EXHIBIT NO. ___(MW-3)
DOCKET NO. U-072375
2007 MERGER PROCEEDING
WITNESS: MARK WISEMAN

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of **PUGET HOLDINGS LLC** **And** **PUGET SOUND ENERGY, INC.** **For an Order Authorizing Proposed Transaction**	**Docket No. U-072375**

SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
MARK WISEMAN
ON BEHALF OF PUGET HOLDINGS LLC

JULY 2, 2008

CPP INVESTMENT BOARD

2008 ANNUAL REPORT

Corporate Profile

The *Canada Pension Plan Investment Board* is a Crown corporation created by an Act of Parliament in December 1997. Its long-term goal is to contribute to the financial strength of the Canada Pension Plan (CPP) and help sustain the pensions of 17 million CPP contributors and beneficiaries by investing CPP assets and maximizing returns without undue risk of loss.

The CPP Investment Board invests CPP assets, the funds not needed by the Canada Pension Plan to pay current benefits. Contributions are expected to exceed annual benefits paid through to the end of 2019, providing a 12-year period before a portion of the investment income is needed to help pay pensions. The Chief Actuary of Canada has projected that CPP assets will grow to approximately $250 billion by 2016 and that the CPP, as constituted, is sustainable throughout the 75-year period of his report. By increasing the long-term value of funds available to the CPP, the CPP Investment Board will help the plan to keep its pension promise to Canadians.

Our disclosure policy states: *"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."*

In order to further diversify the portfolio of CPP assets, the CPP Investment Board is currently investing cash flows in a diversified portfolio of public equities, private equities, real estate, inflation-linked bonds, infrastructure and fixed income. Approximately $65.1 billion is invested in Canada through a broadly diversified portfolio, while the rest is invested globally so that income from foreign investments flows back to Canada to help pay future pensions.

With a mandate from the federal and provincial governments, the CPP Investment Board is accountable to Parliament and to the federal and provincial finance ministers who serve as the stewards of the CPP. Based in Toronto, the CPP Investment Board is governed and managed independently of the CPP and at arm's length from governments.

For more information on the CPP Investment Board, visit our website at www.cppib.ca.

NOT A SOVEREIGN WEALTH FUND

As a professional investment management organization operating in the private sector, the CPP Investment Board is not a sovereign wealth fund. Several key attributes distinguish it from the large pools of government assets under government direction generally identified as "sovereign". CPP Fund assets are not government assets. They are contributed by employees and employers directly and are segregated from government assets. The maximum-strength governance model, including an independent board of qualified professionals with powers to oversee the investment policy, is designed to protect the CPP Investment Board from political interference. The organization operates with an investment-only, commercial, fiduciary mandate in which investment decisions are made without political direction and at arm's length from governments, and without regard to regional, social or economic development considerations or any other non-investment objectives. The CPP Investment Board operates with extremely high levels of disclosure and transparency, including publishing its investment policy and public equity holdings on its website and reporting to Canadians in line with regulatory requirements for public companies.

Financial Highlights

CPP FUND FINANCIAL OVERVIEW

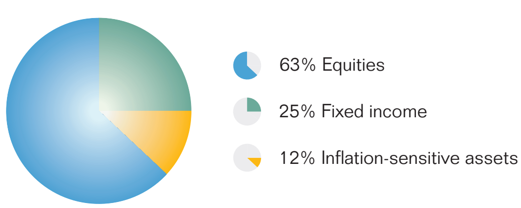
FOR THE YEAR ENDED MARCH 31 ($ billions)		2008		2007
Net assets[1]	$	**122.7**	$	116.6
Net contributions		**6.5**		5.6
Investment income net of operating expenses		**(0.4)**		13.0

INVESTMENT PERFORMANCE (%)[2]	2008	2007
Annual	**(0.3)**	12.9
Four-year annualized rate of return	**9.0**	13.6

INVESTMENT PORTFOLIO		($ billions)	(% of total)		($ billions)	(% of total)
Public equities	$	**63.7**	**51.8%**	$	67.5	57.8%
Private equities		**13.4**	**10.9**		8.1	7.0
Bonds		**30.2**	**24.6**		29.2	25.0
Other debt		**1.1**	**0.9**		–	–
Absolute return strategies		**1.5**	**1.3**		–	–
Real estate[3]		**6.9**	**5.6**		5.7	4.9
Inflation-linked bonds		**4.7**	**3.9**		3.8	3.3
Infrastructure		**2.8**	**2.2**		2.2	1.9
Money market securities[4]		**(1.5)**	**(1.2)**		0.1	0.1
	$	**122.8**	**100%**	$	116.6	100%

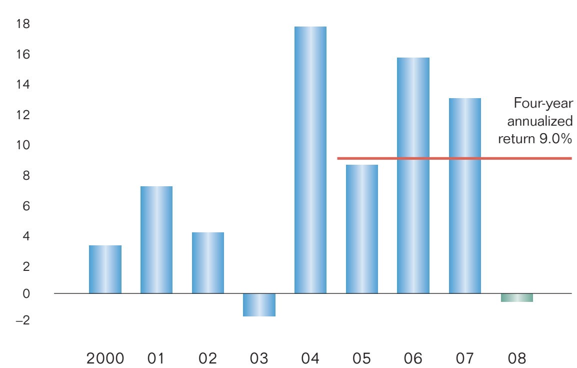
[1] Includes non-investment assets such as premises and equipment and non-investment liabilities.
[2] Commencing in fiscal 2007, the rate of return reflects the performance of the investment portfolio, which excludes the Cash for Benefits portfolio.
[3] Net of mortgage debt on real estate properties.
[4] Includes amounts receivable/payable from pending trades, dividends receivable and accrued interest.

CPP FUND ASSET MIX
As at March 31, 2008



Equities include public equities and private equities. Fixed income assets include government bonds, money market securities, other debt and absolute return strategies. Inflation-sensitive assets include real estate, inflation-linked bonds and infrastructure.

CPP FUND INVESTMENT RETURNS (%)
For the year ended March 31



FOUR-YEAR ANNUALIZED RETURN 9.0 PER CENT
Income earned on investments was 8.5 per cent in 2005, 15.5 per cent in 2006, 12.9 per cent in 2007 and negative 0.3 per cent in 2008, for an annualized return of 9.0 per cent over the past four years.

Chair's Report

Gail Cook-Bennett
Chair

10 Years in Brief

The CPP Investment Board was created to help sustain the Canada Pension Plan. At its inception, the CPP reformers provided the new board of directors with a brilliantly conceived governance platform. Created to function as a private sector investment firm with public accountability, the organization faced the greatest risks to its independence and mandate in the early days. At that time, any misstep on our part or any attempt at political interference by others could have imperilled the trust and confidence so critical to our success. Integrity and transparency quickly became our watchwords. They remain so today, though to them we have added one more: performance.

While the CPP reformers built a world-class governance platform, the CPP Investment Board's mission has been to leverage that model to build a world-class investment organization with the people, processes and strategies required to manage the CPP Fund on behalf of 17 million Canadians and to achieve our mandate to maximize investment returns without undue risk of loss. As part of that mission, we have targeted the highest standards in our own governance practices as fiduciaries.

During the past 10 years much has been accomplished. The CPP Investment Board is being recognized internationally as a model of clarity for its investment-only objectives and a model of transparency for its extremely high degree of disclosure. Management has built a strong, agile and innovative investment organization with a commitment to delivering superior long-term investment returns. And the CPP Fund has delivered $47.6 billion in investment gains net of operating expenses since inception, for a 7.2 per cent annualized investment rate of return since April 1, 1999, to contribute to the sustainability of the plan for generations.

Undoubtedly we have challenges ahead, but opportunities too – and a strong foundation for the future.

The Early Years: Building Confidence Through Integrity and Transparency

When the 12 founding directors of the CPP Investment Board held their first board meeting in November 1998 there was no office, no management team and no blueprint for creating an organization. Our sole, but crucial, asset was the *Canada Pension Plan Investment Board Act*, the skillfully crafted statute passed in 1997 to assist in the reform of the CPP. The Act contained sound measures to protect against political interference, including continued segregation of assets from government revenues, an investment-only mandate so that no political or social policy direction could intervene, and an independent board of directors that was not required to submit investment policies or any other policies for government approval.

The founding board was charged with bringing the Act to life. In doing so, we recognized the need to earn a reputation worthy of the trust placed in us and the obligations that came with our independence. We understood that Canadians needed to see the standards that we, as fiduciaries, adopted to enable us to safeguard their future pensions. We had a more practical goal as well. We understood that building public trust and confidence would be an added protection against potential political interference, about which Canadians – and the reformers of the CPP themselves – were concerned. Consistent with the reformers' intent, no hint of such interference has occurred to date.

Significant Milestones

1997

December
CPP Investment Board created by an Act of Parliament.

1998

October
Gail Cook-Bennett named as Chair along with the appointment of a 12-member board of directors.

We began laying the foundation for a culture of integrity at our third board meeting, where the minutes show we held a special session on reputation creation. The founding governance committee of the board, under Dale Parker's leadership, painstakingly drafted a code of conduct uniquely suited to the demands of this new type of Crown organization designed to compete in the private sector. Later, when we created the position of Conduct Review Advisor to serve as a confidential resource for directors and employees on conduct issues, we sought to fill the post with an individual knowledgeable about both sectors. Our current Conduct Review Advisor, Frank Iacobucci, a former justice of the Supreme Court of Canada, reflects this ideal perfectly, as did his predecessors.

Consistent with our desire for an appropriate tone at the top, the board placed a high priority on selecting CEOs who embodied integrity. John MacNaughton, who joined the organization as our first CEO ten months after our launch, set a tone of high integrity and trust for the organization through its early years while managing its growth to more than $75 billion. David Denison, who succeeded John, has ensured that the CPP Investment Board's core values penetrated every business activity of the rapidly growing organization through his exemplary personal leadership and through his commitment to engaging regularly with employees about the values of the organization.

Transparency was our second building block. A key element of our governing legislation, transparency has subsequently become a focus for the board and management, who have voluntarily raised disclosure well beyond the level required by our already demanding legislation. This commitment is best expressed in our disclosure policy, which begins: "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."

In keeping with this policy, the CPP Investment Board has chosen to report on the same basis as public companies by publishing a Management's Discussion and Analysis in the annual report since fiscal 2003. Ahead of many Canadian public companies we published our first Compensation Discussion and Analysis in last year's annual report. Our investment policy and our public equity holdings have been readily accessible since we first launched our website. By disclosing information with a view to meeting, and in some cases exceeding, disclosure standards required of private-sector public companies, the organization is well-positioned not only to earn the confidence of stakeholders, but also to seek similar disclosure from the companies in which we invest.

2005: The Shift to Value-Added Performance

With the core attributes of transparency and integrity in place, and with strong progress on private equity investments as well as portfolio design under John MacNaughton's leadership in the start-up phase, the board appointed David Denison in 2005 as the CEO for the next phase of its development. In December 2005, management, supported by the board, chose to pursue a strategy of active investing, designed to deliver value-added results above and beyond the performance of a new passive benchmark, the CPP Reference Portfolio. This strategy spoke directly to our legislated mandate to achieve "a maximum rate of return without undue risk of loss". The formal adoption of the CPP Reference Portfolio in April 2006 provided the tools to measure the value that the organization added over and above passive market returns, enabling the board to tie compensation directly to value-added performance on a portfolio basis, in addition to our existing asset class performance measures.

To generate added value, the CPP Investment Board needed to attract and retain a critical mass of high-calibre investment professionals to anchor specialized investment programs such as real estate, private equity and infrastructure, and such active strategies in public equities as relationship investing and global tactical asset allocation. As a board we have facilitated that effort by participating in the development of a competitive, performance-based compensation framework to attract these individuals. We have also supported the work of the specialist investment teams by ensuring that board decision-making processes enable them to be as agile in the market as their private sector external partners and to add value to the portfolio within established risk parameters.

1999

March
First funds received from the CPP. First funds invested in indexed Canadian and foreign equities.

September
John MacNaughton named first President & CEO.

2000

March
CPP Fund year-end assets reached a total of $44.5 billion.

2001

June
First private equity investment commitments of $1.8 billion approved.

The board is committed to paying for measurable value-added investment performance, while establishing caps on all elements of compensation. The organization does not reward investment performance over a single year. Our incentive plans tie compensation directly to longer-term investment performance as measured over rolling four-year periods to reflect our long-term investment orientation.

Early in fiscal 2008 the board approved key revisions to our compensation plans to recognize our increasing focus on global investments and the highly competitive market for proven talent with skills in global investing. Incentive opportunities were increased for selected investment professionals – as was the sensitivity of awards to investment performance for all qualifying participants – while significant compensation adjustments were approved for a small number of our most senior and mission-critical investment executives.

As a result, although this year's overall investment return was slightly negative, this year's executive compensation reflects strong four-year performance above market-based benchmarks and the approximately $5.3 billion of additional value generated by the investment teams over the past two years. Approximately $2.9 billion of that added value (241 basis points) was produced in fiscal 2008, which offset most of the negative market-based return of the CPP Reference Portfolio during the year.

A more detailed discussion of compensation can be found on page 47 of this annual report.

Reflections on Fiscal 2008

FOCUS ON RISK MANAGEMENT

Our investment mission is to take measured risk within established risk parameters in order to generate returns. In a year in which internal controls were circumvented at a number of global financial institutions, public concerns about how institutions manage the risk side of the risk/return equation have grown. The most powerful risk management asset that an organization possesses is its culture. The CPP Investment Board has a values-based culture. That culture, with its implications for risk management, is supported by a distinct approach to portfolio design, organizational and decision-making structures that focus on the total portfolio and a compensation framework that is designed to reward longer-term performance.

The distinct approach to portfolio design is the Total Portfolio Approach to investment decision-making. Under this approach, which is different from that of many other investment organizations, investments are assessed based on their risk/return profile rather than their asset class label. The compensation structure further acts as an implicit risk control, by focusing incentive pay on longer-term results and by tying a significant portion of pay to the performance of the total portfolio to balance the focus on performance contributions by individual asset classes.

The CPP Investment Board has the systems in place to assess risk and the controls in place to ensure that the organization operates within its risk parameters. Management continuously fine-tunes our risk management tools and the board supplements those procedures by exercising judgment honed by its directors' diverse experience. As board members, we assess the depth of the research and the quality of the analysis behind management's investment recommendations by probing our investment professionals' capacity to answer questions about complex investment transactions, and by reviewing management's series of checks and balances within the organization. Further, we obtain comfort from management's track record in both the investments that it completes, as well as the investment opportunities it chooses to walk away from.

Safeguarding the Organization's Global Investing Opportunities

In order to create a broadly diversified portfolio and capture returns abroad that can be used to pay pensions at home, it is vitally important that the CPP Fund have access to the best investment opportunities around the world. A potential impediment to the CPP Fund's requirement to invest globally arose in the past year with the rise of protectionist sentiment in a number of jurisdictions in response to the growing size and direct investing activities of sovereign wealth funds.

2003

January
First real estate investment of $200 million approved.

April
Management of passive equities internalized; capital markets trading capabilities in place.

2004

April
Transfer of legacy bond portfolio to CPP Investment Board began.

2005

January
David Denison appointed President & CEO following retirement of John MacNaughton.

December
Management chose to pursue a board-approved active management approach in order to deliver value-added results above the CPP Reference Portfolio.

Broadly defined, these are state-controlled pools of investment capital. Observers are concerned about whether the funds are motivated by political or national goals instead of solely commercial goals, and about the lack of transparency, which prevents the market from independently verifying those goals.

The CPP Investment Board is not a sovereign wealth fund and has received significant international recognition for its clarity of purpose in operating with investment-only objectives and its disclosure practices that enable observers to verify that fact. More information on the differences can be found on the inside cover of this annual report. Nevertheless, David Denison and I, together with others in the organization, devoted time in fiscal 2008 to spreading this message through initiatives involving the Organization for Economic Cooperation and Development (OECD) in Paris, U.S. Congressional subcommittees in Washington, D.C. and the International Monetary Fund. In each instance, we reiterated that we operate with precisely the characteristics that some policymakers are asking sovereign funds to adopt or emulate.

These efforts have provided an important perspective on how sovereign wealth funds can reduce other countries' anxiety about their activities while remaining an important source of capital in the world. More importantly for us, by fiscal year end the OECD and key House of Representatives communications had acknowledged the CPP Investment Board's model as distinct from sovereign funds, and policymakers are increasingly drawing distinctions between different types of national pools of capital.

THE BOARD OF DIRECTORS 10 YEARS AFTER

Fiscal 2008 marked the retirement of Dale Parker, the founding chair of the governance committee. In an organization such as ours, that committee, and in particular its chair, does the heavy lifting in the early days. Dale's leadership was critical to our success. David Walker, another of our founding directors, retired shortly after the end of the fiscal year. David's perspectives contributed immeasurably to our strategic communications, in particular in the early years when we were operating without specialized staff. When my tenure as board Chair terminates in October 2008, the terms and tenures of all of the board's founding members will have ended.

The CPP Investment Board enters its second decade with a strong board with expert qualifications. In this regard, we were delighted to welcome Pierre Choquette and Michael Goldberg to the board in February.

After consulting with the board, and also with his provincial counterparts, the federal Minister of Finance will select the next Chair from among our directors. To assist the Minister, the board of directors has completed a detailed process to identify and assess potential candidates. When the Minister's decision is announced, an organized transition of the Chair's duties will commence. The new Chair will assume his or her responsibilities at a time when the organization is endowed with outstanding leadership under David Denison. No less is required to lead the current $122.7 billion organization destined to grow to more than $310 billion in assets before the first dollar of investment income is paid out for pensions.

In slightly more than three years, David has led the formulation and implementation of a clear strategic direction for the organization, attracted – together with his management team – a pool of globally trained talent and has cemented a values-based culture through his consistent involvement with employees.

I am confident that the founding directors, who worked with great insight in laying the foundations for the organization, and the subsequent directors who have brought their broad range of expertise to bear on its development, share my pride in the CPP Investment Board as it marks its 10th anniversary year.

To have chaired the CPP Investment Board for its first ten years of operation has not only been an honour and a privilege, but also a fascinating intellectual challenge shared with outstanding management, employees and committed directors.

Gail Cook-Bennett

Gail Cook-Bennett
Chair

2006

June
CPP Fund assets surpassed $100 billion mark.

June/November
Two direct infrastructure investments completed; HQI Transelec Chile S.A. and Anglian Water Group.

2007

July – December
First investments made in emerging markets.

2008

February
Hong Kong office officially opened.

March
Year-end headcount reached a total of 368.

May
London office officially opened.

Key Corporate Objectives for Fiscal 2008

Objectives	
CPP Fund Diversification	Broaden the diversification of the investment portfolio through different geographies and asset classes and through alpha-based strategies.
Capabilities	Deepen our internal investment and support capabilities and processes.
Technology and Business Processes	Execute our multi-year plan to establish the management, technology and operational capabilities that will allow us to meet our long-term investment mandate.
Achieve or Exceed Our Value-Added Performance Target	Our target for fiscal 2008 was to generate 53.7 basis points of added value above the CPP Reference Portfolio benchmark, providing 40 basis points of additional return after first recovering our operating costs of 13.7 basis points.

We publish a statement in the annual report of our objectives for the past year and the extent to which they have been met. We also publish our objectives for the coming year and the foreseeable future. You will find the corporate objectives for fiscal 2009 on page 41.

Highlights

- Funded two active emerging markets equity mandates with external managers totalling US$627 million ($622 million).
- Added $2.1 billion in private real estate assets, located mainly in the U.K., Europe and a number of emerging markets including China and Mexico.
- Increased our overall commitments in emerging markets private equity to $1.0 billion from $115 million in fiscal 2007.
- Negotiated a US$884 million ($907 million) infrastructure investment, pending regulatory approval, for a 28.1 per cent interest in Puget Energy, Inc., a Washington State utility company.
- Laid the foundation for a global corporate bond investment program.
- Increased the proportion of international investments within the CPP Fund from 44.6 per cent to 47.0 per cent.
- Completed 14 principal investing transactions with total commitments of $2.3 billion, while also participating in the auction process for BCE, Inc. That compared to nine transactions for a total investment of $671 million in fiscal 2007.

- Expanded our presence internationally by establishing offices in Hong Kong and London.
- Added 45 investment professionals and 62 specialists in key complementary areas such as Information Services, investment finance and risk management.
- Hired three new vice-presidents and three new internal directors with management experience and specialized expertise to implement our global active investing programs.
- Built sufficient in-house expertise in Private Investments to simultaneously pursue multiple major transactions.

- Implemented a portfolio management and accounting system to support the Real Estate Investments department.
- Initiated projects to implement risk management, data management, trading and portfolio analytics technologies for other areas of the organization.
- Migrated our data centre and telecommunications structure off site to an IBM-managed facility enabling us to better focus in-house resources on applications that are central to our investment processes.

- Generated 241 basis points in added value or approximately $2.9 billion in additional returns above the CPP Reference Portfolio.
- Over the past two years, added a total of 486 basis points, or $5.3 billion, in value-added returns above the benchmark.

President's Message

David F. Denison
President and Chief Executive Officer

The conditions we faced for much of fiscal 2008 as an investor in global capital markets, especially the period from August 2007 through March 31, 2008, were very challenging. Over the course of this latter period, developed equity markets were extremely volatile and lost 10.2 per cent of their value, credit markets experienced a severe dislocation and valuations in some parts of the real estate market declined. In the case of the CPP Fund, this market downturn in the last eight months of our fiscal year more than offset positive returns in the initial period, resulting in a slightly negative overall fund performance of 0.29 per cent for the year, or negative $303 million in dollar terms. A detailed breakdown of this overall return is described on page 22.

While a negative rate of return is never encouraging, our fiscal 2008 result was well within our long-term risk/return parameters. We reflect our long investment horizon by regularly reporting rolling four-year performance; the four-year annualized investment rate of return through March 31, 2008 was 9.0 per cent, which added $32.2 billion in investment income to the CPP Fund over that period and was well above the return required to sustain the Canada Pension Plan at its current contribution rate.

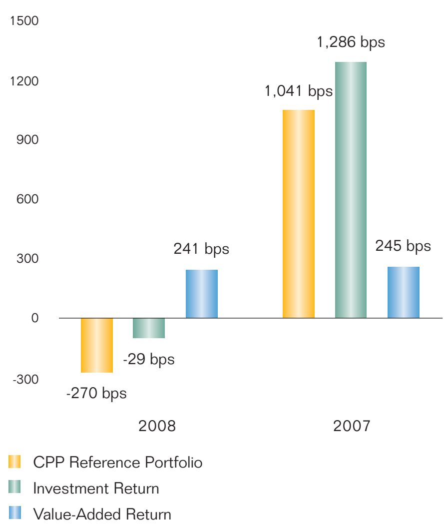
Within these challenging market conditions, there were a number of very positive developments for the CPP Fund and the CPP Investment Board during fiscal 2008.

Firstly, CPP contributions continued to exceed benefits paid in fiscal 2008, adding $6.5 billion to CPP Fund assets. This excess of contributions over benefits paid is expected to persist through to the end of 2019, at which point Canada's Chief Actuary projects that the CPP Fund will have grown to more than $310 billion.

Secondly, the CPP Investment Board's active management programs added 241 basis points of value or approximately $2.9 billion above our market-based benchmark, the CPP Reference Portfolio. This is a very positive value-added result and well above our fiscal year target of 53.7 basis points. Of this value-added performance, $2.2 billion was generated by our private equity investments and an additional $0.7 billion was primarily produced by our infrastructure and real estate programs. In the two years since we established the CPP Reference Portfolio as the low-cost, low-complexity strategic alternative against which to measure our value-added returns, we have generated approximately $5.3 billion in cumulative additional income for the CPP Fund.

Thirdly, with respect to the corporate objectives we established for fiscal 2008, I am pleased to report that in all cases we achieved the targets or milestones that we established for the year.

CPP FUND VALUE-ADDED RETURNS
For the year ended March 31



"With respect to the corporate objectives we established for fiscal 2008, I am pleased to report that in all cases we achieved the targets or milestones that we established for the year."

Performance Against Objectives

Our key objectives for fiscal 2008 were described in last year's annual report and are summarized below:

- Continue to broaden the diversification of the investment portfolio both by risk/return characteristics and by geography;
- Deepen our internal investment and support capabilities and processes;
- Execute our multi-year plan to establish the management, technology and operational capabilities that will allow us to meet our long-term investment mandate; and
- Achieve or exceed a value-added performance target of 53.7 basis points relative to our benchmark CPP Reference Portfolio.

DIVERSIFICATION OF THE INVESTMENT PORTFOLIO

While this is a multi-year objective, we made significant progress on a number of fronts this past year.

In our Public Market Investments area, we funded two active emerging markets equity mandates with external managers totalling US$627 million ($622 million). In addition, we laid the foundation for a global corporate bond investment program, and made our first investment just after the end of the fiscal year, as the proportion of the legacy CPP bonds within our overall portfolio declined below our target fixed income weight. We were also able to exploit our advantages as a large, stable long-horizon fund to capitalize on several investment opportunities that arose in the aftermath of the credit market upheavals that began in August. Within Canada, we took advantage of the confusion in the marketplace between bank-sponsored and non bank-sponsored asset-backed commercial paper (ABCP) which created the opportunity to invest in secure bank-sponsored ABCP at very attractive yields. Outside Canada, in partnership with experts in this sector, we identified opportunities to invest in distressed mortgages where we had strong transparency on the underlying assets and therefore clear valuations. These and other investments are described in greater detail in the Management's Discussion and Analysis (MD&A) section of this annual report.

In our private real estate program, we increased our property holdings during the year to $6.4 billion up from $4.3 billion the previous year. Most of the additional $2.1 billion in real estate assets are located in the U.K., Europe and a number of emerging markets including China and Mexico. Among our notable new commitments were £403 million ($820 million) in U.K. shopping centres and €400 million ($650 million) in industrial properties in a number of countries including the Czech Republic, France, Poland, Spain and Mexico in partnership with ProLogis and ING Real Estate. In Asia, we committed US$300 million ($308 million) to Macquarie Global Property Asia Fund III, which aims to make opportunistic investments throughout Asia, with a primary focus on Japan and China.

Fiscal 2008 was an active year in our infrastructure investment area as well. Among our key acquisitions was a 28.1 per cent interest in the Washington State utility company Puget Energy, Inc. for US$884 million ($907 million), which is currently awaiting regulatory approval. We also focused on a complex transaction to purchase a 40 per cent stake in Auckland International Airport for NZ$1.7 billion ($1.4 billion), and succeeded in obtaining shareholder approval. Unfortunately, after the end of our fiscal year, the New Zealand government decided not to approve the transaction under the terms of its *Overseas Investment Act*.

In our private equity area, we added $7.2 billion in new fund commitments through 25 funds with 20 managers. This total included commitments of US$950 million ($975 million) in Asia, increasing our overall commitments to emerging markets private equity by the end of the year to $1 billion. In addition to our private equity fund investments, we also committed a total of $2.3 billion in principal investments across 14 underlying companies during the year.

"Looking ahead to fiscal 2009, our over-arching goal remains to generate value-added performance for the CPP Fund relative to the CPP Reference Portfolio on a sustainable, long-term basis."

DEEPEN OUR CAPABILITIES

Our second objective was to deepen our organizational capabilities to keep pace with the increasing complexity of the CPP Fund. To this end, we added 45 investment professionals and 62 specialists in key complementary areas such as Information Services, investment finance and risk management. Across all areas of the organization, we have now significantly increased the depth, experience and specialized expertise within our various departments.

