province/ State	Country	Total Gross Leasing Area (sq. ft.)	Ownership Interest (%)
AMERICAS PROPERTIES					
OFFICE PROPERTIES					
Canterra Tower	Calgary	AB	Canada	817,000	50
Oceanic Plaza	Vancouver	BC	Canada	351,000	50
401 West Georgia Street	Vancouver	BC	Canada	270,000	50
Guinness Tower	Vancouver	BC	Canada	256,230	50
800 Burrard Street	Vancouver	BC	Canada	222,000	50
Marine Building	Vancouver	BC	Canada	174,000	50
1133 Melville	Vancouver	BC	Canada	79,000	50
Constitution Square	Ottawa	ON	Canada	1,054,000	50
Place de Ville II	Ottawa	ON	Canada	609,000	50
Place de Ville I	Ottawa	ON	Canada	581,000	50
Jean Edmonds Towers	Ottawa	ON	Canada	553,000	50
First Canadian Place	Toronto	ON	Canada	2,666,000	25
Royal Bank Plaza	Toronto	ON	Canada	1,478,000	50
Waterpark Place	Toronto	ON	Canada	801,000	50
One Financial Place	Toronto	ON	Canada	654,000	50
2 Queen Street E.	Toronto	ON	Canada	464,000	50
Yonge/Richmond Centre	Toronto	ON	Canada	299,000	50
Tour KPMG	Montreal	PQ	Canada	493,000	50
Tabor Center	Denver	CO	USA	726,000	39
US Bank Tower	Denver	CO	USA	520,000	39
Warner Building	Washington	DC	USA	602,000	45
1255 23rd St.	Washington	DC	USA	326,000	45
1101 17th Street NW	Washington	DC	USA	207,000	45
ABA Building (740 15th St.)	Washington	DC	USA	171,000	49
Alhambra	Coral Gables	FL	USA	323,000	49
Datran Center	Kendall	FL	USA	471,000	49
1221 Avenue of the Americas	New York	NY	USA	2,520,000	45
100 Broadway Avenue	New York	NY	USA	395,000	32
10 East 53rd St	New York	NY	USA	351,000	45
600 Lexington Avenue	New York	NY	USA	298,000	45
655 Fifth Ave	New York	NY	USA	49,000	32
Shenandoah Building	McLean	VA	USA	197,000	49
RETAIL PROPERTIES					
RioCan Beacon Hill	Calgary	AB	Canada	528,000	50
Edmonton City Centre (Retail)	Edmonton	AB	Canada	814,000	50
RioCan Meadows	Edmonton	AB	Canada	211,000	50
Pine Centre Mall	Prince George	BC	Canada	483,000	100
Grandview Corners	Surrey	BC	Canada	530,000	50
Hillside Centre	Victoria	BC	Canada	588,000	100
RioCan Centre Burloak	Burlington	ON	Canada	455,000	50
Centre Mall	Hamilton	ON	Canada	665,000	80
White Oaks Mall	London	ON	Canada	691,000	100
Eastgate Square	Stoney Creek	ON	Canada	541,000	100
New Sudbury Centre	Sudbury	ON	Canada	539,000	100
Intercity Shopping Centre	Thunder Bay	ON	Canada	460,000	100
Promenades Cathédrale	Montreal	PQ	Canada	137,000	50
Les Galeries de la Capitale	Quebec City	PQ	Canada	1,488,000	90
Carrefour de l'Estrie	Sherbrooke	PQ	Canada	1,161,000	90
Rancho San Diego	El Cajon	CA	USA	98,000	45
Westfield Topanga	Los Angeles	CA	USA	1,569,000	45
Westfield Santa Anita	Los Angeles	CA	USA	1,461,000	45
Westfield Culver City	Los Angeles	CA	USA	1,052,000	45
Hasley Canyon Village	Los Angeles	CA	USA	70,000	40
Westfield Mission Valley	San Diego	CA	USA	1,007,000	45
Westfield North County	San Diego	CA	USA	1,255,000	45
Westfield Plaza Bonita	San Diego	CA	USA	1,019,000	45
Westfield Horton Plaza	San Diego	CA	USA	725,000	45
Morena Plaza	San Diego	CA	USA	411,000	45
Del Mar Town Center	San Diego	CA	USA	273,000	49
Westfield Oakridge	San Jose	CA	USA	1,139,000	45
Blossom Valley	San Jose	CA	USA	93,000	40
Redhawk Town Center	Temecula	CA	USA	417,000	45
Crystal Mall	Waterford	CT	USA	783,000	15
Oakwood Plaza North	Hollywood	FL	USA	722,000	45
Oakwood Plaza South	Hollywood	FL	USA	177,000	45
Willa Springs Shopping Center	Orlando	FL	USA	90,000	40
Pier Park	Panama City Beach	FL	USA	841,000	34
Dunwoody Hall	Atlanta	GA	USA	90,000	40
Auburn Mall	Auburn	MA	USA	588,000	30
Liberty Tree Mall	Danvers	MA	USA	856,000	37
Cape Cod Mall	Hyannis	MA	USA	726,000	30
Solomon Pond Mall	Marlborough	MA	USA	887,000	30

REAL ESTATE HOLDINGS AS AT MARCH 31, 2013 CONTINUED

PROPERTY	City	Province/ State	Country	Total Gross Leasing Area (sq. ft.)	Ownership Interest (%)
Emerald Square	North Attleboro	MA	USA	1,023,000	30
Northshore Mall	Peabody	MA	USA	1,584,000	30
Square One Mall	Saugus	MA	USA	930,000	30
Greendale Mall	Worcester	MA	USA	430,000	30
Westfield Annapolis	Annapolis	MD	USA	1,501,000	45
St. Louis Galleria	St. Louis	MO	USA	465,000	26
Plaza Frontenac	St. Louis	MO	USA	480,000	45
Maynard Crossing	Raleigh	NC	USA	123,000	40
Mall of New Hampshire	Manchester	NH	USA	811,000	30
Mall at Rockingham Park	Salem	NH	USA	1,020,000	15
Richland Marketplace	Quakertown	PA	USA	266,000	45
Shiloh Springs	Dallas	TX	USA	110,000	40
Bethany Park Place	Dallas	TX	USA	99,000	40
Alden Bridge Village Center	Houston	TX	USA	139,000	40
Pentagon Centre	Pentagon City	VA	USA	337,000	45
Apple Blossom Mall	Winchester	VA	USA	440,000	37
Westfield Southcenter	Seattle	WA	USA	1,683,000	45
MULTI-FAMILY PROPERTIES					
Palazzo Westwood Village	Los Angeles	CA	USA	414,000	49
AMLI 900	Chicago	IL	USA	372,000	45
AMLI Museum Gardens	Vernon Hills	IL	USA	328,000	45
North Point	Cambridge	MA	USA	385,000	40
Woodland Park	Herndon	VA	USA	393,000	40
TOTAL AMERICAS				**57,950,230**	
INTERNATIONAL PROPERTIES					
OFFICE PROPERTIES					
Le Bleriot Office Building	Suresnes		France	232,000	94
LaSalle German Fund	Munich		Germany	1,945,000	44
55 Bishopgate	London		UK	193,000	80
RETAIL PROPERTIES					
Pacific Fair Shopping Centre	Gold Coast		Australia	1,112,000	30
Northland Shopping Centre	Melbourne		Australia	964,000	50
Macquarie Centre	Sydney		Australia	1,431,000	19
CFSGAM Property Retail Partnership	Various		Australia	3,008,000	39
Botafogo Praia Shopping	Rio de Janeiro		Brazil	167,000	25
Iguatemi Salvador	Salvador, Bahia		Brazil	840,000	15
Hürth Park	Cologne		Germany	654,000	80
CentrO Shopping Centre	Oberhausen		Germany	1,205,000	50
Kista Galleria Shopping Centre	Stockholm		Sweden	1,015,000	50
Forum Ankara	Ankara		Turkey	867,000	26
Fourm Aydin	Aydin		Turkey	328,000	26
Forum Camlik	Denizli		Turkey	348,000	26
Forum Istanbul	Istanbul		Turkey	1,917,000	26
Forum Kapadokya	Kapadokya		Turkey	285,000	26
Forum Marmara	Marmara		Turkey	1,612,000	13
Forum Trabzon	Trabzon		Turkey	536,000	26
Bexleyheath Shopping Centre	Bexleyheath		UK	458,000	93
Borehamwood Retail Shopping Park	Borehamwood		UK	198,000	93
Whitefriars Quarter Shopping Centre	Canterbury		UK	600,000	50
Silverburn Shopping Centre	Glasgow	Scotland	UK	1,000,000	50
Westfield Stratford City	London		UK	1,900,000	25
Eagles Meadow Shopping Centre	Wrexham		UK	353,000	93
INDUSTRIAL PROPERTIES					
Banfield Distribution Centre	Victoria		Australia	828,000	80
Bungarribee Distribution Centre	New South Wales		Australia	1,005,000	80
Lytton Distribution Centre	Queensland		Australia	557,000	80
Goodman Trust Australia - Industrial Portfolio	Various	Various	Australia/Europe	22,061,000	42
Fengxian International Logistic Park	Shanghai		China	1,440,000	80
Kangqiao Distribution Centre	Shanghai		China	588,000	80
Goodman Beijing Airport Logistics Centre	Shanghai		China	449,000	80
Fengxian Distribution Centre	Shanghai		China	520,000	80
Taopu Industrial Estate	Shanghai		China	488,000	80
Goodman Lingang Logistics Centre	Shanghai		China	630,000	80
Goodman Lujia Logistics Centre	Shanghai		China	410,000	80
Goodman Waigaoqiao Distribtuion Centre	Shanghai		China	823,000	80
Interlink Industrial	Tsing Yi	Hong Kong	China	2,424,000	50
GLP Soja	Okayama		Japan	679,000	50
TOTAL INTERNATIONAL				**56,070,000**	
PORTFOLIO TOTAL				**114,020,230**	

* Gross Leasing Area.

Note: properties contained in this list are a sample of our direct core property holdings and excludes properties held through real estate funds.

PARTNERING WITH EXTERNAL MANAGERS

INVESTMENT PARTNERS

PRIVATE EQUITY

Actera Group
Advent International
AlpInvest Partners
Apax Partners
Apollo Management
Archer Capital
Ares Management
Baring Private Equity Asia
Birch Hill Equity Partners
BC Partners
Bridgepoint Capital
Brookfield Asset Management
CCMP
CDH Investments
Charterhouse Capital Partners
Chequers Capital
Cinven
CITIC Capital Partners
CIVC Capital Partners
Coller Capital
Credit Suisse First Boston
CVC Capital Partners
Court Square Capital Partners
Diamond Castle
Edgestone Capital Partners
Encap Investments
First Reserve
FountainVest
Friedman Fleischer & Lowe Capital Partners
Goldman Sachs
Heartland Industrial Partners
Hellman & Friedman
HitecVision
Hony Capital
Kensington Capital Partners
Kohlberg Kravis Roberts & Co.
KRG Capital Management
KSL Capital Partners
Lexington Partners
Lion Capital
Lindsay, Goldberg & Bessemer
Lone Star Funds
Magnum Industrial Partners
Matlin Patterson
MBK Partners
MidOcean Partners
MPM Capital
Multiples Alternate Asset Management
New Mountain Capital
Northleaf
Onex Partners
PAI Partners
Partners Group
Paul Capital Partners
Performance Equity Management
Permira
Providence Equity Partners
Quantum Energy Partners
Riverstone/Carlyle
Schroders Ventures
Silver Lake Partners
Standard Life
Stone Point Capital
Tenaya Capital
Terra Firma Capital Partners
Texas Pacific Group
The Blackstone Group
The Carlyle Group
The Jordan Company
The Sterling Group
Thomas H. Lee Partners
Thomas Weisel Partners
TowerBrook
Triton
Victoria Capital
Welsh, Carson, Anderson & Stowe

INFRASTRUCTURE

Macquarie Infrastructure and Real Assets (Europe) Limited

PRIVATE DEBT

Farallon Capital Management

REAL ESTATE INVESTMENT PARTNERS

Aliansce Shopping Centers
AMLI Residential
AMP Capital Investors Limited
Ancar Ivanhoe Shopping Centers
Archstone Multifamily Partners
AvalonBay Communities, Inc.
Bentall Kennedy LP
Brookfield Properties Corporation
Callahan Capital Partners
CapitaLand Group
CapitaMalls Fund Management Pte. Ltd.
Carr Properties
Casden Properties
CBRE Global Investors (UK Funds) Limited
Citycon
Clarion Partners
Colonial First State Global Asset Management
Cornerstone Real Estate Advisors
Cyrela Commercial Properties
DEXUS Wholesale Property Limited
Donahue Schriber Realty Group
Douglas Emmett, Inc.
Essex Property Trust
General Growth Properties
Global Logistic Properties
Goodman Group
Grosvenor Investment Management
Hammerson
Hawkeye Partners
Henderson Global Investors
John Buck Company
Kimco Realty Corporation
Land Securities
LaSalle Investment Management
Lend Lease
Liquid Realty Partners
Macquarie Global Property Advisors
Meadow Partners
Morgan Stanley Real Estate
Multi Corporation
Osmington Inc.
Oxford Properties Group
Pramerica Real Estate Investors Ltd
ProLogis
RioCan Real Estate Investment Trust
Simon Property Group
SL Green Realty Corp.
Stadium Group of Companies
The Blackstone Group
The Rockefeller Group
The Westfield Group
TIAA-CREF Asset Management
USAA Real Estate Company
Vornado Realty Trust

PUBLIC MARKET INVESTMENTS

ABC Arbitrage Asset Management S.A.
Allard Partners Management Limited
Anchorage Capital Group LLC
AQR Capital Management LLC
Arrowstreet Capital
BlackRock, Inc.
BlueCrest Capital Management LLP
BlueMountain Capital Management LLC
Brevan Howard Asset Management LLP
Bridgewater Associates Inc.
BTG Pactual Global Asset Management Limited
Capital Fund Management
Cevian Capital Limited
COMAC Capital LLP
Connor Clark & Lunn Investment Management Ltd.
Credit Suisse Asset Management LLC
Dymon Asia Capital Ltd.
Dynamo Internacional Gestão de Recursos Ltda.
Effissimo Capital Management Pte Ltd
Elliott International Capital Advisors Inc.
ESL Partners LP
Fortress Investment Group
Garrison Investment Group LP
Hillhouse Capital Management Ltd.
Ionic Capital Partners LP
Janchor Partners Management Limited
Knighthead Capital Management LLC
Louis Dreyfus Investment Group
Macquarie Funds Management Hong Kong Limited
Nephila Capital Ltd.
OxFORD Asset Management
Pacific Alliance Investment Management Limited
Pacific Investment Management Company
Penta Investment Advisors Limited
Pershing Square Capital Management LP
Prime Capital Management (Cayman) Ltd.
Relational Investors LLC
Sensato Investors LLC
Soroban Capital Partners LLC
Squadra Investments – Gestão de Recursos Ltda.
Treesdale Partners LLC
Two Sigma Investments LLC
ValueAct Capital
Wolverine Asset Management LLC
Yannix Management LP

IPC MANAGERS

Fermat Capital Management LLC
Tarpon Gestora de Recursos S.A.

OPERATIONAL HIGHLIGHTS

INTERNAL CAPABILITIES

Internal capabilities form one of the key advantages in CPPIB's evolution as a global investment organization. Our active management strategy is based on the fundamental belief that talented professionals can leverage our comparative advantages to ultimately add value to the CPP Fund. We actively foster a culture based on our guiding principles of Integrity, Partnership and High Performance. Maintaining a consistent culture based on these principles is critical as we continue to expand internationally.