A key accomplishment this year was expanding our presence internationally by establishing offices in Hong Kong and London. Our presence in these markets will enable us to improve the depth of our relationships with our partners in Europe and Asia, facilitate earlier identification of investment opportunities and allow us to manage our existing investments in those regions more effectively. While both locations are now operating with small core teams, our plans for fiscal 2009 entail expanding our current complement with additional professionals transferred from our Toronto office supplemented with new local hires.

The most high-profile transaction that we embarked upon during the year – our consortium bid for BCE Inc. – clearly demonstrated our ability to co-lead a sizeable and complex transaction using the increasingly sophisticated in-house expertise resident within our investment teams, even though we declined to bid further when the price moved beyond our valuation parameters. In this and other transactions, we maintained a disciplined approach to auction processes to ensure that we strictly adhered to our determination of value; this discipline served us well throughout fiscal 2008.

PROGRESS OUR TECHNOLOGY AND OPERATIONAL CAPABILITIES

Our third objective was to progress our multi-year plan to establish key management, technology and operational capabilities. This objective is aimed at ensuring that we have the organizational infrastructure in place to support our investment and risk management activities. Among the technology systems implemented was a portfolio management and accounting system to support our Real Estate Investments department along with projects initiated to implement risk management, data management, trading and portfolio analytics technologies for other areas of the organization.

We also migrated our data centre and telecommunications infrastructure off site to an IBM-managed facility, enabling us to better focus our in-house resources on applications that are central to our investment processes.

ACHIEVE OR EXCEED OUR VALUE-ADDED PERFORMANCE TARGET

In order to achieve proper alignment of interests, our calculation of value-added investment performance for management compensation purposes requires us to first recover our operating costs before value is attributed. Accordingly, our value-added target for fiscal 2008 was 53.7 basis points above the CPP Reference Portfolio, providing 40 basis points of additional return after recovering our operating costs of 13.7 basis points. As previously noted, we were pleased that our investment activities produced 241 basis points or approximately $2.9 billion of gross value-added, well in excess of the target for fiscal 2008.

Looking Ahead to Fiscal 2009

Looking ahead to fiscal 2009, our over-arching goal remains to generate value-added performance for the CPP Fund relative to the CPP Reference Portfolio on a sustainable, long-term basis. Our value-added performance target for the coming year is 55 basis points, representing 40 basis points after first recovering our estimated operating costs of 15 basis points. At the end of fiscal 2009, we will report our cumulative three-year results relative to the CPP Reference Portfolio, building to our goal of achieving sustainable value-added performance over four-year periods.

In addition to this performance goal, we have three corporate objectives for the coming year. Our first objective is to continue to broaden the diversification of the CPP Fund by risk/return characteristics, by geography and by alpha strategies. Specifically, we will expand our programs in global corporate bonds and global tactical asset allocation and launch a new private debt investment capability. We will also continue to expand our emerging markets programs across all investment departments; for example, in real estate, where we will seek to add properties in Latin America and increase our investments in Central and Eastern Europe, China and Mexico.

Our second objective is to further solidify the organizational structure in all three of our offices. After four years of rapid growth in headcount, we will be much closer to our "steady state" organization complement by the end of fiscal 2009. In that regard, our newly-opened London and Hong Kong offices will become fully operational in the coming fiscal year, enabling us to strengthen existing relationships and establish new ones with partners in Europe and Asia. In Toronto, we will have established the majority of our investment, risk management and core support teams and will focus on the further evolution of our investment processes and project execution capabilities.

Our third objective is to continue executing our multi-year plan to establish the management and operational processes and technologies to enable us to execute our investment strategy over the long term. Notably, we will revise our Enterprise Risk Management framework, implement a new investment risk-budgeting system, launch a scalable end-to-end derivatives system, commence a conversion to a new portfolio accounting system and expand our investment analytics and data platforms.

As the past year marked the 10th anniversary of the CPP reforms leading to the creation of the CPP Investment Board, our Chair, Gail Cook-Bennett, and I took part in a C.D. Howe Conference in which we spoke about the progress of the organization since its establishment with the first board meeting in 1998. During the past year, we also were invited to address audiences in Washington, D.C., Oslo, Suzhou (China) and Paris about our investment approach and our governance model. One of the messages we emphasized in those venues – as Gail Cook-Bennett, explains in this annual report – is that while the CPP Investment Board is not a sovereign wealth fund, we nonetheless believe that it has a governance structure and operating approach that could serve as a model for sovereign wealth funds to emulate.

I would like to thank all of my colleagues within the CPP Investment Board, our board of directors and our strategic partners for their dedication and contributions to our achievements during the challenging markets of the past year. With our multi-generational mandate, the tasks ahead for our organization are complex, but I am confident that we have the expertise along with a culture characterized by high performance and integrity that will enable us to meet those challenges.

David F. Denison
President and Chief Executive Officer

Senior Management Team

Left to Right

John H. Ilkiw, Senior Vice-President, Portfolio Design and Risk Management; **John H. Butler,** Senior Vice-President, General Counsel and Corporate Secretary; **David Wexler,** Senior Vice-President, Human Resources; **Donald M. Raymond,** Senior Vice-President, Public Market Investments; **David F. Denison,** President and Chief Executive Officer; **Myra Libenson,** Chief Financial Officer; **Graeme M. Eadie,** Senior Vice-President, Real Estate Investments; **Ian M.C. Dale,** Senior Vice-President, Communications and Stakeholder Relations; **Mark D. Wiseman,** Senior Vice-President, Private Investments

Financial Review

This annual report contains forward-looking statements reflecting management's objectives, outlook and expectations as at May 13, 2008. 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 Consolidated Financial Statements and accompanying notes for the year ending March 31, 2008. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Management's Discussion and Analysis

Pages 14 to 21 of the Management's Discussion and Analysis (MD&A) provide an overview of the CPP Investment Board's legislated mandate, the overall benchmark that provides context for our investing decisions, and the investment strategy employed to support the long-term sustainability of the Canada Pension Plan. Following this overview, we then identify our key performance drivers and review the performance of the CPP Fund.

Mandate

The Canada Pension Plan Investment Board is an independent, professional investment management organization that was created in 1997 to invest the assets of the Canada Pension Plan that are not required to pay current benefits. In 2004, the CPP Investment Board also assumed responsibility for investing the short-term assets held to pay current CPP benefits.

The legislated mandate directs us to achieve "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 and the ability of the Canada Pension Plan to meet its financial obligations on any business day". We have interpreted this statutory mandate to mean that our mission is to generate the returns which our stewards anticipate would be required to help keep the Canada Pension Plan sustainable over the long term. In defining sustainability, the federal and provincial finance ministers who serve as the CPP stewards, expressed a desire that, insofar as possible, the CPP be able to pay benefits at current levels, adjusted for inflation, with a stable employee-employer contribution rate (currently 9.9 per cent) across multiple generations. In terms of the investment program required to support that sustainability, the stewards incorporated the assumption that an investment portfolio similar to those held by other large Canadian pension plans would be required in order to meet the investment objectives and level of risk envisaged by them. In practical terms, our mission is to generate investment returns that will help support this goal of contribution rate stability while taking into consideration the myriad of elements such as inflation, wage growth, interest rates, immigration and demographic factors that may affect CPP funding. Our investment mandate is clear and singular, and to meet that mandate, as fiduciaries, our investing strategy is return-driven in order to serve the best interests of contributors and beneficiaries.

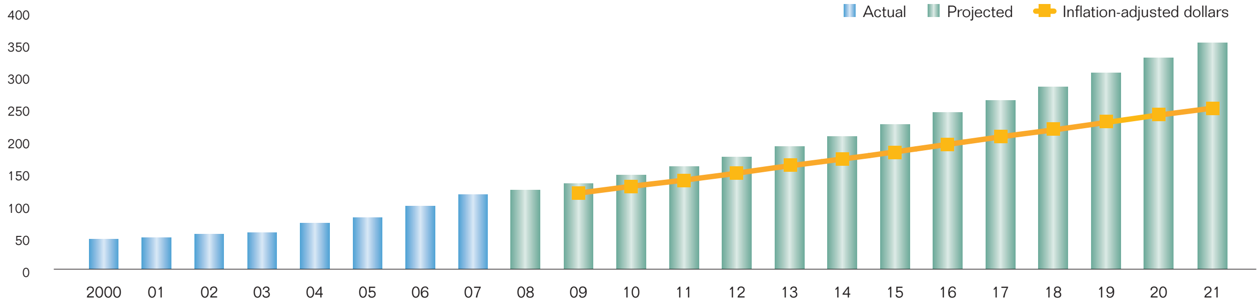
The federal and provincial finance ministers who reformed the Canada Pension Plan in 1997 envisaged the creation of a diversified portfolio to grow beyond the $35 billion legacy portfolio of non-marketable federal, provincial and territorial government bonds in place at that time. The fully diversified CPP Fund is now the largest single-purpose pool of capital in Canada and one of the largest and fastest-growing such funds in the world.

ENSHRINED INDEPENDENCE

The CPP Investment Board operates independently of the Canada Pension Plan and at arm's length from governments. The governance system created under our legislated mandate was carefully designed so that we would be able to compete with the very best global professional investors in the private sector while maintaining a high degree of public accountability.

Though established as a federal Crown corporation, the CPP Investment Board is not a sovereign wealth fund, a term used to describe a government-owned capital pool that may be deployed for political, economic development or strategic objectives in addition to achieving investment returns. This differentiation is important to the CPP Investment Board's investing since a number of countries are currently contemplating

PROJECTED ASSETS OF THE CPP FUND ($ billions)
As at December 31



The Chief Actuary of Canada has projected that CPP contributions will exceed annual benefits paid through to the end of 2019, providing 12 more years in which excess CPP contributions will be available for investment. This timeframe is two years shorter than the Chief Actuary previously projected because of revised actuarial assumptions. At the end of 2019, assuming the Chief Actuary's projected investment returns are achieved, the CPP Fund – now $122.7 billion – is projected to be valued at more than $310 billion or $240 billion in current inflation-adjusted dollars. Starting that year, the CPP is expected to begin using a small portion of its investment earnings to supplement the contributions that constitute the primary means of funding benefits. The Chief Actuary projects that this draw will rise gradually to 2050, when it is expected to stabilize at approximately 31 per cent of annual investment income.

measures aimed at restricting the ability of sovereign wealth funds to invest in their jurisdictions. If applied to us, these restrictions could hinder our ability to fulfill our investment mandate. Unlike sovereign wealth funds:

- The CPP Investment Board does not manage government assets or revenues. The assets of the Canada Pension Plan belong to the 17 million contributors and beneficiaries, and are strictly segregated from government revenues and the national accounts;
- The CPP Investment Board operates with a high degree of transparency. Disclosure standards are on par with those of public companies, and to our knowledge, we release more information than any other pension fund in the world; and
- The investment mandate is clear and singular: as fiduciaries, our investing is purely return-driven.

The legislation under which the CPP Investment Board was created contains safeguards to insulate investment decision-making from government and political interference. Amending this legislation requires a higher degree of federal and provincial consent than amending the *Canadian Constitution*. Canadians clearly indicated at the time of the CPP reforms that they do not want political involvement or interference in the investment of CPP assets.

Our unique governance framework and investment-only mandate distinguish us from sovereign wealth funds. Both the Chair and the Chief Executive Officer have conveyed this message at several international forums this past fiscal year and we will continue to seek opportunities to do so in fiscal 2009.

VALUE-ADDED INVESTOR

When the CPP Investment Board began operating in 1999, cash flows were initially invested in public equities and, to comply with a regulation that has since been repealed, the portion of the fund invested in Canadian equities was passively indexed. In its early years the organization built a large internally managed passive equity portfolio spanning all global developed markets.

Management and the board of directors, as part of a strategy review in late 2005, decided to expand the range of investment programs to include greater asset class and global diversification while incorporating a variety of active investment programs, all with a view to exceeding the returns otherwise available from a low-cost, low-complexity passive investment portfolio. The CPP Investment Board now operates as a multi-faceted investment organization with the knowledge and expertise required to execute investment programs across a diverse range of asset classes, geographies and active and passive strategies. We operate as a value-added active investor with performance and compensation accountability based on the level of returns we generate over those available from passive investing.

CPP Reference Portfolio

The CPP Investment Board's performance in generating value-added returns is measured in relation to the CPP Reference Portfolio. Introduced in fiscal 2007, the CPP Reference Portfolio represents a low-cost, low-complexity portfolio that embodies the investment objectives and level of risk envisioned by the CPP stewards at the time of the CPP reforms in 1997. The objective in creating this hypothetical portfolio was to create a diversified, investable passive benchmark that is easily understood and could reasonably be expected to generate the long-term average annual real return (after inflation) of 4.2 per cent assumed in the Chief Actuary of Canada's 75-year projection of CPP cash flows.

The CPP Reference Portfolio is detailed in the chart below. It was created by the board of directors for accountability and measurement purposes only and does not act in any way as a target portfolio for the actual CPP Fund.

The 25 per cent Canadian equity allocation in the CPP Reference Portfolio provides a relatively high expected real return and partially mitigates the risk of decreases in Canadian interest rates as Canadian equities are more sensitive to Canadian interest rates than foreign equities. The measurement benchmark for this allocation is the S&P/Citigroup Broad Market Index Canada.

The 40 per cent foreign equity allocation in the CPP Reference Portfolio provides diversification beyond the Canadian economy given that Canada's equity markets represent only approximately 3 per cent of the world's stock market capitalization and are heavily concentrated in natural resources and financial services. The foreign equity allocation also provides a relatively high expected real return and partially mitigates the risk of lower-than-expected wage growth in Canada that would be mirrored in lower Canadian equity returns. When wage growth slows, so will growth in the contributions that primarily fund CPP benefits – placing more reliance on the CPP Fund's earnings to meet payments to beneficiaries. Consequently, in periods when foreign economies are growing faster than Canada's, their better performing equity markets can be used to help strengthen the CPP Fund and pay CPP benefits. The measurement benchmark used for this allocation is the S&P/Citigroup Primary Market Index World excluding Canada, net of tax.

CPP REFERENCE PORTFOLIO BENCHMARK RETURNS

Asset Class	Benchmark	Weight	**2008 Return**	2007 Return
Canadian equities	S&P/Citigroup Broad Market Index Canada	25%	**2.6%**	12.0%
Foreign equities	S&P/Citigroup Primary Market Index World excluding Canada (net of tax)[1]	40%	**-13.8%**	14.3%
Fixed income	Custom-blended benchmark of actual CPP bonds and Scotia Capital (DEX) All Government Bond Index	25%	**6.8%**	5.8%
Canadian real return bonds[2]	Scotia (DEX) Real Return Canada Bond Index	10%	**6.7%**	-0.2%
		100%	**-2.7%**	10.4%

[1]For fiscal 2007, the benchmark for foreign equities was gross of tax.

[2]For fiscal 2007, the benchmark for Canadian real return bonds was Barclays Capital Canada ILB Index.

This 40 per cent foreign equity allocation in the CPP Reference Portfolio is not hedged from a currency perspective in order to capitalize on the long-term risk-mitigating features of investing in foreign markets:

- In periods when Canadian equities are underperforming relative to other equity markets, it is reasonable to expect that the underperformance would also be reflected in the decline of the Canadian dollar. Hedging the exposure to foreign currency would partially negate one of the key reasons for having the strategic exposure to foreign markets.
- An unhedged foreign exposure also helps to offset increases in CPP liabilities due to inflation. A decline in the value of the Canadian dollar would be expected to produce an increase in Canadian price levels due to our high dependence on foreign goods, and therefore lead to higher CPP benefit payments which are indexed to the Consumer Price Index. An unhedged exposure to foreign assets ensures CPP assets benefit from the rise in the value of foreign currencies which will offset, to some extent, the potential increase in CPP payments due to the falling Canadian dollar. As would be expected however, this currency effect works both ways; when growth in CPP payments is reduced because an increase in the Canadian dollar lowers inflation, there will be a corresponding currency-driven decline in the value of foreign assets.

In addition to the liability-driven rationale, other factors have been considered in our decision not to hedge the foreign currency exposure represented in the CPP Reference Portfolio. Investment theory, historical results and our research indicate that hedged and unhedged portfolios over the very long term have the same expected returns, except for the costs and fees of maintaining the hedge. We estimate that the cost of maintaining a passive 100 per cent currency hedge is roughly five basis points, which would in turn translate into a two basis point reduction in the long-term performance of the CPP Reference Portfolio. However, an unhedged CPP Reference Portfolio does not preclude management from implementing active currency hedging strategies to add additional returns by exploiting the short- and medium-term behaviour of the international currency markets.

The 25 per cent allocation to Canadian fixed income recognizes the inclusion in the CPP Fund of a portfolio of non-marketable federal, provincial and territorial bonds (CPP Bonds) that was established before the creation of the CPP Investment Board. In addition, this fixed income component also mitigates deflation risk. Nominal bonds are expected to earn marginally higher returns than real return bonds because they reflect an inflation risk premium. We use a weighted average of the actual return to the non-marketable CPP bonds and the return of the Scotia Capital (DEX) All Government Bond Index as the measurement benchmark for this allocation. The weighted representation of the return to non-marketable CPP bonds reduces in tandem with their declining presence in the portfolio over time.

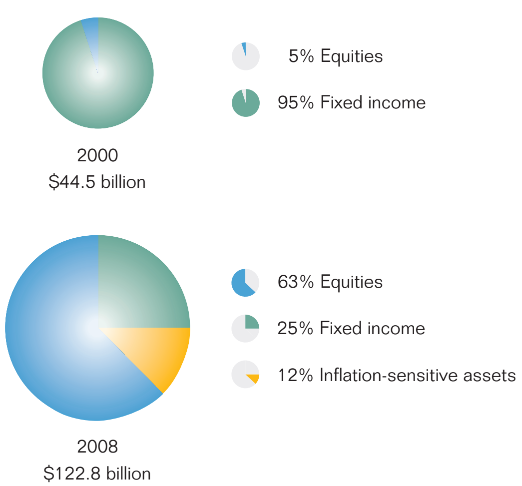
The 10 per cent allocation to Canadian real return bonds mitigates the risks of unexpected inflation and decreases in real interest rates. It is measured through the use of the Scotia (DEX) Real Return Canada Bond Index. We did not construct a reference portfolio comprised entirely of real return bonds to match the CPP's inflation-indexed liabilities because real return bonds are unlikely to deliver a sufficiently high return to meet the CPP Fund's long-term return assumptions, nor do they protect against risks such as unanticipated demographic changes, lower wage growth and deflation.

The composition of the CPP Reference Portfolio will be reviewed during fiscal 2009, taking into consideration the Chief Actuary's latest triennial report on the CPP released in October 2007, as well as work we have undertaken to gain additional insights into the linkages between capital market behaviour and the factors that affect CPP net liabilities.

Investment Strategy

Our investment strategy is designed to support the long-term sustainability of the CPP. We have adopted an active management approach that is intended to deliver value-added returns above the systematic market returns – called "beta" – that passive management would yield with an acceptable amount of risk, and therefore improve the long-term performance of the CPP Fund. Generating value-added returns on a sustained basis would help to offset the potential negative impact on the CPP's current 9.9 per cent contribution rate if some of the myriad assumptions incorporated in the Chief Actuary's 75-year projection turn out to be less favourable than planned. Alternatively, these additional returns could give leeway for the federal and provincial finance ministers who act as the CPP stewards to adjust contribution rates or benefit levels. As an example, a sustained additional return of 50 basis points net of fees and costs over a long period would represent a 25 basis point favourable experience for the CPP which could then be applied in a number of ways by the stewards.

TOTAL INVESTMENT PORTFOLIO VIEW



The benefits of value-added performance are material to the 17 million CPP participants and their employers, and provide a compelling reason to pursue an active management approach – especially when these benefits are applied over multiple decades.

THE ACTIVE MANAGEMENT DECISION

The decision to pursue active investment management was not taken lightly. First, the directors of the CPP Investment Board recognized that the governance system was strong enough to ensure that investment decisions would be based on private sector principles without political or government influence. Second, it was determined that there were sufficient comparative advantages, both structural and operational, to enable our investment professionals to succeed in an arena where many participants pursue above-market returns but relatively few achieve them on a consistent basis.

The CPP Investment Board's structural advantages include:

- We have an exceptionally long investment horizon in that we manage assets within the 75-year period of the Chief Actuary's CPP projection; this horizon provides us the opportunity to evaluate investment decisions and programs over a much longer timeframe than other market participants.
- We have stability in our existing asset base and relative certainty of the amount and timing of future cash flows for investing activities. The Canada Pension Plan is expected to collect excess contributions through to the end of 2019, providing us with additional funds for investment. As well, we do not have to manage the fund to accommodate unanticipated redemptions or cash outflows.

- The size of the portfolio provides sufficient scale to build sophisticated internal investment and technology capabilities to pursue opportunities, not only in the public markets, but also in the vastly larger private markets for real estate, equities and infrastructure. The CPP Fund can also make comparatively large individual investments that would be beyond the reach of many other organizations. At the same time, we recognize that the portfolio's size can also at times be limiting as some attractive investments may lack sufficient scale to make an appreciable contribution to overall returns, and the Fund's significant investments in public equities could potentially affect markets through our trading activity.

  In addition to these structural advantages, the CPP Investment Board has developed operational advantages, which include:

- Use of a Total Portfolio Approach that looks through conventional asset class labels to analyze investments according to their underlying risk/return attributes. For example, depending on its characteristics, an infrastructure investment might be viewed more like a bond or more like equity. While complex to operationalize, we believe this approach promotes better investment decision-making and a more efficient design for the overall portfolio;
- A strong commitment to develop partnering relationships with top-tier investment organizations. In this regard, our clear investment-only mandate and transparent investment processes create a distinct advantage over a number of other organizations including the rising number of sovereign wealth funds; and
- The creation of a culture deeply rooted in ethical conduct, teamwork and high performance standards that enable the CPP Investment Board to attract and retain high-calibre professionals from around the world.

RISK/RETURN ACCOUNTABILITY FRAMEWORK

As required by the legislated mandate, the active management strategies of the CPP Investment Board seek to maximize rate of return "without undue risk of loss". This duality of risk and return is managed through the Risk/Return Accountability framework that was implemented in fiscal 2007 and detailed in the *Statement of Investment Objectives, Policies, Return Expectations and Risk Management* that is available on our website.

The CPP Reference Portfolio is the cornerstone of this framework. Each year the board of directors of the CPP Investment Board approves an active risk limit which in turn restricts the aggregate variances from the CPP Reference Portfolio. This active risk limit is expressed in terms of a "value-at-risk" measure and is based on a board-approved risk estimation methodology. In essence, it represents a limit on the amount of additional capital that management can put at risk relative to the CPP Reference Portfolio in its efforts to earn additional returns.

In its business plan for each fiscal year, management's Investment Planning Committee indicates to the board how it intends to allocate its active risk budget across the different investment departments and the level of returns it expects to earn for these risk allocations. The Investment Planning Committee is comprised of senior management members who consider and resolve strategic active risk decisions and provide direction to the investment departments. Management also quantifies for the board the range within which the one-year active returns could exceed or fall short of the expected amounts. With this information, the board is able to measure, monitor and evaluate management's use of risk over the fiscal year relative to the business plan.

Using this active risk budgeting methodology, the Investment Planning Committee establishes a risk approach for the entire portfolio and allocates active risk among the various categories of actively managed investments. Active and total portfolio risk is measured daily and reported to management weekly. Investment departments report their activities and performance to the Investment Planning Committee monthly; and management reports to the board of directors at least quarterly.

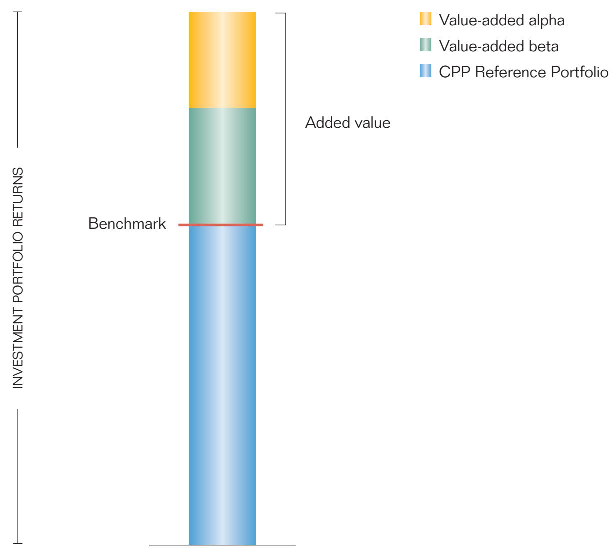
Within the Risk/Return Accountability framework, management seeks to cost-effectively and risk-efficiently outperform the CPP Reference Portfolio's market returns in two broad ways.

The first is what we refer to as "better beta", which is a strategy to access more sources of market-based returns than are represented in the CPP Reference Portfolio. Beta is the return one can obtain by investing in a given asset class on a passive basis. This return and its associated level of risk reflect market performance rather than manager skill. The CPP Reference Portfolio reflects the returns and risk of efficient, developed markets for public equities, bonds (including the legacy CPP bonds), and inflation-linked bonds. We seek to generate better beta by expanding into other asset classes that offer additional sources of returns such as real estate, infrastructure and private equity.

The second approach is to selectively capture above-market returns, known as alpha. These returns are generated by manager skill, not broad market exposure, and are particularly valuable since they do not add materially to systematic risk. In other words, they tend not to be influenced by whether broad market returns are positive or negative. While beta is more readily available and can be more easily harvested, alpha must be actively pursued and captured through the use of various skill-based programs across the entire portfolio. More discussion on these active programs is contained in the Investment Department Activities section on page 26.

Cost minimization is also a priority in our value-added performance, as every dollar saved in transaction costs is equivalent to one dollar of additional income, or alpha, with no increase in risk.

ALPHA AND BETA VALUE-ADDED RETURNS



TOTAL PORTFOLIO APPROACH

In order to meet our value-added investment objectives, we focus primarily on the performance of the total portfolio rather than the performance of isolated asset classes or individual investment departments. We strive to make the total portfolio as efficient as possible by considering proposed investments in terms of their marginal risk/return contribution. Under this approach, we do not target specific dollar or percentage allocations for individual asset classes. Active investments, such as real estate, infrastructure and private equity, are considered to be opportunistic and are made only if we are confident that their risk/return characteristics will outperform the assets that must be sold to fund the investments. This approach leads us to make decisions in the context of the characteristics and performance of the total fund.

Private equity investments, for example, are funded by selling the most comparable public equity securities from the passively managed securities, with the objective of outperforming the assets being sold. While somewhat more complicated, this same principle is applied to infrastructure investments. Established infrastructure assets with low earnings volatility, such as water distribution networks and toll roads, must outperform a fixed income-dominated opportunity cost funding benchmark. In contrast, developmental or greenfield infrastructure must outperform an equity-dominated opportunity cost funding benchmark.

Consistent with our Total Portfolio Approach, in December 2007 we implemented our Economic Exposure Weights methodology and are now rebalancing the total portfolio weights to an effective 70 per cent equity and 30 per cent fixed income composition. This represents a 5 per cent strategic over-weight to equity risk relative to the CPP Reference Portfolio. However, this additional equity risk is not taken through public markets securities, but rather through the implied equity components of our private real estate and infrastructure holdings. We believe that this approach to gaining additional equity exposure will increase total fund risk-adjusted returns relative to the CPP Reference Portfolio.

Key Performance Drivers

The previous discussion of mandate, investment context and strategy can be summarized in terms of four critical factors that drive the activities and performance of the CPP Investment Board:

Focused Mandate: Our sole mission is to contribute to the long-term sustainability of the Canada Pension Plan by investing its assets globally to maximize rate of return without undue risk of loss.

Governance: We are publicly accountable to the federal and provincial finance ministers who act as stewards of the CPP, while we operate as an independent professional investment manager in the private sector at arm's length from governments. Our governance platform has been praised as a model structure by, among others, the World Bank and the Organization for Economic Co-operation and Development (OECD) in its *Sovereign Wealth and Pension Fund Issues Report*, published this year.

Long-Term, Total Portfolio Risk/Return Management: The CPP Fund is managed as one cohesive portfolio to create investment value above a clear benchmark that directly reflects our mission. The Fund's size and multi-generational mandate allow us to function as a long-term strategic investor.

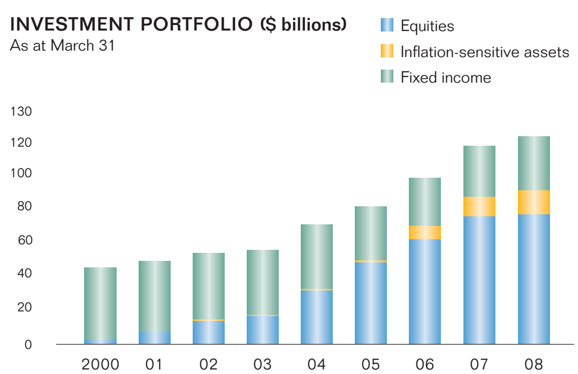
People and Culture: We have recruited talented and experienced individuals from around the world who are committed to building an investment organization that is internationally respected for its performance, capabilities and ethical conduct. We strive to ensure that our people understand and act in accordance with our mission to help secure the pension benefits of generations of Canadians.

Performance

ASSET GROWTH

For the year ended March 31, 2008, the CPP Fund increased by $6.1 billion to $122.7 billion versus $116.6 billion at March 31, 2007. This growth consisted of $6.5 billion* in CPP contributions not required to pay current benefits and $35 million earned by the Cash for Benefits portfolio – a month-to-month cash management program for the CPP, offset by a negative return of $303 million from the investment portfolio and operating expenses of $154 million. The CPP Fund has grown by $78.0 billion since fiscal 1999, when we began our investing operations. This cumulative growth consists of $47.6 billion of investment income net of operating expenses and $30.4 billion of excess CPP contributions.

INVESTMENT PORTFOLIO ($ billions)
As at March 31



*The CPP Fund includes the non-marketable government bonds that predate the creation of the CPP Investment Board. We take these bonds into account when making investment decisions. The following commentary reflects this, but in the Consolidated Financial Statements that form the latter half of this annual report, information for fiscal 2007 deals exclusively with the CPP assets managed directly by the CPP Investment Board. Finance Canada moved the last of the legacy bonds to the CPP Investment Board on April 1, 2007.

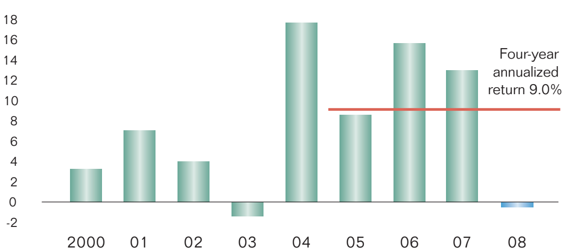
CPP FUND PERFORMANCE

This section reports on the investment performance of the CPP Fund, the assets within the Canada Pension Plan not needed to pay current CPP benefits. Later, on page 41, we report on the short-term Cash for Benefits portfolio.

As a consequence of the challenging market conditions that prevailed during much of fiscal 2008 and particularly from January to March 2008, the CPP Fund's investment performance was marginally negative, with a return of negative 0.29 per cent or negative $303 million. This result compares to a return of 12.9 per cent for fiscal 2007 that generated $13.1 billion of investment income for the CPP Fund.

In measuring our results, the CPP Investment Board continues to focus on longer-term performance because our mandate is multi-generational – to help pay CPP pensions well into the future. Our compensation framework supports these longer-term performance goals and incorporates performance over rolling four-year periods. We therefore consistently report our four-year results in concert with returns in any given one-year period. For our last four fiscal years, the return earned on investments was 8.5 per cent in fiscal 2005, 15.5 per cent in 2006, 12.9 per cent in 2007 and negative 0.29 per cent in 2008, for an annualized return of 9.0 per cent over that period and an aggregate $32.2 billion of investment income.

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



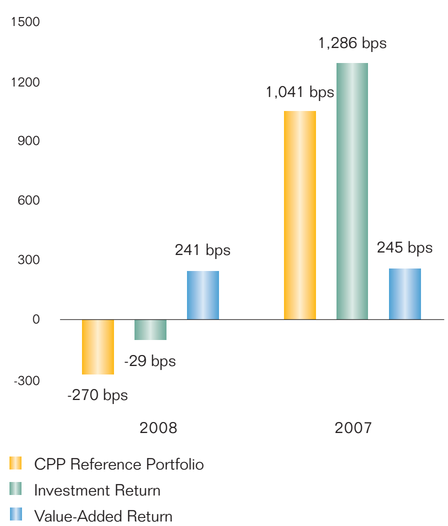
While the nominal rate of return for fiscal 2008 was negative, the fund exceeded the benchmark return of the CPP Reference Portfolio which was negative 2.7 per cent or negative $3.2 billion. Compared to that benchmark return, the CPP Investment Board generated 241 basis points of value-added performance or $2.9 billion of additional investment return resulting in the actual fund performance of negative $0.3 billion.

These value-added results exceeded our fiscal 2008 performance target of 53.7 basis points[1] (with 13.7 basis points of that allocated to recovering the cost of managing the entire portfolio) by an additional 187.3 basis points.

These value-added returns were generated primarily through our active programs in private equity, infrastructure and real estate. As shown in the chart below, we produced 241 basis points of value-added returns all of which were derived from alpha-generating activities.

Over the two years since we established the CPP Reference Portfolio as the benchmark to measure our value-added returns, we have generated $5.3 billion in cumulative value-added returns.

CPP FUND VALUE-ADDED RETURNS
For the year ended March 31



[1] A basis point is 1/100th of 1 per cent. 53.7 basis points equal 0.537 per cent.

The Fund and the CPP Reference Portfolio faced several sources of powerful downward pressure during much of the 2008 fiscal year.

- Developed equity markets experienced extreme volatility during the last eight months of our fiscal year. Canadian public equities lost 3.0 per cent of their value during that period, while foreign public equities lost 10.6 per cent. The CPP Fund has a high weighting of public equities and therefore broad exposure to equity market conditions. The market turmoil was triggered by the collapse of the sub-prime mortgage market in the United States last summer, which in turn caused a severe dislocation in credit markets in North America and Europe. A liquidity shortage caused widespread repricings of publicly-traded securities as investors with large exposures to liquidity-constrained assets were forced to raise cash by selling higher-quality holdings.

During the fourth quarter (January – March 2008) of our fiscal year, public equities valuations again came under severe pressure as mounting concerns about a U.S. economic slowdown were added to the ongoing impact of the sub-prime collapse and substantially tightened credit conditions. Returns by the end of that quarter for many global market indices were among the most negative quarters on record. U.S. markets experienced their worst three-month reporting period in five years, with the S&P 500 dropping 9.9 per cent. In international markets, the German DAX declined 19 per cent, the FTSE 100 was down 11.7 per cent, the Hang Seng composite dropped 17.9 per cent and the Shanghai composite was down 34 per cent. The impact of this volatility on our public equities return in our fourth quarter was a negative return of 4.5 per cent or negative $2.9 billion.

- The Canadian dollar's rise against the U.S. dollar and, to a lesser extent, other major currencies reduced returns on the fund's foreign holdings when those returns were expressed in Canadian dollars. The foreign currency impact was greatest in the third quarter when the Canadian dollar reached parity with the U.S. dollar in September and over the next month soared to US$1.09 before falling back.

The Canadian dollar ended fiscal 2008 at US$0.97 – up 12.2 per cent over 12 months. Overall for the year, the dollar's rise reduced returns on the Fund's foreign holdings by $1.4 billion when expressed in Canadian dollars. We maintained a strategic, unhedged exposure to foreign currencies through our 40 per cent allocation to public and private foreign equities during fiscal 2008. However, other foreign exposures such as those arising from foreign real estate and infrastructure investments were hedged. As noted on page 18, our investment strategy is based on a long-term horizon and our belief that over the long term, the cost of currency hedging outweighs the potential benefits.

At the time of the credit crisis, the Fund had no exposure to U.S. sub-prime mortgages or other instruments subject to credit-related repricings such as asset-backed commercial paper (ABCP). In the aftermath of this market dislocation, we were able to exploit our comparative advantages, as described on page 18, to capitalize on several short-term investment opportunities offering attractive yields. These investments are described in further detail on pages 27 and 28.

The CPP Fund performance chart identifies the performance of key CPP Fund asset classes in fiscal 2008 as compared to 2007. Further explanation is provided in the investment department sections.

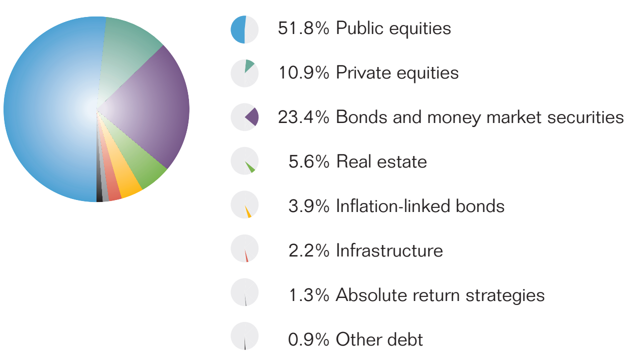
CPP FUND RETURNS

Asset Class	Fiscal 08[1]	Fiscal 07[1]
Canadian public equities	**3.2%**	12.4%
Canadian private equities	**2.2%**	45.3%
Foreign public equities	**-13.9%**	13.5%
Foreign private equities	**8.5%**	33.1%
Bonds and money market securities	**6.9%**	5.9%
Other debt	**0.3%**	– %
Public real estate	**-24.2%**	38.1%
Private real estate	**8.2%**	27.0%
Inflation-linked bonds	**9.3%**	0.9%
Infrastructure	**23.6%**	18.4%
Total CPP Fund	**-0.29%**	12.9%

[1] Investment results by asset class are reported on an unhedged Canadian dollar basis, since any hedging takes place at the Total CPP Fund level. Results are reported on a time-weighted basis.

ASSET MIX

ASSET MIX
As at March 31, 2008



Consistent with our investment strategy, we have continued to diversify the portfolio by asset class and geography. While Canadian assets remain a significant part of the portfolio, as the CPP Fund grows, an increasing portion will be invested internationally and the Canadian portion of the Fund will decrease over time.

At fiscal year end, total Canadian assets totalled $65.1 billion, or 53.0 per cent of the portfolio.

In aggregate, equities totalled $77.1 billion or 62.7 per cent of the portfolio versus 65 per cent in the CPP Reference Portfolio. This consisted of public equities valued at $63.7 billion or 51.8 per cent of the total portfolio plus private equities valued at $13.4 billion or 10.9 per cent. Public equities decreased by $3.8 billion in fiscal 2008 from $67.5 billion in fiscal 2007, partially due to disposals of assets to fund other investment programs described below. Private equities grew by $5.3 billion from the previous year including both draw downs from fund investments and new principal investments of $2.4 billion.

Canadian equities accounted for $28.9 billion, or 23.5 per cent of the CPP Fund versus a 25 per cent Canadian equities weighting in the CPP Reference Portfolio. This consisted of Canadian public equities, which accounted for $28.3 billion, or 23.0 per cent, while Canadian private equities accounted for $0.6 billion, or 0.5 per cent.

Foreign equities accounted for $48.2 billion, or 39.2 per cent of the CPP Fund versus a 40 per cent weighting in the CPP Reference Portfolio. Foreign equities consisted of foreign public equities valued at $35.4 billion or 28.8 per cent and foreign private equities, valued at $12.8 billion or 10.4 per cent. We continued to increase the CPP Fund's global exposure measured in both absolute dollars and as a portfolio percentage.

Fixed income totalled $29.8 billion or 24.3 per cent of the portfolio versus 25 per cent in the CPP Reference Portfolio. The fund's fixed income holdings were comprised primarily of non-marketable government bonds and money market securities, but also included $6.4 billion, or 5.2 per cent marketable nominal government bonds and other debt totalling $1.1 billion or 0.9 per cent of the portfolio.

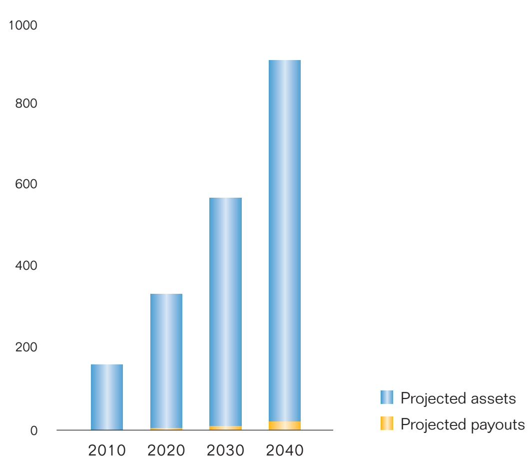
The non-marketable Canadian government bonds are carried at market value and their total value at March 31 was $23.8 billion, or 19.4 per cent of the portfolio.

The geographic and maturity distributions are shown on our website. These bonds constitute the "legacy" assets of the CPP that existed at the time of the creation of the CPP Investment Board, or the rollover of such legacy bonds. Provincial bonds issued prior to 1998 have rights which allow them to be rolled over for up to 30 years at relevant market interest rates. All bonds held are redeemable at the option of the issuer.

Absolute return strategies, commonly known as hedge funds, represented $1.5 billion or 1.3 per cent of the portfolio. Further description of these investments is on page 29.

Inflation-sensitive assets represented $14.4 billion or 11.7 per cent of the portfolio versus 10 per cent of the CPP Reference Portfolio. The fund's inflation-sensitive assets were comprised of real estate valued at $6.9 billion or 5.6 per cent of the total portfolio, inflation-linked bonds valued at $4.7 billion or 3.9 per cent of the fund and infrastructure investments valued at $2.8 billion or 2.2 per cent of the total portfolio. Real estate assets grew by $1.2 billion in fiscal 2008 up from $5.7 billion in fiscal 2007, while infrastructure assets grew by $0.6 billion from $2.2 billion. These types of assets are important because returns tend to be correlated with inflation over time and are a potential source of value-added returns above those of the CPP Reference Portfolio.

PROJECTED ASSETS AND PAYOUTS OF THE CPP FUND ($ billions)
As at December 31



Expansion of Global Investment Activities

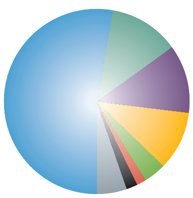
The CPP Investment Board established its first international offices this past fiscal year in Hong Kong and London. These offices will primarily focus on our real estate, infrastructure and private equity programs and will enhance our ability to build and strengthen relationships with new and existing partners in Asia and Europe, increase our local knowledge and understanding of these key regions, and facilitate access to investment opportunities. Both offices are located in the financial hubs of regions whose growth opportunities are compelling and aligned with the CPP Fund's long-term diversification goals. We now have the initial core teams for each office in place, and will be supplementing them with transfers from our Toronto office and local hires over the course of fiscal 2009.

One of our objectives for fiscal 2008 was to significantly expand our assets in targeted emerging markets and we met this objective by committing $2 billion and investing $825 million in these markets in fiscal 2008. Of the total investments in emerging markets, $139 million was in private investments, $622 million was in public market investments, and $64 million was in real estate investments.

Based upon in-depth analysis of the emerging markets universe, for fiscal 2008 we decided to focus primarily on North Asia, including the markets of China, Hong Kong, South Korea and Taiwan. Given the potential growth of these markets in terms of their gross domestic product (GDP), population and financial assets, we believe investments in these markets are capable of generating a meaningful contribution to our portfolio performance over the long term. An ancillary benefit of this geographic focus is the proximity to Japan, where we see potential for additional private equity opportunities. We have also made real estate investments in Mexico, which we regard as a developing market that is more advanced in its evolution than many emerging markets, along with some investments in a number of the developing markets within Eastern Europe.

We have made a long-term commitment to participate in these high-growth economies because we believe that, over the long term, prudent investments in these regions will enable the CPP Investment Board to harness their positive demographic growth and rising productivity characteristics to create a flow of foreign income back to Canada to help support pensions for Canadians.

GLOBAL DIVERSIFICATION
As at March 31, 2008



- 53.0% Canada ($65.1 billion)
- 12.2% North America (excluding Canada) ($14.9 billion)
- 11.8% United Kingdom ($14.6 billion)
- 10.3% Europe (excluding U.K.) ($12.6 billion)
- 3.8% Japan ($4.7 billion)
- 1.8% Asia (excluding Japan) ($2.1 billion)
- 1.9% Australia ($2.4 billion)
- 5.2% Other ($6.4 billion)

Investment Department Activities

We will now review the activities of each of our investment departments as well as the activities of the Portfolio Design and Risk Management (PDRM) department that helps to coordinate investment decisions within the context of our Total Portfolio Approach.

Under this Total Portfolio Approach, each investment department applies its specialized expertise to seek value-added returns. Their activities are then integrated in order to maintain the total portfolio's risk/return profile. Essentially, the CPP Fund's large passive equity portfolio acts as a liquidity pool for the investment departments. An acquisition by one specialist team would be accompanied by the sale of an equivalent amount of passively managed securities with similar risk/return and currency attributes. This enables us to progressively diversify the portfolio and increase active management without materially increasing overall portfolio risk. Investment results by investment department are reported on an unhedged Canadian dollar basis as our currency hedging policies are managed at the total portfolio level.

INVESTMENT PLANNING COMMITTEE

As discussed in the Risk/Return Accountability framework section on page 19, each year the board of directors of the CPP Investment Board approves an active risk limit which restricts the expected degree to which the investment portfolio can vary from the CPP Reference Portfolio. This limit provides management flexibility without exposing fund assets to excessive risk or undue underperformance relative to the CPP Reference Portfolio. Within the active risk limit, management's Investment Planning Committee (IPC) establishes a risk approach for the entire portfolio and then allocates active risk among the various categories of actively managed investments.

The total portfolio strategic risk exposures are decided, monitored and managed by the Investment Planning Committee which oversees and provides direction to the investment departments. This committee is chaired by the President & CEO, and includes the Senior Vice-Presidents from Private Investments, Public Market Investments, Real Estate Investments, Portfolio Design and Risk Management (PDRM), and Finance and Operations. As the working arm of the Investment Planning Committee, PDRM is responsible for providing analysis, advice and recommendations on a host of total portfolio and active risk management issues. Finance and Operations is responsible for measuring and monitoring the active risk positions implemented by the investment departments and providing a consolidated view of the total fund.

The IPC in effect operates as a fourth investment department and makes investment decisions that are not attributable to our other investment departments. For fiscal 2008, investment returns attributable to the IPC were $50 million less than their benchmarks or negative five basis points at the total fund level.

The IPC makes better beta decisions for the total fund, sets benchmarks designed to remove beta exposures from the investment department portfolios and also determines funding strategies for opportunistic investments. The IPC on occasion may also decide to make investments having a significant alpha component, normally when the investment is beyond the mandate of any single investment department. For example, our investments in leveraged loans and distressed mortgage assets, made after the market correction last year are explicitly attributable to the IPC.

The leveraged loan investments resulted from the fact that the debt associated with a number of leveraged buyouts completed before the credit crisis had not been fully syndicated by the banks involved. The CPP Investment Board had very little corporate credit exposure before the sub-prime collapse and recognized the market repricing as an opportunity to increase our exposure at attractive valuations. As a result, in September, we committed a total of US$2 billion ($2 billion) in funds managed by Apollo Management and the Blackstone Group to begin to establish a diversified portfolio of senior secured loans that were available at significant discounts to face value, of which approximately US$667 million ($666 million) has been invested to date. The CPP Investment Board had both the liquidity and knowledge needed to prudently purchase this senior performing debt at discounted prices and we are confident that this investment will deliver superior long-term risk-adjusted returns.

The second example is our investment in distressed mortgage funds to take advantage of heavily discounted prices following the credit crisis. During the fiscal year, we committed a total of $750 million to two distressed mortgage funds run by very experienced fund managers, Pacific Investment Management Company (PIMCO) and BlackRock, Inc. To date, approximately US$500 million ($513 million) has been invested.

PUBLIC MARKET INVESTMENTS

The Public Market Investments (PMI) department invests in all publicly-traded asset classes and in derivatives based upon these asset classes. Publicly-traded securities were the most affected by negative market developments cited in the previous section on performance; consequently, this portfolio's return for fiscal 2008 was down from the previous year. PMI generated a return of negative 2.4 per cent or negative $2.4 billion compared to a gain of 11.0 per cent or $10.0 billion in fiscal 2007. Within this, public equities returned negative 6.8 per cent or negative $4.5 billion in fiscal 2008 versus a gain of 13.1 per cent or $8.1 billion for the year before.

The non-marketable legacy Canadian government bonds returned 6.7 per cent or $1.5 billion in fiscal 2008 versus 5.8 per cent or $1.4 billion for fiscal 2007. Marketable government bonds returned 7.1 per cent or $0.5 billion in fiscal 2008 versus a marginal return for the prior year.

Public REITs returned negative 24.2 per cent or negative $0.3 billion in fiscal 2008 versus 38.1 percent or $0.5 billion in fiscal 2007.

Inflation-linked bonds returned 9.3 per cent or $376 million in fiscal 2008 versus 0.9 per cent or $31 million in fiscal 2007.

For fiscal 2008, the Public Market Investments department generated value-added returns of 11 basis points at the total fund level, representing approximately $138 million of investment income relative to its benchmark.

Our approach to investing in the public markets is to start with a passive exposure that can be managed internally in a very efficient, low-cost manner due to our scale, and then overlay a broad array of active strategies in pursuit of above-market returns, or alpha. This is done through five groups:

Global Capital Markets: This group is responsible for trading, liquidity and index management across all publicly-traded products and asset classes. Their responsibilities include investing cash flows from CPP contributions as well as rebalancing the overall risk profile of the total portfolio. Derivatives are used to efficiently manage market exposure and liquidity by replicating the overall risk of the underlying market.

Using derivatives significantly improves the ability of the CPP Investment Board to mitigate risk, reduce costs and increase expected returns. We have adopted a rigorous risk-based framework to manage our derivative exposure which entails establishing market and credit risk limits against which actual exposures are measured every day. As well, we have a trading oversight manager to monitor trading activity in real time. Most importantly, there is a clear separation of duties between the trade execution and the confirmation and settlement functions; confirmations are sent directly to the settlement group within the Finance and Operations department, which must also approve all cash movements. Further discussion on the use of derivatives is contained in note 2(f) of the Consolidated Financial Statements.

Global Capital Markets is the only group involved in passive as well as active investment management. In fiscal 2008 we laid the foundation for a global passive corporate bond portfolio and made our first investment just after the end of the fiscal year. We also expanded our portfolio of marketable Canadian government bonds that was established at the end of fiscal 2007 from $4.3 billion at the start of fiscal 2008 to $6.4 billion at March 31.

The foundation of our public equity program is an investment in more than 2,600 public companies that largely replicates major developed market indices. While most of the portfolio is managed with a very long-term investment horizon, this group has also been assigned a shorter horizon focus to manage liquidity and look for value-added opportunities.

Given our comparative advantages, we are well-positioned to act on short-term investment opportunities that potentially offer superior risk-adjusted returns. The previously mentioned liquidity crisis that occurred in the summer created two cash deployment opportunities that this group acted upon to realize substantial premiums over conventional money market rates. First, in mid-September, we chose to begin investing in bank-sponsored ABCP in order to take advantage of an opportunity to acquire high-quality, bank-sponsored fixed income securities at an attractive yield. Prior to the credit crisis, we had no exposure to ABCP at all and had very little exposure to corporate credit. We recognized that the freezing of Canada's non bank-sponsored ABCP market had unjustifiably affected high-quality bank-sponsored paper and driven up the yield of secure paper backed by unlevered quality assets. At year end, we owned approximately $6.6 billion of bank-sponsored ABCP securities that incorporated global-style liquidity and provided full transparency of the underlying assets.

The second cash deployment opportunity arose when credit markets tightened which created uncertainty as to whether private equity investors would be able to complete the leveraged buyouts of a number of public companies. This reduced the share price for those publicly-held companies. Recognizing an opportunity to exceed short-term money market yields, we created a merger arbitrage program to purchase selected shares for the short period until the scheduled closing of the takeover bid. To date, total investments in this program are relatively small and to minimize risk we have purchased only shares of companies involved in friendly, all-cash buyouts.

Global Capital Markets also began trading variance swaps that were mentioned in last year's annual report as a fiscal 2008 activity. These are derivative contracts whose value fluctuates with market volatility that is often mis-priced during periods of market dislocation. Further discussion on variance swaps is contained in note 2(f) of the Consolidated Financial Statements.

As well, this team oversaw a strategic investment by the CPP Investment Board in Alpha Trading Systems, an entity created by large Canadian banks to develop an alternative trading system aimed at making equity trading more efficient and less costly. As noted earlier, we place high priority on minimizing trading costs because every dollar saved is equal to one dollar of risk-free alpha return. The investment – $17.5 million for a 10 per cent stake – is small in dollar terms but significant in that it gives us early stage involvement with knowledgeable and important partners in creating a new marketplace. In that respect, we are the only investment management organization with an ownership interest.

Global Capital Markets plans for fiscal 2009 include developing internal trading capabilities for emerging market equities and currencies, initiating trading in U.S. and Japanese bond futures, expanding volatility-based derivatives trading, and extending trading cost minimization efforts to currency and fixed income.

External Portfolio Management: This team selects and manages our relationships with external managers that generate alpha returns through a variety of active mandates.

This team positioned the portfolio to capture benefits from the volatility in the marketplace created by the sub-prime collapse. After the previously mentioned widespread repricing of public equities, quantitative analysis identified strong movements among groups of individual stocks that were not readily apparent in an environment where market indices were essentially flat. As such, in mid-August we expeditiously invested in a quantitative equity investment to act on a short-term investment opportunity which delivered a value-added gain by fiscal year end. Quantitative investing uses mathematical and statistical modelling to forecast the risk and return of individual stocks. Portfolios are then constructed to maximize expected value-added for a given level of active risk.

During this past year, we invested in several fixed income absolute return strategies, also commonly known as hedge funds. We committed a total of $890 million in four externally-managed funds including $225 million with Barclays Global Investors, $250 million with Pacific Investment Management Company (PIMCO), $315 million with Smith Breeden Associates and $100 million with Treesdale Partners. These are generally fixed income funds managed within controlled risk parameters by experienced external asset managers. We do not have an explicit portfolio allocation for hedge funds; rather, on a case-by-case basis, we evaluate them on the same risk/return investment criteria as other externally managed active strategies.

Fiscal 2009 plans include the addition of more niche-focused fund of hedge fund managers as well as fundamental managers to complement the quantitative managers already engaged. Rigorous risk measurement systems were deployed in fiscal 2008 that allow the group to view hedge fund risk in the context of the group's entire active risk.

Global Corporate Securities: This group focuses on adding value through bottom-up security selection strategies in stocks and corporate bonds. The approach is complementary in that the Global Corporate Securities group focuses on a longer investment horizon to our external managers. The group combines the best of quantitative and fundamental portfolio management disciplines and this past year allocated more active risk to the fundamental side of the team as its capabilities were increased through new hiring. Global Corporate Securities also added a European long-short equity strategy to the U.S. and Canadian strategies established in fiscal 2007, and prepared to implement corporate bond and Japanese equity programs in fiscal 2009.