In fiscal 2013, we focused on building global talent management practices, enhancing leadership development programs and developing an employee value proposition that differentiates CPPIB as an employer of choice.

Recognizing the importance and complexity of these multi-year programs, Pierre Lavallée was appointed to the newly-created position of Senior Vice-President and Chief Talent Officer, effective April 1, 2013. Pierre previously led the Funds & Secondaries group within our Private Investments department. Over the next two and a half years, he will lead an international effort to implement world-class talent management practices at CPPIB. This includes talent acquisition, training and development, international mobility, and compensation and benefits. This is a strategic priority and a critical foundation for CPPIB's success as a truly global investment organization. The initiative is a key part of ongoing efforts to strengthen the depth and breadth of CPPIB's internal capabilities.

GLOBAL TALENT MANAGEMENT

CPPIB is a knowledge-based organization and our success is driven by the skilled people who execute our long-term active management strategy. Accordingly, we remain focused on developing programs to attract, develop and retain talented professionals across our international offices.

We had 906 full-time employees at the end of fiscal 2013, an increase of 12% from fiscal 2012. This includes 823 in Toronto, 32 in Hong Kong and 51 in London.

External hires filled 76% of vacant and new roles. External hiring attracted 36 professionals from global markets including Hong Kong, Singapore, Australia, Brazil, U.S., and U.K. – almost double from last year. These hires are a testament to CPPIB's reputation as a sophisticated institutional investor with a high-performance culture that appeals to top talent from around the world.

Our commitment to creating an environment that provides opportunities to develop management and leadership skills resulted in 125 internal promotions; 25 were Vice-President or Director level appointments across our investment and core services departments. To further develop existing employees and support the growth of our international offices in London and Hong Kong, we offered a number of expatriate assignments to employees across various departments. This provides valuable work experience in other geographic markets and helps maintain a consistent culture throughout CPPIB and intensely focused on our purpose. Current employees filled 24% of new and vacant roles. We anticipate this will rise as we increase our emphasis on talent management, including development initiatives. This provides our employees with a wider career path and strengthens the organization's long-term strategy by retaining knowledge and experience.

As an organization with a global and diverse workforce, we are committed to hiring the best from around the world. But this takes more time and diligence and, like other organizations dependent on intellectual capital, we continue to face intense competition for top global talent. As the market trends away from traditional hiring methods, we are looking to our employees for referrals as well as leveraging digital and social networking tools. Thanks to these efforts and an updated applicant tracking system, 38% of our regular roles were filled by referrals, networking and social media.

Campus recruitment remains important to positioning CPPIB as an employer of choice. Twenty people who served as CPPIB interns returned to fill professional full-time positions during fiscal 2013. Our campus recruitment spans a growing number of universities, disciplines and regions.

LEADERSHIP DEVELOPMENT

Leadership and talent continuity is vital at both the individual and organizational levels. This year we invested in an expanded series of leadership development initiatives to enhance employee capabilities, an important part of fostering career opportunities and preparing internal successors for key leadership roles. Leadership training was provided to over 50 new managers in our investment teams. This included in-depth training on leadership effectiveness and to provide guidance on how best to deliver one-on-one coaching. Accelerated leadership training for high-potential talent is ongoing and provided new opportunities and internal transfers.

All leaders at the Vice-President level and above completed 360-degree surveys. The feedback offered insights on leadership strengths and areas for enhancement through personal development plans.

EMPLOYEE VALUE PROPOSITION

In fiscal 2013, our employees shared their views in an engagement survey. CPPIB's overall engagement score was above other global high-performance organizations. The information provided a foundation for developing our employee value proposition and defining our unique employment experience for current and future employees. This will be implemented in fiscal 2014. A compelling employee value proposition will contribute to our efforts at retaining top talent. It will also inform our talent acquisition and other strategic Human Resources priorities.

We believe first impressions are lasting ones. To welcome new employees, we significantly enhanced our onboarding program. This included improved guides for managers, new employees and peer partners plus additional focus on the period between acceptance of a position, that person's first day on the job, and beyond.

FURTHERING OPERATIONAL CAPABILITIES

The objective of furthering our operational capabilities is to support the continued growth and globalization of CPPIB's investment programs. We continue to ensure that our operational processes and controls are scalable, achieve operating leverage and remain nimble to support CPPIB's global investment strategies and transactions.

In fiscal 2013, we continued to develop internal talent to ensure continuity of leadership over the long-term, while making disciplined investments in our risk, operations and technology capabilities.

We implemented a new portfolio management and transaction record keeping solution for the Private Debt group, and initiated the integration of this platform into a total Fund view of our credit risk transactions and risk exposures. This has increased efficiency relating to transaction support for our Private Debt portfolio and improved support for a wider array of private debt assets including royalty interests and intellectual property, as discussed on page 50. It has also improved the availability of transaction data for portfolio record-keeping, risk and performance measurement.

In support of Public Markets Investments, we further strengthened our processes and controls relating to portfolio reporting and analysis of profit and loss, which is reported after close of markets to provide a snapshot view of positions, earnings and losses for our active trading programs. This provides an integrated view of market positions and valuations across Public Market Investments' active investment programs, as described on page 42. We also refined our processing and reporting capabilities relating to the funding of Private Investment transactions, in support of Total Portfolio Management's multi-year program to actively manage funding portfolios to reduce uncompensated risk in the Fund.

We started a multi-year effort to increase the flexibility and scalability of our risk management capabilities, with a focus on improving the capture, measurement and reporting on the market risks across the Fund. This includes development and integration of a robust technology platform, with flexibility to support enhanced reporting and multiple risk engines. This platform provides risk analytics and reporting for investment programs and for total Fund analysis, with flexibility to look more closely at factors including asset class, product type, industrial sector, geography and counterparty exposure.

We made progress against our data management objectives, which are focused on providing the expertise, support and tools needed to proactively manage the market and portfolio data that is needed for investment decision-making, transaction execution, securities-processing and risk and return measurement. In fiscal 2013, we extended our integrated security master to include more granular transaction details for private investment, real estate and over-the-counter securities. A new reporting portal was launched as a centralized hub for accessing daily portfolio reports, performance analyses and extracts of market and portfolio data to support risk-return analysis and portfolio decision-making.

In fiscal 2013, we also invested in increasing the resilience and capacity of our technology infrastructure. This included expanding our computing platforms to support our growing business in Canada, the United Kingdom and Hong Kong, investments in information security to protect our corporate and investment portfolio information, and business resumption capabilities to ensure that we can conduct our most important business activities in the event that CPPIB's computing facilities or office premises are inaccessible due to a power failure or other event.

Looking ahead, we will establish shared services in key functions such as tax management, service provider management and compliance in order to provide centralized coordination of these functions in support of CPPIB's investment programs and international offices.

Our efforts to improve automation and integration of end-to-end investment and operational activities will continue throughout fiscal 2014, and we will actively leverage our capabilities in risk, operations and technology to support the increasing globalization of CPPIB's investment programs.

MANAGING TOTAL COSTS

A central element of our active investment management strategy is to efficiently and cost-effectively source and secure the most attractive investment opportunities globally. The objective of every operational and investment decision we make is to add value, net of costs. We are convinced that, with our comparative advantages as an investor, CPPIB's active management strategy will deliver attractive returns over the long term.

There are three categories of costs in managing the CPP Fund:
> External management fees;
> Transaction costs; and
> Operating expenses.

External Management Fees: External asset managers were paid a total of $782 million in fiscal 2013 compared to $650 million in fiscal 2012. Whenever possible, fee arrangements are largely performance-based. We follow the customary practice of reporting investment returns net of fees paid. External management fees have increased over recent years as we have increased commitments in areas that complement our internal programs. We remain diligent in managing these costs and ensuring that the external managers' interests are aligned with ours. Thus, the expense incurred is proportional to the benefits derived for the Fund. External management fee information detailed by asset class can be found in note 8 to the Financial Statements.

Transaction Costs: Transaction costs for fiscal 2013 totalled $177 million compared to $228 million in the prior year. Investment returns are reported net of these costs. Transaction costs are often associated with the acquisition of private market assets, especially infrastructure, real estate and private equity. They include investment banking advisory fees in public company bid situations, due diligence consulting fees, legal and tax advisory fees, taxes on the transfer of real estate, and a variety of other non-recurring expenses. The total transaction costs thus vary from year to year according to the number, size and complexity of our private market investing activities. In public markets, we pay commissions when trading securities. Commission costs vary depending on the volumes and markets in which we trade and are also driven by portfolio rebalancing. Transaction cost information detailed by asset class can be found in note 8 to the Financial Statements.

Operating Expenses: This category covers all other costs incurred to manage the CPP Fund. Operating expenses were $490 million this year compared to $440 million in fiscal 2012. Expressed another way, total operating expenses this year were 28.9 basis points or 28.9 cents for every $100 of invested assets this year compared to 28.6 cents for the prior year.

The year-over-year increase in operating expenses is driven in large part by organizational growth to support our investment programs.

Since launching our active investment strategy on April 1, 2006, we have been building sophisticated systems and expert teams to implement and manage our investment programs. The increase in expenses is necessary to support these programs and the further development of our infrastructure, processes and information systems. CPPIB remains in a growth stage as we diversify risk and further develop as a truly global investment organization. We believe that having a physical presence in select foreign regions improves our access to high-quality investments. We expect to see some increase in expenses as we continue to support an enduring organization intended to manage the expected growth and sustainability of the Fund.

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 a cost perspective. Infrastructure investing is a case in point. We have been deliberate in developing deep internal capabilities. We estimate that the total costs for an externally managed $10 billion portfolio would range from $175 million to $200 million per year. By contrast, our fully-costed internal program to manage our $10 billion portfolio of direct infrastructure investments amounted to approximately $48 million.

We are very conscious of our obligation to responsibly control the costs we incur to manage the Fund's assets. There are reporting, monitoring and control mechanisms to manage expenses carefully and ensure that growth is pursued in a responsible and cost-effective manner consistent with the approved annual operating budget. Our governance framework includes expense management policies and authorities as well as expense control reporting to executive management and the Board of Directors. Compliance oversight also includes regular reviews by the Internal Audit group.

Operating expenses are detailed more fully in note 9a and note 9b to the Financial Statements.

FISCAL 2014 CORPORATE OBJECTIVES

The principal corporate objectives for fiscal 2014 are a continuation of those pursued in fiscal 2013 and are:

- Executing our investment programs;
- Transforming to a global investment organization;
- Enhancing scalability and managing complexity;
- Building capabilities to support the CPPIB brand promise; and
- Development and continuity of leadership and talent.

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 of the Treadway Commission.

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.

CEO/CFO certification makes it clear that 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 Canadian generally accepted accounting principles. 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 or disclosure controls or procedures that have, 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

Financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). This requires management to adopt accounting policies and 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. Note 1 to the Financial Statements summarizes the significant accounting policies we have adopted.

Management's most critical accounting estimates are with regard to the determination of fair value for investments. We are considered an investment company under Canadian GAAP and, accordingly, all of our investments are measured at fair value. Fair value is defined as the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

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.

FUTURE ACCOUNTING POLICY CHANGE

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board (AcSB) confirmed in February 2008 that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for interim and annual periods starting April 1, 2011. Subsequently, the AcSB granted Canadian investment companies an optional three-year deferral from the requirement to adopt IFRS.

The three-year deferral provided the International Accounting Standards Board (IASB) time to complete its consolidation project. On October 31, 2012, the project was completed and the IASB published amendments to *IFRS 10, Consolidated Financial Statements*. This permits CPPIB to continue to measure all investments at fair value, including those in controlled entities. We are scheduled to adopt IFRS as of April 1, 2014.

We have identified the major differences between our application of existing Canadian GAAP and current IFRS. We have also developed a conversion plan and are on schedule with its execution. However, as IFRS continues to change, we cannot definitively comment at this time on the impact these differences could have on our operations, financial position and results of operations. We continue to monitor developments and changes to IFRS.

ACCOUNTABILITY AND DISCLOSURE

CPPIB is accountable to Parliament and to the federal and provincial finance ministers who serve as the CPP's stewards. We also report to Parliament through the federal finance minister who tables our Annual Report in the House of Commons.

Quarterly financial statements are also 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 2014. We are also committed to timely and continuous disclosure of significant investments and events.

An external accounting firm audits our financial statements every year. 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. 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 exceeds both legislated requirements and industry norms in maintaining high standards of conduct and business practice. This is part of 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 as a capital markets participant.

DISCLOSURE

"Canadians have the right to know why, how and where we invest their Canada Pension Plan money, who makes the investment decisions, what assets are owned on their behalf and how the investments are performing."

We believe in transparency as the foundation of trust with all our stakeholders and are committed to keeping Canadians informed about CPPIB, our investing convictions and initiatives. This disclosure includes the quarterly release of investment results and the Annual Report which contains extensive disclosure of the Fund's performance. We are also committed to timely and continuous disclosure of significant investments and events. And, we are continuously reviewing disclosure practices.

Our website contains comprehensive information about how we operate, including 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 statement that guides us in managing the CPP Fund and the Cash for Benefits portfolio.

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 independent 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 2013 were:

Pierre Choquette, Chair	Karen Sheriff	Douglas W. Mahaffy	Ronald E. Smith
Heather Munroe-Blum	D. Murray Wallace		

Mr. Smith retired from the Board of Directors and HRCC on October 4, 2012. Ms. Sheriff was appointed to the Board on October 4, 2012 and to the HRCC on November 7, 2012.

In designing the compensation framework for the CPP Investment Board, 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 both London and Hong Kong, 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 is increasingly looking to hire experienced professionals to relocate to our Toronto office; accordingly, the HRCC keeps abreast of compensation practices and trends in key markets, such as the United States. 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 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 management has succeeded in generating value-added returns and to structure compensation amounts accordingly.

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

I) CHOICE OF 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 that management uses 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.

II) 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 management and the CPP Fund beneficiaries by ensuring that management is only incented to incur costs if they are convinced that 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, represents a good level of performance. Beyond that target level, the committee approves a distribution of returns that can range from multipliers of five to negative three – that is, plus or minus four around the target of one. The HRCC limits the impact of any one investment department or any single year's results so that it cannot have an undue influence on compensation amounts. Consequently, multipliers are capped on the upside at five and have a downside floor of negative three. These caps also allow the HRCC to establish maximum levels of potential compensation within bounds that it considers appropriate.

III) 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.

Having made these three decisions, the investment performance component of CPPIB's compensation framework is then based solely upon actual and benchmark returns with no further input from the HRCC required. The committee fully 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 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 it considers appropriate.

In keeping with a performance-based compensation framework, the HRCC believes that benefits and perquisites should be modest. Benefits such as medical, dental and insurance are at comparable levels to similar organizations. CPPIB provides a defined contribution pension plan that is the same for all employees; there is no special plan for executive officers. Perquisites are limited to company-paid parking for officers.

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 $198,000 and $337,000 in fiscal 2013 and fiscal 2012, respectively, and no additional services were provided to management. The higher fees in fiscal 2012 were largely attributable to the detailed independent review of the benchmarks and value-added targets used for compensation purposes that Hugessen undertook at the request of the HRCC, as referenced below, and support on the CEO transition.

KEY ACTIVITIES FOR FISCAL 2013

The HRCC held four meetings during fiscal 2013. Although not a committee member, the Chair of the Board of Directors attended all meetings. The CEO, the EVP, Investments and the Senior Vice-President, Human Resources, also attended portions of the meetings at the committee's request. A list of the HRCC's activities is included as Table 1 of this report.