Global Tactical Asset Allocation: This group employs top-down forecasting models to predict returns of various asset classes such as relative country returns in stock markets, bond markets and currencies. Similar to the Global Corporate Securities group, the Global Tactical Asset Allocation strategies are designed to complement those of our external partners by focusing on a longer time horizon. This was the group's first full year of operation. As indicated in the 2007 annual report, the group launched an active currency program in developed market currencies. Emerging markets currencies will be added in fiscal 2009. Plans for the new year also call for implementation of a tactical asset allocation program involving stock-bond-cash timing in the U.S. and Japan, as well as development of an equity country selection program for implementation in the following fiscal year.

Relationship Investments: The Relationship Investments group is responsible for directly engaging with public companies with a primary objective of adding incremental value to the Public Market Investments portfolio. Their activities include capital deployment to generate value-added returns, as well as implementation of the CPP Investment Board's *Policy on Responsible Investing*, including proxy voting.

As with most other internal investment programs, the investment horizon for Relationship Investments is long term. This approach allows the CPP Fund to meaningfully engage companies on issues critical to long-term performance such as capital allocation and structure, strategy, executive compensation, and risk management. It also helps provide the stability that managements and boards of public companies need to focus on long-term shareholder value creation.

This relatively new group substantially increased its capabilities this past year as staffing increased to 13 people from five. As we have done in private equity, infrastructure and real estate, the intention is to build our relationship investment portfolio at a measured pace by first investing in funds, then in co-investments with aligned fund manager partners, and then through direct investing on our own.

Over the past year, we invested $1.2 billion in funds or mandates managed by three external managers: ESL Investments Inc., Knight Vinke Asset Management, and ValueAct Capital. These managers make investments in large and mid-cap companies in North America and Europe. Plans for fiscal 2009 call for additional fund investments, co-investments, and possibly the first direct investment of strategic capital in a collaborative initiative with the management and board of a public company. The pace of this evolution will be governed by our own investment process and experience as well as the opportunities we see in the market.

POLICY ON RESPONSIBLE INVESTING

Consistent with our *Policy on Responsible Investing*, first implemented in 2005, the CPP Investment Board believes that responsible behaviour with respect to environmental, social and governance (ESG) factors can generally have a positive influence on long-term corporate financial performance. We are pursuing our goal of encouraging corporate behaviour that enhances long-term financial performance through a policy of engagement. We believe that engagement is an effective strategy to encourage improved performance on and disclosure of ESG issues, particularly for large institutional investors with a long investment horizon like the CPP Investment Board. Given our belief that constraints decrease returns and/or increase risk over time, we do not screen stocks.

Our approach is consistent with the United Nations' *Principles for Responsible Investment* (UN PRI). The CPP Investment Board helped formulate and was one of the original signatories of the UN PRI in 2006. Today, the signatories to the UN PRI represent US$11 trillion in institutional investor assets. The Social Investment Organization, in its March 2007 report, *Canadian Socially Responsible Investment Review 2006: A comprehensive survey of socially responsible investment in Canada*, acknowledged the CPP Investment Board's *Policy on Responsible Investing* and related engagement approach as positive examples of responsible investing strategies.

The CPP Investment Board, within its *Policy on Responsible Investing*, is guided by three core elements. The first is engagement with companies in the portfolio through proxy voting, working with investor coalitions, and direct communication with managements and boards. Second, we seek improved research into the long-term materiality of ESG factors. Finally, we aim to integrate ESG factors into our investment processes.

As part of our strategy to broadly diversify the portfolio, the CPP Investment Board invests in more than 2,600 public companies around the world, including more than 700 Canadian companies, in a portfolio that tends to replicate broad market indexes. At present, the public equity portion of the CPP Fund typically represents ownership of approximately 2 per cent of outstanding shares in Canadian and 0.1 per cent of outstanding shares in international public companies.

The CPP Investment Board undertakes an annual portfolio review of its public equity holdings to identify companies and issues for engagement, using internal analysis and third-party research on ESG factors. We engage companies on issues that we believe have the potential to affect investment risk and return. Currently, our engagement activities focus on three areas: climate change, extractive industries (oil, gas and mining) and executive compensation.

For example, as part of our focus on long-term climate change related risks relevant to our portfolio, the CPP Investment Board is a signatory to the Carbon Disclosure Project (CDP). This initiative has grown to become a coalition of 385 investors globally, representing more than $57 trillion in assets seeking improved disclosure from more than 3,000 public companies around the world on climate change related risks and strategy required in a changing regulatory environment. The CPP Investment Board continues to be a sponsor of the *CDP Canada Report* which highlights best practices of Canadian companies.

Responsible investing activities, including proxy voting and engagement, are reported to our Proxy and Engagement Committee quarterly and to the board of directors annually. The Proxy and Engagement Committee, comprised of senior management and chaired by the President and CEO, approves responsible investing strategies and activities.

We are also committed to public reporting on our responsible investing activities, including timely disclosure of our proxy votes. We currently produce an annual *Proxy Voting Report*, and annual reporting on engagement activities will begin in late 2008. Please refer to the Responsible Investing section of our website for additional information on our responsible investing activities.

PRIVATE INVESTMENTS

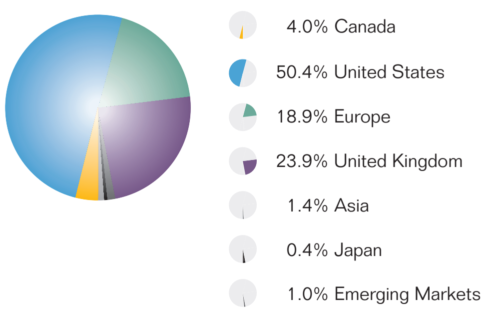
The Private Investments department invests in private equity and infrastructure, and is currently preparing to begin investing in private debt beginning in fiscal 2009. Having private investment capabilities allows us to access very large markets and capture the premium for illiquidity that these markets offer to well-capitalized, patient investors.

The assets managed by this department are primarily invested in private equities, which earned an unhedged, time-weighted return of 8.2 per cent and contributed $1.0 billion in net investment income for fiscal 2008, compared with 35.3 per cent or $1.9 billion in fiscal 2007. Infrastructure investments earned an unhedged, time-weighted return of 23.6 per cent or $524 million versus 18.4 per cent or $235 million for the prior year.

For fiscal 2008, Private Investments generated value-added returns of 225 basis points at the total fund level, representing approximately $2.7 billion of investment income relative to its benchmarks.

Over the course of the year, the department's staff grew to 55 from 37, as its activities underwent substantial expansion in both scope and complexity. This growth included the recruitment of an experienced international investment banker as our London-based managing director for Europe.

PRIVATE INVESTMENTS – GEOGRAPHIC DIVERSIFICATION
As at March 31, 2008



The private equity market has been in a state of transition since the rise of credit market concerns last summer. Before then, the availability of inexpensive financing fuelled leveraged buyouts of public companies by private investors. When, during the latter half of 2007, credit availability was substantially curtailed, transactions declined in volume and changed in character, as the lack of debt availability meant that investors had to focus on transactions requiring less traditional forms of financing. We expect this trend to continue through fiscal 2009 and it will likely be some time before banks again actively support large leveraged buyouts. Nevertheless, there is still ample opportunity for the Private Investments department to continue to generate value-added returns, through new investments and through the development of private debt investment capabilities.

Private equity funds have been the foundation of our private investing program, and the CPP Investment Board is one of the world's largest fund investors. Increasingly we have also utilized these relationships to become a direct investor in companies alongside our top-tier fund managers and, as discussed below, this past year we assumed a leadership role in bidding for the largest leveraged buyout in history. In infrastructure, we have favoured direct investing over funds because we hold a strong comparative advantage due to the CPP Fund's size and long-term investment horizon.

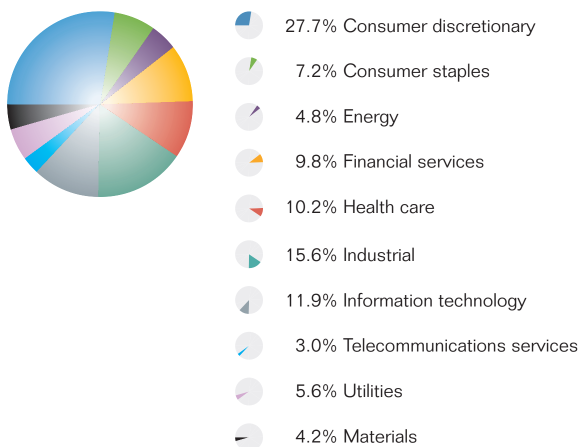
Two major, complex transactions had a significant impact on Private Investments' activities during fiscal 2008, one in private equity and one in infrastructure.

In private equity, the CPP Investment Board worked with Kohlberg Kravis Roberts & Co. (KKR) – one of our fund partners and one of the world's foremost private equity firms – in leading a consortium bid for BCE Inc., in the largest global leveraged buyout to date. Our partnership with KKR, the magnitude of the offer and the fact that our consortium positioned itself as a prime contender in the auction process demonstrated our ability and willingness to participate in large and highly complex transactions. Ultimately, we declined to bid further when the price at auction moved beyond the valuation parameters that we had set through extensive due diligence. This situation demonstrated our unwavering commitment to disciplined investing. The success of the CPP Fund's investment program is determined not only by the acquisitions we make but also by those we decline; this remains a fundamental principle in our investment process.

In Infrastructure, the CPP Investment Board was successful in obtaining shareholder approval for a NZ$1.7 billion ($1.4 billion) all-cash partial takeover offer for New Zealand's Auckland International Airport. Through this transaction, the CPP Investment Board planned to acquire a 40 per cent minority interest in the airport. Unfortunately, after the end of our fiscal year, the New Zealand government decided not to approve the transaction, under the terms of its *Overseas Investment Act*. Like the BCE transaction, the Auckland International Airport process demonstrated our global leadership and capabilities in large and highly complex infrastructure transactions.

Both transaction processes demonstrated progress on one of the department's key objectives for fiscal 2008: developing "parallel processing", the ability to simultaneously work on several significant investments. Though BCE and Auckland International Airport consumed significant amounts of dedicated staff time and attention, the department's expanded resources allowed it to complete a number of important transactions on other fronts.

PRIVATE EQUITY INVESTMENTS BY SECTOR
As at March 31, 2008



In total, the Private Investments group invested or committed a total of $9.5 billion in fiscal 2008.

The Private Investments department currently has three separate investment groups:

Funds and Secondaries: This is the oldest and largest segment of our private investments activities. The private equity fund portfolio now consists of investments with a combined carrying value of $10.2 billion in 119 funds with 63 managers. This compares with $7.2 billion in 96 funds with 57 managers at the start of fiscal 2008. In fiscal 2008, we committed a total of $7.2 billion to 25 funds. These commitments include the establishment of seven new fund manager relationships: CITIC Capital Partners, FountainVest Advisors, Friedman Fleischer & Lowe, KRG Capital Management, Magnum Industrial Partners, New Mountain Partners and The Jordan Company.

During the year, existing investments returned $2.4 billion to us through fund distributions, net of carried-interest incentive payments to our fund managers. These distributions were offset by fund draw downs of $4.5 billion, including the payment of management fees to our fund managers.

It should also be pointed out that there was a change in the character of our fund commitments in fiscal 2008. Approximately $1 billion of our new commitments were to funds focused primarily on emerging markets, versus just $115 million in fiscal 2007. As discussed in last year's annual report, this growth included expanding the portfolio's scope from North America and Western Europe to include Asia. To date, funds with a primary focus on emerging markets have drawn down $139 million in capital, versus $18 million at the end of fiscal 2007.

In December, we co-sponsored an investment in FountainVest, a newly-established private equity fund focused on investing in private enterprises in China that can benefit from earnings growth and expansion; we committed US$200 million ($205 million) to this newly-formed fund.

During the year, we also committed a total of US$750 million ($770 million) to three other funds focused on growth opportunities in Asia and run by external partners: KKR Asian Fund (US$350 million – $359 million), TPG Asia Fund V (US$350 – $359 million), and CITIC Capital Fund (US$50 million – $52 million).

Principal Investing: This team invests directly in private companies, generally alongside our external private equity fund partners. The BCE offer dominated team activities in the first half of fiscal 2008, as nine Private Investments department team members spent more than six months working on the transaction. However, this fact did not hinder the completion of 14 other transactions that totalled $2.3 billion, compared to nine transactions for a total investment of $671 million in fiscal 2007. The nine largest transactions for the year involve investments in:

- Alliance Boots Limited – a leading international health and beauty group with more than 100,000 employees, best known for its pharmacy outlets in the U.K. and its store brand products. Alliance Boots' corporate head office is in London, England.
- Asurion Corporation – a provider of enhanced services and specialty insurance products to the wireless industry. Asurion is headquartered in Nashville, Tennessee.
- Avaya Incorporated – a leading global enterprise communications company and world leader in secure Internet Protocol (IP) telephone systems and communications software applications and services. The company is headquartered in Basking Ridge, New Jersey.
- Dollar General Corporation – the U.S.-based founder of the dollar store concept and currently a distributor of grocery basics and other high-turnover consumables through more than 8,000 stores in 35 states. Dollar General's corporate office is in Goodlettsville, Tennessee.
- EMI Group Ltd. – the London, England-based music recording company and music publisher. EMI is headquartered in London, England.
- Energy Future Holdings (formerly TXU Corp.) – one of the largest integrated power companies in the U.S. and the largest supplier in Texas. The company is headquartered in Dallas, Texas.
- Noble Environmental Power – a leading renewable energy company with wind parks under development in the United States. Noble is based in Essex, Connecticut.
- Realogy Corporation – a leading U.S. and global provider of real estate and relocation services. The company is headquartered in Parsippany, New Jersey.
- United Surgical Partners International, Inc. – which has ownership interests in or operates 155 surgical hospitals in the United States and Europe, including 93 that are jointly owned with not-for-profit healthcare systems. USPI is headquartered in Dallas, Texas.

In total, we now have 30 principal investments valued at $3.2 billion.

Infrastructure: Created three years ago, the infrastructure portfolio now holds five direct investments located in four countries and two fund investments. The total value of investments and commitments is $2.8 billion up from $2.2 billion in fiscal 2007.

In addition to the previously mentioned project to invest in New Zealand's Auckland International Airport, the team negotiated the US$884 million ($907 million) purchase of a 28.1 per cent interest in Puget Energy, Inc., the oldest and largest energy utility company in Washington State. The company owns Puget Sound Energy, a regulated utility that provides electricity to more than one million customers around Puget Sound and natural gas to more than 700,000. This investment was made through a consortium of Australia's Macquarie Bank and two other large pension funds: British Columbia Investment Management Corporation and Alberta Investment Management. The transaction is expected to close in fiscal 2009, pending regulatory approval.

To date, we have three significant direct infrastructure investments: AWG Plc., parent of Anglian Water, a U.K.-based water and sewage company, HQI Transelec Chile S.A., Chile's largest electricity transmission company and Wales & West Gas Distribution Network.

We intend to substantially expand our infrastructure portfolio in coming years. Our comparative advantages position us well to meet this sector's need for large, long-term capital commitments. The regulated, stable income streams that are available from infrastructure investments tend to track inflation and are therefore a good match for the CPP's future liabilities.

We plan to further develop this team's capabilities with the goal of completing multiple large-scale transactions each year by the end of this decade. We continue to seek assets that operate in strong regulatory environments and have relatively low technology replacement risk and minimal substitution risk. Examples include utilities such as electricity transmission and distribution systems, gas transmission and distribution systems, water and sewage companies, and certain transportation assets, such as toll roads, bridges and tunnels, airports and ports. Our current target range is at least $300 – $600 million per investment, and more than $1 billion for some investments, like our $1.1 billion purchase of a one-third interest in AWG.

The current target range generally excludes certain social infrastructure projects such as hospitals and schools given these are typically smaller-scale projects. While foreign projects comprise our direct infrastructure investments thus far, we are interested in investing in Canadian infrastructure projects that compare well with investment opportunities globally in meeting our requirements for size, stable cash flow and a predictable regulatory environment. At present, Canada's infrastructure market is more limited than those of certain other countries.

Private Debt: As part of our long-term plan to increase our ability to access a broader set of investment opportunities, we intend to launch a multi-faceted private debt program in fiscal 2009. This program will invest in relatively illiquid debt instruments, including senior bank loans, infrastructure financing, second lien loans and mezzanine debt. Our goal in fiscal 2009 is to build the internal capabilities and systems that will allow us to access these markets in scale and with a high degree of internal sophistication.

REAL ESTATE INVESTMENTS

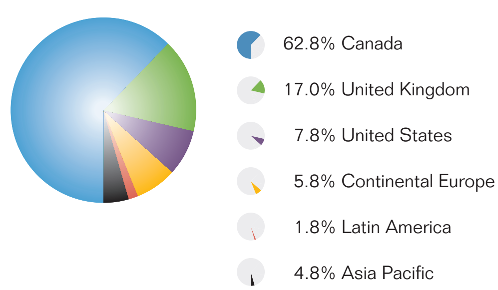
Over the course of the past three years, the Real Estate Investments department has established a sizable portfolio of high quality office, retail and industrial properties throughout North America, Europe and, most recently, Asia. Holdings are also diversified by investment style: core, value-add and opportunistic. Geographic and sector diversification is aimed at maximizing returns while mitigating risk, and style diversification is aimed at achieving both alpha and beta returns.

Net real estate assets, comprised of private Real Estate Investments and the Public Market Investments REIT portfolio, totalled $6.9 billion, up from $5.7 billion at the end of fiscal 2007. Private Real Estate Investments' net assets ended the year at $6.4 billion, up $2.1 billion from $4.3 billion at the end of fiscal 2007, with the remainder being the assets of the Public Market Investments REIT program which was reduced in size over the course of fiscal 2008.

The private real estate portfolio generated a return of 8.2 per cent or $0.5 billion in net investment income for fiscal 2008, compared to 27.0 per cent or $0.9 billion for fiscal 2007. The Real Estate Investments department produced a value-added return of 10 basis points at the total fund level, representing approximately $105 million of investment income relative to its benchmarks.

New commitments for private real estate totalled $3.5 billion, of which $1.7 billion was invested during the year. Another $0.4 billion was invested in respect of prior year commitments.

REAL ESTATE INVESTMENTS – GEOGRAPHIC DIVERSIFICATION



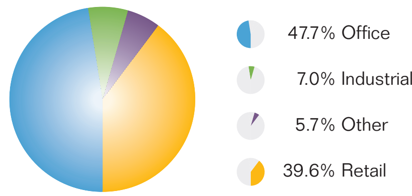
The Real Estate Investment department's objective is to build a portfolio that will deliver stable returns and retain its relative value through business cycles. To date, our primary focus has been on core assets in developed markets, though we began a measured entry into Mexico and developing markets in Asia during the past year.

The department invests through both externally managed funds and joint ventures; currently we have 21 external partners managing 35 investments on our behalf. Increased staffing, particularly at senior levels, has now positioned us to increase our level of joint ventures in a broader range of markets, taking advantage of the size of the CPP Fund to differentiate us from the majority of other institutional investors. We now have joint venture programs in Canada, the U.S., and the United Kingdom, and future opportunities are being explored in France, Germany and Mexico.

At the start of fiscal 2008, nearly 80 per cent of the portfolio was invested in Canada. At fiscal year end, the Canadian presence was still substantial, but its portfolio weighting had been reduced to 62.8 per cent. This reflects the CPP Investment Board's emphasis on global diversification as well as the limited size of the Canadian real estate market.

The credit tightening that followed last summer's sub-prime collapse and the prospect of U.S. economic slowdown have likely brought an end to a five-year period of strong real estate market returns driven by declining interest rates, increasing liquidity and economic growth. For the near term, we expect real estate returns to move back to their historic level between those for fixed income and equities. The immediate impact of the credit crisis has varied widely; the U.S. and U.K. real estate markets were heavily affected and debt capital is very limited while Continental Europe was less affected and Asia has suffered little impact to date.

REAL ESTATE INVESTMENTS – PRODUCT TYPE DISTRIBUTION
As at March 31, 2008



During the past year the department completed a reorganization that was initiated in late fiscal 2007. Staffing almost doubled to 23 from 12, and we now have two distinct investment teams, each headed by an experienced vice-president. The Americas team focuses on the western hemisphere and the International team has responsibility for all other markets. We also created two support groups this past year, Research and Investment Structuring & Operations.

Americas: A significant initiative in fiscal 2008 was the entry into the Mexican market, where we committed US$150 million ($154 million) to each of two funds:

- ING Lion Mexico Fund is focused primarily on high-quality consumer staple retail properties along with the corresponding industrial distribution warehouses, and residential development.
- ProLogis Mexico Fund specializes in distribution facilities.

In the United States, we invested US$114 million ($117 million) for a 39 per cent interest in a joint venture with Callahan Capital Partners that owns five Class A office buildings in downtown Denver. We also committed US$100 million ($103 million) to the USAA U.S. Industrial REIT II, a fund focused on bulk distribution facilities in major ports and distribution markets, and approved a commitment of US$300 million ($308 million) to a separate joint venture in which we and USAA will develop and acquire retail and office assets primarily in the Southwest region.

In Canada, we invested $52 million to acquire a 40 per cent interest in Scotia Place, a Class A office tower in downtown Edmonton, and sold the 50 per cent interest in Calgary's Gulf Canada Square that was acquired as part of the Olympia & York portfolio in fiscal 2006. December saw the completion of the third office tower in Ottawa's Constitution Square which we own with Oxford Properties. Looking ahead, in the spring we expect to begin demolition of Centre Mall in Hamilton, Ontario, owned in partnership with Osmington Inc., which will then be replaced with a large power centre retail complex.

International: Over the course of the year we continued to expand our U.K. retail strategy, invested in European distribution facilities and increased the Asian exposure we established at the end of last year when we invested in the Bentall Balloch China Property Development Fund, a residential property developer.

- **U.K.:** We invested £133 million ($270 million) in a 50/50 joint venture to acquire Whitefriars Quarter shopping centre in Canterbury, England. This was part of a retail strategy that also included investments of £151 million ($307 million) in the Henderson U.K. Shopping Centre Fund and £119 million ($243 million) in the Westfield U.K. Shopping Centre Fund. In total, the CPP Fund owns interests in 17 shopping centres in England, Scotland and Northern Ireland with a combined investment value of $881 million.
- **Continental Europe:** We obtained a 13 per cent interest in the ProLogis European Properties Fund II representing a commitment of €400 million ($650 million) and have invested $163 million of that commitment through the end of fiscal 2008. This fund is focused on acquiring and managing a diversified portfolio of core distribution facilities throughout Europe.
- **Asia/Pacific:** We committed US$300 million ($308 million) and invested US$63 million ($64 million) in Macquarie Global Property Asia Fund III, which aims to make opportunistic investments throughout Asia, with a primary focus on Japan and China, and AUD$200 million ($187 million) in the DB RREEF Wholesale Property Fund which owns interests in a diversified portfolio of retail, office and industrial properties throughout Australia.

The department's fiscal 2009 plans include more retail, residential and industrial investment in North America; additional U.K. office and retail investment; and office, retail and industrial investment across Western Europe with a focus on France and Germany. In addition to our existing investments in Mexico and Asia, we will look to expand our emerging markets focus into South America and Central America as well as select opportunities in Eastern Europe. Our approach with real estate investments in these emerging markets is to align with a local partner who has deep knowledge and experience within the local market.

REAL ESTATE HOLDINGS

PROPERTY	City	Province/State	Country	Total Gross Leasing Area (sq. ft.)	Ownership Interest (%)
OFFICE PROPERTIES					
Altius Centre	Calgary	AB	Canada	306,000	50
Canterra Tower	Calgary	AB	Canada	819,000	50
Bell Tower	Edmonton	AB	Canada	473,000	50
Canadian Western Bank Place	Edmonton	AB	Canada	406,000	50
Edmonton City Centre (Office)	Edmonton	AB	Canada	998,000	50
Enbridge Tower	Edmonton	AB	Canada	183,000	50
Scotia Place	Edmonton	AB	Canada	551,000	40
Guinness Tower	Vancouver	BC	Canada	256,000	50
Marine Building	Vancouver	BC	Canada	171,000	50
Oceanic Plaza	Vancouver	BC	Canada	344,000	50
4342 Queen Street	Niagara Falls	ON	Canada	150,000	50
Constitution Square	Ottawa	ON	Canada	706,000	50
Jean Edmonds Towers	Ottawa	ON	Canada	553,000	50
Place de Ville I	Ottawa	ON	Canada	587,000	50
Place de Ville II	Ottawa	ON	Canada	610,000	50
First Canadian Place	Toronto	ON	Canada	2,611,000	25
2 Queen Street E.	Toronto	ON	Canada	464,000	50
One Financial Place	Toronto	ON	Canada	654,000	50
Royal Bank Plaza	Toronto	ON	Canada	1,483,000	50
Waterpark Place	Toronto	ON	Canada	802,000	50
Yonge/Richmond Centre	Toronto	ON	Canada	299,000	50
Tour KPMG	Montreal	PQ	Canada	508,000	50
Tabor Center	Denver	CO	USA	707,000	39
US Bank Tower	Denver	CO	USA	520,000	39
Dominion Plaza	Denver	CO	USA	588,000	39
410 Building	Denver	CO	USA	419,000	39
Civic Center Plaza	Denver	CO	USA	586,000	39
Shenandoah Building	McLean	VA	USA	197,000	49
Stoneridge Corporate Plaza	Pleasanton	CA	USA	560,000	49
1 Bunhill Row	London	–	U.K.	264,000	80
55 Bishopsgate	London	–	U.K.	193,000	80
TOTAL OFFICE				**17,968,000**	
RETAIL PROPERTIES					
Edmonton City Centre (Retail)	Edmonton	AB	Canada	809,000	50
Pine Centre Mall	Prince George	BC	Canada	458,000	80
Centre Mall	Hamilton	ON	Canada	339,000	80
White Oaks Mall	London	ON	Canada	674,000	80
Eastgate Square	Stoney Creek	ON	Canada	544,000	80
New Sudbury Centre	Sudbury	ON	Canada	533,000	80
Intercity Shopping Centre	Thunder Bay	ON	Canada	462,000	80
Promenades Cathédrale	Montreal	PQ	Canada	138,000	50
Les Galeries de la Capitale	Quebec City	PQ	Canada	1,346,000	80
Carrefour de l'Estrie	Sherbrooke	PQ	Canada	1,105,000	80
Beacon Hill	Calgary	AB	Canada	249,000	50
Burloak	Burlington	ON	Canada	243,000	50
Rivermeadow	Edmonton	AB	Canada	91,000	50
Whitefriars Quarter	Canterbury	–	U.K.	600,000	50
TOTAL RETAIL				**7,591,000**	
PORTFOLIO TOTAL				**25,559,000**	

PORTFOLIO DESIGN AND RISK MANAGEMENT

Portfolio Design and Risk Management (PDRM) provides total portfolio design and risk management recommendations, advice and analysis to the Investment Planning Committee (IPC), facilitates the implementation of investment strategies, and works with the three other investment departments to translate their investment activities into total portfolio and active management risk/return expectations.

PDRM plays the lead role in helping the IPC develop annual total fund and departmental risk budgets and return expectations to be approved by the board, and then provides updates and advice on the use of risk relative to the board-approved risk limit. Total portfolio and active management risks and returns are measured, monitored and evaluated relative to the CPP Reference Portfolio, the cornerstone of the CPP Investment Board's Risk/Return Accountability framework.

The PDRM team grew from 19 to 28 during the year and is intended to reach its steady-state complement of 38 by end of fiscal 2009. In fiscal 2008, the department's four business groups focused on expanding their expertise in order to refine the models and supporting systems to analyze short-term and long horizon risks under different investment policies, and provide timely and robust active risk/return estimates for major investment transactions.

Economic and Markets Forecast: Following the hiring of a chief economist in January 2007, an Economic and Markets Forecast group was established to provide the IPC guidance on the four medium-term risk exposures that it believes are best managed at the total portfolio level: currency, equity-debt ratio, interest rate duration and global exposures. Active risk is assumed by the three investment departments as well as by the IPC to the extent that it believes strategic exposure to one or more of these four risks affords good risk-adjusted returns relative to competing demands on the active risk budget. The Economics and Markets Forecast group is now fully functioning with six economists and delivered its first proprietary medium and long-term forecast last October. These forecasts, which are updated semi-annually, assist the IPC and the investment departments with their decision-making and also feed into the long-term asset-liability model being developed within PDRM. Real Estate Investments and Private Investments increasingly use country-specific forecasts and regional-specific analysis to evaluate major potential transactions. Going forward, the group will also focus on the global commodity markets and emerging markets.

Building a stochastic model of CPP liabilities – a model that characterizes the dynamics of the CPP net liability and its correlation with domestic and foreign asset returns – was a priority objective for this group in fiscal 2008. The initial model outputs have been successfully benchmarked against the deterministic projections contained in the CPP triennial actuarial reports. The model has provided insights into the interaction of economic variables and the growth of CPP liabilities, and is now being incorporated into a sophisticated asset return model developed elsewhere within PDRM.

Portfolio and Risk Analysis: The nine-member Portfolio and Risk Analysis group continues to consolidate and leverage its expertise to recommend total fund and departmental active risk budgets and to build decision-supporting reports and tools for the IPC. In consultation with the President and CEO and the other investment departments, this group manages and coordinates the IPC agenda, communicates IPC decisions to the relevant departments and, when required, coordinates the implementation of IPC decisions.

As mentioned above, a fully integrated dynamic asset-liability model customized to the CPP Investment Board is being used to refine our insights into the CPP under different investment policies and under different economic, demographic and market scenarios. The group worked closely with the Economic and Markets Forecast group to ensure a productive integration of the stochastically modelled assets and liabilities.

Portfolio and Risk Analysis is also evolving our credit management capabilities, using a credit risk model that helps to estimate and attribute aggregate credit risk exposures. A simple and conservative methodology integrates credit and market risk estimates into combined total fund value-at-risk estimates. The steady advance in our credit risk capabilities will pave the way for the increased active management of credit exposures across the different investment departments.

Investment Research: Our team of eight Investment Research analysts supported the IPC with benchmark and valued-added targets for new strategies and provided active risk/return estimates for proposed large transactions. The group focused on translating complicated transaction structures into corresponding active risk/return estimates that are critical to our Total Portfolio Approach.

Going forward, the team will continue to work closely with the investment departments to estimate the active risk/return impact of competing investment opportunities, with a special emphasis on working with Private Investments to estimate the portfolio impact of its transactions. The group will also deliver research on better beta and alpha investment strategies to help guide the broadening of total portfolio risk exposures. These focused research assignments will often be completed jointly with the investment departments or with external partners that have the required expertise.

Research Services: PDRM also manages the Research Services group, a corporate resource. Its staff of two full-time professional librarians has built a virtual knowledge base and research service that fulfills the information needs of every CPP Investment Board department. The group is currently automating its virtual catalogue system to release staff to do more customized research and information gathering.

Economic and Financial Market Outlook

The world economy enters fiscal 2009 on a slowing trajectory. The epicentre of this slowdown is the United States, which has been buffeted by a serious correction in the housing market and turbulence in world financial markets. Growth in Western Europe, Japan and Canada has also weakened, but to a lesser extent. Central banks around the world have responded by providing substantial liquidity to the financial system and cutting interest rates. The U.S. dollar has weakened markedly against most major currencies. Encouragingly, the solid economic performance in emerging markets shows few signs of abating. Inflation, and inflation expectations, have remained reasonably well-contained in most major economies. The one important exception is China, which continues to tighten domestic policy in order to slow its rapidly growing economy.

Notwithstanding recent economic and financial market headwinds, medium-term economic prospects are promising. Corporate balance sheets in most developed countries are sound, inventories are lean and the U.S. housing market correction will most likely have run its course by the end of next year. Economic growth in developed countries should rebound later this fiscal year, laying the groundwork for a sustained expansion over the next half-decade. Canada and the U.S. should lead developed countries in terms of economic growth. Emerging markets will outperform developed countries as dramatically improved fiscal and external financial positions, together with a more stable inflation environment, lay the foundation for strong and sustained economic performance. China and India will continue to be the fastest growing economies in the world.

The next five years will not be hospitable to the bond market. Current low government bond yields reflect a flight to quality on the part of investors as well as low short-term interest rates. A rebound in economic growth will engender both monetary tightening and a reversal of the recent investor shift to low-risk assets. As a result, bond yields are expected to move significantly higher from current low levels. Equity markets should fare better as earnings and equity performance benefit from the rebound in economic growth and the healthy projected medium-term economic performance. As has been the case over the past several years, equities in emerging markets should continue to outperform their developed country counterparts.

Currency markets will continue to exhibit volatility and be heavily influenced by both commodity prices and the need to reduce large external surpluses in Asia on the one hand and substantial deficits in the U.S. on the other hand. A further weakening in the U.S. dollar against the Chinese Yuan is likely. With respect to the Canadian dollar, any easing in current high commodity prices would weigh on the currency.

The near-term risks to the outlook relate largely to developments in the U.S. housing market and a resolution to the current difficulties in credit markets. Over the medium term, commodity price developments will play a crucial role in relative economic performance and currency movements.

Fiscal 2009 Objectives

In fiscal 2008 the CPP Investment Board achieved the targets or milestones that we established for the year against four multi-year objectives: broadening the diversification of the investment portfolio; deepening our internal investment and support capabilities and processes; establishing the management, technology and operational capabilities that will allow us to meet our long-term investment mandate; and achieving or exceeding our value-added performance target relative to our benchmark CPP Reference Portfolio. Key highlights of these achievements against objectives can be found on page 7 of this annual report.

The corporate objectives for fiscal 2009 represent a continuation of the previous year's objectives with an added focus on further building our position as an active global investor. Once again, our over-arching goal is to generate value-added performance for the CPP Fund relative to the CPP Reference Portfolio both in the near term and over the long horizon.

Our value-added performance target for the coming year is 55 basis points which represents 40 basis points of incremental returns after first covering our estimated costs of 15 basis points. To support this goal, we have three key objectives:

- Broaden the diversification of the CPP Fund by risk/return characteristics, by geography and by alpha strategies.
- Continue to build toward a steady state organizational structure in our three offices (Toronto, London, Hong Kong) in order to implement new investment programs, internalize additional capabilities and diversify investments geographically.
- Continue our multi-year plan to establish the management and operational processes and technologies to enable us to execute our investment strategy over the long term.

As these are all multi-year objectives, we expect that these will remain our focus for the foreseeable future.

Cash for Benefits Portfolio

The CPP Investment Board is responsible for the short-term cash management program designed to facilitate monthly benefit payments by the CPP. The assets required for this purpose are segregated from the investment portfolio and separately managed as the Cash for Benefits portfolio. This portfolio is in liquid money market instruments with the primary objective to ensure the CPP has the necessary liquidity to meet benefit payment obligations on any business day. A secondary objective is to match or exceed the benchmark return of the Scotia (DEX) Capital Markets 91-day T-bill Index. The portfolio earned 3.2 per cent or $35 million for fiscal 2008 versus 3.6 per cent for the index. Over the course of the year, this short-term portfolio had average balances of approximately $790 million.

Running an Efficient Organization

Fiscal 2008 marked another year of substantial growth in the size of the CPP Investment Board as our staffing level increased by 107 to 368 at year end. Our investment management activities expanded in scope, complexity and sophistication. We extended and deepened relationships with the external investment managers which are very important to our success. And we made progress in developing scalable processes and systems in support of our investment and risk management programs.

In late fiscal 2008, the Finance and Operations department, which had increased in size over the past year, was reorganized into two separate functions to allow for better focus on the many priorities we have within this area. The reorganization created two senior management positions: Chief Financial Officer and Chief Operations Officer. Myra Libenson, our Chief Operations Officer since June 2006, has now assumed the role of CFO. Benita Warmbold will join the organization as COO effective June 9, 2008.

These departments enhanced and streamlined our decision support and measurement systems over the course of the past year. We initiated a multi-year project to internalize the investment accounting system that is now outsourced; we plan to select the new system in fiscal 2009 with implementation extending into 2010. This past year we also began implementing an end-to-end derivatives system that will track all aspects of every derivative position from the time it is initiated to when it is closed; implementation of this system will be completed in the latter half of fiscal 2009.

The total cost of operating the CPP Investment Board for the year (excluding external investment management fees) was $154 million compared with $114 million for fiscal 2007. Expressed another way, total operating expenses were 13.7 cents per $100 of invested assets compared with 11.2 cents for the prior year. These expenses have been rising in recent years as the scope and complexity of our investment activities have increased. Management is incented to manage expenses as the calculation of value-added returns begins only after operating costs are first recovered.

For further details of expenses, please see note 8 of the Consolidated Financial Statements. External investment management fees are described in note 7.

HUMAN RESOURCES

We continue to strengthen the CPP Investment Board by adding capabilities in our investment departments, investment decision support areas and core services functions. Our new hires included several senior professionals at the vice-president and director level for our offices in Toronto, London and Hong Kong. In fiscal 2009, our business plan assumes adding 86 regular full-time employees.

There continues to be heavy market demand for, and a limited supply of, talented investment and risk management professionals. All senior vice-presidents have identified recruitment as one of their foremost challenges. Fortunately, to date we have succeeded in both attracting talented people and also in keeping attrition below the norm for the financial services industry. We attribute this to the fact that the CPP Investment Board presents a compelling career proposition – and enjoys a strong, positive reputation in the marketplace. The organization has the asset base and resources of one of the world's largest single-purpose capital pools, a disciplined and differentiated approach to investing, a strong commitment to hiring and developing highly talented team players, and a steadfast commitment to the highest standards of ethical conduct. Significantly, we offer the rare opportunity to participate in the creation of a professional investment management organization capable of investing in any asset class anywhere in the world. In addition, the establishment of offices this year in Hong Kong and London has enhanced our positioning as a global investment organization.

A key priority for us remains fostering a culture rooted in responsible ethical conduct and characterized by our guiding principles of Integrity, Partnership and High Performance. We reflect this focus in all aspects of our organization – from our recruiting and hiring decisions, to our investment processes and in our performance evaluation procedures.

We have a highly engaged employee group within the CPP Investment Board who are committed to achieving our mission and whose behaviours are aligned around our guiding principles. This represents a significant asset for us and is instrumental to our long-term success.

EFFECTIVE EXTERNAL PARTNERS

The use of external partners continues to be an important part of how the CPP Investment Board invests, creates value and operates. Page 58 lists our 102 investment partners as at the end of fiscal 2008 – 26 more than in the previous year.

Our commitment to partnering enables us to enter markets faster and with more diversification than we could achieve on our own. Through our partners we obtain efficient access to different asset classes, different active strategies, specialized investment expertise and local knowledge in specific geographic regions.

External partners also assist us in building internal capabilities by sharing their keen proprietary insights. Our internal investment program has been carefully designed to complement, not compete with, the activities of our partners.

While most institutional investors are relatively passive providers of capital to their external partners, the CPP Investment Board views these relationships as mutually beneficial alliances. As mentioned earlier, our approach to new markets has been to initially establish fund relationships while concurrently increasing our own internal experience and capabilities. Our goal is to identify partners who:

- Offer capabilities, experience and knowledge transfer that can accelerate our development as an investment management organization;
- Are willing to invest to understand our goals and approaches to investing;
- Are committed to integrity and fair dealing in their business practices; and
- Offer a diverse skill set, ongoing support and the ability to work with us for an extended period of time.

In addition to fair remuneration for their skills, we offer prospective partners a sophisticated research and test environment, the opportunity to address complex problems in a high-growth environment, access to our own resources, and potential future assignments.

Enterprise Risk Management

The CPP Investment Board's investment activities and business transactions expose us to a broad range of risks that span the organization. Our Enterprise Risk Management (ERM) approach involves the board of directors, management and our external partners. The board of directors is responsible for ensuring that management has identified the principal risks and established the appropriate control environment to deal with them. The management team is responsible for ensuring the organization is provided with adequate tools, training and resources to manage the risks inherent in day-to-day operations. Internal and external auditors, in the course of executing their audit plans, provide input to management and the board of directors on the effectiveness of the organization's risk management practices.

Our Enterprise Risk Management framework is the blueprint for managing risks throughout the organization. Our objective is to develop a comprehensive ERM framework that embeds appropriate risk management processes into organizational practices. This will provide the board of directors and the management team assurance that we are able to identify and manage risk proactively. Existing related efforts include reviews performed by Internal Audit, External Audit as well as the work performed through the CEO/CFO Certification process. We are now comprehensively reviewing all aspects of our risk management processes to address the following principal risks.

- ***Investment Risk:*** The risk inherent in achieving investment goals and objectives, including market, credit and liquidity risks. Within our Risk/Return Accountability framework, the board of directors has approved an active risk limit, and management strives to maximize our active returns within this limit. Implementation of Total Portfolio Overlay and risk budgeting systems will better equip us to analyze and attribute investment risk and return, as will the new decision support systems cited in the previous discussion of Investment Group Activities.
- ***Strategic Risk:*** The risk that an enterprise or particular business area will make inappropriate strategic choices or be unable to successfully implement selected strategies. The CPP Investment Board's business plans are created annually to operationalize our strategic direction and senior management reviews progress against the business plans quarterly with the board of directors.
- ***Legislative and Regulatory Risk:*** The risk of loss due to non-compliance with actual or proposed laws, rules and regulations and prescribed industry practices. Our primary risk management strategy in this area is our compliance management process, which ensures we have robust practices in place to manage legislative and regulatory risk. It includes oversight by our Legal department and input from external legal counsel to ensure completeness and accuracy in compliance with all relevant law.
- ***Operational Risk:*** The risk of loss from inadequate or failed internal processes or systems. Strategies to mitigate operational risk include performing risk and control reviews and continuing our strong hiring practices to ensure that we have the right resources to meet our business challenges. Operational risk activities also include a business continuity program that defines the response to any business interruption at the CPP Investment Board.
- ***Reputation Risk:*** Risk of loss of reputation, credibility or image due to internal or external factors. The CPP Investment Board has established a culture based on strong ethics which guides all our decisions and activities. As well, we have adopted a comprehensive 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 or result in personal benefit.

The accountability and disclosure policies and measures discussed on page 45 also support risk management across the entire organization.

CEO/CFO Certification

During the year, we conducted an evaluation of our internal control over financial reporting and disclosure controls and procedures. The evaluation was based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Although the CPP Investment Board is not required by law to comply with Multilateral Instrument 52-109 of the Canadian Securities Administrators, we voluntarily launched this evaluation as part of our commitment to strong corporate governance and accountability.

The CEO and CFO are responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

The CEO and CFO are also responsible for the design of disclosure controls and procedures to provide reasonable assurance that all material information is gathered and reported to management, on a timely basis.

An evaluation of the design of internal control over financial reporting was conducted under the supervision and participation by management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the design of internal control over financial reporting is effective. No changes were made in our internal control over financial reporting during the year, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

An evaluation of the design and operational effectiveness of disclosure controls and procedures was conducted under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the disclosure controls and procedures are properly designed and operated effectively throughout the year.

Accountability and Disclosure

Accountability and disclosure are hallmarks of the distinct governance model that was carefully designed by the federal and provincial finance ministers to meet our specific investment mission.

ACCOUNTABILITY

As set out in our founding legislation, the CPP Investment Board is accountable to the stewards of the Canada Pension Plan: the federal finance minister and the finance ministers of the participating provinces. We report to Parliament through the finance minister, who tables our annual report in the House of Commons. Quarterly financial statements are filed with the federal and provincial finance ministers and made public. Further, the Chair and the CEO take questions and comments from individual Canadians and stakeholder groups at biennial public meetings in each of the provinces that participate in the Canada Pension Plan. Nine such meetings will be held during calendar year 2008.

An external audit firm conducts an audit every year. The federal and provincial finance ministers include the CPP Investment Board as part of their scheduled review of the entire Canada Pension Plan every three years; they will conduct a triennial review during calendar year 2008. Every six years, we undergo an external examination of our records, systems and practices, as required for all Crown corporations. Additionally, the federal minister of finance can order a special audit at any time.

As part of our commitment to ethical conduct, the CPP Investment Board has exceeded legislated requirements as well as industry norms in establishing and maintaining high standards of conduct and business practice. Our comprehensive governance and accountability framework includes a number of measures designed to preserve the public trust. One such measure is our code of conduct for directors, officers and employees. Among other things, this code – which can be read on our website – obligates directors, officers and employees to act as whistle-blowers if they become aware of any suspected breaches.

Any such report can be made confidentially to an external conduct review advisor, who is not part of management or the board of directors, and who reports formally to the Chair and the board of directors at least once a year. The Honourable Frank Iacobucci, 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, was appointed to this position in fiscal 2006.

We have also adopted internal standards and policies to ensure we always 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."

CPP INVESTMENT BOARD DISCLOSURE POLICY

Our disclosure policy goes well beyond legislated requirements. The CPP Investment Board discloses more information, more often, than any other pension fund in Canada and, to our knowledge, anywhere in the world. This includes the quarterly release of investment results and the annual report containing extensive disclosure on the Fund's performance. Our website contains more than 1,200 pages of information about how we operate, a comprehensive list of investment holdings and a list of our investment partners with links to their websites. As well, interested parties can access the legislation and regulations that govern our activities, and our by-laws, governance manual and policies, including the investment statement that guide us in managing the CPP Fund and the Cash for Benefits portfolio. The website maintains an archive dating back to fiscal 1999, when we began investing, and contains a page that solicits feedback and questions.

Accounting Policies

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to adopt accounting policies and to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The significant accounting policies adopted by the CPP Investment Board are described in note 1 of the Consolidated Financial Statements. The most critical accounting estimates made by management are in the valuation of investments.

VALUE OF INVESTMENTS

All of our investments 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. Quoted market prices are used to represent the fair value for investments traded on an active market, such as publicly-traded stocks.

In the case of investments where quoted market prices are not available such as private equity, infrastructure and private real estate, fair value is determined using accepted industry valuation methods. Non-marketable Canadian government bonds are valued using discounted cash flows based on current market yields of instruments with similar characteristics and then adjusted for the non-marketability and rollover provisions of the bonds. Significant estimates and judgments are required in determining the estimated fair value of these investments.

FUTURE ACCOUNTING POLICY CHANGES

FINANCIAL INSTRUMENTS

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued section 3862, Financial Instruments – Disclosures and section 3863, Financial Instruments – Presentation, which are effective April 1, 2008 for the CPP Investment Board. These two new sections replace the current disclosure and presentation requirements of section 3861, Financial Instruments – Disclosure and Presentation. The impact to the CPP Investment Board will be increased disclosure of the nature and extent of risks arising from financial instruments.

CAPITAL DISCLOSURES

In December 2006, the CICA issued section 1535, Capital Disclosures, which is effective April 1, 2008 for the CPP Investment Board. Section 1535 requires an entity to disclose its objectives, policies and processes for managing capital, which for the CPP Investment Board, is its net investments. The requirements of section 1535 will not have a material impact on the CPP Investment Board's financial statement disclosure.

Compensation Discussion and Analysis

Report on Executive Compensation

Committee Mandate

The human resources and compensation committee (HRCC) assists the board in fulfilling its obligations relating to compensation of the CEO and the senior vice-presidents (collectively the "officers"), as well as to compensation and human resources matters relating to all other employees. Specifically, the HRCC:

- Reviews and approves value-added performance benchmarks applicable to all incentive-based compensation, including that of the officers and the CEO;
- Participates in a performance evaluation process for the CEO; determines and recommends to the board the CEO's compensation level based on this evaluation;
- Reviews and recommends to the board the framework for officer compensation plans and the compensation levels for officers, as well as the aggregate level of incentive compensation for non-officer employees;
- Oversees the disclosure of directors' and officers' compensation in the CPP Investment Board's annual report; and
- Reviews organizational structure and succession planning, and oversees employee benefits, employee pension plans, and human resources policies.

The HRCC is composed entirely of directors who are independent of management as defined by Canadian regulatory standards, and none of the HRCC's members are sitting CEOs.

The CEO and the senior vice-president of Human Resources of the CPP Investment Board are not members of the HRCC, but attend portions of HRCC meetings at the request of the HRCC. *In camera* sessions are held at the end of each HRCC meeting.

HRCC members during fiscal 2008 were:

- Ronald E. Smith, chair
- Ian A. Bourne (joined HRCC, effective May 10, 2007)
- D. Murray Wallace (joined HRCC, effective May 10, 2007)
- Dale G. Parker (left HRCC, effective February 18, 2008)
- Germaine Gibara

HRCC members for fiscal 2009 are:

- Ronald E. Smith, chair
- Germaine Gibara
- Ian A. Bourne
- D. Murray Wallace
- Pierre Choquette (appointed effective May 13, 2008)

To ensure that the CPP Investment Board's longer-term compensation programs are effective in delivering on their objectives, prior to adopting or modifying plans, the HRCC reviews modelled compensation scenarios that illustrate the impact of various future performance outcomes on previously awarded and outstanding compensation. The HRCC is satisfied that the intended relationship between pay and performance is appropriate for all of the officers and that, in aggregate, the resulting compensation modelled under various performance scenarios is reasonable and competitive, and delivers the intended differentiation of compensation value based on performance. In administering the plan, the HRCC may use its judgment in varying the amounts payable to officers.

ADVISORS TO THE COMMITTEE

In order to assist in the fulfillment of its obligation to the board and to the stakeholders of the CPP Investment Board, the HRCC has the authority to employ or commission outside advisors.

The HRCC directly employs an independent advisor to provide it with advice and guidance on compensation issues. The HRCC employed Hugessen Consulting Inc. (Hugessen) as its primary advisor on the strength of Hugessen's experience providing large financial institutions in Canada with advice on executive and board compensation issues.

Hugessen's mandate is to provide advice on the competitiveness and appropriateness of compensation programs for officers, and on related compensation and governance issues. In fiscal 2008, Hugessen was additionally mandated to work with the HRCC to conduct a comprehensive review of the CPP Investment Board's executive compensation program, to review and update the HRCC's Terms of Reference, and to review and enhance the compensation-related sections of the annual report. Any services provided by Hugessen other than in its role as advisor to the HRCC require pre-approval by the HRCC, outlining the scope of work and related fees. The HRCC will not approve any such work that, in its view, could compromise Hugessen's independence as an advisor to the HRCC. Hugessen provided no other services to the CPP Investment Board in fiscal 2007 or 2008.

The decisions made by the HRCC are the responsibility of the HRCC, and may reflect factors other than the recommendations and information provided by Hugessen.

During the fiscal year 2008, Hugessen received approximately $390,000 as payment for its services including the significant non-recurring work described previously.

HRCC's Key Activities Relating to Fiscal Year 2008 (Summary)

ANNUAL ACTIVITIES

- Reviewed and recommended for board approval on the following matters:
  - For the CEO, fiscal 2008 salary adjustment and fiscal 2008 Short-Term Incentive Plan (STIP) (or "annual bonus"), taking into account the results of the board's evaluation of the CEO's performance
  - For each individual officer, the CEO's proposed fiscal 2008 salary adjustment and fiscal 2008 bonus, taking into account the CEO's evaluation of the officer's performance
  - For non-officers, merit budget for fiscal 2008 salary adjustments and pool for fiscal 2008 bonuses
  - Overall compensation framework for the CPP Investment Board, including performance targets
  - Directors' and officers' compensation disclosure in the annual report
- Oversaw benchmarking review of officers' compensation
- Reviewed and approved asset class performance benchmarks
- Monitored staffing and succession plans
- Reviewed pension committee's reports
- Reviewed human resources policies
- Provided oversight of benefits changes
- Reviewed and adopted updated HRCC Terms of Reference
- Reviewed management's plans for succession

SPECIAL ACTIVITIES

- Reviewed strategic HR business plan
- Reviewed compensation and benefits framework for the CPP Investment Board's London and Hong Kong locations
- Oversaw changes to the compensation framework for qualifying specialized core services roles
- Reviewed changes to incentive pay-out criteria for core services employees to more closely align these with the organization's pay-for-performance philosophy

The HRCC held five meetings in fiscal 2008; during each meeting, time was set aside for *in camera* sessions. The HRCC also held a meeting in May 2008 focusing on performance targets and compensation decisions, and will hold at least three further meetings in fiscal 2009.

Compensation Program Overview

STRATEGIC CONTEXT

The CPP Investment Board is managed independently of the Canada Pension Plan by experienced investment and management professionals to help sustain the future pensions of over 17 million Canadians. Its role is to invest the CPP Fund to maximize returns without undue risk of loss; in fulfilling this mission, the CPP Investment Board believes that:

a) World-class investment management capability is a cornerstone of its operation;

b) Ongoing talent acquisition, retention and motivation in the investment management marketplace is essential;

c) Proven investment professionals are recruited from a small, highly sought after talent pool; and therefore

d) Providing a competitive compensation opportunity relative to the investment management industry is essential.

OBJECTIVES OF THE EXECUTIVE COMPENSATION PROGRAM

The CPP Investment Board's executive compensation philosophy is founded on a recognition of the importance of an experienced and effective leadership team to the achievement of the organization's long-term goals. Its objectives are therefore:

a) To recruit and retain best-in-class leadership talent with a particular focus on investment management leadership, recognizing that this is a global business and that for many roles the CPP Investment Board is increasingly having to compete in global markets to find the requisite talent;

b) Through a pay-for-performance framework, to reward officers for achieving results that contribute to the long-term goals of the CPP Investment Board; and

c) To create and sustain partnering throughout the organization through linking to CPP Fund performance a meaningful proportion of incentives for both investment and core services professionals.

The CPP Investment Board's compensation framework is comparable to those at other large public sector pension plans, and is based on and meant to support the CPP Investment Board's guiding principles of integrity, partnership and high performance.

PAY-FOR-PERFORMANCE PHILOSOPHY

The CPP Investment Board is firmly committed to a pay-for-performance approach that directly links compensation to fund and individual performance. Performance is measured as follows:

- CPP Fund investment performance is measured by comparing overall investment returns to returns of the CPP Reference Portfolio*.
- Asset class investment performance is measured against the returns from benchmark portfolios appropriate to each class.
- Individual performance is measured against "S.M.A.R.T." criteria (i.e., criteria that are specific, measurable, achievable, relevant, and time-based) established at the beginning of each fiscal year.

Depending on an individual officer's seniority and investment responsibility, the weightings of performance measures will vary, as shown in the following tables[1].

*The CPP Reference Portfolio is described in more detail on page 16 of the annual report.

[1] Established in fiscal 2006, the compensation framework is in the midst of transitioning to a "steady state" mix of weightings, a transition due to be complete by fiscal 2009. The tables reflect this mix. For STIP, an increasing percentage of the incentive payout will be based on the performance of the Fund and a decreasing percentage on individual performance; simultaneously, both the short- and long-term plans will extend their performance measurement baselines from one year to four years, reflecting the CPP Investment Board's view that performance should be achieved on a sustained basis.

TABLE 1: SHORT-TERM INCENTIVE PLAN (STIP) AND LONG-TERM INCENTIVE PLAN (LTIP) WEIGHTINGS

	STIP			LTIP	
	Investment Performance			Investment Performance	
	CPP Fund	Asset Class	Individual Performance	CPP Fund	Asset Class
CEO	High	None	High	All	None
Officers – investment	Med	Med	Med	Med-High	Med
Officers – core services	Med	None	High	All	None

MARKET POSITIONING

The competitiveness of the CPP Investment Board's executive compensation framework is assessed relative to a peer group consisting of organizations employing investment management and other talent similar to that employed by the CPP Investment Board and weighed against criteria such as assets under management and geographic scope. Such organizations include other major Canadian pension funds and large investment management firms. Also used are various independent surveys of compensation in the investment management industry, including data on corporate and public pension funds, insurance companies, controlled and independent investment managers, and private equity firms.