In addition to those activities, the committee adopted specific objectives designed to highlight areas of focus in fiscal 2013 and continuing into fiscal 2014. 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 management 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 principles used in determining the incentive compensation benchmarks and compensation curves, the transition from measuring value-added performance in basis points to dollars, and benchmarks and incentive compensation curves for investment programs below the CPP Fund level. 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 31.

> 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 potential longer term incentive compensation designs for officers and some technical changes to incentive compensation to ensure optimal alignment of individual and investment performance.

The committee kept the Board apprised of executive compensation matters during fiscal 2013, 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.

In conclusion, the HRCC is satisfied that the compensation framework for CPPIB is appropriate, that the investment performance compensation results for fiscal 2013 are consistent with the design and intent of the system, and that our decisions with respect to the individual performance components of compensation reflect our assessment of management's performance relative to pre-established objectives for fiscal 2013.

PIERRE CHOQUETTE
CHAIR, HUMAN RESOURCES AND COMPENSATION COMMITTEE

TABLE 1: ACTIVITIES OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

AGENDA ITEMS	May 2012	November 2012	February 2013	March 2013
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 the principles for determining and calibrating incentive compensation curves, as well as the 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 appointment, compensation and severance 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		•		

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis starts by summarizing the foundational principles of our Management Compensation Framework. We then discuss the elements of our compensation program. Following this, we report on our fiscal 2013 performance results and remuneration of the named executive officers and directors.

PRINCIPLES OF OUR MANAGEMENT COMPENSATION FRAMEWORK

Our Management 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 $183.3 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, measureable 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 CPP Reference Portfolio, as noted on page 20 (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 ensure 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 is incentive-based.

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.

GLOBAL POLICIES ON EXECUTIVE COMPENSATION

GUIDELINES	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

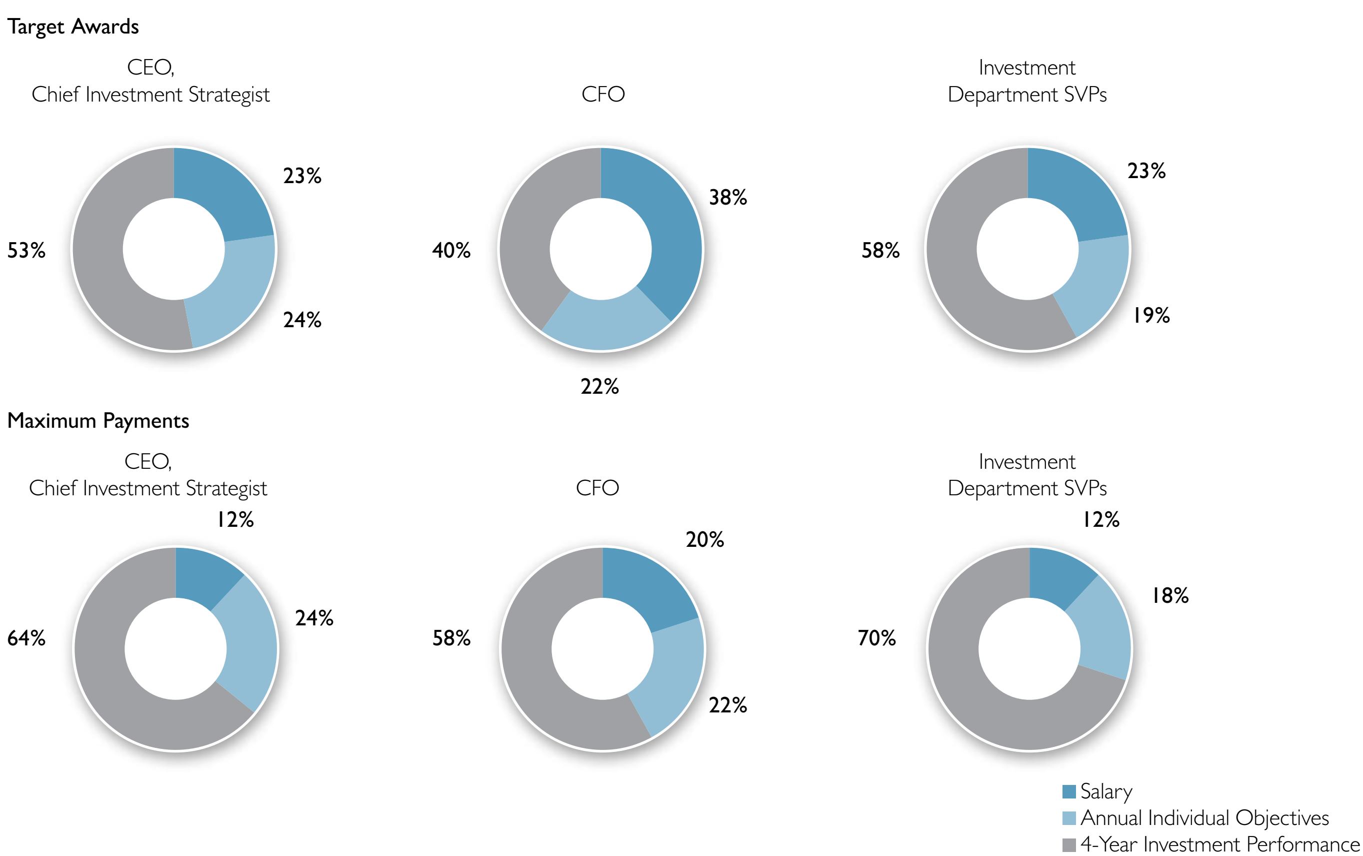
KEY ELEMENTS OF OUR COMPENSATION FRAMEWORK

Our compensation program is driven by four-year investment performance and annual individual objectives. The majority of total pay is incentive-based, consistent with our compensation philosophy.

The mix of compensation elements is specific to each role. Senior investment professionals have a higher percentage of their compensation that is incentive-based and tied to four-year investment performance. Non-investment professionals have a higher percentage of their compensation comprising base salary and tied to annual individual objectives.

These charts show the compensation mix for the named executive officers.

MIX OF TOTAL DIRECT COMPENSATION FOR FISCAL 2013



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 for relevant positions. The independent compensation surveys that we use include the Towers Watson Investment Management Compensation Survey, the McLagan Investment Management Survey and the McLagan Private Equity Canada Survey.

As part of the fiscal 2013 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 from the Towers Watson and McLagan surveys referenced above.

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 consulting firms such as Towers Watson and McLagan to ensure we remain competitive with peer organizations. Salaries are reviewed annually at the end of each fiscal year; any increase in officers' 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.

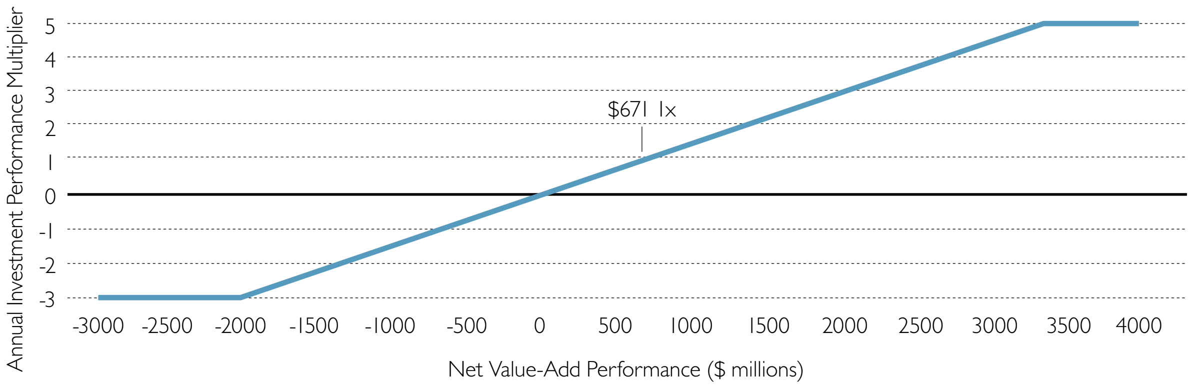
> **Four-year investment performance:** This factor reflects the value-added performance of the CPP Fund over the four-year period ending in the fiscal year. For investment professionals, it also reflects department and asset class performance relative to specified benchmarks. Table 1, on page 71, shows the weighting of the CPP Fund and department performance under STIP for named executive officers (NEOs). 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 CPP Reference Portfolio. The return we generate relative to this benchmark is our value-added performance. Similarly, net investment department and asset class returns are compared to appropriate market-based benchmarks approved by the HRCC. The compensation benchmarks are described on pages 29 to 31 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 CPP 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, with the maximum four-year STIP investment performance multiplier capped at two and the minimum value at zero.

2013 CPP FUND COMPENSATION CURVE



DEFERRED SHORT-TERM INCENTIVE PLAN (DSTIP)

We offer 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. For Fiscal 2013, the deferral period changed from a two year period to a choice of two or three years, at the employee's option. In Fiscal 2014 and going forward, to further align with long term Fund performance, the deferral will be 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. So, a grant made on April 1, 2013, will vest on March 31, 2017, and be paid out shortly thereafter.

The majority of our investment professionals and senior-level core services professionals receive LTIP awards. The CEO may also approve an LTIP award with three-year vesting to attract new 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

POSITION	CPP Fund	Department
CEO, CFO, SVP & Chief Investment Strategist	100%	N/A
Investment Department SVPs	50%	50%

SUPPLEMENTAL RESTRICTED FUND UNITS (RFUS)

RFUs are a notional investment whose value fluctuates in accordance with CPP Fund performance.

RFUs with multi-year vesting schedules can be awarded with the CEO's approval, in order to address transitioning issues for certain new 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 vice-president 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.

PENSION

All 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.

Pension benefits are modest relative to those provided by other organizations in the large public 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 officers 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 2013 performance measures and results upon which named executive officer 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 2013 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 2013.

TABLE 2: FISCAL 2013 NON-FINANCIAL ORGANIZATIONAL GOALS

Execute our investment program strategies
Enhance sustainable and scalable processes to effectively manage the growth of the CPP Fund
Operate as a global investment organization
Focus on the development and continuity of leadership and talent
Build capabilities to support our brand promise

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 2013, the target was $671 million. See the CPP Fund Compensation Curve diagram on page 71 for more details. In fiscal 2012, we began reporting value-added performance in dollars and correspondingly, value-added performance figures for compensation purposes were converted from basis points to dollars in fiscal 2013.

Incentive compensation payouts for fiscal 2013 reflect CPP Fund performance over the four fiscal year period beginning April 1, 2009, and ended March 31, 2013.

Value-added performance, net of operating expenses, over the CPP Reference Portfolio benchmark was positive in two of these years (fiscal 2011 and fiscal 2012), and negative in fiscal 2010 and fiscal 2013, resulting in a cumulative net value-added performance of -$1.8 billion over the four-year period ending March 31, 2013. While incentive compensation is based on CPP Fund performance over a four-year period, we measure investment performance over the longer term. Over the past seven years, since the adoption of the CPP Reference Portfolio, the cumulative net value-added performance is $3.1 billion.

TABLE 3: CPP FUND PERFORMANCE, FISCAL 2010 TO 2013 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 2013	16.5	16.7	0.2	-0.3	-0.43
Fiscal 2012	6.8	9.9	3.1	2.7	4.42
Fiscal 2011	12.8	15.5	2.7	2.4	4.56
Fiscal 2010	22.5	16.2	-6.3	-6.6	-3.00
Cumulative – 4 year	58.7	58.4	-0.3	-1.8	
Cumulative – since inception	42.5	47.5	5.0	3.1	

[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 29 to 31 of the Management's Discussion and Analysis and summarized below.

TABLE 4: INVESTMENT DEPARTMENT PERFORMANCE, FISCAL 2010 TO 2013

	Department		
FISCAL YEAR	Public Market Investments	Private Investments	Real Estate Investments
2013	Exceeded target	Exceeded target	Did not meet target
2012	Did not meet target	Exceeded target	Exceeded target
2011	Exceeded target	Exceeded target	Exceeded target
2010	Exceeded target	Did not meet target	Exceeded target

Investment performance over the past four years resulted in STIP investment performance multipliers of 1.39 for the CEO and from 1.39 to 2.0 for the other NEOs. For the fiscal 2010 LTIP grant, which vests and pays out at the end of fiscal 2013, the LTIP investment performance multiplier for the CEO was 1.39, and 1.39 to 2.3 for the other NEOs. The CPP Fund's four-year rate of return was 51.0%, which is an average compounded annual return of 10.8% since the beginning of fiscal 2010.

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 objective component of the CEO's STIP payout for the fiscal year and his base salary for the upcoming fiscal year. The balance of his STIP payout, as well as the LTIP payout, are determined by the four-year investment performance of the CPP Fund. Because of his previous role leading the Private Investments team, Mr. Wiseman's STIP and LTIP payouts include performance of the Private Investments portfolio for 2010.

Mr. Wiseman's personal objectives for fiscal 2013 included:

> Executing the investment programs, including ensuring processes are scalable, investment decisions are strategically aligned, and capabilities are in place to execute on new transactions and the growing asset base.
> Undertaking a strategy review focused on the next phase of becoming a global investment organization and a review of the scalability of our current operating model;
> Implementing key objectives outlined in the business plan;
> Building capabilities to support the CPPIB brand promise; and
> Ensuring the development and continuity of leadership and talent.

All of these key goals were substantially achieved.

The Board of Directors awarded an STIP annual individual objective payout of $620,200 for Mr. Wiseman for fiscal 2013. The STIP investment component payout reflects the performance of the CPP Fund relative to the CPP Reference Portfolio for the four-year period ending March 31, 2013, as well as performance of the Private Investments portfolio in 2010 as described above. The Board has increased Mr. Wiseman's annualized base salary from $490,000 to $505,000 for fiscal 2014.

Mr. Denison retired as CEO on June 30, 2012. His compensation for fiscal 2013 was based on the period of time he worked in the year, from April 1 to June 30, 2012. The Board of Directors awarded an STIP individual objective payout of $200,700 for Mr. Denison for fiscal 2013. The STIP investment component payout reflects the performance of the CPP Fund relative to the CPP Reference Portfolio for the four-year period ending March 31, 2013, awarded on a pro-rata basis for the time he worked during the fiscal year.

COMPENSATION OF THE OTHER NAMED EXECUTIVE OFFICERS

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

As detailed in the Summary Compensation table that follows, total remuneration for the named executive officers, excluding Mr. Denison, is $12,367,499, up 2% from $12,129,795 for the named executive officers last year. This year's negative net value-added investment performance will continue to dampen short- and long-term incentive compensation through fiscal 2016.

MANAGEMENT COMPENSATION

SUMMARY COMPENSATION

Table 5 shows remuneration over the past three fiscal years for the CEO, CFO and the three most highly compensated officers.