RECENT CHANGES TO THE EXECUTIVE COMPENSATION FRAMEWORK

The CPP Investment Board's current incentive compensation framework was formally adopted in June 2005, and was substantially updated in May 2007 to reflect changes in the CPP Investment Board's investment program and the growing sophistication of the organization and its capabilities. As the CPP Investment Board increasingly adopts an active management style with regard to investments, the need for investment professionals with the requisite active management skills and experience has increased markedly. The CPP Investment Board now finds itself competing in a global market for the specialized investment talent that it needs to accomplish its goals.

The May 2007 revisions to the compensation framework apply to the CEO and to qualifying senior investment professionals. For fiscal 2008 and onwards, the Short-Term Incentive Plan's (STIP) percentage of base salary at target has been increased, and an additional long-term compensation and retention program has been introduced using "Restricted Fund Units" (RFUs), a notional investment in the CPP Fund that fluctuates in value according to CPP Fund performance and pays out over three years. To address attraction, retention, and transition issues, the board also approved the use of special LTIPs and RFUs with shorter vesting periods.

Executive Compensation Components and Mix

Commensurate with the CPP Investment Board's compensation philosophy, the majority of total pay is incentive-based, as shown in the following table:

TABLE 2: MIX OF TOTAL DIRECT COMPENSATION FISCAL 2008[1]

Mix of total direct compensation at target and at maximum (in brackets)	Salary	STIP[2] (four-year results)	LTIP (four-year results)	RFUs (three-year results)	Total Direct Compensation
CEO	22% (13%)	34% (37%)	22% (37%)	22% (13%)	100%
Officers – investment	22% (13%)	34% (37%)	22% (37%)	22% (13%)	100%
Officers – core services	46% (26%)	36% (42%)	18% (32%)	n/a	100%

[1]For all compensation elements except salary, percentages shown reflect target and maximum payouts before adjusting for unit value appreciation or depreciation. Unlike STIP and LTIP, RFUs have no target or maximum payouts, and therefore their weighting in the table above reflects only grant date value.

[2]2008 is a transitional year based on three-year results.

BASE SALARY

Base salaries for officers are intended to be market-competitive. Officers' salaries are reviewed annually after the end of each fiscal year and are approved by the board. They are reviewed based on individual merit and on salary range adjustments occurring among the CPP Investment Board's comparators.

SHORT-TERM INCENTIVE PLAN (STIP)

The Short-Term Incentive Plan is designed to incent and reward investment performance at CPP Fund and/or asset class levels, along with the individual performance of officers over the course of the year.

Target STIP awards are set as a percentage of salary, to which a multiplier is applied. The multiplier is based both on actual fund performance (CPP Fund and asset class) and on individual performance, and cannot result in a payout of more than two times the target award. By fiscal 2009 the investment performance measurement timeframe will be based on a four-year trailing historical span; for fiscal 2008 a three-year span is used.

The CPP Investment Board provides a deferral option for STIP which allows employees to defer some or all of their bonus payouts for up to two years. Deferred payouts are notionally invested in the CPP Fund or, if the employee so elects, up to 50 per cent in the CPP Investment Board Private Investments portfolio; the payouts increase or decrease in value over the deferral period. This serves as another means of aligning employee interests with the performance of the Fund.

LONG-TERM INCENTIVE PLAN (LTIP)

The Long-Term Incentive Plan is designed to incent and reward investment performance over a four-year span, which supports the CPP Investment Board's overall goal of contributing to the long-term strength of the Canada Pension Plan.

Target LTIP awards are set as a percentage of salary at the outset of each year, and are paid out at the end of a four-year cycle. As with STIP, a multiplier is applied to the target percentage, based on the investment performance of the CPP Fund and its asset classes as compared with specified benchmarks; by the end of the four-year period this multiplier cannot exceed three times the value of the target award. The final payout is further increased (or decreased) based on the CPP Fund's four-year compounded rate of return. As noted earlier, to address attraction and retention issues and to facilitate the transitioning of new hires into the regular LTIP program, the plan also includes the ability to award LTIPs with three-year vesting periods.

RESTRICTED FUND UNITS (RFUs)

Restricted Fund Units are designed to retain senior investment professionals and to moderate the volatility of overall pay while maintaining a direct link between the value of the units and the performance of the CPP Fund. A notional three-year investment in the CPP Fund, RFUs fluctuate in value according to CPP Fund performance, and vest and are paid out in cash at a rate of ⅓ at the end of each year. As with LTIPs, the plan also includes the ability to award RFUs with two-year vesting periods to address attraction, retention, and transitioning issues.

BENEFITS AND OTHER COMPENSATION

Non-pension benefits offered by CPP Investment Board are competitive with the industry, and include life insurance, disability benefits, health and dental benefits, time-off policies, and an Employee Assistance Program (EAP). The CPP Investment Board's pension benefits, comprised of contributions to a defined contribution registered pension plan and a defined contribution supplementary pension plan, and its perquisites, including paid parking or transit passes, are all conservative relative to comparables.

Summary Performance Table

As described in more detail on page 22 in this report, the CPP Fund in fiscal 2008 exceeded its target for added value. The CPP Fund's three-year investment performance (fiscal years 2006 to 2008) has also been very satisfactory. During this period, returns exceeded benchmarks in most of our departments, resulting in above-target performance for the CPP Fund overall:

TABLE 3: CPP FUND PERFORMANCE, FISCAL 2006 TO 2008

			Target Value-Added (basis points)				
	Reference Portfolio Return	CPP Fund Return	Threshold	Target	Maximum	Actual Value-Added (bps)	Actual Value-Added ($ billions)
Fiscal 2008	-2.7%	-0.3%	13.7	53.7	213.7	241.0	2.9
Fiscal 2007	10.4%	12.9%	-5.0	35.0	195.0	245.0	2.4
Fiscal 2006[1]	n/a	15.5%	n/a	n/a	n/a	n/a	n/a

[1] The CPP Reference Portfolio was not implemented until fiscal year 2007.

Investment department performance since the adoption of the CPP Reference Portfolio in fiscal year 2007 is summarized below:

TABLE 4: INVESTMENT DEPARTMENT PERFORMANCE

Department	Public Market Investments	Private Investments	Real Estate Investments
Fiscal 2008	Did not fully meet target	Significantly exceeded target	Exceeded target
Fiscal 2007	Did not fully meet target	Significantly exceeded target	Significantly exceeded target

The investment performance during the three-year period from fiscal 2006 to 2008 resulted in a STIP investment component multiplier of 2.0 times the value of the target award for this year. For fiscal year 2008 LTIP payments, LTIP investment component multipliers ranged between 2.1 to 3.0 times the value of the target award for the officers, while for the CEO, the LTIP investment component multiplier was 3.0.

CPP Investment Board also established a series of non-financial goals for fiscal 2008, as outlined in the 2007 annual report:

1. Broaden the diversification of the investment portfolio through different geographies and asset classes and through alpha-based strategies;
2. Further develop our internal staff capabilities and our investment processes to align with the growing size and complexity of the portfolio, with a focus on expanding our ability to concurrently pursue multiple investment strategies and transactions; and
3. Build an enduring organization by fostering an organizational culture that serves our multi-generational mandate, advancing projects on reputation management and human resources management, and building a scalable technology and operational infrastructure.

Underlying these goals were specific and measurable objectives. Progress against these objectives was reviewed with the board on a quarterly basis, and at year end, the status of the CPP Investment Board's primary goals was as follows:

TABLE 5: STATUS OF NON-FINANCIAL GOALS

OBJECTIVES	Status at Year End
Diversify investment portfolio further through different geographies and asset classes and through alpha-based strategies	Achieved
Further develop staff capabilities and our investment processes	Achieved
Build an enduring organization by investing in our culture, advancing projects focused on reputation and human resources management, and building a scalable technology and operational infrastructure	Achieved

Compensation of the CEO

As with other officers, Mr. Denison's total compensation is closely linked to a combination of individual and CPP Fund performance measures. At the beginning of each fiscal year, the board and the CEO agree on key objectives, and Mr. Denison's performance in achieving these objectives is evaluated by the HRCC at the end of the fiscal year and approved by the board; this evaluation is then used in determining his awards for the current fiscal year and his base salary for the upcoming year. For fiscal 2008, Mr. Denison's compensation consisted of base salary, awards under the STIP, LTIP, and RFU programs, and pension and other benefits and paid parking.

As summarized above and discussed elsewhere in the annual report, the CPP Fund's overall performance under Mr. Denison's leadership significantly exceeded the target value-add benchmark in 2008. Mr. Denison's personal objectives for 2008 were aligned with the non-financial goals summarized above, and all of these key goals were achieved in 2008. In evaluating the CEO's overall performance, the board took particular note of the CEO's continuing leadership in implementing a demanding business strategy, the increased size and complexity of the corporation including new locations outside of Canada, the performance of the corporation within the short-term turbulence of the financial markets, and the CEO's influence on the establishment of a high-performance culture across the CPP Investment Board.

Summary Compensation Table

Compensation paid out in respect of fiscal 2008 to the CEO, the CFO, and the CPP Investment Board's three most highly compensated officers other than the CEO or CFO (collectively, the named executive officers, or NEOs) amounted to $13,024,379 (2007 – $7,829,994). Individual compensation for these officers consisted of the following[1]:

TABLE 6: SUMMARY COMPENSATION TABLE[1]

NAME AND POSITION	Year	Salary	Annual Bonus[2]	Long-Term Bonus Paid[3] LTIP	RFU	Pension Contributions[4]	SPP Contributions[4]	Benefits and Other Compensation[5]	Total Compensation
David F. Denison PRESIDENT AND CEO	2008	$475,000	$1,246,875	$1,902,343	$473,623	$13,568	$43,762	$ 8,795	**$4,163,966**
	2007	$460,000	$1,840,000	–	–	$12,765	$51,334	$10,013	**$2,374,112**
	2006	$450,000	$ 562,500	–	–	$13,576	$31,196	$ 9,705	**$1,066,977**
Myra Libenson CFO	2008	$273,077	$ 300,000	–	–	$13,290	$17,004	$ 7,698	**$ 611,069**
	2007	$223,269	$ 320,000	–	–	$13,529	–	$ 4,367	**$ 561,165**
Mark D. Wiseman SVP PRIVATE INVESTMENTS	2008	$325,000	$1,050,000	$1,364,499	$324,058	$13,568	$23,512	$ 7,203	**$3,107,840**
	2007	$310,000	$1,360,000	–	–	$12,784	$23,334	$ 6,426	**$1,712,544**
	2006	$242,308	$ 900,000	–	–	$14,684	–	$ 4,722	**$1,161,714**
Donald M. Raymond SVP PUBLIC MARKET INVESTMENTS	2008	$325,000	$ 828,750	$1,103,738	$324,058	$13,568	$23,512	$ 7,447	**$2,626,073**
	2007	$310,000	$1,177,000	$ 240,438	–	$12,777	$34,423	$ 6,580	**$1,781,218**
	2006	$295,000	$ 330,000	$ 190,960	–	$12,396	$32,599	$ 6,368	**$ 867,323**
Graeme M. Eadie SVP REAL ESTATE INVESTMENTS	2008	$300,000	$ 765,000	$1,111,092	$299,130	$13,568	$20,137	$ 6,504	**$2,515,431**
	2007	$285,000	$1,077,000	–	–	$12,828	$19,884	$ 6,243	**$1,400,955**
	2006	$216,827	$ 275,000	–	–	$13,027	–	$ 5,188	**$ 510,042**

[1] All amounts shown in the Summary Compensation Table above reflect compensation paid to named officers in (or in respect to) the current fiscal year only. Amounts shown under Long-Term Bonus, therefore, do not depict grant date values.

[2] STIP: Target STIP awards are set as a percentage of salary, to which a multiplier is applied. The multiplier is based both on actual fund performance (CPP Fund and asset class) over the previous three fiscal years, and on individual performance, and cannot result in a payout more than two times the target award.

[3] LTIP and RFUs: Long-term bonuses reflect amounts payable for the current year. Prior to fiscal 2006, LTIP bonuses were granted at the end of each fiscal year based on the achievement of agreed upon objectives; amounts awarded but not yet paid under this plan are adjusted annually by the CPP Investment Board returns and are payable at the end of a three-year period from the date they were granted. Starting in fiscal 2006, 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 percentage based on the investment performance of the CPP Fund and its asset classes 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 payout is increased (or decreased) based on the Fund's compounded rate of return over the performance period. RFUs are a notional investment in the Fund that fluctuate in value according to Fund performance; awards are set as a percentage of salary at the outset of each year, and typically vest and are paid out in cash at a rate of ⅓ per year.

[4] CPP Investment Board makes contributions to defined contribution pension plan and notional contributions to the supplementary pension plan. Under the defined contribution registered pension plan, employees contribute 3 per cent of annual eligible earnings and the CPP Investment Board contributes 6 per cent to the maximum allowed under the *Income Tax Act (Canada)*. Eligible earnings include salary plus annual short-term bonus to a maximum of 50 per cent of base salary. Under the defined contribution supplementary pension plan, which is unfunded, employees earn contribution credits equal to 9 per cent of their eligible earnings in excess of the maximum eligible earnings under the defined contribution registered pension plan. The total unfunded liability for the NEOs as at March 31, 2008 is $337,093 (2007 – $235,417).

[5] Benefits include life insurance, disability benefits, health and dental benefits. Perquisites include paid parking or transit passes and fitness benefits. This column does not include pension contributions.

Long-Term Incentive Awards Granted in Respect of Fiscal Year 2008

The following table shows the range of future payouts, calculated before CPP Fund investment returns[1], generated by LTIP and RFU awards granted in fiscal 2008:

TABLE 7: LONG-TERM INCENTIVE AWARDS GRANTED IN RESPECT OF FISCAL YEAR 2008

NAME AND POSITION	Type of Award	Fiscal 2008 Grant	Vesting Period	Estimated Future Payouts[1]		
				Threshold[2]	Target	Maximum
David F. Denison PRESIDENT AND CEO	LTIP	$935,000	3–4 yrs.	$0	$935,000	$2,805,000
	RFU	$950,000	2–3 yrs.	n/a	$950,000	$ 950,000
Myra Libenson CFO	LTIP	$110,000	4 yrs.	$0	$110,000	$ 330,000
	RFU	–	n/a	n/a	–	–
Mark D. Wiseman SVP PRIVATE INVESTMENTS	LTIP	$350,000	4 yrs.	$0	$350,000	$1,050,000
	RFU	$650,000	2–3 yrs.	n/a	$650,000	$ 650,000
Donald M. Raymond SVP PUBLIC MARKET INVESTMENTS	LTIP	$635,000	3–4 yrs.	$0	$635,000	$1,905,000
	RFU	$650,000	2–3 yrs.	n/a	$650,000	$ 650,000
Graeme M. Eadie SVP REAL ESTATE INVESTMENTS	LTIP	$585,000	3–4 yrs.	$0	$585,000	$1,755,000
	RFU	$600,000	2–3 yrs.	n/a	$600,000	$ 600,000

[1] Actual future payout values will be modified by the CPP Fund's compound rate of return (not included in the above table) over the appropriate vesting periods. See LTIP and RFU sections, (page 51), for discussion. Based on their vesting schedules, portions of grants awarded in fiscal 2008 have been paid out as of the end of fiscal 2008, and these amounts are included in the Summary Compensation Table (table 6); these same amounts are also included in the Estimated future payouts columns in Table 7, but have not been adjusted for CPP Fund returns.

[2] "Threshold" refers to the minimum amount payable for a certain level of performance under the plan, below which level no award is payable.

Long-Term Incentive Awards, Accumulated Value

The total accumulated value as of March 31, 2008 of all long-term bonuses granted but not yet vested or paid, by officer and by payment year, is shown in the following table. For greater clarity, payouts earned in respect to fiscal 2008, even if actually disbursed in early fiscal 2009, are shown in the Summary Compensation Table and are not repeated herein.

TABLE 8: LONG-TERM INCENTIVE AWARDS, ACCUMULATED VALUE[1]

Awards paying out at the end of fiscal year:		2009	2010	2011	Total
David F. Denison PRESIDENT AND CEO	LTIP	$1,720,730	$1,552,676	$ 947,245	$ 4,220,651
	RFU	$ 315,748	$ 157,874	–	$ 473,622
Myra Libenson CFO	LTIP	–	$ 364,541	$ 219,362	$ 583,903
	RFU	–	–	–	–
Mark D. Wiseman SVP PRIVATE INVESTMENTS	LTIP	$1,338,346	$1,181,384	$ 697,970	$ 3,217,700
	RFU	$ 216,038	$ 108,019	–	$ 324,057
Donald M. Raymond SVP PUBLIC MARKET INVESTMENTS	LTIP	$ 716,362	$ 660,956	$ 467,048	$ 1,844,366
	RFU	$ 216,038	$ 108,019	–	$ 324,057
Graeme M. Eadie SVP REAL ESTATE INVESTMENTS	LTIP	$ 665,796	$ 871,878	$ 514,204	$ 2,051,878
	RFU	$ 199,420	$ 99,710	–	$ 299,130
Total		$5,388,478	$5,105,057	$2,845,829	$13,339,364

[1] For LTIP, accumulated values are estimated by using actual fund and/or asset class performance multipliers for those years where performance is known (i.e. 2006, 2007, and 2008), and a target multiplier (1.0 times) for future years; and applying the CPP Fund's rates of return for 2006, 2007, and 2008. For RFUs, accumulated values reflect the CPP Fund's rates of return for fiscal 2008, but no returns for future years.

Pension Plans

All employees are eligible, based on compensation, to participate in two pension plans: a defined contribution plan, and a defined contribution supplementary plan.

Under the defined contribution registered pension plan, employees contribute 3 per cent of annual eligible earnings and the CPP Investment Board contributes 6 per cent to the maximum allowed under the *Income Tax Act (Canada)*. Eligible earnings include salary plus annual short-term bonus to a maximum of 50 per cent of base salary as at the date on which the short-term bonus is paid out.

Under the defined contribution supplementary pension plan, which is unfunded, employees earn contribution credits equal to 9 per cent of their eligible earnings in excess of the maximum eligible earnings under the defined contribution registered pension plan. The total unfunded liability for the NEOs as at March 31, 2008 is $337,093 (2007 – $235,417).

TABLE 9: PENSION PLAN CONTRIBUTIONS[1]

NAME AND POSITION	Plan Type	Cumulative total CPP Investment Board contributions to March 31, 2007	CPP Investment Board contributions in fiscal 2008 (between April 1, 2007 and March 31, 2008)	Cumulative total CPP Investment Board contributions to March 31, 2008
David F. Denison PRESIDENT AND CEO	Registered[2]	$ 32,108	$13,568	$ 45,676
	Supplementary[3]	$ 82,530	$35,029	$117,559
Myra Libenson CFO	Registered[2]	$ 13,529	$13,290	$ 26,819
	Supplementary[3]	$ 0	$17,137	$ 17,137
Mark D. Wiseman SVP PRIVATE INVESTMENTS	Registered[2]	$ 27,468	$13,568	$ 41,036
	Supplementary[3]	$ 23,334	$18,948	$ 42,282
Donald M. Raymond SVP PUBLIC MARKET INVESTMENTS	Registered[2]	$ 63,025	$13,568	$ 76,593
	Supplementary[3]	$109,669	$ 9,569	$119,238
Graeme M. Eadie SVP REAL ESTATE INVESTMENTS	Registered[2]	$ 25,855	$13,568	$ 39,423
	Supplementary[3]	$ 19,884	$20,994	$ 40,878

[1]Table depicts employer-contributed amounts only.
[2]Does not include returns on funds invested to the registered pension plan.
[3]Includes notional investment returns on contribution credits to the supplementary pension plan.

Post-Employment Policies

For the five NEOs, severance pay is generally set at 12 months of base salary and target bonus, plus one month of salary and target bonus (one-twelfth of the full-year target bonus) for every year of service, up to a cap. Any LTIP not yet vested by the date of termination is forfeited.

The CPP Investment Board has no "change of control" policies or payments in its employment arrangements. There are no supplementary payouts under the retirement arrangements.

The following table describes the potential payments upon termination (for other than cause) for the CPP Investment Board's named officers:

TABLE 10: POTENTIAL POST-EMPLOYMENT PAYMENTS

NAME AND POSITION	Years of service[1]	Severance[2]	Resignation	Retirement[3]
David F. Denison, PRESIDENT AND CEO	3	$1,484,375	$0	$0
Myra Libenson, CFO	1	$ 577,500	$0	$0
Mark D. Wiseman, SVP PRIVATE INVESTMENTS	2	$ 991,667	$0	$0
Donald M. Raymond, SVP PUBLIC MARKET INVESTMENTS	6	$1,218,750	$0	$0
Graeme M. Eadie, SVP REAL ESTATE INVESTMENTS	2	$1,250,000	$0	$0

[1] Assumes a notional termination date of March 31, 2008.

[2] Severance is generally equal to 12 months of base salary plus target short-term bonus, plus one month of salary and target short-term bonus (i.e., full-year target bonus divided by 12) per year of service. Any LTIP not yet paid out is forfeited.

[3] This shows amounts only for those individuals who are retirement eligible. Eligible retirement payments are for LTIP, subject to the following criteria:
- individual is at least 60 years of age.
- individual employed during a minimum of 12 months of LTIP performance period.
- performance measured at end of performance period and payout is prorated based on length of service within performance period.

Summary

The HRCC is satisfied that the CPP Investment Board's current executive compensation policies and levels of compensation are aligned with the CPP Investment Board's performance. The HRCC will continue to assess the competitiveness and effectiveness of CPP Investment Board's approach to executive compensation, and adjustments will be made as necessary.

Directors' Compensation Policy

For fiscal 2008, directors' compensation included an annual retainer for each director of $25,000, board and committee meeting fees of $1,500 and $1,250 per meeting, respectively, (including meetings attended by invitation), the board meeting fee of $750 for any special meetings conducted by teleconference, plus an annual retainer of $7,500 for each committee chair. Separate fees were not paid for investment committee meetings if held the same day as board meetings, which is the custom. The Chair of the board of directors received $120,000 in annual compensation, but is not eligible to receive annual or committee chair retainers or meeting fees, unless the fees relate to public meetings. Directors also receive a travel time allowance for attending meetings in person, which ranges from $250 to $1,000 depending on distance travelled.

Directors' compensation policy is overseen by the governance committee. It is reviewed at least every two years, and changes are recommended to the board; the last such review occurred in November and December 2006 with the assistance of Mercer Human Resource Consulting.

Investment Partners

Private Equity
Actera Group
Advent International
AlpInvest Partners
Apax Partners
Apollo Management
Ares Management
Birch Hill Equity Partners
Bridgepoint Capital
Brookfield Asset Management
Candover
Celtic House Venture Partners
Cinven
CITIC Capital Partners
Clairvest Group
Coller Capital
Credit Suisse First Boston
CVC Capital Partners
Diamond Castle
Edgestone Capital Partners
First Reserve
FountainVest
Friedman Fleischer & Lowe Capital Partners
Goldman Sachs Vintage
Heartland Industrial Partners
Hellman & Friedman
JP Morgan Partners
Kensington Capital Partners
Kohlberg Kravis Roberts & Co.
KRG Capital Management
KSL Capital Partners
Lehman Brothers
Lexington Partners
Lightyear Capital
Lindsay, Goldberg & Bessemer
Lone Star Funds
Lumira Capital
Magnum Industrial Partners
Matlin Patterson
MidOcean Partners
MPM Capital
New Mountain Capital
Onex Partners
PAI Partners
Partners Group
Paul Capital Partners
Performance Equity Management
Permira
Providence Equity Partners
Silver Lake Partners
Skypoint Capital
Standard Life
SV Life Sciences
TD Capital
Terra Firma Capital Partners
Texas Pacific Group
The Blackstone Group
The Carlyle Group
The Jordan Company
Thomas H. Lee Partners
Thomas Weisel Partners
Ventures West
Veronis Suhler Stevenson
Welsh, Carson, Anderson & Stowe

Public Market Investments
Arrowstreet Capital
Barclays Global Investors
BlackRock Credit Investors
Bridgewater Associates
CBRE Global Real Estate Securities
Concepts Multi-Strategy Institutional
Connor Clark & Lunn Investment
Enterprise Capital
ESL Partners
First Quadrant
Goldman Sachs Asset Management
ING Clarion Real Estate Securities
Knight Vinke Asset Management
Pacific Investment Management Company
Smith Breeden Associates
Treesdale Partners
ValueAct Capital

Real Estate Investments
Bentall Capital
Brookfield Properties Corporation
Callahan Capital Partners
DEXUS Wholesale Property Limited
Hawkeye Partners
Henderson Global Investors
ING Real Estate Investment Management Limited
LaSalle Investment Management
Liquid Realty Partners
Macquarie Global Property Advisors
Morgan Stanley Real Estate
Morguard Real Estate Investment Trust
Osmington Inc.
Oxford Properties Group
ProLogis
Revera Inc.
RioCan Real Estate Investment Trust
The Blackstone Group
The Westfield Group
TIAA-CREF Asset Management
USAA Real Estate Company

Infrastructure
Macquarie Bank Limited

Management's Responsibility for Financial Reporting

The Consolidated 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 Consolidated Financial Statements and the financial information contained within the annual report.

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The Consolidated Financial Statements include certain amounts based on management's judgments and best estimates where deemed appropriate. The significant accounting policies used are disclosed in note 1 to the Consolidated Financial Statements. The financial information presented throughout the annual report is consistent with the Consolidated 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 Consolidated Financial Statements or the financial information contained within the annual report.

The internal control framework includes a strong corporate governance structure, an enterprise-wide 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 and guidelines 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 and guidelines 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 and policies 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 Consolidated 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 auditors, Deloitte & Touche LLP, have conducted an independent examination of the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion in their Auditors' Report. The external auditors have 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.

D F Denison

DAVID F. DENISON
President and Chief Executive Officer

Myra Libenson

MYRA LIBENSON
Chief Financial Officer

Toronto, Ontario
May 2, 2008

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, 2008, were in accordance with the Act and the CPP Investment Board's investment policies, standards and procedures.

ROBERT M. ASTLEY
Chair of the audit committee on behalf of the board of directors
Toronto, Ontario
May 13, 2008

Auditors' Report

TO THE BOARD OF DIRECTORS
Canada Pension Plan Investment Board

We have audited the consolidated balance sheet and the consolidated statements of investment portfolio and investment asset mix of the Canada Pension Plan Investment Board (the "CPP Investment Board") as at March 31, 2008 and the consolidated statements of net income (loss) and accumulated net income from operations and of changes in net assets for the year then ended. These consolidated financial statements are the responsibility of the CPP Investment Board's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the CPP Investment Board and the investments held as at March 31, 2008 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 except for the changes in accounting policies as described in note 1b.