TABLE 5: SUMMARY COMPENSATION[1]

			Incentive Plan Compensation ($)						
				Four-year Investment Performance					
NAME AND POSITION	Year	Salary ($)	STIP Annual Individual Objectives[2]	STIP Investment Component[2]	LTIP[3]	RFU[4]	Pension Value ($)[5]	All Other Compensation ($)[6]	Total Compensation ($)
David F. Denison President and CEO[7]	**2013**	**132,100**	**200,700**	**227,300**	**833,100**	**–**	**44,400**	**3,025**	**1,440,625**
	2012	515,000	964,700	893,400	766,300	–	61,744	9,141	3,210,285
	2011	500,000	750,000	966,100	766,100	–	59,937	9,854	3,051,991
Mark D. Wiseman President and CEO[8]	**2013**	**490,000**	**620,100[9]**	**843,000[9]**	**734,700**	**–**	**57,431**	**12,019**	**2,757,250**
	2012	400,000	409,500[9]	1,170,000[9]	984,200	–	46,219	8,264	3,018,183
	2011	385,000	654,500[9]	1,078,000[9]	973,100	–	44,094	8,198	3,142,892
Nicholas Zelenczuk SVP and CFO	**2013**	**325,000**	**273,000[9]**	**108,400[9]**	**503,800**	**–**	**35,848**	**8,485**	**1,254,533**
	2012	315,000	194,000[9]	106,000[9]	375,300	–	34,812	7,612	1,032,724
	2011	308,250	241,700[9]	114,300[9]	–	308,600[10]	34,065	7,838	1,014,753
Graeme Eadie SVP Real Estate Investments	**2013**	**350,000**	**344,500**	**1,023,800**	**1,078,300**	**–**	**39,180**	**8,485**	**2,844,265**
	2012	335,000	369,300	914,600	645,600	–	37,485	7,612	2,309,597
	2011	325,000	400,600	808,200	578,000	–	36,272	7,838	2,155,910
Don Raymond SVP and Chief Investment Strategist	**2013**	**365,000**	**480,400[9]**	**903,400[9]**	**1,043,900**	**–**	**41,248**	**8,353**	**2,842,301**
	2012	355,000	467,300[9]	878,600[9]	793,000	–	40,185	7,612	2,541,697
	2011	345,000	482,900[9]	736,200[9]	578,800	–	39,012	8,362	2,190,274
Eric Wetlaufer SVP Public Market Investments	**2013**	**357,500**	**512,800**	**925,000**	**–**	**821,900[11]**	**40,258**	**11,692**	**2,669,150**
	2012	350,000	492,200	734,800	–	746,300[11]	15,750	13,402	2,352,452

[1] All amounts shown in the Summary Compensation table reflect compensation paid to the NEO in, or in respect of, the current fiscal year only. Amounts shown under the Long-Term Incentive Plan (LTIP) and Restricted Fund Units (RFU), therefore, do not depict grant date values. Incentive compensation is paid in cash in the year following the year in which it is earned; amounts shown above were paid or credited to the NEOs in early fiscal 2014 in respect of fiscal 2013. 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 department) respectively over the previous four fiscal years, and cannot result in a payout more than two times the target award.

[3] LTIP: 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 department as compared with specified benchmarks; by 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 Fund's rate of return over the performance period.

[4] RFU: 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 end of 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% 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 7: Pension Plan Contributions. The total unfunded liability for the NEOs as at March 31, 2013, is $1,113,565 (2012 – $842,597).

[6] Benefits include life insurance, disability benefits, health and dental benefits, and fitness reimbursement. Perquisites are limited to paid parking for officers.

[7] Mr. Denison retired on June 30, 2012. Payouts for STIP are prorated for his time worked during fiscal 2013. Payments under LTIP are prorated for time worked during the four year performance period.

[8] Mr. Wiseman became CEO on July 1, 2012. For fiscal 2013, his STIP is weighted 55% for investment performance and 45% for individual performance.

[9] NEO elected to defer all or part of the STIP payment for two years under the Deferred Short-Term Incentive Plan.

[10] Mr. Zelenczuk joined CPPIB on January 15, 2009. Mr. Zelenczuk's supplemental RFU payments were made in fiscal 2010 and fiscal 2011 as per his employment agreement.

[11] Mr. Wetlaufer joined CPPIB on June 27, 2011. Per Mr. Wetlaufer's employment agreement, his fiscal 2012 RFU grants vest over two years, 50% paid out at the end of fiscal 2012 and 50% at the end of fiscal 2013.

LONG-TERM INCENTIVE AWARDS AND ESTIMATED FUTURE PAYOUTS

LTIP awards are granted at the start of a fiscal year and paid out at the end of the four-year vesting period. Table 6 shows the LTIP and estimated future payouts for each named executive officer. The future value of the awards granted but not yet vested are estimated as at March 31, 2013, based on:

> Actual performance multipliers for fiscal 2011, 2012 and 2013, and pro-forma multipliers of one for future years; and

> Actual CPP Fund rates of return for fiscal 2011, 2012 and 2013, and no assumed growth in future years.

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

NAME	Year of Grant	Type of Award	Award Target Value ($)[1]	Maximum Value at Time of Grant ($)[2]	Estimated Future Payouts at the End of Fiscal Years ($): 2014	2015	2016	2017	Total
David F. Denison[3]	2013	LTIP	530,000	1,590,000			23,400		23,400
President and CEO	2012	LTIP	515,000	1,545,000		283,000			283,000
	2011	LTIP	500,000	1,500,000	882,100				882,100
Mark D. Wiseman	2014	LTIP	505,000	1,515,000				505,000	505,000
President and CEO	2013	LTIP	490,000	1,470,000			347,200		347,200
	2012	LTIP	400,000	1,200,000		704,300			704,300
	2011	LTIP	385,000	1,155,000	1,208,800				1,208,800
Nicholas Zelenczuk	2014	LTIP	436,000[4]	1,308,000				436,000	436,000
SVP and CFO	2013	LTIP	260,000	780,000			184,200		184,200
	2012	LTIP	252,000	756,000		443,700			443,700
	2011	LTIP	246,600	739,800	774,300				774,300
Graeme Eadie	2014	LTIP	360,000	1,080,000				360,000	360,000
SVP Real Estate	2013	LTIP	350,000	1,050,000			276,900		276,900
Investments	2012	LTIP	335,000	1,005,000		573,300			573,300
	2011	LTIP	325,000	975,000	1,031,600				1,031,600
Don Raymond	2014	LTIP	375,000	1,125,000				375,000	375,000
SVP and Chief	2013	LTIP	365,000	1,095,000			258,600		258,600
Investment Strategist	2012	LTIP	355,000	1,065,000		625,000			625,000
	2011	LTIP	345,000	1,035,000	1,083,200				1,083,200
Eric Wetlaufer	2014	LTIP	367,500	1,102,500				367,500	367,500
SVP Public Market	2013	LTIP	357,500	1,072,500			548,700		548,700
Investments	2012	LTIP	700,000[5]	2,100,000	745,300	661,700			1,407,000

[1] Represents the target value at the time of grant; no award is payable if performance is below a certain level.

[2] For LTIP, 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 the LTIP section for details.

[3] Mr. Denison retired as of June 30, 2012; estimated future payouts have been prorated to reflect the time worked during the performance period. See the Termination and Retirement Arrangements section for details.

[4] Mr. Zelenczuk was awarded a grant of $150,000 in addition to his regular LTIP grant for fiscal 2014, as part of the Extraordinary LTIP program.

[5] As per his employment agreement, Mr. Wetlaufer received a supplemental LTIP grant of $350,000 in fiscal 2012. This grant vests at the end of fiscal 2014.

PENSION PLANS

As described earlier, all employees participate in the regular and supplementary defined contribution pension plans. The table below shows the contributions and investment earnings for the named executive officers under both plans. The total unfunded liability for the named executive officers, as at March 31, 2013, is $1,113,565 (2012 – $842,597).

TABLE 7: PENSION PLAN CONTRIBUTIONS

			Compensatory ($)			
NAME	Plan Type	Accumulated Value at Start of Year ($)	Employer Contributions ($)	Investment Earnings ($)	Non-compensatory ($)[1]	at End of Year ($)
David F. Denison President and CEO	Registered Supplementary	173,347 330,397	8,749 35,651	 40,324	1,750 	183,846 406,371
Mark D. Wiseman President and CEO	Registered Supplementary	151,857 154,435	17,126 40,305	 18,150	26,337 	195,320 212,890
Nicholas Zelenczuk SVP and CFO	Registered Supplementary	85,211 52,778	16,018 19,830	 4,147	14,775 	116,004 76,755
Graeme Eadie SVP Real Estate Investments	Registered Supplementary	161,480 127,277	16,088 23,092	 1,102	24,465 	202,032 151,471
Don Raymond SVP and Chief Investment Strategist	Registered Supplementary	237,122 209,808	16,018 25,230	 6,715	(6,625) 	246,516 241,754
Eric Wetlaufer SVP Public Market Investments	Registered Supplementary	24,770 0	15,984 24,274	 51	12,319 	53,073 24,324

[1] Represents employee contributions and investment earnings in the registered pension plan.

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 are 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, 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.

On 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 8 shows the payments that would be made, as of March 31, 2013, to the named executive officers on termination without cause, resignation or retirement.

TABLE 8: POTENTIAL TERMINATION AND RETIREMENT PAYMENTS[1]

NAME	Completed Years of Service	Severance ($)[2]	Resignation ($)	Retirement ($)[3]
Mark D. Wiseman President and CEO	7	2,521,458	906,600	N/A
Nicholas Zelenczuk SVP and CFO	4	780,000	580,700	848,600
Graeme Eadie SVP Real Estate Investments	7	1,801,042	773,700	1,129,600
Don Raymond SVP and Chief Investment Strategist	11	1,779,375	812,400	N/A
Eric Wetlaufer SVP Public Market Investments	2	1,258,698	330,900	N/A

[1] Excludes incentive compensation payouts for the current 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] Amounts included for those individuals who are retirement eligible. Eligible retirement payments are for LTIP, subject to the following criteria:
- Individual is at least 55 years of age, consistent with the early retirement provisions of the registered pension plan;
- Performance measured at 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.

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. As outlined in last year's Compensation Discussion and Analysis, the last review was conducted in fiscal 2012 and modest changes were adopted for fiscal 2013. No changes will be made in fiscal 2014.

TABLE 9: DIRECTOR COMPENSATION

	Fee ($)
Annual Retainers	
Chair[1]	**140,000**
Director	**32,500**
Committee chair, additional retainer	**10,000**
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 to 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 2013. The Investment Committee is composed of the full Board. The table below shows the number of meetings each director attended in fiscal 2013 relative to the number of meetings he or she could have attended.

TABLE 10: BOARD ATTENDANCE

DIRECTOR	Board Meeting[1]	Investment Committee[2]	Audit Committee[3]	Governance Committee[4]	HRCC[5]
Robert Astley, Chair	7/7	12/12	–	5/5	–
Ian Bourne, Chair of Audit Committee	7/7	11/12	4/4	5/5	–
Bob Brooks	7/7	12/12	4/4	–	–
Pierre Choquette, Chair of HRCC	7/7	11/12	–	5/5	4/4
Michael Goldberg	7/7	12/12	4/4	5/5	–
Peter Hendrick	7/7	12/12	4/4	–	–
Nancy Hopkins, Chair of Governance Committee	7/7	11/12	–	5/5	–
Douglas Mahaffy	6/7	10/12	–	–	3/4
Elaine McKinnon[6]	3/4	7/8	1/2	–	–
Heather Munroe-Blum	7/7	11/12	–	–	4/4
Karen Sheriff[7]	3/3	4/4	–	–	3/3
Ron Smith[8]	4/4	7/8	–	–	1/1
Murray Wallace	7/7	12/12	–	–	4/4
Jo Mark Zurel[9]	3/3	4/4	2/2	–	–

[1] Six in-person and one teleconference meetings.
[2] Six in-person and six teleconference meetings.
[3] Four in-person meetings.
[4] Four in-person and one teleconference meetings.
[5] Three in-person and one teleconference meetings.
[6] Left the Board on October 4, 2012, after successor appointed.
[7] Joined the Board on October 4, 2012; became a member of the HRCC on November 7, 2012.
[8] Left the Board on November 1, 2012, after successor appointed.
[9] Joined the Board on November 1, 2012; became a member of the Audit Committee on November 7, 2012.

DIRECTOR COMPENSATION

Based on the attendance and fee schedules, individual compensation for each of the directors for fiscal 2013 was as follows:

TABLE 11: DIRECTOR COMPENSATION

DIRECTOR	Annual Retainer ($)	Board and Committee Meeting Fees ($)	Public Meeting Fees ($)	Travel Fees ($)	Total Remuneration ($)
Robert M. Astley, Chair[1]	140,000	–	2,000	–	142,000
Ian Bourne, Chair of Audit Committee	42,500	35,320		6,000	83,750
Robert Brooks	32,500	29,250			61,750
Pierre Choquette, Chair of HRCC	42,500	34,500		5,000	82,000
Michael Goldberg	32,500	36,000		6,000	74,500
Peter Hendrick	32,500	29,250			61,750
Nancy Hopkins, Chair of Governance Committee	42,500	29,250		6,000	77,750
Douglas Mahaffy	32,500	23,250			55,750
Elaine McKinnon	18,958	13,500		1,500	33,958
Heather Munroe-Blum	32,500	27,750		1,500	61,750
Karen Sheriff[2]	15,988	13,500		1,500	30,988
Ronald Smith[1]	16,599	15,750	1,000	2,000	35,349
Murray Wallace	32,500	28,500			61,000
Jo Mark Zurel[2]	13,542	12,750		3,000	29,292

[1] Meeting fees include attendance at public meetings.
[2] Meeting fees include attendance at Director's orientation session.

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 Canadian generally accepted accounting principles. 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 1 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 61 of Management's Discussion and Analysis in the 2013 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.

M. Wiseman

MARK D. WISEMAN
PRESIDENT & CHIEF EXECUTIVE OFFICER
Toronto, Ontario
May 9, 2013

N. Zelenczuk

NICHOLAS ZELENCZUK
SENIOR VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

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.

The investments of the CPP Investment Board, held during the year ended March 31, 2013, were in accordance with the Act and the CPP Investment Board's investment policies, standards and procedures.

IAN A. BOURNE
CHAIR OF THE AUDIT COMMITTEE ON BEHALF OF THE BOARD OF DIRECTORS
Toronto, Ontario
May 9, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Canada Pension Plan Investment Board

We have audited the accompanying Financial Statements of the Canada Pension Plan Investment Board (the "CPP Investment Board"), which comprise the Balance Sheet and the Statements of Investment Portfolio and Investment Asset Mix as at March 31, 2013, and the Statements of Net Income and Accumulated Net Income from Operations and Changes in Net Assets for the year then ended, 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 Financial Statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit 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 Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Financial Statements.

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

OPINION

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of the CPP Investment Board and the investments held as at March 31, 2013, and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles, which were applied on a basis consistent with that of the preceding year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, in our opinion, the transactions of the CPP Investment Board that have come to our notice 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
Toronto, Ontario
May 9, 2013

BALANCE SHEET

As at March 31, 2013 ($ millions)	2013	2012
ASSETS		
Investments (note 3)	$ 208,971	$ 176,038
Amounts receivable from pending trades	2,580	2,052
Premises and equipment (note 4)	68	56
Other assets	28	16
TOTAL ASSETS	211,647	178,162
LIABILITIES		
Investment liabilities (note 3)	24,301	13,695
Amounts payable from pending trades	3,779	2,587
Accounts payable and accrued liabilities	303	244
TOTAL LIABILITIES	28,383	16,526
NET ASSETS	$ 183,264	$ 161,636
NET ASSETS, REPRESENTED BY		
Share capital (note 6)	$ –	$ –
Accumulated net income from operations	65,533	49,287
Accumulated net transfers from the Canada Pension Plan (note 7)	117,731	112,349
NET ASSETS	$ 183,264	$ 161,636

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET INCOME AND ACCUMULATED NET INCOME FROM OPERATIONS

For the year ended March 31, 2013
($ millions)

	2013	2012
NET INVESTMENT INCOME (note 8)	**$ 16,736**	$ 9,936
OPERATING EXPENSES		
Personnel costs	**313**	292
General operating expenses (note 9a)	**140**	117
Professional services (note 9b)	**37**	31
	490	440
NET INCOME FROM OPERATIONS	**16,246**	9,496
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF YEAR	**49,287**	39,791
ACCUMULATED NET INCOME FROM OPERATIONS, END OF YEAR	**$ 65,533**	$ 49,287

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2013
($ millions)

	2013	2012
NET ASSETS, BEGINNING OF YEAR	**$ 161,636**	$ 148,196
CHANGES IN NET ASSETS		
Canada Pension Plan transfers (note 7)		
Transfers from the Canada Pension Plan	**31,682**	32,285
Transfers to the Canada Pension Plan	**(26,300)**	(28,341)
Net income from operations	**16,246**	9,496
INCREASE IN NET ASSETS FOR THE YEAR	**21,628**	13,440
NET ASSETS, END OF YEAR	**$ 183,264**	$ 161,636

The accompanying notes are an integral part of these financial statements.