Further, in our opinion, the transactions of the CPP Investment Board and those of its subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Canada Pension Plan Investment Board Act* (the "Act") and the by-laws and the by-laws of the subsidiaries, 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 & Touche LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants
Toronto, Ontario
May 2, 2008

Consolidated Balance Sheet

AS AT MARCH 31 ($ millions)	2008	2007
ASSETS		
Investments (note 2)	$ 126,423	$ 117,465
Amounts receivable from pending trades	4,471	2,477
Premises and equipment (note 3)	18	12
Other assets	11	5
TOTAL ASSETS	130,923	119,959
LIABILITIES		
Investment liabilities (note 2)	1,694	1,382
Amounts payable from pending trades	6,423	2,576
Accounts payable and accrued liabilities	103	66
TOTAL LIABILITIES	8,220	4,024
NET ASSETS	$ 122,703	$ 115,935
NET ASSETS, REPRESENTED BY		
Share capital (note 5)	$ –	$ –
Accumulated net income from operations	32,344	32,766
Accumulated net transfers from the Canada Pension Plan (note 6)	90,359	83,169
NET ASSETS	$ 122,703	$ 115,935

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

On behalf of the board of directors

GAIL COOK-BENNETT
Chair

ROBERT M. ASTLEY
Chair of the audit committee

Consolidated Statement of Net Income (Loss) and Accumulated Net Income from Operations

FOR THE YEAR ENDED MARCH 31 ($ millions)	2008	2007
NET INVESTMENT INCOME (LOSS) (note 7)	$ (268)	$ 12,788
OPERATING EXPENSES		
Salaries and benefits	95	72
General operating expenses (note 8a)	43	31
Professional and consulting fees (note 8b)	16	11
	154	114
NET INCOME (LOSS) FROM OPERATIONS	(422)	12,674
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF YEAR	32,766	20,092
ACCUMULATED NET INCOME FROM OPERATIONS, END OF YEAR	$ 32,344	$ 32,766

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED MARCH 31 ($ millions)	2008	2007
NET ASSETS, BEGINNING OF YEAR	$ 115,935	$ 88,532
CHANGES IN NET ASSETS		
Canada Pension Plan transfers (note 6)		
Transfers from the Canada Pension Plan	27,784	33,494
Transfers to the Canada Pension Plan	(20,594)	(18,765)
Net income (loss) from operations	(422)	12,674
INCREASE IN NET ASSETS FOR THE YEAR	6,768	27,403
NET ASSETS, END OF YEAR	$ 122,703	$ 115,935

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

Consolidated Statement of Investment Portfolio

The CPP Investment Board's investments are grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, before allocating the market exposure of 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 ($ millions)	Fair Value 2008	Fair Value 2007
EQUITIES (note 2b)		
Canada		
Public equities	$ 17,276	$ 14,800
Private equities	644	667
	17,920	15,467
Foreign		
Public equities	30,966	36,656
Private equities	12,820	7,436
	43,786	44,092
TOTAL EQUITIES	61,706	59,559
FIXED INCOME (note 2c)		
Bonds	27,192	27,867
Other debt	1,144	–
Money market securities	18,798	15,561
TOTAL FIXED INCOME	47,134	43,428
ABSOLUTE RETURN STRATEGIES (note 2d)	1,547	260
INFLATION-SENSITIVE ASSETS (note 2e)		
Public real estate	488	1,409
Private real estate	7,421	5,441
Inflation-linked bonds	3,962	3,802
Infrastructure	2,776	2,181
TOTAL INFLATION-SENSITIVE ASSETS	14,647	12,833
INVESTMENT RECEIVABLES		
Accrued interest	660	699
Derivative receivables (note 2f)	560	519
Dividends receivable	169	167
TOTAL INVESTMENT RECEIVABLES	1,389	1,385
TOTAL INVESTMENTS	$ 126,423	$ 117,465
INVESTMENT LIABILITIES		
Debt on private real estate properties (note 2e)	(980)	(1,174)
Derivative liabilities (note 2f)	(714)	(208)
TOTAL INVESTMENT LIABILITIES	(1,694)	(1,382)
Amounts receivable from pending trades	4,471	2,477
Amounts payable from pending trades	(6,423)	(2,576)
NET INVESTMENTS	$ 122,777	$ 115,984

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

Consolidated Statement of Investment Asset Mix

This Consolidated Statement of Investment Asset Mix illustrates the full market exposure and is grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, after allocating the market exposure of 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 ($ millions)	2008		2007	
	Fair Value	**(%)**	Fair Value	(%)
EQUITIES[1]				
Canada	**$ 28,891**	**23.5%**	$ 29,174	25.2%
Foreign	**48,159**	**39.2**	46,130	39.8
	77,050	**62.7**	75,304	65.0
FIXED INCOME				
Bonds[1,2]	**30,215**	**24.6**	28,519	24.6
Other debt[1]	**1,142**	**0.9**	–	–
Money market securities[3]	**(1,530)**	**(1.2)**	145	0.1
	29,827	**24.3**	28,664	24.7
ABSOLUTE RETURN STRATEGIES	**1,547**	**1.3**	260	0.2
INFLATION-SENSITIVE ASSETS				
Real estate[1,4]	**6,877**	**5.6**	5,696	4.9
Inflation-linked bonds[1,2]	**4,739**	**3.9**	3,852	3.3
Infrastructure[1]	**2,737**	**2.2**	2,208	1.9
	14,353	**11.7**	11,756	10.1
NET INVESTMENTS	**$ 122,777**	**100%**	$ 115,984	100%

1 Includes derivative receivables, derivative liabilities and associated money market securities.
2 Includes accrued interest.
3 Includes amounts receivable/payable from pending trades, dividends receivable and accrued interest.
4 Net of mortgage debt on private real estate properties, as described more fully in note 2e.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008

Organization

The Canada Pension Plan Investment Board (the "CPP Investment Board") was established 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, and its interest in any bonds transferred to it (described in note 6), in the best interests of the beneficiaries and contributors. 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 and its wholly-owned subsidiaries are 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 and its subsidiaries are owned by Her Majesty the Queen in the right of Canada or by a Corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

The Consolidated Financial Statements provide information on the net assets managed by the CPP Investment Board and do not include the pension liabilities of the CPP. The CPP Investment Board has a fiscal year end of March 31.

1. Summary of Significant Accounting Policies

(A) BASIS OF PRESENTATION

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and the requirements of the Act and the accompanying regulations.

These Consolidated Financial Statements present the consolidated financial position and results of operations of the CPP Investment Board, its wholly-owned subsidiaries and the proportionate share of the fair value of assets, liabilities and operations of privately held real estate investments in joint ventures. Inter-company transactions and balances have been eliminated in preparing these Consolidated Financial Statements.

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

(B) CHANGES IN ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

In April 2005, the Canadian Institute of Chartered Accountants ("CICA") issued section 3855, Financial Instruments – Recognition and Measurement, which is effective for fiscal years beginning on or after October 1, 2006. As the CPP Investment Board qualifies as an investment company and reports its investments at fair value in accordance with Accounting Guideline 18, Investment Companies, only the recognition and fair value measurement considerations of section 3855 are applicable.

On April 1, 2007, the CPP Investment Board prospectively adopted section 3855. These standards prescribe the quoted market price to be used in measuring the fair value of investments traded in an active market. The appropriate quoted market price for an asset held is the bid price and, for a liability held, the asking price. On April 1, 2007, the CPP Investment Board revalued the investments to reflect the new valuation standards. The change in fair value arising from the revaluation did not have a material impact to the CPP Investment Board's consolidated financial position and, therefore, no transition adjustment was made to the opening Accumulated Net Income from Operations at April 1, 2007. Other requirements under section 3855 are the expensing of transaction costs as incurred and applying the effective interest method in accounting for interest income on bonds starting April 1, 2007. The impact of these changes did not have a material impact on the CPP Investment Board's prior year consolidated statement of net income.

MANAGEMENT FEES

Effective April 1, 2007, the CPP Investment Board changed its accounting policy for the treatment of management fees paid to limited partnerships for private equity and infrastructure investments. In previous periods, these management fees were capitalized and recorded as part of the cost of the investment. The management fees are now expensed as incurred. This change was made to be consistent with the valuation standards in CICA section 3855, Financial Instruments, as previously discussed under the heading Financial Instruments. The change in accounting policy did not have a material impact on the current or prior periods' Consolidated Financial Statements of the CPP Investment Board.

(C) 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.

Fair value is determined as follows:

(i) Fair value for publicly-traded equities is based on quoted market prices. Where the market price is not available or reliable, such as those for securities that are not sufficiently liquid to be used as a basis for fair value, fair value is determined using accepted industry valuation methods.

(ii) Fair value for fund investments is based on the net asset value as reported by the external managers of the funds using 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 and third party transactions, or other events which would suggest a change in the value of the investment. In the case of investments held through a limited partnership, fair value is generally determined based on carrying values and other relevant information reported by the General Partner using 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, adjusted for the non-marketability and rollover provisions of the bonds.

(vi) Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value.

(vii) Fair value for public real estate investments is based on quoted market prices.

(viii) 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 investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics.

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

(x) Fair value for exchange-traded derivatives, which include futures, is based on quoted market prices. Fair value for over-the-counter derivatives, which include swaps and forward contracts, is determined based on the quoted market prices of the underlying instruments or other accepted industry valuation methods.

(D) INCOME RECOGNITION

Income from investments is recognized on an accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income (recognized on ex-dividend date), interest income and net operating income from private real estate investments. Distributions received from limited partnerships and funds are recognized as interest income, dividend income, realized gains and losses from investments or return of capital, as appropriate.

(E) 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.

(F) 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 in net investment income (see note 7).

(G) CANADA PENSION PLAN TRANSFERS

Amounts from the CPP are recorded as received.

(H) USE OF ESTIMATES

The preparation of Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles 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.

(I) **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 and software	3 years
Office furniture and equipment	5 years
Leasehold improvements	over the term of the leases

(J) **FUTURE ACCOUNTING POLICY CHANGES**

FINANCIAL INSTRUMENTS

In December 2006, the CICA issued section 3862, Financial Instruments – Disclosures, and section 3863, Financial Instruments – Presentation, which are effective April 1, 2008 for the CPP Investment Board. These two new sections replace the current disclosure and presentation requirements of section 3861, Financial Instruments – Disclosure and Presentation. The impact to the CPP Investment Board will be increased disclosure of the nature and extent of risks arising from financial instruments.

CAPITAL DISCLOSURES

In December 2006, the CICA issued section 1535, Capital Disclosures, which is effective April 1, 2008 for the CPP Investment Board. Section 1535 requires an entity to disclose its objectives, policies and processes for managing capital, which for the CPP Investment Board, is its net investments. The requirements of section 1535 will not have a material impact on the CPP Investment Board's financial statement disclosure.

2. Investments and Investment Liabilities

(A) **FINANCIAL 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 (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The CPP Investment Board manages financial risks in accordance with the Act, regulations and the investment policies. In addition, derivatives are used, where appropriate, to manage certain risk exposures (see note 2f).

(i) ***Market Risk:*** Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. The CPP Investment Board manages market risk by 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. Market risk is comprised of the following:

Currency Risk: The CPP Investment Board is exposed to currency risk through holdings of investments 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 and future cash flows of these investments.

The net underlying currency exposures, after allocating foreign currency derivatives, as at March 31 are as follows:

($ millions)	2008		2007	
CURRENCY	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	**$ 23,586**	**49%**	$ 23,502	50%
Euro	**10,813**	**23**	8,744	19
Japanese Yen	**4,910**	**10**	5,299	11
British Pound Sterling	**3,593**	**8**	4,166	9
Australian Dollar	**1,243**	**3**	1,799	4
Swiss Franc	**1,111**	**2**	1,167	2
Other	**2,317**	**5**	2,378	5
Total	**$ 47,573**	**100%**	$ 47,055	100%

Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market interest rates. The CPP Investment Board's interest-bearing investments and investment liabilities are exposed to interest rate risk. The most significant exposure to interest rate risk is investment in bonds (see note 2c).

Price Risk: Price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

(ii) ***Credit Risk:*** Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The CPP Investment Board's investment in debt securities and derivatives are exposed to credit risk. The carrying amounts of these investments as presented in the Consolidated Statement of Investment Portfolio represent the maximum credit risk exposure at the balance sheet date. The CPP Investment Board limits credit risk by dealing with counterparties that have a minimum credit rating of A minus for derivative transactions and BBB/R-2 (short term) for all other transactions as determined by a recognized credit rating agency, where available, or as determined through an internal credit rating process. Credit exposure to any single counterparty is limited to maximum amounts as specified in the investment policies.

(iii) ***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 commitments as they come due. The CPP Investment Board's unfunded investment commitments (see note 9) and its responsibility for providing cash management services to the CPP (see note 6) expose it to liquidity risk. The CPP Investment Board mitigates liquidity risk through its unsecured credit facilities (see note 4) and the ability to readily dispose certain investments traded in an active market.

(B) EQUITIES

(i) Public equity investments are made directly or through funds. As at March 31, 2008, public equities include fund investments with a fair value of $1,202 million (2007 – $nil).

(ii) Private equity investments are generally made directly or through ownership in limited partnership arrangements which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk/return characteristics of equity. As at March 31, 2008, private equities include direct investments with a fair value of $3,219 million (2007 – $1,032 million).

With respect to limited partnership arrangements, the CPP Investment Board advances capital to the limited partnerships, a portion of which, commonly referred to as management fees, is used by the General Partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between 1% and 2% of the total amount committed to the limited partnerships and are expensed as incurred. During the year ended March 31, 2008, management fees of $157 million (2007 – $131 million) were paid to the limited partnerships.

(C) **FIXED INCOME**

(i) Bonds consist of marketable and Canadian government non-marketable bonds.

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act which permits 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 greater 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 marketable and non-marketable bonds, not including any rollover options, as at March 31 are as follows:

	2008						2007	
	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
MARKETABLE BONDS								
Government of Canada	$ –	$ 345	$ 207	$ 359	$ 911	3.6%	$ 2,200	4.1%
Provincial government	–	423	431	772	1,626	4.4	1,110	4.5
Government corporations	–	768	318	319	1,405	4.1	920	4.3
NON-MARKETABLE BONDS								
Government of Canada	527	613	–	–	1,140	2.7	1,836	4.4
Provincial government	1,441	8,303	568	11,798	22,110	4.6	21,801	4.9
TOTAL	$ 1,968	$ 10,452	$ 1,524	$ 13,248	$ 27,192	4.5%	$ 27,867	4.8%

At March 31, 2008, should nominal interest rates have increased/decreased by 1%, with all other variables held constant, the fair value of the bonds would decrease/increase by 6.6% (2007 – 6.2%).

(ii) Other debt consists of investments in distressed mortgage funds and private debt funds.

(D) **ABSOLUTE RETURN STRATEGIES**

Absolute return strategies consist of investments in funds whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indexes. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

(E) **INFLATION-SENSITIVE ASSETS**

(i) The CPP Investment Board obtains exposure to real estate through investments in publicly-traded securities and privately held real estate.

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPP Investment Board by investment managers through co-ownership arrangements. As at March 31, 2008, the subsidiary's share of these investments includes assets of $7,421 million (2007 – $5,441 million) and $980 million of secured debt (2007 – $1,174 million), with a weighted average fixed interest rate of 6.4 per cent and terms to maturity of one to 20 years.

Included in the private real estate are investments in joint ventures. The CPP Investment Board's proportionate interest in joint ventures at March 31 is summarized as follows:

PROPORTIONATE SHARE OF NET ASSETS ($ millions)	2008	2007
Assets	**$ 5,173**	$ 4,790
Liabilities	**(980)**	(1,174)
	$ 4,193	$ 3,616

PROPORTIONATE SHARE OF NET INCOME ($ millions)	2008	2007
Revenue	**$ 531**	$ 484
Expenses	**(328)**	(325)
	$ 203	$ 159

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

	2008						2007	
	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	**$ –**	**$ 181**	**$ 158**	**$ 3,623**	**$ 3,962**	**3.9%**	$ 3,802	3.3%

(iii) 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, 2008, infrastructure includes direct investments with a fair value of $1,913 million (2007 – $1,721 million). Direct investments do not have management fees, while management fees for limited partnership infrastructure investments are treated similarly to private equity management fees as discussed in note 2b. During the year ended March 31, 2008, management fees of $3.4 million (2007 – $4.7 million) were paid to the limited partnerships.

(F) DERIVATIVE CONTRACTS

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates. The fair value of these contracts is reported as derivative receivables and derivative liabilities on the Consolidated Statement of Investment Portfolio. In the Consolidated Statement of Investment Asset Mix, the derivative exposure is allocated to the asset class to which each contract relates. Derivative exposure generally includes the fair value plus the notional amount of the contract.

The CPP Investment Board uses the following types of derivative instruments as described below:

SWAPS

Swaps include equity, bond, cross-currency interest rate, inflation-linked bond and variance swaps which are over-the-counter contractual agreements between two counterparties to exchange financial returns with predetermined conditions based on notional amounts. Swaps are used for yield enhancement purposes or to adjust exposures to certain equities, bonds, currencies, inflation-linked bonds or interest rates without directly purchasing or selling the underlying asset. Swap contracts create credit risk exposure due to the possible inability of counterparties to meet the terms of the contracts. There is also risk arising from exposure to movements in equity values, credit ratings, interest rates and foreign exchange rates, as applicable.

FUTURES

Futures include equity, interest rate and bond futures which are standardized contracts transacted on an exchange to purchase or sell a specified quantity of equities, interest rate sensitive financial instruments or bonds at a predetermined price and date in the future. Futures are used to adjust exposure to specified equities, interest rate sensitive financial instruments and bonds without directly purchasing or selling the underlying asset. The primary risks associated with futures contracts are related to the exposure to movements in equity values, interest rates and foreign exchange rates, as applicable. Credit risk on exchange-traded futures is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligations of both counterparties.

FORWARDS

Forward contracts include foreign exchange and interest rate forwards which are over-the-counter contractual agreements negotiated between two counterparties to either purchase or sell a specified amount of foreign currencies or interest rate sensitive financial instruments at a predetermined price and date in the future. Forward contracts are used for yield enhancement purposes or to manage exposures to currencies and interest rates. The primary risks associated with forward contracts arise from exposure to movements in foreign exchange and interest rates, as applicable, and from the possible inability of counterparties to meet the terms of the contract.

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 and are generally a measure of the exposure to the asset class to which the contract relates. They are not recorded as assets or liabilities on the balance sheet. Notional amounts do not represent the potential gain or loss associated with the market risk or credit risk associated with a derivative contract.

The notional amounts and fair value of derivative contracts held at March 31 are as follows:

	As at March 31, 2008				For the Year Ended March 31, 2008	
($ millions)	Notional Amount	Gross Positive Fair Value	Gross Negative Fair Value	Net Fair Value	Average Gross Positive Fair Value[1]	Average Gross Negative Fair Value[1]
SWAPS						
Equity	$ 12,296	$ 311	$ (312)	$ (1)	$ 347	$ 299
Bond	2,401	17	(12)	5	13	5
Cross-currency interest rate	1,477	2	(64)	(62)	–	5
Inflation-linked bond	762	39	–	39	3	–
Variance	597	–	(1)	(1)	–	–
FUTURES						
Equity	2,969	16	(5)	11	12	12
Interest rate and bond	–	–	–	–	–	–
FORWARDS						
Foreign exchange	14,899	175	(320)	(145)	239	201
Interest rate	276	–	–	–	–	–
Total	$ 35,677	$ 560	$ (714)	$ (154)	$ 614	$ 522

	As at March 31, 2007				For the Year Ended March 31, 2007	
($ millions)	Notional Amount	Gross Positive Fair Value	Gross Negative Fair Value	Net Fair Value	Average Gross Positive Fair Value[1]	Average Gross Negative Fair Value[1]
SWAPS						
Equity	$ 14,435	$ 373	$ (134)	$ 239	$ 274	$ (156)
Bond	–	–	–	–	–	–
Cross-currency interest rate	–	–	–	–	–	–
Inflation-linked bond	–	–	–	–	–	–
Variance	–	–	–	–	–	–
FUTURES						
Equity	1,797	1	(2)	(1)	4	(4)
Interest rate and bond	–	–	–	–	–	(1)
FORWARDS						
Foreign exchange	19,170	145	(72)	73	132	(147)
Interest rate	–	–	–	–	–	–
Total	$ 35,402	$ 519	$ (208)	$ 311	$ 410	$ (308)

[1] Determined using month-end values.

At March 31, 2008, all derivative contracts have a term to maturity of one year or less except for the following:

($ millions)	Notional Amount	Weighted Average Terms to Maturity (years)
Equity swaps	**1,500**	2.0
Cross currency interest rate swaps	**1,477**	2.0
Variance swaps	**597**	9.7

At March 31, 2007, all derivative contracts had a term to maturity of one year or less.

(G) **SECURITIES LENDING**

The CPP Investment Board engages in securities lending to enhance portfolio returns. Credit risk associated with securities lending is mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. As at March 31, 2008, the CPP Investment Board's investments include securities loaned with a fair value of $2,480 million (2007 – $3,047 million). The fair value of collateral received in respect of the securities loaned is $2,606 million (2007 – $3,202 million).

3. Premises and Equipment

	2008			2007		
($ thousands)	**Cost**	**Accumulated Amortization**	**Net Carrying Amount**	Cost	Accumulated Amortization	Net Carrying Amount
Computer equipment and software	**$ 9,817**	**$ 4,484**	**$ 5,333**	$ 5,184	$ 2,483	$ 2,701
Office furniture and equipment	**5,528**	**2,064**	**3,464**	3,641	1,251	2,390
Leasehold improvements	**12,647**	**3,284**	**9,363**	8,649	1,868	6,781
Total	**$ 27,992**	**$ 9,832**	**$ 18,160**	$ 17,474	$ 5,602	$ 11,872

4. Credit Facilities

The CPP Investment Board maintains $1.5 billion (2007 – $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2008, the total amount drawn on the credit facilities is $nil (2007 – $nil).

5. Share Capital

The issued and authorized share capital of the CPP Investment Board is $100 divided into 10 shares having a par value of $10 each. The shares are owned by Her Majesty the Queen in right of Canada.

6. Canada Pension Plan Transfers

The *Canada Pension Plan*, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board (the "Agreement") together provide for the transfer of certain specified CPP assets administered by the federal government to the CPP Investment Board. These assets consist of a portfolio of non-marketable federal, provincial and territorial bonds which were transferred to the CPP Investment Board in 36 monthly installments beginning on May 1, 2004. The final installment of $0.6 billion based on fair market value occurred on April 1, 2007.

Pursuant to Section 108.1 of the *Canada Pension Plan* and the Agreement, 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 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)	March 31, 2008	March 31, 2007
Accumulated transfers from the Canada Pension Plan	**$ 153,073**	$ 125,289
Accumulated transfers to the Canada Pension Plan	**(62,714)**	(42,120)
Accumulated net transfers from the Canada Pension Plan	**$ 90,359**	$ 83,169

7. Net Investment Income (Loss)

Net investment income (loss) is reported net of transaction costs and investment management fees. Investment management fees in respect of externally managed publicly-traded investments include an incentive portion that fluctuates with investment performance.

Net investment income (loss) by asset class, after giving effect to derivative contracts and investment receivables and liabilities for the year ended March 31 are as follows:

($ millions)	2008					
	Investment Income[1]	Net Gain (Loss) on Investments[2,3]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
EQUITIES						
Canada						
Public equities	$ 309	$ 986	$ 1,295	$ (8)	$ (23)	$ 1,264
Private equities	13	21	34	(12)	(7)	15
	322	1,007	1,329	(20)	(30)	1,279
Foreign						
Public equities	1,881	(7,744)	(5,863)	(8)	(26)	(5,897)
Private equities	105	988	1,093	(145)	(12)	936
	1,986	(6,756)	(4,770)	(153)	(38)	(4,961)
	2,308	(5,749)	(3,441)	(173)	(68)	(3,682)
FIXED INCOME						
Bonds	1,423	560	1,983	–	–	1,983
Other debt	–	(48)	(48)	(2)	(1)	(51)
Money market securities	67	9	76	–	–	76
	1,490	521	2,011	(2)	(1)	2,008
ABSOLUTE RETURN STRATEGIES	–	106	106	(23)	–	83
INFLATION-SENSITIVE ASSETS						
Public real estate	28	(222)	(194)	(5)	(1)	(200)
Private real estate	259	276	535	(27)	(19)	489
Inflation-linked bonds	89	287	376	–	–	376
Infrastructure	134	551	685	(3)	(24)	658
	510	892	1,402	(35)	(44)	1,323
TOTAL	$ 4,308	$ (4,230)	$ 78	$ (233)	$ (113)	$ (268)

($ millions)	2007					
	Investment Income[1]	Net Gain (Loss) on Investments[2,3]	Total Investment Income (Loss)	Investment Management Fees (note 1b)	Transaction Costs[4]	Net Investment Income (Loss)
EQUITIES						
Canada						
Public equities	$ 390	$ 2,785	$ 3,175	$ (6)	$ –	$ 3,169
Private equities	8	69	77	–	–	77
	398	2,854	3,252	(6)	–	3,246
Foreign						
Public equities	1,062	3,893	4,955	(3)	–	4,952
Private equities	90	1,747	1,837	–	–	1,837
	1,152	5,640	6,792	(3)	–	6,789
	1,550	8,494	10,044	(9)	–	10,035
FIXED INCOME						
Bonds	1,559	(375)	1,184	–	–	1,184
Other debt	–	–	–	–	–	–
Money market securities	86	12	98	–	–	98
	1,645	(363)	1,282	–	–	1,282
ABSOLUTE RETURN STRATEGIES	–	(1)	(1)	(1)	–	(2)
INFLATION-SENSITIVE ASSETS						
Public real estate	51	402	453	(1)	–	452
Private real estate	230	625	855	(11)	–	844
Inflation-linked bonds	109	(79)	30	(3)	–	27
Infrastructure	23	127	150	–	–	150
	413	1,075	1,488	(15)	–	1,473
TOTAL	$ 3,608	$ 9,205	$ 12,813	$ (25)	$ –	$ 12,788

[1] Includes interest income, dividends, securities lending income and private real estate operating income, net of interest expense.
[2] Includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the period and foreign exchange gains and losses.
[3] Includes foreign exchange losses of $1,365 million (2007 – foreign exchange gains of $1,053 million).
[4] Prior to April 1, 2007, transaction costs on purchases were capitalized and recorded as part of the investment and transaction costs on sales were deducted from realized gains or added to losses as a cost of disposition.

8. Operating Expenses

(A) GENERAL OPERATING EXPENSES

General operating expenses consist of the following:

($ thousands)	2008	2007
Custodial fees	$ 11,536	$ 9,999
Office rent, supplies and equipment	11,900	7,162
Data, performance and Information Services	7,160	5,367
Amortization of premises and equipment	4,230	2,648
Travel and accommodation	3,297	2,295
Communications	1,333	678
Directors' remuneration	705	593
Other	3,180	1,938
	$ 43,341	$ 30,680

(B) PROFESSIONAL AND CONSULTING FEES

Professional and consulting fees consist of the following:

($ thousands)	2008	2007
Consulting	$ 12,971	$ 8,461
Legal	1,986	1,105
External audit and tax services[1]	1,281	1,061
	$ 16,238	$ 10,627

[1] Includes fees paid to the external auditors of the CPP Investment Board for audit services of $1,004,804 (2007 – $946,620), tax services of $133,820 (2007 – $26,090) and non-audit services of $142,751 (2007 – $88,145).

9. Commitments

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at March 31, 2008, the commitments total $18.6 billion (2007 – $13.4 billion).

As at March 31, 2008, the CPP Investment Board has made lease and other commitments of $59.4 million (2007 – $54.9 million) over the next 10 years.

10. Guarantees and Indemnifications

The CPP Investment Board provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties. The CPP Investment Board may be required to compensate these parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the 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.

Board of Directors

The board is responsible for the stewardship of the CPP Investment Board, including oversight of management. Each director possesses business and professional credentials that contribute to effective oversight of the organization. Their credentials include expertise and experience in board and board committee work for financial institutions, senior management, investment, actuarial matters, audit, valuation, accounting, cash flow consulting, public policy, investment, due diligence, corporate finance, governance, equities trading, securities regulation, compensation, risk analysis, performance measurement, private equity, infrastructure, real estate, Crown corporations and government interface. Together the board as a whole has the required range of experience and qualifications to fulfill its duties.