STATEMENT 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. The 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:

As at March 31, 2013 ($ millions)	2013	2012
EQUITIES (note 3a)		
Canada		
Public equities	$ 4,789	$ 5,520
Private equities	2,250	1,726
	7,039	7,246
Foreign developed markets		
Public equities	35,957	29,523
Private equities	28,529	23,161
	64,486	52,684
Emerging markets		
Public equities	8,525	8,188
Private equities	1,788	1,394
	10,313	9,582
TOTAL EQUITIES	81,838	69,512
FIXED INCOME (note 3b)		
Bonds	52,331	40,899
Inflation-linked bonds	424	1,050
Other debt	10,215	9,263
Money market securities	19,991	18,347
TOTAL FIXED INCOME	82,961	69,559
ABSOLUTE RETURN STRATEGIES[1] (note 3c)	9,028	6,915
REAL ASSETS (note 3d)		
Private real estate	21,840	18,996
Infrastructure	11,069	9,427
TOTAL REAL ASSETS	32,909	28,423
INVESTMENT RECEIVABLES		
Securities purchased under reverse repurchase agreements (note 3e)	630	–
Accrued interest	725	578
Derivative receivables (note 3f)	742	880
Dividends receivable	138	171
TOTAL INVESTMENT RECEIVABLES	2,235	1,629
TOTAL INVESTMENTS	$ 208,971	$ 176,038
INVESTMENT LIABILITIES		
Securities sold under repurchase agreements (note 3e)	(2,180)	–
Securities sold short (note 3g)	(9,715)	(8,596)
Debt financing liabilities (note 3h)	(9,543)	(2,408)
Debt on private real estate properties (note 3d)	(1,918)	(1,880)
Derivative liabilities (note 3f)	(945)	(811)
TOTAL INVESTMENT LIABILITIES	(24,301)	(13,695)
Amounts receivable from pending trades	2,580	2,052
Amounts payable from pending trades	(3,779)	(2,587)
NET INVESTMENTS	$ 183,471	$ 161,808

[1] Includes only investments in funds.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT ASSET MIX

This Statement of Investment Asset Mix is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios. The 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:

As at March 31, 2013 ($ millions)	**2013**		2012	
	Fair Value	**(%)**	Fair Value	(%)
EQUITIES				
Canada	**$ 15,316**	**8.4%**	$ 14,181	8.8%
Foreign developed markets	**63,985**	**34.9**	56,739	35.1
Emerging markets	**12,356**	**6.7**	10,555	6.5
	91,657	**50.0**	81,475	50.4
FIXED INCOME				
Bonds	**52,486**	**28.6**	41,658	25.7
Inflation-linked bonds	**426**	**0.2**	3,194	2.0
Other debt	**8,640**	**4.7**	8,763	5.4
Money market securities[1]	**8,725**	**4.8**	2,544	1.6
Debt financing liabilities	**(9,543)**	**(5.2)**	(2,408)	(1.5)
	60,734	**33.1**	53,751	33.2
REAL ASSETS				
Real estate[2]	**19,922**	**10.8**	17,116	10.6
Infrastructure	**11,158**	**6.1**	9,466	5.8
	31,080	**16.9**	26,582	16.4
NET INVESTMENTS	**$ 183,471**	**100%**	$ 161,808	100%

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

[2] Net of debt on private real estate properties, as described in note 3d.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2013

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 *Canada Pension Plan*. It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan* 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, 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 financial statements provide information on the net assets managed by the CPP Investment Board and do not include the pension liabilities of the CPP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

These Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and the requirements of the Act and the accompanying regulations.

These Financial Statements present the financial position and results of operations of the CPP Investment Board. The CPP Investment Board qualifies as an investment company in accordance with Canadian Institute of Chartered Accountants Accounting Guideline 18, Investment Companies, and accordingly, the CPP Investment Board reports its investments at fair value.

Certain comparative figures have been reclassified to conform with the current-year financial statement presentation.

(B) VALUATION OF INVESTMENTS, INVESTMENT RECEIVABLES AND INVESTMENT LIABILITIES

Investments, investment receivables and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

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. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, pricing models and other accepted industry valuation methods.

Fair value is determined as follows:

(i) Fair value for publicly traded equities, including equity short positions, is based on quoted market prices. Where market prices are not available or reliable, such as for those securities that are not sufficiently liquid, fair value is determined using accepted industry valuation methods.

(ii) Fair value for fund investments is generally based on the net asset value as reported by the external managers of the funds or other accepted industry valuation methods.

(iii) Private equity and infrastructure investments are either held directly or through ownership in limited partnership arrangements. The fair value for investments held directly is determined using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows using current market yields of instruments with similar characteristics and third party transactions, or other events which might affect the value of the investment. In the case of investments held through a limited partnership, fair value is generally determined based on relevant information reported by the general partner using similar accepted industry valuation methods.

(iv) Fair value for marketable bonds is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.

(v) Fair value for non-marketable Canadian 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.

(vi) Fair value for inflation-linked bonds is based on quoted market prices.

(vii) Fair value for direct investments in private debt and asset-backed securities is calculated using quoted market prices or accepted industry valuation methods, such as discounted cash flows based on current market yields of instruments with similar characteristics.

(viii) Fair value for intellectual property investments and royalty investments, is determined using accepted industry valuation methods, such as discounted cash flows based on current market yields of instruments with similar characteristics, or other events which might affect the value of the investment.

(ix) Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value due to the short-term nature of these securities.

(x) Fair value for private real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on private real estate properties is valued using discounted cash flows based on current market yields for instruments with similar characteristics.

(xi) 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 the quoted market prices of the underlying instruments, where available. Otherwise, fair value is based on other accepted industry valuation methods using inputs such as equity prices and indices, broker quotations, market volatilities, currency exchange rates, current market interest rate yields, credit spreads and other market-based pricing factors. In determining fair value, consideration is also given to liquidity risk and the credit risk of the counterparty.

(xii) 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.

(C) 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. Distributions received from limited partnerships and funds are recognized as interest income, dividend income, net operating income, realized gains and losses from investments or return of capital, as appropriate.

(D) 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 recorded as a component of net investment income.

(E) INVESTMENT MANAGEMENT FEES

Investment management fees are paid to investment managers for externally managed investments. Investment management fees are expensed as incurred and recorded as a component of net investment income.

(F) 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 3i). 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 effected 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 (see note 8).

Reverse repurchase and repurchase agreements are carried on the Statement of Investment Portfolio at the amounts at which the securities were initially acquired or sold. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is included in investment income (see note 8).

(G) 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 3i). Interest and dividend expense on securities sold short are included in investment income (see note 8).

(H) TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in net gain (loss) on investments (see note 8).

(I) CANADA PENSION PLAN TRANSFERS

Net amounts from the CPP are recorded as received.

(J) USE OF ESTIMATES

The preparation of Financial Statements in accordance with Canadian GAAP requires management to make certain estimates and assumptions that affect the reported values of assets and liabilities as at the date of the financial statements and income and expenses during the reporting period. Significant estimates and judgments are required principally in determining the reported estimated fair values of investments since these determinations include estimates of expected future cash flows, rates of return and the impact of future events. Actual results could differ from those estimates.

(K) PREMISES AND EQUIPMENT

Premises and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Computer software	3 years
Office furniture and equipment	5 years
Leasehold improvements	over the term of the leases

(L) FUTURE ACCOUNTING POLICY CHANGE

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS), which was effective for our interim and annual periods commencing April 1, 2011. Subsequently, the AcSB granted Canadian investment companies an optional three-year deferral from the requirement to adopt IFRS.

The three-year deferral provided the International Accounting Standards Board (IASB) time to complete its consolidation project. On October 31, 2012, the project was completed and the IASB published amendments to IFRS 10, *Consolidated Financial Statements*, which will allow investment entities in Canada, such as the CPP Investment Board, to continue to measure all investments at fair value, including those in controlled entities. The CPP Investment Board is scheduled to adopt IFRS on April 1, 2014.

The CPP Investment Board has developed a conversion plan and is on schedule for completion. The major differences between existing Canadian GAAP and IFRS have been identified. However, as IFRS continues to change, the CPP Investment Board cannot definitively comment on the impact these differences could have on its operations, financial position and results of operations. The CPP Investment Board continues to monitor developments and changes to IFRS.

2. FAIR VALUE MEASUREMENT

(A) 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).

BASIS OF FAIR VALUE DETERMINATION				
	As at March 31, 2013			
($ 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	28,215	24,116	–	52,331
Inflation-linked bonds	424	–	–	424
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				
Private real estate	–	1,544	20,296	21,840
Infrastructure	199	–	10,870	11,069
TOTAL REAL ASSETS	199	1,544	31,166	32,909
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	63,495	70,412	208,971
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)
Debt on private real estate properties	–	(1,918)	–	(1,918)
Derivative liabilities	(9)	(936)	–	(945)
TOTAL INVESTMENT LIABILITIES	(9,724)	(14,577)	–	(24,301)
Amounts receivable from pending trades	–	2,580	–	2,580
Amounts payable from pending trades	–	(3,779)	–	(3,779)
NET INVESTMENTS	$ 65,340	$ 47,719	$ 70,412	$ 183,471

BASIS OF FAIR VALUE DETERMINATION

As at March 31, 2012 ($ millions)	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 5,510	$ –	$ 10	$ 5,520
Private equities	–	–	1,726	1,726
	5,510	–	1,736	7,246
Foreign developed markets				
Public equities[1]	27,075	2,448	–	29,523
Private equities	1,014	–	22,147	23,161
	28,089	2,448	22,147	52,684
Emerging markets				
Public equities[1]	7,825	363	–	8,188
Private equities	–	–	1,394	1,394
	7,825	363	1,394	9,582
TOTAL EQUITIES	41,424	2,811	25,277	69,512
FIXED INCOME				
Bonds	17,600	23,299	–	40,899
Inflation-linked bonds	1,050	–	–	1,050
Other debt	–	4,468	4,795	9,263
Money market securities	–	18,347	–	18,347
TOTAL FIXED INCOME	18,650	46,114	4,795	69,559
ABSOLUTE RETURN STRATEGIES	–	5,816	1,099	6,915
REAL ASSETS				
Private real estate	–	1,520	17,476	18,996
Infrastructure	169	–	9,258	9,427
TOTAL REAL ASSETS	169	1,520	26,734	28,423
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	–	–	–	–
Accrued interest	–	578	–	578
Derivative receivables	109	759	12	880
Dividends receivable	–	171	–	171
TOTAL INVESTMENT RECEIVABLES	109	1,508	12	1,629
TOTAL INVESTMENTS	60,352	57,769	57,917	176,038
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements	–	–	–	–
Securities sold short	(8,596)	–	–	(8,596)
Debt financing liabilities	–	(2,408)	–	(2,408)
Debt on private real estate properties	–	(1,880)	–	(1,880)
Derivative liabilities	(32)	(779)	–	(811)
TOTAL INVESTMENT LIABILITIES	(8,628)	(5,067)	–	(13,695)
Amounts receivable from pending trades	–	2,052	–	2,052
Amounts payable from pending trades	–	(2,587)	–	(2,587)
NET INVESTMENTS	$ 51,724	$ 52,167	$ 57,917	$ 161,808

[1] Includes investments in funds.

(B) TRANSFERS BETWEEN LEVEL 1, AND LEVEL 2

During the years ended March 31, 2013 and March 31, 2012, there were no significant transfers between Level 1 and Level 2.

(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:

	2013							
($ millions)	Fair Value as at April 1, 2012	Gain (Loss) Included in Net Investment Income[1]	Purchases	Sales[2]	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as at March 31, 2013	Change in Unrealized Gains (Losses) on Investments Still Held at March 31, 2013[1,4]
INVESTMENTS								
EQUITIES								
Canada								
Public equities	$ 10	$ 46	$ 245	$ (18)	$ –	$ (283)	$ –	$ –
Private equities	1,726	56	640	(172)	–	–	2,250	43
	1,736	102	885	(190)	–	(283)	2,250	43
Foreign developed markets								
Public equities[5]	–	–	–	–	–	–	–	–
Private equities	22,147	3,633	6,912	(4,820)	–	(37)	27,835	2,269
	22,147	3,633	6,912	(4,820)	–	(37)	27,835	2,269
Emerging markets								
Private equities	1,394	168	311	(85)	–	–	1,788	142
	1,394	168	311	(85)	–	–	1,788	142
TOTAL EQUITIES	25,277	3,903	8,108	(5,095)	–	(320)	31,873	2,454
FIXED INCOME								
Other debt	4,795	352	3,032	(2,142)	118	–	6,155	(10)
TOTAL FIXED INCOME	4,795	352	3,032	(2,142)	118	–	6,155	(10)
ABSOLUTE RETURN STRATEGIES	1,099	118	–	(2)	–	–	1,215	118
REAL ASSETS								
Private real estate	17,476	1,047	2,552	(779)	–	–	20,296	1,064
Infrastructure	9,258	433	1,440	(261)	–	–	10,870	456
TOTAL REAL ASSETS	26,734	1,480	3,992	(1,040)	–	–	31,166	1,520
INVESTMENT RECEIVABLES								
Derivative receivables	12	(9)	–	(10)	10	–	3	(9)
TOTAL INVESTMENT RECEIVABLES	12	(9)	–	(10)	10	–	3	(9)
TOTAL	$ 57,917	$ 5,844	$ 15,132	$ (8,289)	$ 128	$ (320)	$ 70,412	$ 4,073

($ millions)	2012 Fair Value as at April 1, 2011	Gain (Loss) Included in Net Investment Income[1]	Purchases	Sales[2]	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as at March 31, 2012	Change in Unrealized Gains (Losses) on Investments Still Held at March 31, 2012[1,4]
INVESTMENTS								
EQUITIES								
Canada								
Public equities	$ 5	$ –	$ 5	$ –	$ –	$ –	$ 10	$ –
Private equities	1,397	(6)	429	(94)	–	–	1,726	2
	1,402	(6)	434	(94)	–	–	1,736	2
Foreign developed markets								
Public equities[5]	501	26	–	–	–	(527)	–	–
Private equities	19,504	2,209	4,257	(3,738)	–	(85)	22,147	882
	20,005	2,235	4,257	(3,738)	–	(612)	22,147	882
Emerging markets								
Private equities	967	117	405	(95)	–	–	1,394	81
	967	117	405	(95)	–	–	1,394	81
TOTAL EQUITIES	22,374	2,346	5,096	(3,927)	–	(612)	25,277	965
FIXED INCOME								
Other debt	4,281	(18)	2,803	(1,868)	–	(403)	4,795	(165)
TOTAL FIXED INCOME	4,281	(18)	2,803	(1,868)	–	(403)	4,795	(165)
ABSOLUTE RETURN STRATEGIES	2,778	309	655	(419)	–	(2,224)	1,099	190
REAL ASSETS								
Private real estate	11,368	1,265	5,766	(923)	–	–	17,476	1,238
Infrastructure	8,322	690	395	(149)	–	–	9,258	582
TOTAL REAL ASSETS	19,690	1,955	6,161	(1,072)	–	–	26,734	1,820
INVESTMENT RECEIVABLES								
Derivative receivables	33	(21)	–	–	–	–	12	(21)
TOTAL INVESTMENT RECEIVABLES	33	(21)	–	–	–	–	12	(21)
TOTAL	$ 49,156	$ 4,571	$ 14,715	$ (7,286)	$ –	$ (3,239)	$ 57,917	$ 2,789

[1] Presented as net gain (loss) on investments (see note 8).
[2] Includes return of capital.
[3] Transfers into and out of Level 3 are assumed to occur at the end of period 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.
[5] Consists of investments in funds.

During the years ended March 31, 2013 and March 31, 2012, transfers into and transfers out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value.

Direct investments in private equities, infrastructure, private real estate, private debt, intellectual property, royalties and certain derivatives have fair values derived primarily from assumptions based on non-observable market data. The fair value of these direct investments is 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.

3. INVESTMENTS AND INVESTMENT LIABILITIES

The CPP Investment Board manages the following types of investments and investment liabilities:

(A) EQUITIES

(i) Public equity investments are made directly or through funds. As at March 31, 2013, public equities include fund investments with a fair value of $3,657 million (2012 – $2,811 million).

(ii) Private equity investments are generally made directly or through ownership in limited partnership arrangements that have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. As at March 31, 2013, private equities include direct investments with a fair value of $9,803 million (2012 – $6,676 million).

(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, which 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 maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

The terms to maturity of the non-marketable and marketable bonds, not including any rollover options or accrued interest, as at March 31, 2013, are as follows:

	2013						2012	
	Terms to Maturity							
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield
NON-MARKETABLE BONDS								
Government of Canada	$ –	$ –	$ –	$ –	$ –	–%	$ 11	1.0%
Canadian provincial government	208	1,205	6,772	15,931	24,116	3.2	23,288	3.6
MARKETABLE BONDS								
Government of Canada	–	10,040	2,733	1,172	13,945	1.7	7,110	2.2
Canadian provincial government	–	1,391	3,091	4,220	8,702	3.1	5,169	3.3
Canadian government corporations	–	2,152	972	365	3,489	2.3	4,141	2.5
Foreign government	–	683	–	–	683	0.3	–	–
Corporate bonds	82	773	484	57	1,396	2.8	1,180	3.3
TOTAL	$ 290	$ 16,244	$ 14,052	$ 21,745	$ 52,331	2.7%	$ 40,899	3.2%

(ii) The terms to maturity of the inflation-linked bonds, as at March 31, 2013, are as follows:

	2013						2012	
	Terms to Maturity							
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield
Inflation-linked bonds	$ –	$ –	$ 1	$ 423	$ 424	(0.1)%	$ 1,050	0.4%

(iii) Other debt consists of investments in direct private debt, asset-backed securities, intellectual property, royalties, distressed mortgage funds and private debt funds. The terms to maturity of the direct private debt and asset-backed securities, as at March 31, 2013, are as follows:

	2013						2012	
	Terms to Maturity							
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield
DIRECT PRIVATE DEBT								
PRIVATE INVESTMENTS								
Leveraged loans	$ 36	$ 1,336	$ 629	$ –	$ 2,001	9.1%	$ 2,411	7.1%
High-yield debt	–	667	815	–	1,482	9.0	1,819	11.0
PRIVATE REAL ESTATE								
Mezzanine debt	13	828	221	386	1,448	6.1	827	6.7
ASSET-BACKED SECURITIES	–	204	1,164	291	1,659	0.8	591	1.2
TOTAL	$ 49	$ 3,035	$ 2,829	$ 677	$ 6,590	6.3%	$ 5,648	7.7%

(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.

(D) REAL ASSETS

(i) The CPP Investment Board obtains exposure to real estate through direct investments in privately held real estate and real estate funds.

Private real estate investments are managed on behalf of the CPP Investment Board by investment managers primarily through co-ownership arrangements. As at March 31, 2013, these investments include assets of $21,840 million (2012 – $18,996 million) and $1,918 million of secured debt (2012 – $1,880 million). The terms to maturity of the undiscounted principal repayments of the secured debt, as at March 31, 2013, are as follows:

	2013							2012		
	Terms to Maturity									
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Fair Value	Weighted Average Interest Rate	Total	Fair Value	Weighted Average Interest Rate
Debt on private real estate properties	$ 34	$ 220	$ 1,601	$ 45	$ 1,900	$ 1,918	4.9%	$ 1,860	$ 1,880	5.0%

(ii) Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at March 31, 2013, infrastructure includes direct investments with a fair value of $10,883 million (2012 – $9,116 million).

(E) SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND SOLD UNDER REPURCHASE AGREEMENTS

The terms to maturity of the securities purchased under reverse repurchase agreements and sold under repurchase agreements, as at March 31, 2013, are as follows:

	2013					2012	
	Terms to Maturity						
($ millions)	Within 1 Month	1 to 6 Months	7 months to 1 Year	Total	Average Effective Yield	Total	Average Effective Yield
Securities purchased under reverse repurchase agreements	$ 630	$ –	$ –	$ 630	0.4%	$ –	–%

	2013						2012		
	Terms to Maturity								
($ millions)	Within 1 Month	1 to 6 Months	7 months to 1 Year	Total	Fair Value	Weighted Average Interest Rate	Total	Fair Value	Weighted Average Interest Rate
Securities sold under repurchase agreements	$ 2,180	$ –	$ –	$ 2,180	$ 2,180	1.0%	$ –	$ –	–%

(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 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 Statement of Investment Portfolio. In the Statement of Investment Asset Mix, the derivative contracts are allocated to the asset class to which each contract relates.

The CPP Investment Board uses derivatives to generate value-added investment returns and to limit or adjust market, credit, interest rate, currency, and other financial exposures without directly purchasing or selling the underlying instrument.

(i) The CPP Investment Board uses the following types of derivative instruments:

Equity Contracts

Equity futures are standardized contracts transacted on an exchange 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. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Equity swaps are over-the-counter 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 over-the-counter 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.

Equity options are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell a specified quantity of an equity index, a basket of stocks or a single stock at or before a specified future date at a predetermined price. The seller receives a premium from the purchaser for this right. The CPP Investment Board purchases (buys) and writes (sells) equity options. Equity options can be transacted in standardized amounts on regulated exchanges or customized in over-the-counter markets.

Written put options may require the CPP Investment Board to purchase the underlying asset at any time at a fixed date or within a fixed future period. The maximum amount payable under the terms of the written put options is equal to their notional amount.

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.

Foreign Exchange Contracts

Foreign exchange forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future. These contracts result in a fixed future foreign exchange rate for a period of time.

Interest Rate Contracts

Bond futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of a bond index, a basket of bonds or a single bond at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Interest rate futures are standardized contracts transacted on an exchange to purchase or sell a specified amount of an interest rate sensitive financial instrument at a predetermined price and date in the future. These contracts result in a fixed future interest rate for a period of time. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Bond and inflation-linked bond swaps are over-the-counter contracts in which counterparties exchange the return on a bond, inflation-linked 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 over-the-counter contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency. A typical interest rate swap requires one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate on a specified notional amount and there is 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 Contracts

Credit default swaps are over-the-counter contracts that transfer the credit risk of an underlying financial instrument (referenced asset) from one counterparty to another. The CPP Investment Board purchases (buys) and writes (sells) credit default swaps that provide protection against the decline in value of an underlying financial instrument (referenced asset) as a result of a specified credit event such as default or bankruptcy. 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.

Written credit default swaps require the CPP Investment Board 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 such as default or bankruptcy. The maximum amount payable to these counterparties under these written credit default swaps is equal to their notional amount.

Credit spread options are over-the-counter contracts where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell the underlying credit or credit index at a specified future date at a fixed credit spread. The seller receives a premium from the purchaser for this right. The CPP Investment Board purchases (buys) and writes (sells) credit index spread options.

Written credit spread call options may require the CPP Investment Board to sell the underlying credit or credit index at a fixed date. Due to the nature of these contracts, the CPP Investment Board cannot make a reasonable estimate of the potential maximum amount of future payments.

Commodity Contracts
Commodity futures are standardized contracts transacted on an exchange 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. Futures contracts may be cash-settled or require physical delivery of the underlying commodity.

Other Derivative Contracts
Other derivative contracts include over-the-counter derivative contracts where two counterparties agree to exchange cash flows based on the change in the value on a combination of equities, fixed income securities or derivatives for a return based on a fixed or floating interest rate.

(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 10.

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 10.

(iii) The fair value of derivative contracts held is as follows:

	As at March 31, 2013			For the Year Ended March 31, 2013	
($ millions)	Positive Fair Value	Negative Fair Value	Net Fair Value	Average Positive Fair Value[1]	Average Negative Fair Value[1]
EQUITY CONTRACTS					
Equity futures	$ 4	$ (4)	$ –	$ 54	$ (37)
Equity swaps	155	(247)	(92)	351	(241)
Variance swaps	142	(3)	139	76	(31)
Exchange-traded purchased options	–	–	–	–	–
Over-the-counter written options	–	–	–	6	–
Warrants	18	–	18	55	–
TOTAL EQUITY CONTRACTS	319	(254)	65	542	(309)
FOREIGN EXCHANGE CONTRACTS					
Forwards	229	(359)	(130)	343	(412)
TOTAL FOREIGN EXCHANGE CONTRACTS	229	(359)	(130)	343	(412)
INTEREST RATE CONTRACTS					
Bond futures	2	(3)	(1)	62	(65)
Interest rate futures	–	–	–	–	–
Bond swaps	24	–	24	9	(2)
Inflation-linked bond swaps	–	–	–	5	(3)
Interest rate swaps	123	(193)	(70)	119	(197)
Cross-currency interest rate swaps	–	–	–	13	–
TOTAL INTEREST RATE CONTRACTS	149	(196)	(47)	208	(267)
CREDIT CONTRACTS					
Purchased credit default swaps	26	(108)	(82)	44	(70)
Written credit default swaps	92	(21)	71	66	(38)
Over-the-counter purchased credit spread options	–	–	–	–	–
Over-the-counter written credit spread options	–	–	–	–	–
TOTAL CREDIT CONTRACTS	118	(129)	(11)	110	(108)
COMMODITY CONTRACTS					
Commodity futures	9	(7)	2	14	(14)
TOTAL COMMODITY CONTRACTS	9	(7)	2	14	(14)
Other derivative contracts	–	–	–	5	(5)
SUBTOTAL	824	(945)	(121)	1,222	(1,115)
Less: Cash collateral received under derivative contracts	(82)	–	(82)	(50)	–
TOTAL	$ 742	$ (945)	$ (203)	$ 1,172	$ (1,115)

($ millions)	As at March 31, 2012 Positive Fair Value	Negative Fair Value	Net Fair Value	For the Year Ended March 31, 2012 Average Positive Fair Value[1]	Average Negative Fair Value[1]
EQUITY CONTRACTS					
Equity futures	$ 51	$ (18)	$ 33	$ 84	$ (79)
Equity swaps	336	(287)	49	513	(383)
Variance swaps	39	(47)	(8)	27	(79)
Exchange-traded purchased options	–	–	–	–	–
Over-the-counter written options	7	–	7	–	(2)
Warrants	58	–	58	121	–
TOTAL EQUITY CONTRACTS	491	(352)	139	745	(543)
FOREIGN EXCHANGE CONTRACTS					
Forwards	314	(260)	54	382	(432)
TOTAL FOREIGN EXCHANGE CONTRACTS	314	(260)	54	382	(432)
INTEREST RATE CONTRACTS					
Bond futures	9	(11)	(2)	18	(28)
Interest rate futures	–	–	–	–	–
Bond swaps	4	(2)	2	5	(2)
Inflation-linked bond swaps	3	–	3	23	(13)
Interest rate swaps	37	(111)	(74)	30	(97)
Cross-currency interest rate swaps	16	–	16	15	–
TOTAL INTEREST RATE CONTRACTS	69	(124)	(55)	91	(140)
CREDIT CONTRACTS					
Purchased credit default swaps	24	(34)	(10)	26	(26)
Written credit default swaps	14	(20)	(6)	5	(7)
Over-the-counter purchased credit spread options	–	–	–	–	–
Over-the-counter written credit spread options	–	–	–	–	–
TOTAL CREDIT CONTRACTS	38	(54)	(16)	31	(33)
COMMODITY CONTRACTS					
Commodity futures	9	(5)	4	2	(1)
TOTAL COMMODITY CONTRACTS	9	(5)	4	2	(1)
Other derivative contracts	16	(16)	–	3	(3)
SUBTOTAL	937	(811)	126	1,254	(1,152)
Less: Cash collateral received under derivative contracts	(57)	–	(57)	(26)	–
TOTAL	$ 880	$ (811)	$ 69	$ 1,228	$ (1,152)

[1] Determined using month-end values.

(iv) The terms to maturity of the notional amounts for derivative contracts, as at March 31, are as follows:

2013					
	Terms to Maturity				
($ millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
EQUITY CONTRACTS					
Equity futures	$ 5,339	$ –	$ –	$ –	$ 5,339
Equity swaps	28,930	388	–	–	29,318
Variance swaps	35	2,788	2,319	–	5,142
Exchange-traded purchased options	–	–	–	–	–
Over-the-counter written options	–	–	–	–	–
Warrants	268	132	–	–	400
TOTAL EQUITY CONTRACTS	34,572	3,308	2,319	–	40,199
FOREIGN EXCHANGE CONTRACTS					
Forwards	34,892	–	–	–	34,892
TOTAL FOREIGN EXCHANGE CONTRACTS	34,892	–	–	–	34,892
INTEREST RATE CONTRACTS					
Bond futures	7,313	–	–	–	7,313
Interest rate futures	984	1,099	–	–	2,083
Bond swaps	2,582	–	–	–	2,582
Inflation-linked bond swaps	–	–	–	–	–
Interest rate swaps	3,367	25,426	5,197	1,067	35,057
Cross-currency interest rate swaps	–	–	–	–	–
TOTAL INTEREST RATE CONTRACTS	14,246	26,525	5,197	1,067	47,035
CREDIT CONTRACTS					
Purchased credit default swaps	108	4,440	307	–	4,855
Written credit default swaps	223	4,162	169	2	4,556
Over-the-counter purchased credit spread options	305	–	–	–	305
Over-the-counter written credit spread options	51	–	–	–	51
TOTAL CREDIT CONTRACTS	687	8,602	476	2	9,767
COMMODITY CONTRACTS					
Commodity futures	776	–	–	–	776
TOTAL COMMODITY CONTRACTS	776	–	–	–	776
Other derivative contracts	–	–	–	–	–
TOTAL	$ 85,173	$ 38,435	$ 7,992	$ 1,069	$ 132,669

	2012				
	Terms to Maturity				
($ millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
EQUITY CONTRACTS					
Equity futures	$ 14,479	$ –	$ –	$ –	$ 14,479
Equity swaps	29,824	169	–	–	29,993
Variance swaps	87	893	4,232	–	5,212
Exchange-traded purchased options	–	–	–	–	–
Over-the-counter written options	999	–	–	–	999
Warrants	19	471	71	–	561
TOTAL EQUITY CONTRACTS	45,408	1,533	4,303	–	51,244
FOREIGN EXCHANGE CONTRACTS					
Forwards	44,279	–	–	–	44,279
TOTAL FOREIGN EXCHANGE CONTRACTS	44,279	–	–	–	44,279
INTEREST RATE CONTRACTS					
Bond futures	9,986	–	–	–	9,986
Interest rate futures	445	–	–	–	445
Bond swaps	2,024	–	–	–	2,024
Inflation-linked bond swaps	2,132	–	–	–	2,132
Interest rate swaps	331	7,581	1,699	507	10,118
Cross-currency interest rate swaps	–	–	133	–	133
TOTAL INTEREST RATE CONTRACTS	14,918	7,581	1,832	507	24,838
CREDIT CONTRACTS					
Purchased credit default swaps	163	720	1,137	–	2,020
Written credit default swaps	93	659	437	–	1,189
Over-the-counter purchased credit spread options	–	–	–	–	–
Over-the-counter written credit spread options	–	–	–	–	–
TOTAL CREDIT CONTRACTS	256	1,379	1,574	–	3,209
COMMODITY CONTRACTS					
Commodity futures	446	–	–	–	446
TOTAL COMMODITY CONTRACTS	446	–	–	–	446
Other derivative contracts	809	–	–	–	809
TOTAL	$ 106,116	$ 10,493	$ 7,709	$ 507	$ 124,825

(G) SECURITIES SOLD SHORT

As at March 31, 2013, securities sold short of $9,715 million (2012 – $8,596 million) are considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.