GAIL COOK-BENNETT, Chair

Economist, Ph.D.
Toronto, Ontario
Director and Chair since October 1998

Previously held academic positions at the University of Toronto and senior executive positions at Bennecon Ltd., a management consulting firm specializing in advising corporations on cash flow, and the C.D. Howe Institute, Montreal, a public policy institute. Vice-chair of Manulife Financial Corporation. Director of Petro-Canada and Emera Inc. Fellow of the Institute of Corporate Directors and member of its Advisory Council – Ontario Chapter. Former director of the Bank of Canada, Toronto-Dominion Bank and Ontario Teachers' Pension Plan Board and former member of the Canadian Group of the Trilateral Commission. Ph.D. (Economics) from the University of Michigan. Qualifications include 30 years of experience as a corporate director chairing audit, pension and governance committees and serving on executive, investment, finance and compensation committees.

Investment (chair) and governance committees

ROBERT M. ASTLEY

Fellow, Canadian Institute of Actuaries
Waterloo, Ontario
Director since September 2006

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 and management compensation committee. Member of the Dean's Advisory Council, Laurier School of Business and Economics. 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.

Investment and audit (chair) committees

IAN A. BOURNE

Corporate Director
Calgary, Alberta
Director since April 2007

Retired executive vice-president and CFO of TransAlta Corporation, a power generation company, and president of TransAlta Power L.P. Thirty-eight years of experience in senior finance roles at TransAlta, General Electric and Canada Post Corporation. Chair of Ballard Power Systems Inc., serving on the audit, corporate governance and management development, nominating and compensation committees. Director of Canadian Oil Sands Trust, serving on the audit committee and the corporate governance and compensation committee. Director of Wajax Income Fund, serving on the audit committee, and Wajax Limited. Former director of TransAlta Power L.P., TransAlta CoGeneration, L.P. and Purolator Courier Ltd. Qualifications include expertise in finance in major corporations and international experience in Paris and London.

Investment, audit and human resources and compensation committees (Effective May 10, 2007)

PIERRE CHOQUETTE

Corporate Director
Vancouver, British Columbia
Director since February 2008

Chairman of Methanex Corporation since 2003. 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 – notably two acquisition committees for large transactions.

Investment, governance and human resources and compensation committees (Effective May 13, 2008)

GERMAINE GIBARA

Chartered Financial Analyst
Montreal, Quebec
Director since November 2002

President and CEO of Avvio Management Inc., a management consulting firm specializing in strategic planning and the commercialization of technology. Served in senior positions with Caisse de dépôt et placement du Québec, TAL Global Asset Management Inc. and Alcan Aluminum Ltd. Director of Sun Life Financial, Cogeco Cable Inc., Cogeco Inc., Agrium Inc. and Technip. Director of IFPT Management, a private company. Chair of the governance committee of Agrium effective May 2008. Former co-chair of the Institute for Research on Public Policy. Former director of the Economic Council of Canada. Qualifications include expertise in public pension plan investments with responsibility for private equity at Caisse de dépôt, in management of an international organization as former president of Alcan Automotive Structures and in governance as the former chair of the governance committee at Clarica Life Insurance Company.

Investment, governance and human resources and compensation committees

MICHAEL GOLDBERG

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. 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. Director, Lend Lease Global Properties Fund, a Luxembourg-based fund investing in properties in Europe and Asia. Former director of China Enterprises Limited, Redekop Properties Ltd., Vancouver Land Corporation, Catamaran Ferries International Inc. and Imperial Parking Limited. Ph.D. (Economics) from the University of California at Berkeley. Qualifications include expertise in global real estate investments and urban infrastructure and experience on boards as a director serving on audit and compensation committees.

Investment and audit committees (Effective May 13, 2008)

PETER K. HENDRICK

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.

Investment and audit committees

PHILIP MacDOUGALL

Fellow, Institute of Chartered Accountants of Prince Edward Island
Charlottetown, Prince Edward Island
Director since October 2004

President of MacDougall Consulting. Served as Deputy Minister in several departments in the government of Prince Edward Island, including Finance, Industry and Commerce, and Health & Social Services. Was a member of the Deputy Ministers' Committee on the Canada Pension Plan. Qualifications include experience in oversight of investment management as Deputy Minister of Finance with responsibility for Sinking Fund assets and for the Master Trust for P.E.I. Public Sector Pensions, and as CEO of the Workers' Compensation Board of P.E.I. Expertise in management in a government context, intergovernmental relations and negotiations, pension plan oversight and in board oversight, primarily for Crown corporations.

Investment and audit committees

DALE G. PARKER

Corporate Director
Vancouver, British Columbia
Director since October 1998. Left the board effective February 2008, after his term expired and upon appointment of his successor.

Former CEO of the British Columbia Financial Institutions Commission, Bank of British Columbia and Workers' Compensation Board of British Columbia. Chair of TransLink, South Coast British Columbia Transportation Authority. Director of Encorp Pacific (Canada) and Growth Works Ltd., a venture capital enterprise. Active in senior leadership or board roles at charitable and non-profit organizations. Qualifications include expertise in financial institutions and Crown corporations at the CEO and chair levels and experience in privatization.

Investment, audit and human resources and compensation committees

GERALDINE B. SINCLAIR

Corporate Director
Vancouver, British Columbia
Director since April 2007. Left the board effective February 2008, after her term expired and upon appointment of her successor.

Executive director of the graduate school program at the new Centre for Digital Media, accredited by the University of British Columbia and three other universities in the province. Former general manager of Microsoft Networks (MSN) Canada and former founder and CEO of NCompass Labs Inc. Director of TSX Group Inc., Ballard Power Systems Inc., B.C. Premier's Technology Council, Canadian Communications Research Council, FINCAD Corporation, the Canadian Foundation for Innovation and Genome B.C. Former chair of the Federal Telecommunications Policy Review Panel. Former director of TELUS Communications Inc. and B.C. Telecom Inc. Ph.D. and Doctor of Science (honoris causa). Qualifications include extensive expertise in high technology, board experience in the investment sector, entrepreneurial business experience and government interface.

Investment and governance committees (Effective May 10, 2007)

HELEN SINCLAIR

Financial Executive
Toronto, Ontario
Director since March 2001

CEO of BankWorks Trading Inc., a business television and webcasting company. Former president of the Canadian Bankers Association, and former senior vice-president of Scotiabank. Director of Epcor Utilities, Inc., TD Bank Financial Group, McCain Capital Corporation and BankWorks Trading Inc. Trustee of Davis + Henderson G.P. Qualifications include extensive experience in senior management roles at financial institutions and on boards of financial institutions.

Investment and governance (chair) committees

RONALD E. SMITH

Fellow, Institute of Chartered Accountants of Nova Scotia
Dartmouth, Nova Scotia
Director since November 2002

Part-time CFO and director of Immunovaccine Technologies Inc. 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 Inc. Former director of Bangor Hydro Electric Company. Member of the Accounting Standards Oversight Council. Chair of the Board of Governors of Acadia University. Former partner Ernst & Young. Qualifications include extensive experience in investment, finance and compensation from various CFO roles.

Investment and human resources and compensation (chair) committees

DAVID WALKER

Business Executive
Winnipeg, Manitoba
Director since October 1998. Left the board effective April 2008, after his term expired.

President of West-Can Consultants Ltd. and W.C. Investments Ltd., providing strategic advisory services to major public and private sector organizations. Former professor of political science at the University of Winnipeg, former member of Parliament for Winnipeg North-Centre, and former parliamentary secretary to the Minister of Finance. Chief federal representative for consultations on the Canada Pension Plan in the 1990s. Chairman of Acsion Industries Inc. Qualifications include expertise in interface with governments and a strong background in the CPP Investment Board's governance model.

Investment and governance committees

D. MURRAY WALLACE

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

Chairman and CEO of Park Street Capital Corporation, a personally-owned investment and corporate advisory firm. Former president of Axia NetMedia Corporation. Director of Western Surety Ltd., Terravest Income Fund and Critical Outcome Technologies Inc. Former director of 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.

Investment and human resources and compensation committees (Effective May 10, 2007). Audit committee (Effective May 13, 2008)

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 at www.cppib.ca.

Adopting Best Practices

SAFEGUARDING A GOVERNANCE MODEL IN WHICH THE CPP INVESTMENT BOARD OPERATES AT ARM'S LENGTH FROM GOVERNMENTS WITH AN INVESTMENT-ONLY MANDATE

DUTIES, OBJECTIVE AND MANDATE OF THE BOARD OF DIRECTORS

The board is responsible for the stewardship of the Canada Pension Plan Investment Board, including oversight of management.

Directors are required to act honestly and in good faith with a view to the best interests of the CPP Investment Board and exercise the care, diligence and skill that a reasonably prudent person would apply in comparable circumstances. Directors must employ any special knowledge or skill they possess in carrying out their duties.

Among other duties, the directors appoint the chief executive officer and annually review his or her performance; determine with management the organization's strategic direction; review and approve investment policies, standards and procedures; review and approve the annual business plan and budget; appoint the external auditor; establish procedures to identify and resolve conflicts of interest; establish a code of conduct for directors and employees; assess the performance of the board itself including an annual peer review; establish disclosure and other policies; and review and approve the stakeholder communications strategy, including material disclosure such as quarterly and annual financial statements and the annual report.

A key 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, purely commercial statutory mandate to be undertaken without regard to political, regional, social or economic development considerations or any other non-investment objectives. Directors, like officers and employees, have a positive duty in accordance with the written code of conduct to report immediately any attempted political interference if they have been subjected to such pressure with respect to investments, procurement, hiring or any other decisions. As intended by the stewards, directors have always been able to report no interference.

DIRECTOR APPOINTMENT PROCESS

The CPP Investment Board is governed by an independent board. The director nomination process is designed to ensure that the board has directors with proven financial ability or relevant work experience such that the CPP Investment Board will be able to effectively achieve its objectives. Directors are appointed by the Governor in Council on the recommendation of the federal finance minister, following the minister's consultation with the finance ministers of the participating provinces and assisted by an external nominating committee with private sector involvement. In line with Treasury Board recommendations for Crown corporations, the CPP Investment Board provides assistance in the identification of desirable director competencies and retains and manages an executive search firm to source qualified candidates for consideration. The names of those candidates are forwarded to the external nominating committee, which considers them and submits names of qualified candidates to the federal finance minister.

COMPOSITION, MANDATES AND ACTIVITIES OF BOARD COMMITTEES

The board has four committees – investment, audit, human resources and compensation, and governance. Membership of the committees is shown in the Board Attendance chart on page 88.

The investment committee oversees the core of the CPP Investment Board's business, which is making investment decisions within the context of a board-supported risk limit. The committee reviews and recommends to the board the CPP Investment Board's investment policies and reviews, approves and monitors the investment program. It also reviews portfolio risk tolerances, approves the engagement of all external investment managers, as required by legislation, and approves large investment transactions and all custodians. All members of the board serve on the investment committee.

The audit committee oversees financial reporting – including reviewing the Management's Discussion and Analysis section of the annual report and reviewing and recommending the financial content of the annual report, the external and internal audit – including appointing the internal auditor and recommending the external auditor for appointment by the board, information systems and internal control policies and practices. It also oversees financial aspects of the employee pension plans and advises the board in connection with any statutorily mandated special examinations. Responsibility for enterprise risk management is shared with the board and other committees. The audit committee regularly meets separately with each of the external and internal auditors without management present.

The governance committee ensures that appropriate governance best practices for the organization are followed at the CPP Investment Board. The committee also monitors application of the code of conduct, recommends governance initiatives, makes recommendations to the board to improve the board's effectiveness, reviews criteria and qualifications for new directors, recommends compensation for the Chair and directors and establishes and recommends performance evaluation processes for the chief executive officer, individual directors, board committees and board.

The human resources and compensation committee (HRCC) administers the performance evaluation process for the chief executive officer, reviews and recommends the compensation framework, reviews organizational structure and ensures proper succession planning. It also oversees employee benefits and human resource policies and the employee pension plans. The Terms of Reference for this committee changed in fiscal 2008 to articulate its role in greater detail. Those details are outlined in the Compensation Discussion and Analysis beginning on page 47 of this annual report.

At every meeting, the board of directors and all committees have *in camera* sessions, meaning that no member of management is in attendance. As noted above, the audit committee also has *in camera* meetings with each of the internal and external auditors. In addition, at every meeting the board has *in camera* meetings with the president and chief executive officer in which no other management team member is present.

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 for the organization and the annual business plan and budget. Annual and incentive-based compensation, as well as officer appointments, require board approval.

AN INVESTMENT IN ONGOING DEVELOPMENT

PROCEDURES FOR BOARD MEMBER ORIENTATION AND DEVELOPMENT

The board has a process in place for new director orientation. This comprehensive full-day session includes discussion of the background, history and mandate of the CPP Investment Board as well as its strategy, business planning process and current corporate and departmental business plans. It involves intensive interaction between the new directors and management.

In recognition of the evolving nature of a director's responsibilities and the unique nature of the CPP Investment Board, 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 are also provided. In fiscal 2008, these special seminars included sessions on emerging markets, principal investing valuation methodologies, financing structures, transaction execution and other relevant topics.

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, that of the Chair and that of its committees. In May 2005, the board enhanced the Chair effectiveness assessment process with a confidential separate assessment. The assessments are conducted through confidential questionnaires that are summarized by an independent consultant. The summaries are reviewed by the full board and provide a basis for action plans for improvement. The board conducts a confidential annual peer review to assist each director in identifying self-development initiatives and assist in providing the external nominating committee with guidance when it considers individual re-appointments. The Chair places a particular emphasis on discussion following the first steps of the review and meets formally with each director as part of the board and individual director assessment process. As part of a drive for best practices, the board continues to refine and bolster these procedures each year.

BOARD EXPECTATIONS OF MANAGEMENT

Management is expected to comply with the *Canada Pension Plan Investment Board Act* and Regulations as well as all policies approved by the board. 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, free of 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 in fiscal 2007 established a relevant benchmark for the CPP Fund, which has enabled management to more precisely measure total CPP Fund value-added returns, enabling the board to tailor compensation more precisely to performance.

Management is expected to make full and timely disclosure to the board and the public of all material activities, including new investments, the engagement of operational and investment partners, quarterly and annual financial results, and developments that may affect the CPP Investment Board's reputation.

INTERNATIONALLY-ACCLAIMED TRANSPARENCY AND DISCLOSURE

TOTAL COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The total compensation of directors is provided on page 89.

Director compensation changed in fiscal 2008, effective April 1, 2007, to reflect the responsibilities and time commitment expected of directors of the CPP Investment Board. Directors' compensation, which is overseen by the governance committee, is reviewed at least every two years, and any changes are recommended to the board. The last such review occurred in November and December 2006 with the assistance of a study prepared by Mercer Human Resources Consulting. Based in part on the data in that study, which uses relevant data with respect to TSX companies and selected public sector organizations, the annual retainer for the Chair rose to $120,000 and for other directors to $25,000. Non-teleconference meeting fees increased to $1,500 for board meetings and $1,250 for committee meetings. The chair is not eligible to receive annual or committee chair retainers or meeting fees unless the fees relate to attendance at biennial public meetings. Fees that remained unchanged were the annual retainer of $7,500 for each committee chair, the board meeting fee of $750 for any special meetings conducted by teleconference and the travel fee for attending meetings in person, ranging from $250 to $1,000 depending on distance travelled.

A separate independent compensation consulting firm, Hugessen Consulting Inc., advises the human resources and compensation committee on executive compensation. The total compensation of the CEO, the CFO and the three most highly compensated officers of the CPP Investment Board is detailed on page 54 of the annual report. Executive officer compensation is predominantly incentive-based and is reviewed annually by the board. Incentive compensation is awarded based on the achievement of a combination of corporate, investment and personal objectives and is a combination of several elements, including annual bonus, which takes into account longer-term performance, long-term (typically four-year) incentive plans and restricted fund units.

The implementation of the CPP Reference Portfolio in April 2006 has enabled the board to tailor executive compensation more precisely toward the successful achievement of value-added results as part of a pay-for-performance system. Consistent with the human resources and compensation committee's emphasis on best-practice disclosure, executive compensation is detailed at length in our Compensation Discussion and Analysis on page 47.

RESULTS OF SPECIAL AUDIT OR SPECIAL EXAMINATION

At least once every six years, as required under Section 47 of the *Canada Pension Plan Investment Board Act*, the Minister of Finance routinely orders a special examination of the CPP Investment Board's financial and management control and information systems and management practices. The last examination was conducted in 2004 and its results are available on our website, www.cppib.ca.

A CULTURE OF INTEGRITY AND ETHICAL CONDUCT

CONFLICT OF INTEREST PROCEDURES

Conflicts of interest were anticipated in the CPP Investment Board's legislation as a result of the need to recruit directors with financial and investment expertise and to engage employees with financial expertise. The code of conduct has been established to manage and, where possible, eliminate such conflicts. The procedures under the legislation and the code of conduct are designed to ensure that directors and employees do not, and cannot reasonably be perceived to, profit or otherwise benefit from a transaction by or with the CPP Investment Board. Stringent disclosure of any personal or business interests that might lead to a real, potential or perceived conflict of interest is required. 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 may reasonably be perceived to be, in conflict with the objectives and mandates of the CPP Investment Board.

It is CPP Investment Board policy that non-audit services being provided by either the internal or external auditor must be approved by the audit committee. Firms that perform an internal or external audit function must also provide confirmation 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 at www.cppib.ca. 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 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 for all employees, new recruits are required to read and agree to comply with the code of conduct and related personal trading guidelines that together set a high standard in the areas of conflict of interest and ethical conduct. They must reconfirm that compliance semi-annually in writing. When the board hires or conducts annual performance reviews of the chief executive officer and senior vice-presidents, it uses integrity as a key criterion. Annual performance reviews of the chief executive officer also take into consideration the individual's leadership in promoting ethical conduct within the organization.

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 and employees on a confidential basis.

Board Attendance: Fiscal 2008

The board held 15 meetings in fiscal 2008, of which six were regularly scheduled meetings. The investment committee is a committee composed of the full board. The table below reflects the number of meetings attended by each director relative to the total number of meetings that director could have attended.

DIRECTOR	Board and/or Investment Committee[1]	Audit Committee[2]	Governance Committee[3]	Human Resources and Compensation Committee (HRCC)[4]
Gail Cook-Bennett[5]	15/15	–	9/9	–
Robert M. Astley	14/15	4/4	–	–
Ian Bourne[6]	14/14	3/3	–	3/3
Pierre Choquette[7]	1/1	–	–	–
Germaine Gibara	14/15	–	9/9	5/5
Michael Goldberg[8]	1/1	–	–	–
Peter K. Hendrick	14/15	3/4	–	–
Philip MacDougall	15/15	3/3	2/2	–
Helen M. Meyer[9]	1/1	–	–	–
Dale G. Parker[10]	13/14	4/4	6/6	5/5
Mary C. Ritchie[11]	1/1	–	–	–
Geraldine Sinclair[12]	8/13	–	2/6	–
Helen Sinclair	14/15	–	9/9	–
Ronald E. Smith	15/15	–	–	5/5
David Walker[13]	15/15	–	9/9	–
Murray Wallace[14]	11/14	–	–	3/3

[1]Seven in-person meetings and eight teleconference meetings.
[2]Four in-person meetings.
[3]Five in-person meetings and four teleconference meetings.
[4]Four in-person meetings and one teleconference meeting.
[5]Chair of board and of investment committee and member of governance committee, but attends all committee meetings.
[6]Joined the board April 24, 2007.
[7]Joined the board February 18, 2008.
[8]Joined the board February 18, 2008.
[9]Left the board effective April 23, 2007, after her term expired and upon appointment of her successor.
[10]Left the board effective February 17, 2008, after his term expired and upon appointment of his successor.
[11]Left the board effective April 23, 2007, after her term expired and upon appointment of her successor.
[12]Joined the board April 24, 2007. Prior to her initial term expiry on October 6, 2007, she requested that she not be reappointed due to a potential future board conflict of interest situation. The appointment of her successor occured on February 17, 2008.
[13]Left the board effective April 30, 2008, after his term expired.
[14]Joined the board April 24, 2007.

Directors' Remuneration: Fiscal 2008

DIRECTOR	Annual Retainer	Board and Committee Meeting Fees	Public Meeting Fees	Travel Fees	Total Remuneration
Gail Cook-Bennett, CHAIR	$ 120,000	$ –	$ –	$ –	$ 120,000
Robert M. Astley, CHAIR OF AUDIT COMMITTEE	32,500	20,750	–	–	53,250
Ian Bourne[1]	22,917	26,500	–	6,000	55,417
Pierre Choquette[2]	4,167	750	–	–	4,917
Germaine Gibara	25,000	30,750	–	1,500	57,250
Michael Goldberg[3]	4,167	750	–	–	4,917
Peter K. Hendrick	25,000	18,750	–	–	43,750
Philip MacDougall	25,000	18,500	–	3,000	46,500
Helen M. Meyer[4]	2,084	750	–	–	2,834
Dale G. Parker[5]	22,917	31,500	–	6,000	60,417
Mary C. Ritchie[6]	2,084	750	–	–	2,834
Geraldine Sinclair[7]	20,833	11,500	–	3,000	35,333
Helen Sinclair, CHAIR OF GOVERNANCE COMMITTEE	32,500	25,000	–	–	57,500
Ronald E. Smith, CHAIR OF HRCC	32,500	22,250	–	3,000	57,750
David Walker, CHAIR OF AD HOC COMMITTEE[8]	32,500	25,750	–	3,000	61,250
Murray Wallace[9]	22,917	18,000	–	–	40,917
Total	$ 427,086	$ 252,250	$ –	$ 25,500	$ 704,836

Directors' remuneration includes an annual retainer for each director of $25,000, board and committee meeting fees of $1,500 and $1,250 respectively, or $750 if the meeting is held by teleconference, plus an annual retainer of $7,500 for each committee chair. Separate fees are not paid for investment committee meetings when they are held on the same day as board meetings, which is the custom. The Chair of the board of directors receives $120,000 in annual compensation but is not eligible to receive annual or committee chair retainers or meeting fees unless the fees relate to biennial public meetings. Directors who travel to meetings receive a separate travel fee ranging from $250 to $1,000 based on distance travelled.

[1] Joined the board April 24, 2007.
[2] Joined the board February 18, 2008.
[3] Joined the board February 18, 2008.
[4] Left the board effective April 23, 2007, after her term expired and upon appointment of her successor.
[5] Left the board effective February 17, 2008, after his term expired and upon appointment of his successor.
[6] Left the board effective April 23, 2007, after her term expired and upon appointment of her successor.
[7] Joined the board April 24, 2007. Prior to her initial term expiry on October 6, 2007, she requested that she not be reappointed due to a potential future board conflict of interest situation. The appointment of her successor occured on February 17, 2008.
[8] Left the board effective April 30, 2008, after his term expired.
[9] Joined the board April 24, 2007.

Ten-Year Review

FOR THE YEAR ENDED MARCH 31 ($ billions)	**2008**	2007	2006	2005	2004	2003	2002	2001	2000	1999
CHANGE IN NET ASSETS										
Income										
Investment income	**(0.3)**	13.1	13.1	6.3	10.3	(1.1)	2.3	3.0	1.1	–
Operating expenses	**(0.1)**	(0.1)	–	–	–	–	–	–	–	–
Net contributions	**6.5**	5.6	3.6	4.5	4.6	3.1	2.6	1.2	(1.3)	–
Increase in net assets	**6.1**	18.6	16.7	10.8	14.9	2.0	4.9	4.2	(0.2)	–

AS AT MARCH 31 ($ billions)	**2008**	2007	2006	2005	2004	2003	2002	2001	2000	1999
INVESTMENT PORTFOLIO										
Equities										
Canada	**28.9**	29.2	29.1	27.7	22.6	11.7	10.0	5.0	2.0	–
Foreign	**48.2**	46.4	32.6	20.9	9.3	5.4	4.1	2.1	0.4	–
Fixed income										
Bonds	**30.2**	29.2	27.2	28.6	30.2	31.0	32.6	35.3	35.8	39.2
Other debt	**1.1**	–	–	–	–	–	–	–	–	–
Money market securities[1]	**(1.5)**	0.1	0.6	3.1	7.7	7.2	6.8	6.3	6.3	5.5
Absolute return strategies	**1.5**	–	–	–	–	–	–	–	–	–
Inflation-sensitive assets										
Real estate[2]	**6.9**	5.7	4.2	0.8	0.7	0.3	0.1	–	–	–
Inflation-linked bonds	**4.7**	3.8	4.0	–	–	–	–	–	–	–
Infrastructure	**2.8**	2.2	0.3	0.2	–	–	–	–	–	–
Investment portfolio[3]	**122.8**	116.6	98.0	81.3	70.5	55.6	53.6	48.7	44.5	44.7
PERFORMANCE										
Rate of return (annual)[4]	**-0.3%**	12.9%	15.5%	8.5%	17.6%	-1.5%	4.0%	7.0%	3.2%	–

1 Includes amounts receivable/payable from pending trades, dividends receivable and accrued interest.
2 Net of mortgage debt on real estate properties.
3 Excludes non-investment assets such as premises and equipment and non-investment liabilities.
4 Commencing in fiscal 2007, the rate of return reflects the performance of the investment portfolio which excludes the Cash for Benefits portfolio.

Management Team

DAVID F. DENISON
President and Chief Executive Officer

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

IAN M.C. DALE
Senior Vice-President
Communications and Stakeholder Relations

GRAEME M. EADIE
Senior Vice-President
Real Estate Investments

JOHN H. ILKIW
Senior Vice-President
Portfolio Design and Risk Management

MYRA LIBENSON
Chief Financial Officer

DONALD M. RAYMOND
Senior Vice-President
Public Market Investments

DAVID WEXLER
Senior Vice-President
Human Resources

MARK D. WISEMAN
Senior Vice-President
Private Investments

BENITA WARMBOLD
Chief Operations Officer
(Effective June 9, 2008)

GRAEME BEVANS
Vice-President and Head of Infrastructure

ANDREW A.L. BLAIR
Vice-President and Head of Real Estate Investments – Americas

ANDRÉ BOURBONNAIS
Vice-President and Head of Principal Investing

JOHN B. BREEN
Vice-President and Head of Funds and Secondaries

EDWIN D. CASS
Vice-President and Head of Global Capital Markets

COLIN CARLTON
Vice-President – Investment Research

RICHARD EGELTON
Chief Economist and Vice-President
Economic and Market Forecasts

STERLING GUNN
Vice-President – Portfolio and Risk Analysis

WENZEL R.B. HOBERG
Vice-President and Head of Real Estate Investments – International

DAVID S. McCANN
Vice-President and Head of Relationship Investments

JENNIFER THOMPSON
Vice-President and Head of Information Services

CPP INVESTMENT BOARD

HEAD OFFICE
Toronto:
One Queen Street East
Suite 2600
P.O. Box 101
Toronto, Ontario, Canada
M5C 2W5

Telephone: 416-868-4075
Toll Free: 1-866-557-9510
TTY: 416-868-6035
Facsimile: 416-868-8689

WWW.CPPIB.CA

Ce rapport annuel est aussi disponible en français

INTERNATIONAL OFFICES
Hong Kong:
15/F York House
The Landmark
15 Queen's Road, Central
Hong Kong

Telephone: 852-3973-8788
Facsimile: 852-3973-8710

London:
7th Floor
33 Cavendish Square
London W1G 0PW
U.K.

FSC Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org
© 1996 Forest Stewardship Council

This annual report is printed on Forest Stewardship Council (FSC) certified paper that is produced with the world's highest standards for environmentally and socially responsible forestry practices.