(H) DEBT FINANCING LIABILITIES

The terms to maturity of the undiscounted principal repayments of the debt financing liabilities as at March 31, 2013, are as follows:

	2013						2012		
	Terms to Maturity								
($ millions)	Within 1 Month	1 to 6 Months	7 months to 1 Year	Total	Fair Value	Weighted Average Interest Rate	Total	Fair Value	Weighted Average Interest Rate
Commercial paper payable	$ 3,387	$ 4,410	$ 1,754	$ 9,551	$ 9,543	0.3%	$ 2,413	$ 2,408	1.1%

(I) COLLATERAL

Collateral transactions are conducted under the terms and conditions that are common and customary to collateral arrangements. The net fair value of collateral held and pledged as at March 31 is as follows:

($ millions)	2013	2012
Assets held as collateral on:		
Reverse repurchase agreements[1]	$ 630	$ –
Over-the-counter derivative transactions[1]	93	200
Other debt[1]	1,009	–
Assets pledged as collateral on:		
Repurchase agreements	(2,183)	–
Over-the-counter derivative transactions	–	–
Securities sold short	(10,752)	(10,937)
Debt on private real estate properties	(2,230)	(2,008)
Guarantees (see note 12)	(177)	(141)
TOTAL	$ (13,610)	$ (12,886)

[1] The fair value of the collateral held that may be sold or repledged as at March 31, 2013 is $1,651 million (2012 – $143 million). The fair value of collateral sold or repledged as at March 31, 2013 is $630 million (2012 – $nil).

4. PREMISES AND EQUIPMENT

($ millions)	2013 Cost	2013 Accumulated Amortization	2013 Net Carrying Amount	2012 Cost	2012 Accumulated Amortization	2012 Net Carrying Amount
Computer equipment	$ 30	$ 18	$ 12	$ 23	$ 13	$ 10
Computer software	71	42	29	54	28	26
Leasehold improvements	38	18	20	29	13	16
Office furniture and equipment	15	8	7	11	7	4
TOTAL	$ 154	$ 86	$ 68	$ 117	$ 61	$ 56

5. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (2012 – $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2013, the total amount drawn on the credit facilities is $nil (2012 – $nil).

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:

($ millions)	2013	2012
Accumulated transfers from the Canada Pension Plan	$ 307,330	$ 275,648
Accumulated transfers to the Canada Pension Plan	(189,599)	(163,299)
ACCUMULATED NET TRANSFERS FROM THE CANADA PENSION PLAN	$ 117,731	$ 112,349

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:

	2013					
($ millions)	Investment Income (Loss)[1]	Net Gain (Loss) on Investments[2,3,4]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
EQUITIES						
Canada						
Public equities	$ 36	$ 667	$ 703	$ –	$ (8)	$ 695
Private equities	31	57	88	(12)	(2)	74
	67	724	791	(12)	(10)	769
FOREIGN DEVELOPED MARKETS						
Public equities	738	3,282	4,020	(35)	(18)	3,967
Private equities	436	3,900	4,336	(274)	(26)	4,036
	1,174	7,182	8,356	(309)	(44)	8,003
EMERGING MARKETS						
Public equities	258	91	349	(15)	(6)	328
Private equities	(4)	169	165	(42)	(1)	122
	254	260	514	(57)	(7)	450
	1,495	8,166	9,661	(378)	(61)	9,222
FIXED INCOME						
Bonds	1,488	1,209	2,697	–	–	2,697
Inflation-linked bonds	70	(1)	69	–	–	69
Other debt	646	625	1,271	(47)	(4)	1,220
Money market securities[5]	321	1,183	1,504	(287)	(37)	1,180
Debt financing liabilities	(30)	(174)	(204)	–	–	(204)
	2,495	2,842	5,337	(334)	(41)	4,962
REAL ASSETS						
Private real estate	867	896	1,763	(67)	(40)	1,656
Infrastructure	429	505	934	(3)	(35)	896
	1,296	1,401	2,697	(70)	(75)	2,552
TOTAL	$ 5,286	$ 12,409	$ 17,695	$ (782)	$ (177)	$ 16,736

($ millions)	Investment Income (Loss)[1]	Net Gain (Loss) on Investments[2,3,4]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
	2012					
EQUITIES						
Canada						
Public equities	$ 178	$ (2,347)	$ (2,169)	$ (30)	$ (15)	$ (2,214)
Private equities	125	(5)	120	(10)	(1)	109
	303	(2,352)	(2,049)	(40)	(16)	(2,105)
Foreign developed markets						
Public equities	594	(208)	386	(32)	(21)	333
Private equities	272	2,500	2,772	(253)	(22)	2,497
	866	2,292	3,158	(285)	(43)	2,830
Emerging markets						
Public equities	176	(650)	(474)	(3)	(6)	(483)
Private equities	1	116	117	(34)	–	83
	177	(534)	(357)	(37)	(6)	(400)
	1,346	(594)	752	(362)	(65)	325
FIXED INCOME						
Bonds	1,481	3,174	4,655	–	–	4,655
Inflation-linked bonds	148	483	631	–	–	631
Other debt	516	109	625	(21)	(2)	602
Money market securities[5]	541	594	1,135	(194)	(31)	910
Debt financing liabilities	(15)	–	(15)	–	–	(15)
	2,671	4,360	7,031	(215)	(33)	6,783
REAL ASSETS						
Private real estate	756	1,178	1,934	(69)	(116)	1,749
Infrastructure	429	668	1,097	(4)	(14)	1,079
	1,185	1,846	3,031	(73)	(130)	2,828
TOTAL	$ 5,202	$ 5,612	$ 10,814	$ (650)	$ (228)	$ 9,936

1 Includes 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 realized gains and losses from investments, and unrealized gains and losses on investments held at the end of the year.

3 Includes foreign exchange losses of $519 million (2012 – gains of $495 million).

4 Includes net unrealized gains of $1,969 million (2012 – unrealized gains of $1,768 million) which represents the change in fair value estimated on direct investments in private equities, infrastructure, private real estate, private debt, intellectual property, royalties and certain derivatives, where the fair value is derived primarily from assumptions based on non-observable market data.

5 Includes absolute return strategies, consisting of investments in funds and internally managed portfolios.

9. OPERATING EXPENSES

(A) GENERAL OPERATING EXPENSES

General operating expenses for the year ended March 31 consist of the following:

($ millions)	2013	2012
Operational business services	$ 61	$ 49
Premises	26	24
Amortization of premises and equipment	25	19
Custodial fees	15	13
Travel and accommodation	8	8
Communications	3	2
Directors' remuneration	1	1
Other	1	1
TOTAL	$ 140	$ 117

(B) PROFESSIONAL SERVICES

Professional services for the year ended March 31 consist of the following:

($ millions)	2013	2012
Consulting	$ 31	$ 25
Legal	3	4
External audit and audit-related services[1]	2	1
Tax services	1	1
TOTAL	$ 37	$ 31

[1] Includes fees paid to the external auditor of the CPP Investment Board for audit services of $1.4 million (2012 – $1.3 million), and audit-related services of $0.2 million (2012 – $0.1 million).

10. INVESTMENT RISK MANAGEMENT

The CPP Investment Board is 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 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. It represents a low-cost strategic alternative to the CPP Investment Portfolio. 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 Management's Discussion and Analysis in the 2013 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:

($ millions)	2013		2012	
CURRENCY	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	$ 62,098	57%	$ 55,090	56%
Euro	14,985	14	13,413	14
British Pound Sterling	8,184	8	8,933	9
Australian Dollar	5,671	5	4,689	5
Japanese Yen	5,330	5	4,166	4
Hong Kong Dollar	2,581	2	2,326	2
Swiss Franc	1,251	1	969	1
Chilean Pesos	1,206	1	–	–
Brazilian Real	854	1	613	1
Other	6,733	6	7,387	8
TOTAL	$ 108,893	100%	$ 97,586	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.

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.

Value at Risk

CPP Investment Board uses a Value at Risk (VaR) methodology to monitor market risk exposure and credit risk exposure (see note 10(b)) 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 market indices to determine correlations between defaults and downgrades of credit exposures, and using empirical rating transition and default 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:

		2013			2012	
($ millions)		**VaR**	**% of CPP Investment Portfolio[1]**		VaR	% of CPP Investment Portfolio[1]
CPP Reference Portfolio	**$**	**16,082**	**8.8%**	$	15,815	9.9%
CPP Investment Portfolio[2]	**$**	**18,467**	**10.1%**	$	17,974	11.2%
CPP Investment Portfolio Total Active Risk[3,4]	**$**	**4,048**	**2.2%**	$	3,870	2.4%
CPP Investment Portfolio Active Market Risk[4]	**$**	**3,920**	**2.1%**	$	3,805	2.4%
CPP Investment Portfolio Active Credit Risk[4]	**$**	**494**	**0.3%**	$	279	0.2%

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 CPP Reference Portfolio.

(B) 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 Statement of Investment Portfolio represent the maximum credit risk exposure at the balance sheet date.

The Credit Committee, a sub-committee of the IPC is chaired by the Chief Operations Officer. The committee is accountable for ensuring that credit risks and credit exposures are identified, measured and monitored regularly, independently of the investment departments, and communicated at least monthly to the IPC and at least quarterly to the Board of Directors. 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. The Credit Committee's primary focus is overseeing the development of credit policy and risk control process recommendations to the IPC, which includes the credit limit framework, financial institution counterparty controls, internal credit rating methodologies, and credit risk measures. The Credit Committee is also responsible for overseeing the analysis of emerging risks that may not be appropriately captured within current credit risk models or credit exposure calculations. Such risks include correlation risk, market risk related to credit spread movements, and funding and liquidity risks from a credit point of view. 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, monthly to members of the IPC and on a regular basis to the Credit Committee.

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, and on a regular basis to the Credit Committee.

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 as at March 31 are as follows:

	2013						
CREDIT RATING[1] ($ millions)	**Bonds[2,3]**	**Money Market Securities[2]**	**Reverse Repurchase Agreements[2]**	**Over-the-Counter Derivatives**	**Other[2,4]**	**Total**	**% of Total**
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%**

	2012						
CREDIT RATING[1] ($ millions)	Bonds[2,3]	Money Market Securities[2]	Reverse Repurchase Agreements[2]	Over-the-Counter Derivatives	Other[2,4]	Total	% of Total
AAA/R-1 (high)	$ 14,685	$ 5,423	$ –	$ 108	$ 61	$ 20,277	31%
AA/R-1 (mid)	20,917	10,726	–	326	487	32,456	49
A/R-1 (low)	5,858	774	–	268	74	6,974	11
BBB/R-2	568	–	–	101	767	1,436	2
BB/R-3	387	–	–	–	1,253	1,640	2
B/R-4	26	–	–	–	2,397	2,423	4
CCC/D	–	–	–	–	654	654	1
TOTAL	$ 42,441	$ 16,923	$ –	$ 803	$ 5,693	$ 65,860	100%

1 The most recent Board-approved Risk Policy discontinued the use of short-term rating equivalents. Issuers and counterparties will only be assigned long-term ratings equivalents. This change in methodology is being accounted for prospectively.

2 Includes accrued interest.

3 Includes inflation-linked bonds.

4 Includes direct investments in private debt and asset-backed securities.

Credit risk exposure on over-the-counter derivatives is mitigated through the use of master netting agreements and collateral within International Swaps and Derivatives Association (ISDA) Master Agreements. CPPIB enters into master netting agreements so if a default event occurs, all amounts with the counterparty are terminated and settled on a net basis. Credit support annexes are negotiated with certain counterparties and require that collateral, in the form of cash or fixed income securities, be provided to the CPP Investment Board when the positive fair value of the derivative contract exceeds certain threshold amounts. As at March 31, 2013, master netting agreements and collateral held reduced the credit risk exposure to over-the-counter derivatives from $791 million to $28 million (2012 – $803 million to $72 million).

In addition to the above, the CPP Investment Board is indirectly exposed to credit risk on the underlying securities of fund investments.

(C) 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, transacting in securities sold under repurchase agreements and drawing on unsecured credit facilities (see notes 3 and 5). 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, marketable bonds and inflation-linked 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.

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, 2013, the commitments total $20.7 billion (2012 – $16.6 billion).

As at March 31, 2013, the CPP Investment Board made lease and other commitments of $197.0 million (2012 – $126.3 million) that will be paid over the next 12 years.

12. GUARANTEES AND INDEMNIFICATIONS

(A) GUARANTEES

As part of certain investment transactions, the CPP Investment Board agreed to guarantee, as at March 31, 2013, up to $1.4 billion (2012 – $0.2 billion) to other counterparties in the event certain subsidiaries and other 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 and 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

The aim of the Board is to preserve and enhance a governance model in which CPP Investment Board 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 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 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 results of investment decisions. A detailed description of the activities of the Board committees is found on page 116.

A key responsibility of the Board of Directors is providing advice and counsel to the CEO in the execution of his duties. As part of a succession plan of the Board, Mark Wiseman assumed the role of President and CEO effective July 1, 2012. The Board worked with the management team to ensure a smooth transition and has provided appropriate guidance to Mr. Wiseman on fulfilling his duties.

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.

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 79.

The Investment Committee oversees CPPIB's core business, which is making investment decisions within the context of a Board-approved risk limit. The committee reviews and recommends to the Board investment policies and it reviews, approves and monitors the investment program. The committee also reviews portfolio risk tolerances, approves the engagement of all external investment managers in accordance with the governing statute, and approves large investment transactions and all custodians. Responsibility for enterprise risk management is shared between the Board and the Investment Committee. All members of the Board serve on the Investment Committee.

The Audit Committee oversees financial reporting. This includes reviewing the Annual Report's Management's Discussion and Analysis section, reviewing and recommending the Annual Report's financial content, and monitoring the external and internal audit functions. Oversight also involves appointing the internal auditor and recommending the external auditor for appointment by the full Board. As a related matter, 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 any statutorily mandated Special Examinations. The Audit Committee regularly meets separately with each of the external and internal auditors without management present.

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 68.

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 application of the Code of Conduct and recommends amendments. It makes recommendations to the Board to improve the Board's effectiveness, oversees 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 with no member 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 and CEO.

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 of all employees, 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.

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 Board competencies and the actual competencies of the Board in order to ensure that in both the appointment and reappointment processes decisions are made with a view to having a Board capable of providing the effective oversight necessary to allow CPP Investment Board 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.

	Experience								Industry Experience						
NAME	Governance Experience	C-Level Experience	Investment Judgment	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
Robert Astley (Chair)	X	X				X	X				X				
Ian Bourne	X	X					X	X					X		
Robert Brooks	X		X	X	X			X	X	X					
Pierre Choquette	X	X			X			X					X		
Michael Goldberg	X		X	X			X	X						X	
Peter Hendrick	X		X	X					X	X					
Nancy Hopkins	X						X					X			
Douglas Mahaffy	X		X		X			X	X						
Karen Sheriff	X	X			X	X							X		
Heather Munroe-Blum	X				X	X	X							X	
Murray Wallace	X	X									X				X
Jo Mark Zurel	X	X		X		X		X					X		

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. Once finalized, the names of qualified candidates are forwarded to the external nominating committee, which considers them and submits names of qualified candidates to the federal finance minister.

Detailed biographies of the CPPIB Board of Directors are on pages 120 and 121 and provide further details of each director's background and business and financial experience.

BOARD MEMBER ORIENTATION AND DEVELOPMENT

The Board has a process for new director orientation. This comprehensive, full-day session includes 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 solidify their knowledge of the organization.

In recognition of the evolving nature of a director's responsibilities and the unique nature of CPPIB, in-house development for all directors is a key focus for the Board. Management business presentations are provided on an ongoing basis. Special development seminars outside the regular meeting context feature both external and internal experts. Seminars in fiscal 2013 covered the European sovereign debt crisis and financial system implications, board effectiveness, factor investing and portfolio construction, lessons from Japan's great recession, and real estate – why is it different? Directors are also encouraged to attend external educational seminars and programs relevant to their CPPIB duties.

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 had no Board or committee interlocks during fiscal 2013.

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 and asset classes 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.

The implementation of the CPP Reference Portfolio commencing on April 1, 2006 established a relevant benchmark for the CPP Fund. This has enabled management to more precisely measure total CPP Fund value-added returns, enabling the Board to tailor compensation more precisely to performance. The CPP Reference Portfolio is reviewed on an ongoing basis to ensure that it continues to reflect the passive, low-cost, low-complexity portfolio that would best contribute to the achievement of CPPIB's mandate.

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 68.

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. The 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 training module to confirm their understanding of the Code and ability to apply it in day-to-day operations.

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 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

ROBERT M. ASTLEY, CHAIR [1*,2]

Fellow, Canadian Institute of Actuaries | Waterloo, Ontario | Director since September 2006. Appointed Chair effective October 2008.
Former president of Sun Life Financial Canada, former president and CEO of Clarica Life Insurance Company. Director of the Bank of Montreal and chair of its human resources committee. Former chair of Canadian Life and Health Insurance Association and of Wilfrid Laurier University. 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 [1,2,3*]

Corporate Director | Calgary, Alberta | Director since April 2007
Chairman of SNC-Lavalin Group Inc., Chairman of Ballard Power Systems Inc. Director of Canadian Oil Sands Limited, Wajax Corporation, and the Canadian Public Accountability Board. 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., TransAlta CoGeneration, L.P. and Purolator Courier Ltd. Qualifications include expertise in finance corporate governance and international business operations. Recognized as a Fellow of the Institute of Corporate Directors in 2011.

ROBERT L. BROOKS [1,3]

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. Former director of Dundee Wealth. 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
Chairman of Methanex Corporation from 2003 to 2012. Former CEO of Methanex, serving for 10 years and 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, Terasen Gas, Inc., Terasen Pipelines 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.

MICHAEL GOLDBERG [1,2,3]

Economist, Ph.D. | Vancouver, British Columbia | Director since February 2008
Former Chief Academic Officer, Universitas 21 Global, an online graduate school initiated by Universitas 21, an international network of 20 research-intensive universities. Scholar in Residence at the Asia Pacific Foundation of Canada and Professor Emeritus and former Dean of the University of British Columbia's Sauder School of Business, with 37 years on the UBC faculty. Former member of the Deposit Insurance Advisory Committee to the federal Minister of Finance and of the B.C. Workers' Compensation Board Investment Committee. Member, Advisory Panel, Global Risk Institute in Financial Services (GRI), Chair and Director, and Chair Governance and Human Resources/Compensation Committee, Surrey City Development Corporation. Former director of Geovic Mining Corporation and Chair of the Human Resources and Compensation Committee. 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, extensive experience living and working internationally, and experience on boards as a director serving on audit and compensation committees.

PETER K. HENDRICK [1,3]

Chartered Accountant, Chartered Financial Analyst | Toronto, Ontario | Director since October 2004
Former executive vice-president of investments and chief investment officer of Mackenzie Financial Corporation. Former vice-president and director of CIBC Wood Gundy Securities Inc. (now CIBC World Markets) in the Corporate Finance, Institutional Equity and Capital Markets divisions. Former lecturer at the Graduate School of Business Administration at Harvard University in the area of management and financial accounting relating to financial controls. Qualifications include experience in equities trading, due diligence reviews, securities regulation, derivatives, hedging, risk analysis and performance measurement from roles at Mackenzie Financial and CIBC World Markets, and audit experience from Ernst & Young.

NANCY HOPKINS [1,2*]

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 & risk committee. Director of GrowthWorks Canadian Fund Ltd. and GrowthWorks Opportunity Fund Inc., chairing the audit committee. Former Chair of the University of Saskatchewan board of governors. Former Chair of the Saskatoon Airport Authority, 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.

[1] Investment Committee | [2] Governance Committee | [3] Audit Committee | [4] Human Resources and Compensation Committee
[5] At the time of appointment | * Indicates Chair position

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.

ELAINE MCKINNON [1,3]

Certified General Accountant | Quispamsis, New Brunswick | Director since January 2009. Left the Board effective November 2012, after her term expired.

CFO of Shift Energy Inc., an energy management software service provider in Saint John as well as CFO and COO of Brovada Technologies, a Saint John-based software provider. Served in senior positions with xwave, a division of Bell Aliant, Aliant Inc., Prexar LLC., Bruncor Inc., and as president and CEO of Datacor Atlantic Corp. Director of Efficiency NB, a Crown corporation that promotes energy efficiency in New Brunswick. Qualifications include more than 25 years of IT and telecommunications industry experience in key leadership roles, experience in mergers and acquisitions, corporate finance and human resources, and expertise as a Certified General Accountant.

HEATHER MUNROE-BLUM [1,4]

OC., OQ., Ph.D., F.R.S.C. | Principal (President) and Vice-Chancellor, McGill University | Montreal, Quebec | Director since March 2010

Former Vice-President (Research and International Relations), Dean, Professor, University of Toronto; Assistant Professor, McMaster University, York University. Current non-executive roles: Trudeau Foundation; Royal Bank of Canada; Association of American Universities; Conference of Montreal; Association of Universities and Colleges of Canada; The New York Academy of Sciences President's Council; Conférence des recteurs et des principaux des universités du Québec; Canada Foundation for Innovation; and, the Science, Technology and Innovation Council of Canada. Previous non-executive roles include: Conference Board of Canada, Hydro One Inc.; Four Seasons Hotels & Resorts; Board of Trade of Metropolitan Montreal; Yellow Media Inc.; Alcan Inc.; Council of Canadian Academies; Montreal International; Medical Research Council of Canada; Genome Canada; Neurosciences Canada. Over 25 years of senior management experience concentrated in higher education, public policy and research and development. Has served as director on executive, human resources and compensation, governance, investment and finance committees across the public and private sectors.

KAREN SHERIFF [1,4]

Corporate Executive | Halifax, Nova Scotia | Director since October 2012

President and CEO of Bell Aliant since November 2008. Previously 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 Bell Aliant Inc., Bell Aliant Regional Communications Inc., and Bell Aliant Preferred Equity Inc. Past director of Aliant Inc. and Teknion Corporation. Current Chair of the Board of Trustees of the Gardiner Museum of Ceramic Art and member of the New Brunswick Business Council. 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. In 2012, Ms. Sheriff was named Woman of the Year by the Canadian Women in Communications (CWC). 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 to become the first company in Canada to cover an entire city with a fibre-to-the-home network.

RONALD E. SMITH [1,4]

Fellow, Institute of Chartered Accountants of Nova Scotia | Yarmouth, Nova Scotia | Director since November 2002. Left the Board effective October 2012, after his term expired.

Former senior vice-president and CFO of Emera, Inc., a Halifax-based energy company. Former CFO of Aliant Telecom Inc. and its predecessor, Maritime Telephone & Telegraph Ltd. Member of AuRico Gold Inc. board of directors. Former member of the Accounting Standards Oversight Council. Former chair of the Board of Governors of Acadia University. Former partner Ernst & Young. Qualifications include extensive experience in investment, finance and compensation.

D. MURRAY WALLACE [1,4]

Fellow, Institute of Chartered Accountants of Ontario | London, Ontario | Director since April 2007

CEO of Granite Global Solutions, an insurance services company, since August 1, 2009. Chairman and CEO of Park Street Capital Corporation, a personally owned investment and corporate advisory firm. Former president of Axia NetMedia Corporation and director of Terravest Income Fund. Director of Critical Outcome Technologies Inc. Former director of 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]

Fellow, Institute of Chartered Accountants of Newfoundland and Labrador | St. John's, Newfoundland and Labrador | Director since November 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. Former Senior Vice-President and Chief Financial Officer of CHC Helicopter Corporation, helping build it into the world's largest helicopter operating company. Director of Highland Resources Inc., chair of Newfoundland Power Inc, director of Major Drilling Group International Inc., former director of Fronteer Gold Inc., vice-chair of the Atlantic Provinces Economic Council and director of Dr. H. Bliss-Murphy Cancer Care Foundation. Past chair of the St. John's Board of Trade and Junior Achievement of Newfoundland and Labrador (JA), and chair of the JA Business Hall of Fame Committee. Honoured as one of Canada's Top 40 under 40 in 2000. Qualifications include 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.

TEN-YEAR REVIEW

For the year ended March 31 ($ billions)	**2013**	2012	2011	2010	2009	2008	2007	2006	2005	2004
CHANGE IN NET ASSETS										
Income[1]										
Investment income	**16.7**	9.9	15.5	16.2	(23.6)	(0.3)	13.1	13.1	6.3	10.3
Operating expenses	**(0.5)**	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	–	–	–
Net contributions	**5.5**	3.9	5.4	6.1	6.6	6.5	5.6	3.6	4.5	4.6
Increase in net assets	**21.7**	13.4	20.6	22.1	(17.2)	6.1	18.6	16.7	10.8	14.9

As at March 31 ($ billions)	**2013**	2012	2011	2010	2009	2008	2007	2006	2005	2004
EQUITIES										
Canada	**15.3**	14.2	21.0	18.5	15.6	28.9	29.2	29.0	27.7	22.6
Foreign developed markets	**64.0**	56.7	50.8	46.2	40.4	47.5	46.1	32.7	20.9	9.3
Emerging markets	**12.4**	10.6	7.6	6.5	4.6	0.7	–	–	–	–
FIXED INCOME										
Non-marketable bonds	**24.4**	23.6	21.8	22.7	23.2	23.8	24.9	27.2	28.6	30.2
Marketable bonds	**28.1**	18.0	15.8	12.7	5.2	6.4	4.3	–	–	–
Inflation-linked bonds	**0.4**	3.2	3.9	4.4	4.1	4.7	3.8	4.0	–	–
Other debt	**8.6**	8.8	6.1	3.5	1.8	1.1	–	–	–	–
Money market securities[2]	**8.7**	2.5	2.3	1.7	(0.8)	–	0.4	0.6	3.1	7.7
Debt financing liabilities	**(9.5)**	(2.4)	(1.4)	(1.3)	–	–	–	–	–	–
REAL ASSETS										
Real estate[3]	**19.9**	17.1	10.9	7.0	6.9	6.9	5.7	4.2	0.8	0.7
Infrastructure	**11.2**	9.5	9.5	5.8	4.6	2.8	2.2	0.3	0.2	–
TOTAL[4]	**183.5**	161.8	148.3	127.7	105.6	122.8	116.6	98.0	81.3	70.5
PERFORMANCE (%)										
Rate of return (annual)[5]	**10.1**	6.6	11.9	14.9	-18.6	-0.3	12.9	15.5	8.5	17.6

[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 $80.7 billion in investment income net of operating expenses, which is comprised of $65.5 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.

[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 March 31, 2013)

MARK D. WISEMAN
President & CEO

ANDRÉ BOURBONNAIS
Senior Vice-President and Head of Private Investments

JOHN H. BUTLER
Senior Vice-President, General Counsel and Corporate Secretary

GRAEME M. EADIE
Senior Vice-President and Head of Real Estate Investments

PIERRE LAVALLÉE
Senior Vice-President and Chief Talent Officer

MICHEL R. LEDUC
Senior Vice-President, Public Affairs & Communications

MARK G.A. MACHIN
President, CPPIB Asia Inc.

DONALD M. RAYMOND
Senior Vice-President and Chief Investment Strategist

BENITA M. WARMBOLD
Senior Vice-President and Chief Operations Officer

ERIC WETLAUFER
Senior Vice-President and Head of Public Market Investments

NICHOLAS ZELENCZUK
Senior Vice-President and Chief Financial Officer

MONA AKIKI
Vice-President, Human Resources

LISA BAITON
Vice-President, Public Affairs

PETER BALLON
Vice-President and Head of Real Estate Investments – Americas

SUSAN BELLINGHAM
Vice-President, Business Planning and Enterprise Risk Management

ALAIN CARRIER
Managing Director – Europe and Head of Infrastructure

EDWIN D. CASS
Vice-President and Head of Global Tactical Asset Allocation

KEVIN CUNNINGHAM
Vice-President and Head of Global Capital Markets

RICHARD M. EGELTON
Chief Economist and Vice-President, Economic and Research Services

JIM FASANO
Vice-President and Head of Funds, Secondaries and Co-Investments

CHRIS HAWMAN
Vice-President, Integration Management

MARTIN HEALEY
Vice-President and Head of Private Real Estate Debt

WENZEL R.B. HOBERG
Managing Director and Head of Real Estate Investments (Europe)

JAMES HUGHES
Vice-President, Investment Risk

JEFFREY HURLEY
Vice-President and Head of Technology

MARK JENKINS
Vice-President and Head of Principal Investments

MALCOLM KHAN
Vice-President, Investment Operations

R. SCOTT LAWRENCE
Vice-President and Head of Relationship Investments

JEAN-FRANÇOIS L'HER
Vice-President and Head of Investment Research

ROSEMARY LI-HOUPT
Vice-President, Talent Acquisition

PAUL MULLINS
Vice-President and Head of Asset Management

JIMMY PHUA
Vice-President and Head of Real Estate Investments (Asia)

KATHY ROHACEK
Vice-President, Organizational Development

CHRIS ROPER
Vice-President and Head of Short Horizon Alpha

MARK ROTH
Vice-President, Business Management in Public Market Investments

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Vice-President and Head of Internal Audit

GEOFFREY RUBIN
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CHERYL SWAN
Vice-President and Head of Treasury, Performance and Reporting

JAY VYAS
Vice-President and Head of Quantitative Investing

POUL A. WINSLOW
Vice-President and Head of External Portfolio Management

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Ce rapport annuel est aussi disponible en français.

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The text pages were printed on Rolland Opaque50 which contains 50% FSC® certified post-consumer and 50% virgin fiber and is manufactured using biogas energy.

CPP INVESTMENT BOARD